Policy Brief #22

Aligning regulations to enhance digital financial inclusion in Indonesia

Agnes Salyanty, Frenky Simanjuntak, Raunak Kapoor

November 2018

MicroSave
Market-led solutions for financial services

MicroSave

Market-led solutions for financial services

About *MicroSave*

MicroSave is a leading international consulting firm that offers practical, market-led solutions in the areas of Digital Financial Services, Inclusive Finance and Banking, Micro, Small and Medium Enterprises, and Private Sector Development. We focus on enhancing access to financial services to the low- and middle-income segments.

Our vision is to live in a world where everyone has access to high-quality, affordable, market-led financial services and support. For 20 years, we have worked with our clients as a locally based, international consulting firm. We have guided policy and facilitated partnerships to develop enabling ecosystems.

We welcome your feedback on this policy brief. Please write to us with your comments or questions to

Raunak Kapoor: *raunak@microsave.net*
Agnes Salyanty: *agnes.salyanty@microsave.net*
Frenky Simanjuntak: *fsimanjuntak@gmail.com*

Table of Contents


1
Setelah memperoleh data penerima manfaat Bantuan Pangan Non Tunai dari Kementerian Sosial, Dinas Sosial melalui Pendamping BPNT menginformasikan kepada calon Keluarga Penerima Manfaat (KPM) untuk melakukan pendaftaran.
2
Calon KPM datang ke tempat yang ditentukan untuk melakukan pendaftaran dengan membawa KTP/KK/Dokumen lain yang dapat menunjukkan identitas.
3
Petugas Kelurahan melakukan pemeriksaan dan melengkapi data KPM.
4
Petugas Bank didampingi Dinas Sosial, Petugas Kelurahan dan Pendamping BPNT melakukan penyerahan KKS dan Kit Bantuan Pangan Non Tunai.
5
KPM mengikuti sosialisasi dan edukasi pemanfaatan KKS Bantuan Pangan Non Tunai.
6
KPM dapat melakukan penerimaan Bantuan Pangan Non Tunai di e-Warong Penyalur Bantuan Pangan Non Tunai.
BANK INDONESIA
OJK
TNP2K
HIMBARA
INTERPOL

Introduction

Access to banking and other financial services for Indonesians who live on the economic and geographical periphery remains limited. According to the World Bank's Financial Inclusion Index Survey (2017)[1], only 49% of Indonesian adults have access to a bank account. Indonesia's government has been accelerating its efforts in financial inclusion for the past several years. In most countries, the regulator for the banking and financial service sector, usually the central bank, develops and executes policies related to financial inclusion. However, Indonesia has taken another approach. Regulatory supervision of banking and financial services is under two regulatory bodies, Bank Indonesia (BI) and the more recently established, Financial Service Authority (*Otoritas Jasa Keuangan* or OJK). Both institutions have defined regulatory roles and a specific charter of duties (see Table 1).

Table 1. The scope of duties and regulatory roles of BI and OJK

	Bank Indonesia (BI)	*Otoritas Jasa Keuangan (OJK)*
Regulatory supervision	Macro Prudential: Monetary policy, minimum reserve requirements, BI rate, credit policy	Micro Prudential: Overseeing banks and non-bank financial institutions in Indonesia
Scope of duties	1. Establish and implement monetary policy 2. Organize and maintain the payments system	Supervise activities of financial services providers including: 1. Banks 2. Insurance service providers 3. Pension funds 4. Non-banking financial institutions 5. Capital markets

While OJK is the regulator for branchless or agent banking, popularly known as the *Laku Pandai* program[2], BI is the regulator of e-money initiatives also known as the Layanan Keuangan Digital (LKD) program[3]. In terms of digital financial services (DFS), e-money regulations and agent banking regulations are usually differentiated, as is the case in countries such as India, Kenya, and Tanzania. However, in all these countries,

[1]The Global Findex Database 2017, World Bank
[2] *Laku Pandai* is the financial inclusion initiative of OJK wherein commercial banks can appoint agents to provide basic banking services like deposit, withdrawals, bill payments, and money transfers
[3] Layanana Keuangan Digital is a financial inclusion programme of Bank of Indonesia wherein banks and non-banks can issue electronic wallets (mobile or card) to facilitate digital payments.

a single regulatory authority - the central bank formulates and administers such regulations. This is not the case with Indonesia.

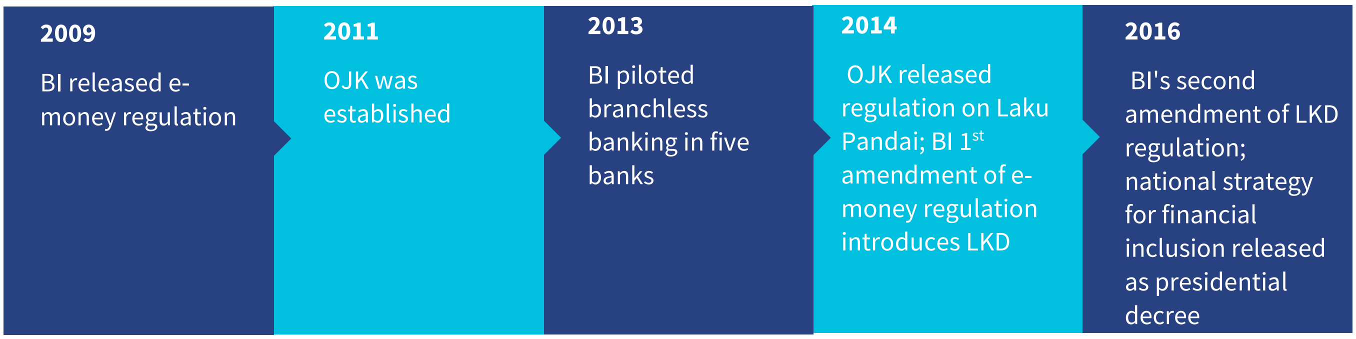
MicroSave has been at the forefront of efforts to inform policy which seeks to build a more inclusive and enabling digital financial services ecosystem in Indonesia. In the past few years, *MicroSave* has conducted multiple field research studies to understand the obstacles to the growth of digital financial services in Indonesia, especially with the segment which is outside the network of formal financial institutions. "Emerging Risks and Consumer Protection in DFS" and "Agent Network Accelerator Research" were two large-scale research assessments, where our teams interacted with many DFS customers and agents. One of the key findings from this research was that neither customers nor agents were able to differentiate between the products and services offered under the LKD and *Laku Pandai* programs. This is because of significant overlaps between the two products. At the same time, there are differences that lead to challenges in terms of customer understanding of the two products. Service providers face similar issues in managing two similar but not identical products and different delivery channels. Two separate sets of regulations do cause challenges for providers - both from the operational and regulatory standpoints.

This policy brief is based on our earlier studies and interactions/ experience with industry players in Indonesia. It presents a broad framework and strategic considerations to align the two DFS programs in a bid to enhance digital financial inclusion. The policy brief is not a critique of the regulations but is designed to provide inputs for stakeholders to further strengthen the DFS regulatory environment in Indonesia. This exercise looks at synergies in regulations for e-money and branchless banking to unleash the full potential of digital financial services in Indonesia and to bring about greater financial inclusion.

Financial inclusion regulation in Indonesia

BI issued e-money regulations in 2009. The regulations allowed both banks and non-banks to issue e-money and offer digital wallet solutions. Between 2007-2012, both banks (Bank Rakyat Indonesia and Bank Central Asia) and non-banks (XL, Telkomsel, and Indosat) launched digital wallet solutions. In 2013, BI started a branchless banking pilot with five banks. Similarly, OJK, after its formation in 2011, released branchless banking (*Laku Pandai*) regulations in 2014. Subsequently, branchless banking initiatives of banks came under the direct supervision of OJK. The regulations defined the provisions for offering basic savings accounts (BSA) leveraging digital technology and agent networks. In the same year (2014), BI amended the e-money regulations and introduced the *Layanan Keuangan* Digital (LKD) program. The LKD program rebranded the existing e-money regulations and for the first time recognized "financial inclusion" as one of the key policy directives of e-money money regulations.

The chart below summarizes the evolution of the DFS policy framework in Indonesia:



Aligning LKD and *Laku Pandai* regulations

The term "aligning of regulations" has different definitions depending on its context and usage. In general, regulatory alignment is the process by which technical guidelines are designed to be uniform across all participating authorities that are engaged in the oversight and governance of similar policies, and either activities or business models or both.

The alignment of the LKD and *Laku Pandai* regulations has long been one of the key discussion points among the stakeholder community. Both regulations govern similar business models aimed at leveraging technology to further financial inclusion. In this policy brief, we have analyzed both LKD (No.11/12/PBI/2009; No. 16/8/PBI/ 2014; No. 18/17/PBI/2016; No.20/6/PBI/2018) and *Laku Pandai* (OJK No. 19/POJK 03/2014) regulations to assess the coherence between the two regulations. In addition to these regulations, we have also looked into other regulations, such as Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT), which define protocols for the delivery of financial services by both banks and non-banks. We have also provided broad recommendations on mechanisms that regulatory authorities can adopt to align the two sets of regulations.

The table below summarizes the key elements of the two regulations and highlights similarities and differences.

Key elements	Excerpt of articles in LKD and *Laku Pandai* regulations	Similarities and differences
Eligibility criteria for securing a license	**E-money regulation**[4] (No. 20/6/PBI/2018) ***Article 6:*** BI issues e-money licenses for five years with the possibility of renewal. Eligible providers (article 6): ✓ Banks ✓ Non-banks (limited liability company) ***Article 7/8:*** For non-banks, additional requirements are: ✓ A majority of directors on the Board of Directors (BOD) should have a domicile in Indonesia ✓ The minimum paid-up capital should be IDR 3 billion (~ USD 200,000) ✓ The majority shareholding (>51%) should be held by Indonesian citizens or by a legal entity registered in Indonesia ***Laku Pandai* regulation**[5] ***Article 3:*** Branchless banking licenses are issued by OJK for: ✓ All categories of banks (BUKU1 to BUKU 4), ✓ Insurance companies, or ✓ Other types of financial service companies ***Article 10:*** Eligible banks or other financial services companies must have: ✓ Operational and compliance risk rating between1-3, and ✓ Branches in Eastern Indonesia.	**Similarities:** ✓ The two regulations allow different categories of financial institutions to apply for e-money or branchless banking licenses **Differences:** ✓ LKD regulations mandate domestic ownership for non-banks to secure e-money license ✓ *Laku Pandai* mandates banks to have operations in remote areas of Eastern Indonesia as an eligibility criterion for securing a branchless banking license

[4]BI Regulation No.11/12/PBI/2009 regarding E-Money that has been amended twice by BI Regulation No. 16/8/PBI/ 2014 and BI Regulation No. 18/17/PBI/2016
[5]OJK Regulation No. 19/POJK 03/2014 regarding Branchless Banking for Financial Inclusion (*Laku Pandai*)

Application for DFS license	**E-Money regulation** (No. 20/6/PBI/2018) ***Article 18 and 19:*** Banks or non-banks are required to submit their business plan with their application for a license. They also have to submit documents showing organization capability to run e-money business, including product description, risk analysis, IT infrastructure report, and disaster recovery plan. ***Laku Pandai* regulation** ***Article 14:*** Banks that seek to run agent banking are required to submit their business plan with the application. Other documentation needed include product features; risk and benefit analysis; the potential number of agents; detailed location of partner agents for the first year; agents' classification; and a description of their accounting systems.	**Similarities:** ✓ Both regulators mandate service providers to submit a detailed business plan along with their application for e-money/ branchless banking license **Differences:** ✓ *Laku Pandai* regulations mandate classification of agents in seven defined categories
Account opening process	**E-money regulation** ***Article 24 H of PBI 18/17/PBI/2016:*** ✓ To open a registered e-money wallet, agents must ask the customer to provide official identity (ID card), address, and registered phone numbers. ✓ For unregistered e-money wallet, customers purchase e-money from merchant partners directly. ***Laku Pandai* regulation** ***Article 30:*** BSA account can be opened at *Laku Pandai* agents by providing complete name, address, place and date of birth, and occupation.	**Similarities:** ✓ Both regulations require simple KYC procedures to open a registered DFS account **Differences:** ✓ LKD regulations restrict third-party agents of non-banks from account opening and customer due diligence

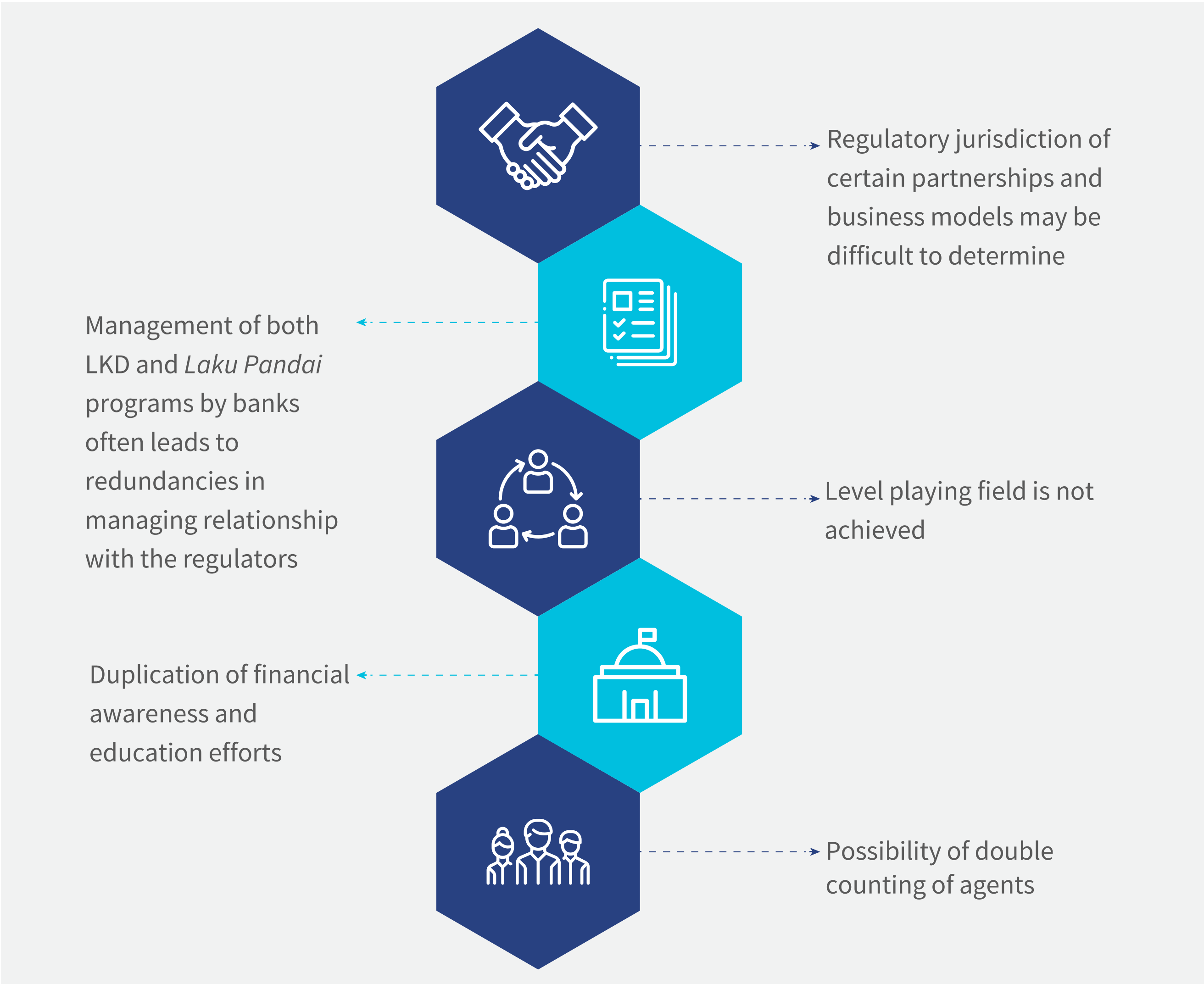
Permissible activities	**E-Money regulation** ***Article 1A of PBI 16/8/2014:*** ✓ Registered users: registration (account opening), top-up, payment transaction, bill payment, transfers, cash withdrawal, other services approved by BI ✓ Unregistered users: Top -up, bill payment, payment transactions with merchant partners such as toll gate payment, payment at retail chain stores. ***Laku Pandai* regulation** ***Article 4-6:*** ✓ Basic Saving Account (BSA): account opening, cash-in, cash-out, transfer, bill payment, balance inquiry ✓ Micro credit: document application, disbursement, collection, and loan payments Other related agent banking services based on OJK approval	**Similarities:** ✓ Top up/cash in ✓ Bill payment ✓ Cash out **Differences:** *Laku Pandai* allows a wider range of financial services not offered by LKD, such as: ✓ Savings accounts ✓ Micro credit services ✓ Money transfer (to a different bank) ✓ Other financial services
Risk mitigation	**E-Money regulation** ***BI Circular No 16/11/2014 regarding E-money:*** ✓ Providers must have internal SOPs to resolve fraud ✓ Related parties (issuer, principal, acquire, clearance, and settlement) must report any fraud event through an incidental report to BI ✓ BI to conduct due diligence to make sure that the service provider adheres to principles of integrity, financial reputation, and financial health.	**Similarities:** The risk mitigation protocols defined under both regulations are largely similar. Both regulations mandate service providers to have internal SOPs on fraud resolution

	Laku Pandai* regulation** ***Article 33: ✓ Banks must have internal SOPs to resolve fraud ✓ OJK may request reports and data and can conduct onsite supervision of agent banking outlets and where necessary, OJK may order a bank provider to terminate its MoU with the agent.	
Consumer protection	**E-Money regulation** ***Article 9 and 11 of BI Regulation No. 16/8/PBI/ 2014*** Providers must submit written SOPs on applied consumer protection principles, which include transparency, education, handling, and completion of consumer complaint to BI, as stated in the consumer protection law of the country ***Laku Pandai* regulation** **Article 34:** Banks must ensure the principle of transparency, reliability, confidentiality, and security of consumer data or information as per the consumer protection law of the country	**Similarities:** Neither regulations specifically define consumer protection principles for DFS. They, however, mandate providers to adhere to consumer protection laws and/or principles.
Data Privacy	**E-Money regulation** ***BI Circular No. 11/11/2009:*** License-holders to equip themselves with adequate IT systems that can cover customer confidentiality, data integrity, authentication system, non-repudiation, and system availability	**Differences:** While LKD regulations stress more on IT systems that ensure data privacy, *Laku Pandai* regulations allude to data privacy as a generic concept that has to be adhered to.

	Laku Pandai* regulation** ***Article 31: The financial services business is prohibited to provide data or information about its customers to third-parties. However, such prohibition does not apply if the consumer provides written consent for data sharing and/or there is an explicit approval in the legislation itself.	

Our analysis shows that although the two regulations are almost identical, there are certain clauses that significantly impact competition and collaboration required for an enabling DFS ecosystem. We also believe that aligned regulations can be an effective policy measure for customer protection. Besides such differences, the need for alignment is even greater given the way the two regulations manifest in terms of on-ground implementation.

Reasons that necessitate regulatory alignment



The section below explains the specific reasons that necessitate alignment in LKD and *Laku Pandai* regulations.

1. Regulatory jurisdiction of certain partnerships and business models may be difficult to determine

Digital financial services are evolving rapidly. The boom in financial technology companies (FinTechs) in the past few years has made the DFS landscape even more dynamic. Although the market has become fiercely competitive, the importance of collaboration is also increasing. Innovative partnerships between service providers lead to hybrid business models that aim to serve the specific financial service needs of multiple customer segments. Given the unique regulatory structures in Indonesia, the regulatory jurisdiction of some of these emerging business partnerships may be difficult to determine. Such partnerships may require approval from multiple regulators for similar business functions, thereby leading to redundancy and duplication.

Most partnerships between banks and FinTechs or non-banks will have to go through an elaborate licensing process, both from OJK and BI. Even after approvals, there may not be sufficient regulatory clarity on certain aspects of operations. One of the prime examples of this is the design and implementation of government-to-person (G2P) projects. The G2P digitization projects in general sit at the cross-section of the payments and banking domains. In the current scenario, BI leads the design of G2P schemes, while *Laku Pandai* agents, regulated by OJK, are the implementation arm performing all client facing activities including cash-out of G2P payments.

2. Management of both LKD and *Laku Pandai* programs by banks often leads to redundancies in relationship with the regulators

Under the existing regulatory framework, a commercial bank can implement both LKD and *Laku Pandai* programs. Banks that implement both programs often face issues in meeting separate requirements of the two regulators. These requirements include reporting protocols, diversified agent network management requirements, and other compliance protocols mandated by BI and OJK. The problem is exacerbated since providers tend to use the same delivery channel (agents) to offer potentially competing products, which also leads to product cannibalization. Our research shows that both agent and customers find it difficult to understand the difference in value proposition of *Laku Pandai* and LKD products, especially when the same service provider offers these products through, at times, the same agent.

3. Level playing field is not achieved

Any successful regulatory framework should create a level playing field for all stakeholders to compete and collaborate. However, in the current regulatory landscape, the financial inclusion issue is not addressed in a mutually exclusive and collectively exhaustive manner. Aspects, such as agent network management, cut across both LKD and *Laku Pandai* regulations. Inconsistencies between the two regulations on some crosscutting themes create a situation where one category of providers enjoys a substantial competitive edge over the other. For example, banks that implement the LKD program are allowed to recruit individual agents, besides agents through registered entities, while non-banks that implement the same program can only recruit "registered entities" as agents. This has led to a situation where currently, a few players dominate the DFS market.

4. Duplication of financial awareness and education efforts

In the current context, both BI and OJK design and implement separate public awareness or education campaigns on financial inclusion. This duplication of efforts requires considerably more resources. Given the limitations of resources, this situation limits financial inclusion in the country. Moreover, the messaging from such campaigns is often similar. An agent or customer finds it difficult to differentiate between the value proposition of an e-wallet vis-à-vis a basic savings account. Ideally, the financial inclusion policy agenda should be under the aegis of a single government agency that designs and communicates the program under an umbrella brand.

5. Possibility of double counting of agents

As per the data released by OJK and BI respectively, there are more than 1 million *Laku Pandai* agents and more than 200,000 LKD agents in Indonesia. The existing framework creates a situation for double counting of agents by regulators, especially in case a provider implements both *Laku Pandai* and LKD programs. Moreover, double counting may happen in cases where a non-bank has partnered with a bank to leverage the bank's agent network and offer e-wallet services. As the number of agents grow and more such partnerships are forged, it would be difficult for regulators to keep track of agent numbers across different regions.

Recommendations

Our policy recommendations are divided into two sub-sections. The first section is a framework we propose to bring about greater regulatory alignment. This will look into two possible scenarios on alignment between *Laku Pandai* and LKD programs. The second section of the recommendations focuses on key considerations for regulatory amendments. These recommendations address specific aspects of regulation that, we believe, might otherwise hamper financial inclusion through agent banking.

Proposed frameworks for regulatory alignment

In this section, we list two frameworks that Indonesia can adopt to align financial inclusion regulations in the country. The proposed alignment models take into consideration the existing regulatory structures.

In the existing setup, LKD and *Laku Pandai* differentiation is primarily made based on the product that is being offered under these two programs. A digital wallet is technically a payments product. Hence BI, a regulatory authority that is in charge of payment systems, regulates the LKD program. On the other hand, only banks can offer a Basic Savings Account (BSA). Hence, the *Laku Pandai* program is under the supervision of OJK. Although such differentiation is technically valid, practically, an open loop digital wallet is near-identical to a bank account. This differentiation blurs further if we take into consideration the marginal interest rate (~1%) that a BSA offers in Indonesia.

Framework 1: Consolidate all agent banking and inclusion related matters under one regulator irrespective of the type of institution that delivers such service

In this framework, all financial services delivered through agents can be consolidated under one regulatory authority, irrespective of institution type (bank or non-bank) or product delivered (wallet or basic savings account). OJK and BI can mutually decide upon the institution that is best-placed to manage such regulatory supervision, depending on the scope of supervision and the availability of manpower resources. The proposed framework provides an opportunity to merge *Laku Pandai* and LKD programs to have an umbrella initiative for financial inclusion with a common vision and strategy, and with the communication aligned to the National Financial Inclusion Strategy for Indonesia. The concerned regulatory authority can retain both e-money and branchless banking regulations but will amend the regulations to make them better aligned and more consistent.

Framework 2: Close coordination between OJK and BI on certain key aspects of regulations. Explore possibilities for consistent protocols on customer on-boarding, customer protection and agent monitoring and reporting requirements:

If merging agent supervision under one agency is not feasible, BI and OJK may have to coordinate more closely to bring consistency in a number of regulations for *Laku Pandai* and LKD. The key ones include:

- **Customer protection guidelines:** The regulators should develop uniform customer protection guidelines for both *Laku Pandai* and LKD products since there is an overlap in terms of the services provided through these accounts / wallets, the channel of delivery, and customer segments being targeted.

- **Common protocols for regulatory compliance:** OJK and BI may have to align statutory reporting protocols to facilitate smoother compliance by service providers, especially banks that implement both *Laku Pandai* and LKD programs. This will ensure that providers are able to report consistently and accurately on compliance protocols without customization for each regulator. This move will also ensure greater accuracy in measuring agent coverage and count. The statutory protocols include licensing requirements, progress reports, approval for new agents, audit checklist, among others.

- **Agent monitoring:** The guidelines for monitoring agent operations should be made uniform in terms of the audit checklists used and aspects that are monitored in the field, such as branding, customer education, agent training, among others. This will ensure that service providers will have to follow standardized protocols to manage their agents. Besides for aspects related to agent monitoring, OJK and BI may also align some of the key aspects related to agent recruitment, including eligibility criteria, and agent classification.

- **Common branding and communication strategy for a mutually reinforcing financial inclusion agenda:** In order to have greater consistency in the financial inclusion agenda, OJK and BI may adopt a common branding for *Laku Pandai* and LKD programs. Such umbrella branding will provide a clearer picture of the government's agenda on digital financial inclusion for both agents and customers. This will also optimize resources of both OJK and BI on public communication, education, and financial literacy for their financial inclusion initiatives.

AML/CFT guidelines for banks and non-banks

In order to align branchless banking and e-money regulations, other overarching regulations such as AML/CFT will also have to be taken into consideration. OJK has issued AML/CFT regulations for banks (POJK/Nomor 12/POJK 01-2017); while BI has issued these guidelines for non-banks (PBI No. 19/10/PBI/2017). Both regulations define the general guidelines for AML and CFT required for customer due diligence (CDD) and transaction monitoring. The aspects related to simplified CDD as detailed in the two regulations have important implications on financial inclusion initiatives, including *Laku Pandai* and LKD programs. While both regulations lay down rules related to simplified CDD, a few aspects of simplified CDD could be made more explicit and consistent. These include:

- *Requirement for face-to-face interaction with service provider staff*: Currently, agents of a bank are allowed to conduct CDD procedure provided conditions stated under "third-party CDD" are met, as stated under AML/CFT guidelines issued by OJK. However, agents of non-banks are not permitted to conduct CDD for the customer.

Key strategic consideration to align the LKD & *Laku Pandai* regulations

Strategic considerations	Proposed regulatory amendments	International experience
Enabling regulatory regime for non-banks	Restriction on non-banks to recruit individual agents: Under the existing *Laku Pandai* and LKD programs, both banks and non-banks offer similar products and target similar customer segments. However, the regulatory restrictions on non-banks for recruiting individual agents restrict their ability to serve the unbanked and under-banked segments significantly. The objective of an aligned policy regime should be to create a level playing field that promotes competition and innovation.	Markets such as Kenya, Pakistan, India, and Bangladesh have a mix of service providers including banks, non-banks, and third-party service providers. This has led to healthy competition, more innovations and consequently, an increase in the uptake and usage of DFS.

Encourage collaboration between various service providers	Allow third parties to manage agent networks: Partnerships between banks and non-banks is currently being regulated on an *ad-hoc* basis, with both regulators looking at each request separately. The *Laku Pandai* regulations currently restrict banks from hiring third parties to manage agent networks; although there are examples where: 1. Non-banks have partnered with banks to make use of the bank's agent network to acquire new customers. 2. Banks have partnered with non-banks to acquire new customers. The global success of third-party ANMs has been well-researched and documented. As the DFS market matures in Indonesia with providers offering more complex products and services, the service levels of agents will be critical to ensure the success of digital financial inclusion.	Providers in Bangladesh, Pakistan, Uganda, Mexico, and India have formulated innovative business partnerships with third-party agent network managers that have helped them to efficiently scale up.
Uniform messaging and branding of DFS initiatives targeted at financial inclusion	Since both LKD and *Laku Pandai* programs have financial inclusion as a key agenda, they may consider building a common brand or messaging around both these initiatives, especially for public awareness campaigns. Instead of using separate collaterals and other IEC materials, the unified program could provide a consistent communications campaign. This will also help regulators have a single window to monitor and evaluate all financial inclusion-related initiatives and their outcomes.	Countries such as India have done exceedingly well on marketing, communication, and education of their financial inclusion program. In the case of India, this was under the umbrella initiative of the *Pradhan Mantri Jan Dhan Yojna (or the Prime Minister's Financial Inclusion Program)*.
Encourage greater participation of a wide variety of service	The Indonesian government is working to digitize its G2P schemes. However, the schemes are still in the early stages of implementation. In future, the scale of these projects will increase exponentially as government scales up existing pilots and more G2P initiatives are digitized.	Countries such as India and Brazil have been able to scale of their G2P programs. This has been possible by extending services to remote rural areas by involving a wide variety of service providers in the delivery of G2P payments.

providers for G2P delivery	Currently, G2P schemes are limited to state-owned banks that run the *Laku Pandai* program. Limiting G2P delivery to just a few public-sector banks might create issues in scale-up and may also be beyond the resource and outreach capacities of these banks. Moreover, G2P is one of the major use-cases for DFS, hence, it gives a major competitive edge to a few providers over others, thereby distorting competition[6]. The regulators should consider opening up G2P to a wider variety of players, including the private sector and non-banks.	

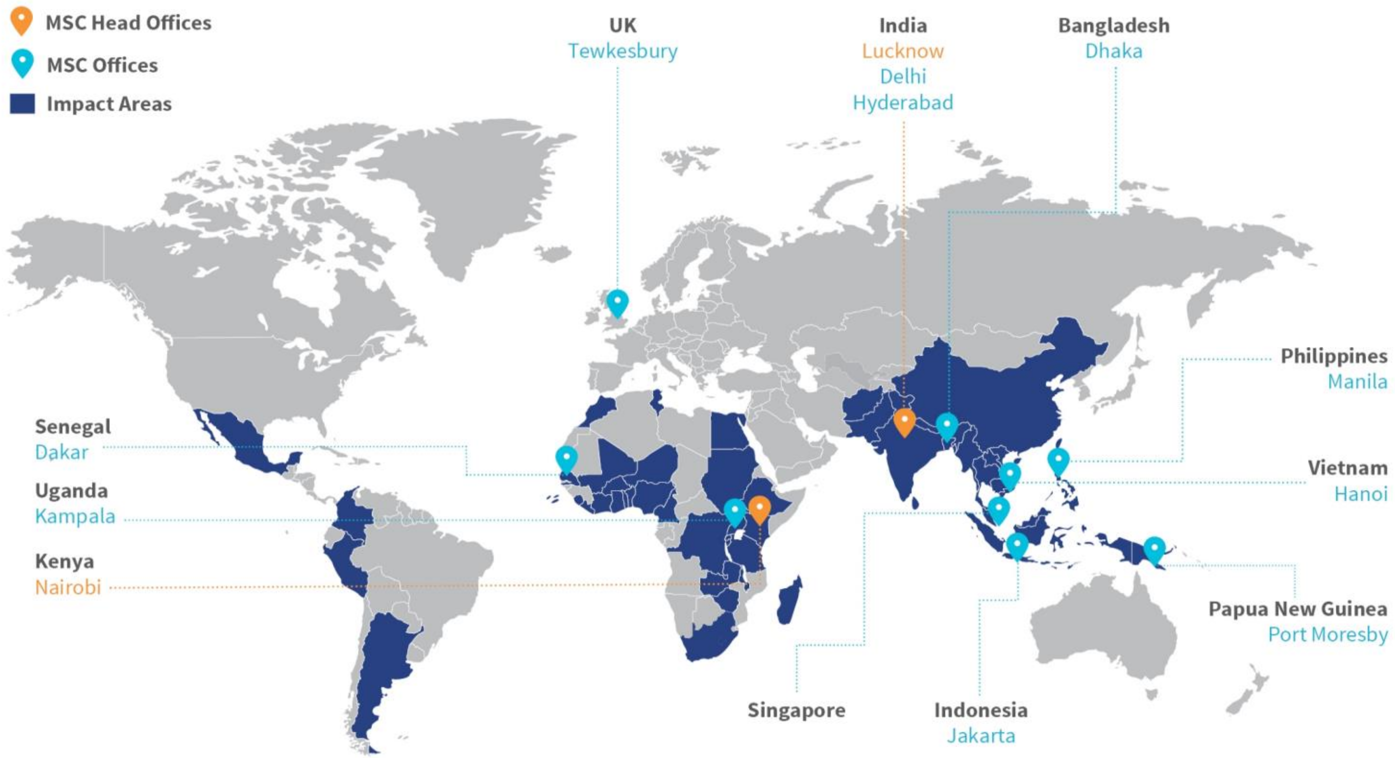
Conclusion

The landscape of digital financial services in Indonesia is relatively nascent when compared to some of the other more mature DFS markets, such as Kenya, Tanzania, the Philippines, or India. In the past few years, all concerned stakeholders, including regulators and service providers, have made rapid progress. These collective efforts have resulted in an increase in the accessibility and outreach of DFS for the unbanked and under-banked masses. The current regulatory framework for DFS in Indonesia is somewhat complex. The regulation changes depending upon whether the DFS initiative has been rolled out by a bank or a non-bank and also whether the product is designated as an e-wallet or a bank account.

Although both LKD and *Laku Pandai* regulations are similar in many aspects, key differences between the two sets of regulation have an impact on the interplay of these two programs, especially on activities that are directed at financial inclusion. The regulatory framework for DFS in Indonesia can be aligned to ensure that there is a level playing field among all stakeholders and an enabling environment is created to foster greater collaboration and innovation.

[6] As per the ANA India (2017) research, an agent offering G2P services conducts more than twice the number of median daily transactions compared to those agents who do not offer G2P services

MicroSave
Market-led solutions for financial services



Asia Head Office

28/35, Ground Floor, Princeton Business Park, 16 Ashok Marg,
Lucknow, Uttar Pradesh, India 226001
Tel : +91-522-228-8783 | Fax : +91-522-406-3773
Email : manoj@microsave.net

Africa Head Office

Shelter Afrique House, Mamlaka Road, P.O. Box 76436,
Yaya 00508, Nairobi, Kenya
Tel : +25-420-272-4801 | Fax : +25-420-272-0133
Email : anup@microsave.net

www.MicroSave.net