

Developing mobile banking technologies in Indonesia

Building an effective mobile wallet product requires constant innovation.



CLIENT PROFILE

Bank Sinar Harapan Bali, part of Bank Mandiri Group, is a micro-finance bank and is the primary provider of mobile banking services to clients. Through its network of 93 branches across Bali, Bank Sinar has implemented a mobile banking platform in conjunction with an Mobile Network Operator (MNO). The bank offers a mobile wallet for clients to store money and use the mobile channel to make payments and transfers to linked accounts.

As of August 2014, Bank Sinar's portfolio consisted of over 80 percent micro and small loans.

In December 2014, Bank Sinar issued 800 million new shares and was renamed Bank Mantap. With the establishment of a joint venture between Bank Mandiri, state pension fund Taspen and state-owned postal service Pos, Bank Mantap aims to expand its pension lending business in Indonesia. Bank Mantap continues to serve the small and medium-sized enterprises (SME) sector and disbursed \$200 million in loans in 2017, an increase of 161 percent within one year. The remainder of the portfolio is focused on pension lending.

BACKGROUND

Out of a population of 252 million, more than 28 million Indonesians still live below the poverty line. As of 2017, only 49 percent of adults in Indonesia had an account at a financial institution. While Indonesia has made enormous gains in poverty reduction, approximately 40 percent of the population remains vulnerable, as their incomes hover marginally above the national poverty line. Promoting access to finance for this segment can help.

IFC ROLE

In November 2011, with support from IFC and GSMA, Bank Sinar had partnered with AXIS to introduce Sinar Sip, a branchless banking savings product. Sinar Sip was launched and marketed to target untapped market segments, develop customer loyalty and longevity, support partner growth, and increase access to banking for Indonesia's unbanked. The new service would demonstrate to the Central Bank, Bank Indonesia, that the mobile banking product is safe and secure.

IFC's support to Bank Sinar was to help ensure the success of Sinar Sip and support expanding access to financial services for the unbanked. Specifically, IFC would assist by:

- Identifying and prioritizing necessary enhancements to the business model, services and operations of Sinar Sip.
- Supporting Bank Sinar in the development of a third-party agent network.
- Providing strategic advice, guidance on investments for management to deliberate on and agree next steps.
- Adjusting and managing expectations of key stakeholders regarding the outcomes that Sinar Sip can realistically achieve and their significance for the broader interests of financial sector development in Indonesia.

Sinar Sip is designed to integrate with existing Bank Sinar deposit and lending products, including loan payments and transfer of funds to the Sinar Sip wallet.

IMPACT AND RESULTS

From 2005 to 2014, Bank Sinar's total assets reached \$110 million and total loan portfolio reached \$78 million. This project has not only helped launch a new product, but enabled Sinar to transform the way it conducts business. There is a shift from assisted transactions for loan payments, to customer self-service. Other benefits include:

- Providing a wallet for existing customers to store money, make payments and transfers through the convenience of mobile channels
- Enabling integration into the formal banking system by creating credit records and targeting new customers who may not have had access to bank accounts previously
- Stimulating economic activity and SME development by reducing transaction costs

KEY FACTS

Bali, Indonesia |  **Bank Sinar**
Mitra di Sisi Anda Berusaha Saja

115,395
Total Clients



1,955
Employees



USD 1,045
Average Loan



93
Branches



USD 78M
Loan Portfolio



Source: IFC

KEY LESSONS

IFC's experience in the Indonesian market and with Bank Sinar Harapan and AXIS has provided valuable insights for developing mobile banking technologies in Indonesia and elsewhere.

- Mobile Banking is a new concept for most Balinese people. Efforts towards customer education are needed for users to avail of the full benefit of the Sinar Sip offer.
- In the absence of an agent network, Bank Sinar had to rely heavily on outsourced resources and branches to acquire customers to achieve the target of 69k registrations within 12 months.
- Bank Sinar is the first bank to target this market segment with a mobile banking offering. It is opening a market that several other banks are considering venturing into.
- Sinar Sip was relaunching by developing a model to allow cross-selling of Sinar products.
- Implementation depends on regulatory framework. Uncertain regulations around agent banking and the role of super agents meant that Bank Sinar could not use existing eMoney regulation as wallets would be linked to core banking accounts. (what was done instead?)
- Sinar Sip adopted bank-led models to serve customers considering e-saving required radical customer behavior changes unlikely without customer education and proper incentives to compensate agent services.

DIGITAL FINANCIAL SERVICES IN IFC

Digital Financial Services, or DFS, uses technology to provide financial services to customers with limited access to traditional branch-based banking. Technology-enabled financial services enable customers and retail outlets to connect to financial service providers using tools such as mobile phones, payment cards, and online banking.

Globally, over 2 billion people – about 40 percent of the world's adult population – are excluded from financial services. IFC's experience has shown that DFS can dramatically narrow the financial inclusion gap in emerging economies, making it an important tool for reducing poverty.

In support of the World Bank Group's commitment to universal access to finance, IFC is working with its network of partner financial institutions to reach 600 million people by 2020. DFS is at the core of IFC's strategy to achieve this goal.

For more information about IFC's Global DFS Team, visit www.ifc.org/dfs.

