Survey on Financial Inclusion and Access

Survey on Financial Inclusion and Access (SOFIA)

Focus Note on Gender

Implemented by

Kementerian PPN/ Bappenas
Australian Government
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SAFIRA Strengthening Agricultural Finance in Rural Areas
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About the SOFIA Focus Notes

The SOFIA Focus Notes are a series of papers that explore particular subjects, using data generated under the SOFIA survey (of 2017). Building on the findings and analysis presented in the main headline report for SOFIA, this SOFIA **Focus Note on Gender** presents the analyses of the survey results in terms of the differences between male and female adults.

Consistent with the main headline report, the results presented in this Focus Note cover the adult population (i.e. those aged 17 years and older) in the provinces of East Java, NTB, NTT and South Sulawesi.

The SOFIA Focus Notes series include:

- *Focus Note on Agriculture*
- *Focus Note on Gender*
- *Focus Note on the Use of Financial Services in Selected Districts in East Java, NTB, NTT and South Sulawesi.*

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About SOFIA

The Survey on Financial Inclusion and Access (SOFIA) is a survey project implemented in Indonesia, which seeks to measure and profile levels of access to and use of financial services by all adults across income ranges and other demographics. The survey results, findings and analyses are intended for use by key stakeholders in Indonesia such as policymakers, regulators, and financial service providers.

SOFIA aims to:

- Measure the levels of financial inclusion (i.e. the proportion of the population using financial products and services – both formal and informal);
- Describe the landscape of access (i.e. the type of products and services used by financially included individuals);
- Identify the drivers of, and barriers to usage of financial products and services;
- Stimulate evidence-based dialogue that can ultimately lead to effective public and private sector interventions that can increase and deepen financial inclusion and inform financial literacy strategies;
- Provide a basis of comparison of the level of financial inclusion (in Indonesia over time and against other countries), and baseline information through which the impact of interventions to enhance access could be assessed by means of follow-up surveys.

SOFIA builds on the FinScope methodology, a survey instrument used in many other countries as part of broader initiatives to support the financial inclusion agenda.

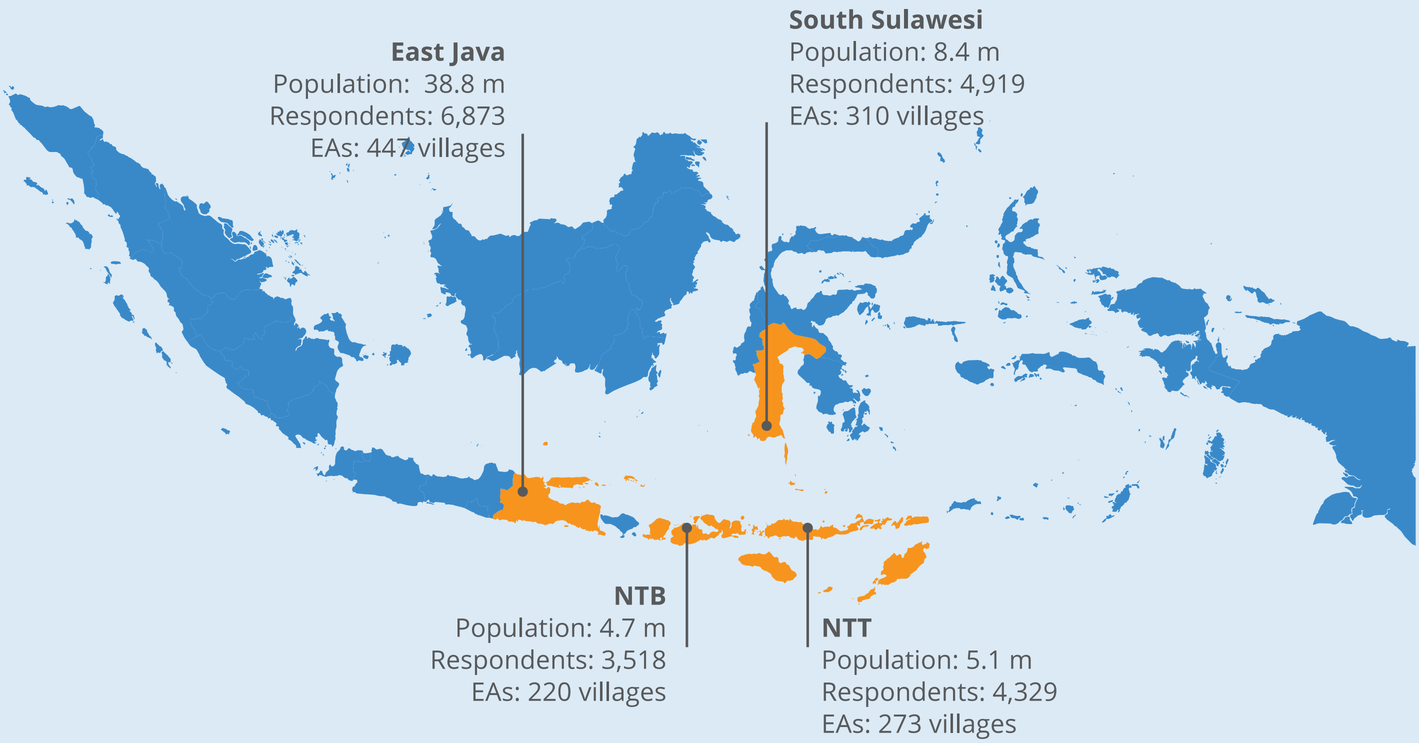
SOFIA is intended to be a national financial access survey of adults, which would have succeeding rounds over the years. This very first implementation of SOFIA (2017) covers four provinces in eastern Indonesia, namely **East Java, West Nusa Tenggara (NTB), East Nusa Tenggara (NTT)** and **South Sulawesi**, with a total sample size of 20,000 individuals.

93
districts

4
provinces in eastern Indonesia

1,250
Enumeration Areas (EAs) (villages)

20,000
individual respondents



EAs: Enumeration Areas

This survey project was implemented by Oxford Policy Management Ltd. (OPML) in 2016-17, in partnership with the Ministry of National Development Planning (BAPPENAS), and the Governments of Australia and Switzerland.

Executive summary

The importance of understanding the gender dimensions of financial inclusion

Gender matters in financial inclusion as it brings to light the often disproportionate exclusion of women from access to and usage of (especially formal) financial services.

- The body of research that tracks how financial inclusion rates evolve over time across a wide range of countries indicate that the gender gap in access to financial services remains persistent.
- Women also represent – often significantly – segments of the market that are typically unserved or underserved when it comes to financial services. These include those engaged in agricultural activities, micro and small business owners, as well as very poor households.

In Indonesia, there is evidence of this gender gap in financial access. As the headline results of the SOFIA survey reveal, in the four provinces where the survey was conducted (i.e. in East Java, NTB, NTT and South Sulawesi), there are more males who are using banking services (45%, compared to 42% of women); whereas, a significantly higher proportion of females use informal financial services (exclusively, as well as non-exclusively), compared to males. If women are or continue to disproportionately face barriers to financial access, this potentially inhibits them from participating in the economy and from improving their lives and the wellbeing of their families and communities.

How men and women use financial services

Across the four provinces surveyed, a significantly higher proportion of females (68%) save, compared to males (50%), which confirms what many other studies conclude – i.e. that women are inherent savers. However, most of the saving activity happens outside the financial system: female adults are more likely to save at home (on average 35%, and especially high in NTT at 63%); while males are more likely to save in a bank (34%, compared to 18% of females).

Interestingly, the SOFIA results show a higher proportion of men (59%) who are active borrowers (compared to men who save, at 50%). Nevertheless, women are also shown to be active borrowers – with a slightly higher proportion of women (62%), compared to men, reporting that they accessed a loan over the last 12 months. Overall, borrowing from family and friends is the most common way people access credit – regardless of gender. However, a higher proportion of females (64%) borrow in this manner, compared to males (58%). Borrowing from banks comes in second for men; whereas, borrowing through informal means comes in second for women.

Although women tend to be less banked than men, a significantly higher proportion of women are able to turn to informal financial services. The use of this type of financial services – especially in terms of saving and borrowing – is driven by the following:

- These financial services are mainly used to meet short-term needs (i.e. to smooth consumption and to meet other household expenses, including school-related expenses). The amounts being saved and borrowed tend to be small, and ease of access to these amounts (whether saved or to be borrowed) is of importance to both male and female consumers alike.
- Women turn to a range of informal financial service providers. However, women access loans from arisan, much more than men do. These informal groups are a much more common fixture in the social networks of women across Indonesia.

An opportunity for financial service providers to develop financial products that really matter to female consumers

Saving for the purpose of meeting school-related expenses is central to the financial activities undertaken by women. There are 'education insurance (*asuransi*) products' available in the market, including those that cater to small-scale needs. For example, some of the education insurance facilities allow minimum premium contributions of IDR50,000 (per month), which can be withdrawn (at any time) and are designed to cover a range of school-related expenses (and not just tuition fees).

However, despite the availability of these products, many women still continue to save for school-related expenses outside the financial system. Given the high number of women who do so, there is scope for the formal financial sector, especially banks, to develop long-term or commitment-driven savings products patterned after 'education insurance', and to target these products towards women / mothers.

Characteristics of female adults and the implications on financial access

The survey results indicate that women tend to be less banked than men. There are three key factors that help to explain this gender gap in financial access and usage:

- Females are more likely to have no education or have only achieved low levels of education, compared to males. This presents a number of demand- and supply-side barriers to accessing formal financial services.
- Women are also more likely to maintain lower asset levels and not own land/property. Even if certain assets, such as land, are owned by the household, the certificate or title of the land tends to be in the name of the male head of household. This (low) level of asset ownership can lead to a number of barriers for women – such as the inability to access loans from banks and other financial institutions that impose certain collateral requirements.
- Most women rely on other members of their household for their income. This ties in with the role that most women assume – as household managers. On the basis of the main source of income, women would be assumed to have limited economic independence and therefore not particularly attractive to formal financial institutions.

In view of these, if the intention is to increase the proportion of women who are able to access and use the services of formal financial institutions, such as banks, interventions that improve women's (and girls') access to education and support women to gain ownership of assets (especially land/property) are seen as instrumental to the realisation of this goal, especially in the long term.

But there are a number of other characteristics of women as economic actors that are also important to consider:

- Although women *mainly rely* on others for their income, a significant proportion of them have secondary income sources – mainly entrepreneurial activities.
- Moreover, although women rely on others, such as their spouses, to provide the money to finance personal and household needs, women exercise control over household finances. Women's role as household managers requires that they make decisions on spending (at times, independently of others), and that they keep track of earnings and how money is spent. Women are thus actively engaged in financial transactions – whether in terms of storing money for future use (saving), making payments and transfers, or indeed accessing loans especially to bridge gaps between revenue and spending streams.

- Even as women (generally) may not have achieved the same education levels as men, they appear to perform better along a number of dimensions in terms of 'financial capability' – e.g. in terms of being able to keep track of income and expenses. Women do so because such capabilities are needed in the role that they play as financial managers in the household.

An opportunity for policymakers to ensure that financial education programmes target and include women

As women are playing a central role in household financial management, there is a strong case to ensure that efforts to promote numeracy, financial literacy and greater financial capability target or include women. Moreover, even as women (generally) may not have achieved the same education levels as men, they appear to perform better in terms of being able to track income and expenditure (given that such capabilities are needed in the role that women play). This suggests that targeting financial education programmes towards women could offer greater traction.

In terms of opportunities that are geographically-oriented, the survey results point to a need to promote financial education especially in the province of NTB. Across the four provinces surveyed, NTB has the lowest proportion of the population – both males and females – who reported that they keep track of income and expenses, far less than what is observed in the other three provinces.

It is important to understand the roles that men and women play in households as these have implications on women's perceptions and attitudes towards financial services.

For many women, taking care of their families, and especially the needs of their children, is at the core of what they do – be it running an income-generating activity, setting aside money for future use or borrowing money. For women, especially those in low-income households, their focus will be strongly placed on immediate or near-term needs, rather than making long term plans for the future. They may also view risks quite differently from the way men do. For example, men appear to take on more debt, compared to women. Other studies explain that this seems to stem from the ability of men to take a longer-term perspective on money – possibly because they are not (as) worried about the household, especially when a female partner or spouse is looking after the details of meals, children's well-being, etc.

It is also important to note that for many women, especially those in low-income households and whose livelihoods are mainly in agricultural production, their time is completely consumed by daily household chores – which include preparing meals for the family and taking care of children. In many cases, women are also actively involved in farm work or are helping to run their own or the family's income-generating activities, alongside their responsibilities in managing the household. This often means that women have very little time left to do anything else – such as go to town to visit a bank and deposit one's savings. They would opt for more accessible facilities – such as saving in an arisan or keeping one's savings at home.

An opportunity for financial service providers to bring services closer to female consumers

Many women – especially those who belong to low-income households – are often time-constrained and unable to travel to bank branches to open accounts and carry out financial transactions. These women therefore tend to prefer saving or borrowing at facilities that are accessible at the village – e.g. via an arisan or service providers that give them the option to transact via door-to-door collectors or indeed agents that now form part of the branchless banking model adopted in the country.

While formal financial services providers, such as banks, may not necessarily be able to directly provide (in a viable manner) the kind of services that all unbanked women and men need, there are opportunities seen in terms of building relationships with other types of providers. For example, linkage banking schemes that capitalise on the existence of savings and loans associations (e.g. arisan) can help bring more women closer towards formal financial access. From the perspective of formal financial institutions, such as banks, developing these initiatives that target 'unbanked women' will be motivated by the positive savings behaviour observed among women.

01

Introduction

While there have been improvements in financial inclusion rates globally, research on financial inclusion still point to “two persistent divides”– i.e. understanding the barriers to financial access from the perspective of gender, as well as for those based in rural areas. [1]

So why does gender matter in financial inclusion? Gender matters as it brings to light the often disproportionate exclusion of women from access to and usage of (especially formal) financial services.

- The body of research that tracks how financial inclusion rates evolve over time across a wide range of countries indicate that while ownership of formal accounts amongst the poorest households have increased over time, ownership of formal accounts among women in many developing and emerging economies have not increased as much. In other words, the gender gap in access to financial services remains persistent over time.
- Women also represent – often significantly – segments of the market that are typically unserved or underserved when it comes to financial services. These include those engaged in agricultural activities, micro and small business owners, as well as very poor households.

In Indonesia, there is evidence of this gender gap in financial access. As the headline results of the SOFIA survey reveal, **there are more males who are using banking services (45%, compared to 42% of women); whereas a significantly higher proportion of females (49%) use informal financial services (exclusively, as well as non-exclusively), compared to males (29%)**. If women are or continue to disproportionately face barriers to financial access, this potentially inhibits them from participating in the economy and from improving their lives and the wellbeing of their families and communities.

The importance of understanding the gender dimensions of financial inclusion is recognised by the Government of Indonesia. The country’s National Financial Inclusion Strategy aims to address gender gaps by developing programmes and interventions that specifically target women within unbanked and underbanked segments.

This paper seeks to contribute to understanding what is driving the gender gap in financial access. Consistent with this current round of the SOFIA survey, the findings consider the experience and perspective of adults (i.e. those aged 17 years and older) in the four provinces of East Java, NTB, NTT and South Sulawesi. To complement data from the SOFIA survey, qualitative research was also conducted following the survey. This involved focus group discussions (FGDs) and interviews in six villages (in three SOFIA provinces).[2]

[1] See article authored by Leora Klapper: Two Persistent Divides in Financial Inclusion: Gender and Rural, in: http://www.cgap.org/blog/two-persistent-divides-financial-inclusion-gender-and-rural.

[2] The six villages covered were in the following districts: Malang, Sumenep, Lombok Tengah, Sumbawa, Mangarai and Ende.

02

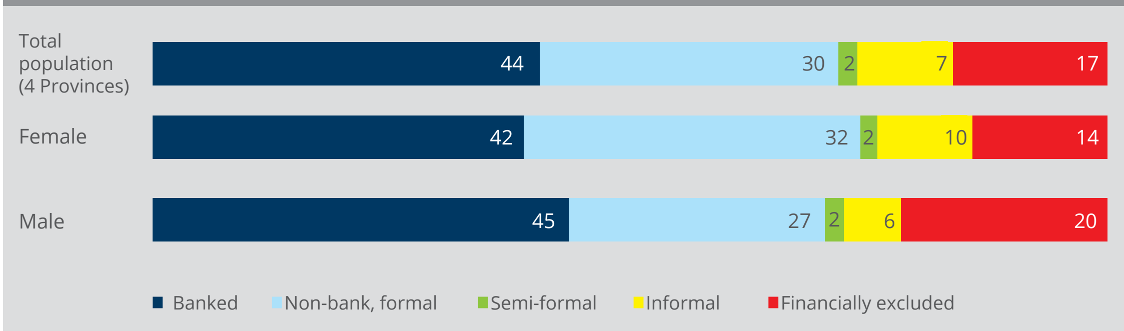
Gender differences in financial access and usage

2.1 Gender differences in the overall financial access strand

There are notable differences between men and women when it comes to the types of financial services that they rely on. The results for the access strand, disaggregated according to gender, is shown in Figure 1 below.[3] These results indicate that:

- There is **a higher proportion of men who are banked** (45%), compared to women (42%).
- However, although women tend to be less banked, **a higher proportion of females use formal, non-bank as well as informal financial services**, which drives down the level of financial exclusion among women (14%, as opposed to 20% of men).
  - There is no significant difference in the pattern of overall usage of formal non-bank services[4] observed among males (72%) and females (74%).[5] However, in terms of those who *rely* on non-bank formal services, there is a slight gender skew: 32% of females rely on these services vs.[6] 27% of males.
  - Across the four provinces, the use of informal financial services among women is pronounced: 49% of females use informal services (exclusively, as well as non-exclusively), compared to 29% of males.

Fig 1. The Financial Access Strand, according to gender (%)



[3] One of the key indicators used in the SOFIA survey is the proportion of the adult population with access to financial services – or what is referred to as the 'Financial Access Strand'. This seeks to measure the proportion of the population who have access to or are using different types of financial services, based on a classification of financial products. A review of how the Financial Access Strand is constructed, as used in the analysis of the SOFIA results, is provided in Annex A.

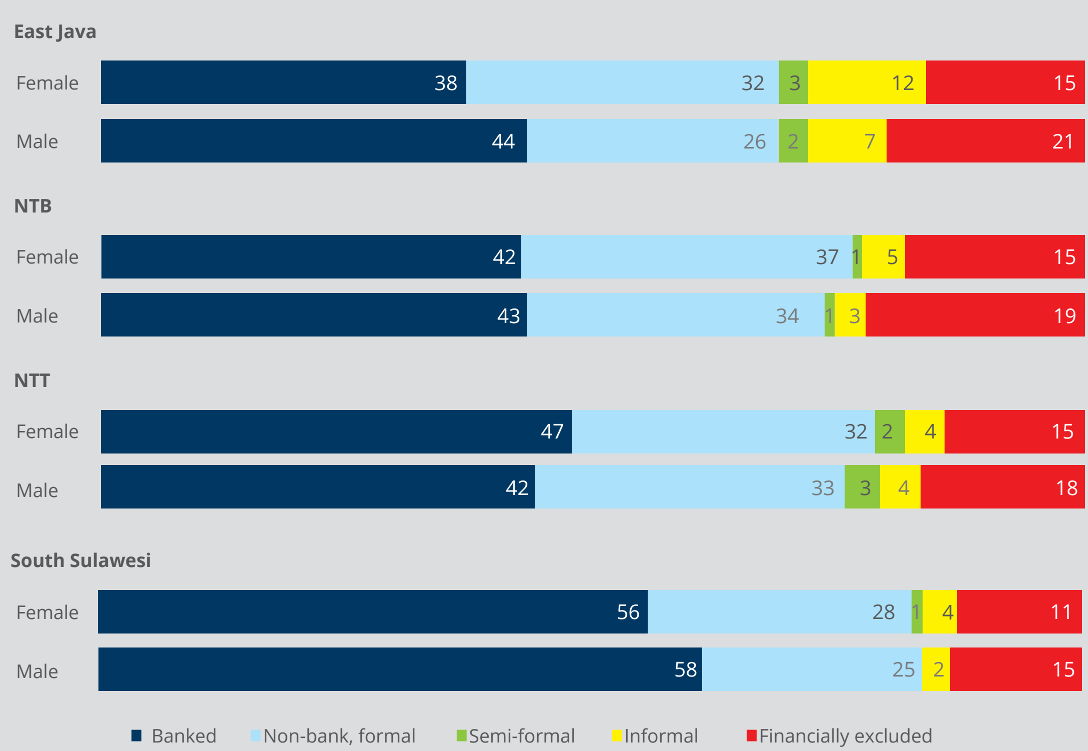
[4] Formal non-bank services are those services extended by non-bank financial institutions that are regulated and supervised by the financial services authority (OJK). These institutions typically extend credit/loan services (i.e. they do not collect deposits) or are among the authorised payment service providers.

[5] This corresponds to those who use formal non-bank services exclusively as well as non-exclusively.

[6] This corresponds to those who use formal non-bank services and are *not* banked.

In Figure 2 below, the access strand results are further disaggregated according to province. The results point to a number of interesting observations on the differences between males' and females' use of financial services, according to their locations.

Fig 2. The Financial Access Strand, broken down by province and gender (%)



The key observations that can be drawn from these results (above) are summarised in the table below.

	Use of financial services: males vs. females, according to province	
	Males	**Females**
East Java	• More likely to be banked: 44% vs. 38% of females • Highest rate of financial exclusion among men (21%), across the 4 provinces	• More likely to rely on non-bank formal services: 32% vs. 26% of males • Highest rate of reliance on informal financial services (12%), across the 4 provinces
NTB	• Comparable proportions of males and females who are banked: 42% vs. 43% of females • High level of financial exclusion among men (19%)	• More likely to rely on non-bank formal services: 37% vs. 34% of males • Slightly more likely to rely on informal financial services (5%) than males

	Use of financial services: males vs. females, according to province	
	Males	**Females**
NTT	• High level of financial exclusion among men (18%)	• Compared to the other 3 provinces, NTT is the only province where a higher proportion of women are banked (47%), compared to men (42%) • Less likely to be financially-excluded (15%) – driven by high rates of formal inclusion
South Sulawesi	• More likely to be banked: 58% vs. 56% of females	• Less likely to be financially-excluded (11%) – driven by higher likelihood of using non-bank formal and informal services

Of the results, summarized above, the gender differences in terms of the banked population – in NTB and NTT – are contrary to expectations (i.e. that a higher proportion of men would be banked, compared to women). It cannot be ascertained what is driving this unusual pattern in these two provinces – especially when we consider key characteristics of men vs. women in these locations that help to explain the types of financial services used (such as educational attainment, wealth and income profile, and financial skills/attitudes – which are discussed in the Section 3). Many other studies also underscore challenges in gender equality in both of these locations and how women face a number of disadvantages – which would suggest that women in these locations are more likely to be unable to access and use banking services, compared to men.

The disaggregation of the results by province show gender differences in terms of using three types of financial services: banking, non-bank formal, and informal financial services. There is hardly any disparity in terms of usage of **semi-formal financial services** (which include those provided by savings and credit cooperatives and government credit schemes that are not delivered through the banking system). However, given the low proportion of adults who use this type of financial service across the four provinces, it only contributes minimally to the level of financial inclusion in these locations – for males and females alike.

2.2 How men and women save and borrow

How do male and female consumers manage their financial lives, especially in situations where incomes are low or not (always) enough to meet personal and household needs? There are two types of financial services that people typically turn to – savings and credit. Using the SOFIA survey results, we look at how these two types of financial services are used by male and female consumers.

- Across the four provinces, a significantly higher proportion of females (68%) save, compared to males (50%). This result confirms what many other research conclude – i.e. that women are inherent savers.
- Interestingly, the SOFIA results show a higher proportion of men (59%) who are active borrowers (compared to those who save). Nevertheless, women are also shown to be active borrowers – with a slightly higher proportion of women (62%), compared to men, reporting that they accessed a loan over the last 12 months.

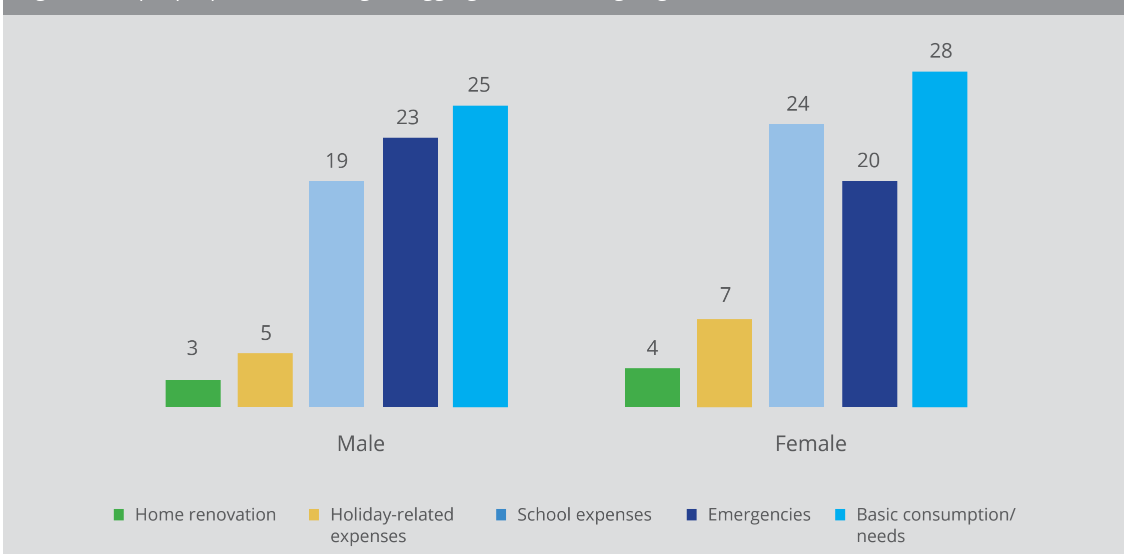
But **even as more women are saving and borrowing, most of them do so informally or outside the financial system:**

- Female adults are more likely to save at home (on average 35%, and especially high in NTT at 63%); while males are more likely to save in a bank (34%, compared to 18% of females).
- Overall, borrowing from family and friends is the most common way people access credit – regardless of gender. However, a higher proportion of females (64%) borrow in this manner, compared to males (58%). Borrowing from banks comes in second for men (at 16% vs. 9% of women).[7] Next to borrowing from friends and family, women are more likely to borrow through informal means (12% vs. almost 9% of men).

The choice of where or how women save and borrow appears to be driven by how saving and borrowing are mainly used to meet short-term needs (i.e. to smooth consumption and to meet other household expenses). Figures 3 and 4 below, which depict the top five purposes for saving and borrowing among males and females, reveal that:

- In terms of saving, meeting basic (consumption) needs, emergencies or unforeseen expenses and paying for school fees are the top three purposes for which people set aside money – across both genders. However, **women are more likely to save for these purposes, compared to men** – which is expected, given women's role as household managers. Moreover, although saving to cover livelihood-related expenses is not as pronounced as saving to smooth consumption and household spending, the results show that a higher proportion of men (10%) save for this purpose, compared to women (5%).[8]

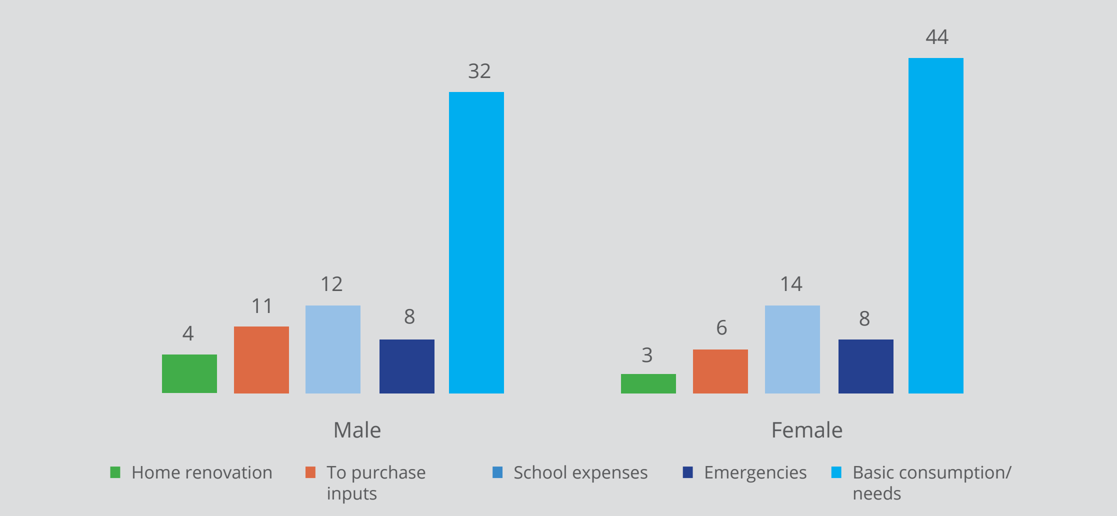
Fig 3. The top 5 purposes for saving, disaggregated according to gender (%)



[7] Similar findings were revealed in studies undertaken by the Sustainable Cocoa Production Program (SCPP), a programme co-funded by SECO. Women were found to have significantly less loans from formal sources and loan amounts are estimated to be 9.5% lower than those of men. However, female cocoa farmers often had savings accounts in banks – more so than men. See: SCPP (2016): Access to Finance for Cocoa Farmers in Indonesia (http://www.swisscontact.org/en/country/indonesia/resources/library.html).

[8] Saving for the purpose of meeting livelihood-related expenses include saving to purchase livestock, purchase inputs, or purchase implements used in one's livelihood or business; as well as broader-category responses such as "to start a business", or "to expand my business". Overall, only 7% of savers (across the four provinces) identified one of these as their main purpose for saving, with a higher proportion of male savers (10%) compared to females (5%).

Fig 4. The top 5 purposes for borrowing, disaggregated according to gender (%)



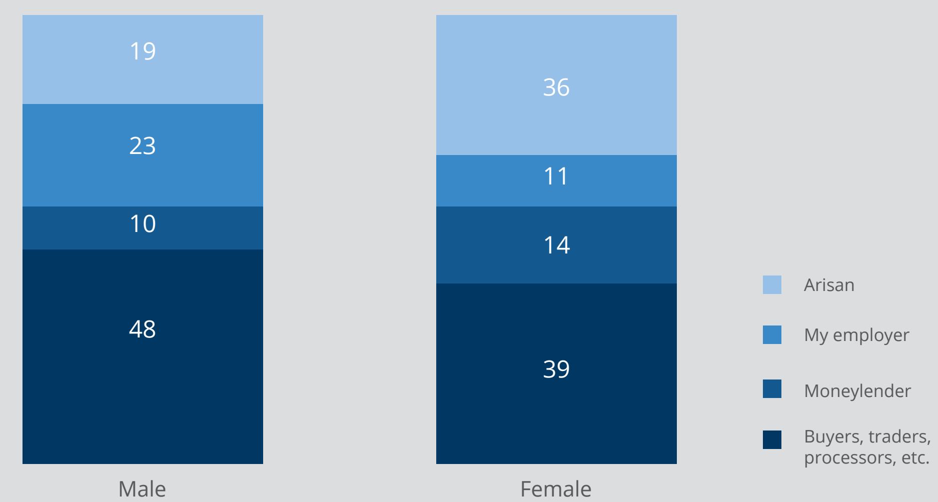
- On the other hand, the gender disparities in terms of the purposes for which people access credit are more pronounced. A significantly higher proportion of females who borrow (66%) use credit to cover basic needs, emergencies and school-related expenses, compared to men (53%). Moreover, although using credit to finance livelihood-related activities is not as pronounced as borrowing for the purpose of smoothing consumption and household spending, the results show that a significantly higher proportion of men (23%) borrow mainly for this purpose, compared to women (14%).[9] These results may indeed underscore the challenges that female entrepreneurs face – i.e. that they are (much more) constrained to access credit for the purpose of supporting livelihood-related activities (and therefore tend to be able to borrow only to meet consumption and household needs). At the same time, however, these results suggest what appears to be an allocation of roles between men and women: women tend to carry out activities (including financial transactions) that are focused on balancing household spending; whereas, men appear to be more strongly associated with activities that go beyond balancing everyday household consumption.

The amounts being saved and borrowed tend to be small – given that these are meant to meet mostly short-term needs. Moreover, ease of access to these amounts (whether saved or to be borrowed) is of importance to both male and female consumers alike. This largely explains why most saving and borrowing is undertaken outside the financial system – regardless of gender.

Gender differences are, however, seen in terms of the use of specific types of informal financial service providers. The results, depicted in Figure 5 below, show that to meet their credit needs, male adults are more likely to turn to buyers/traders, processors, suppliers and other individuals or companies with whom they carry out business transactions. On the other hand, while more than a third of females who borrow informally also turn to these sources of credit, **women access loans from arisan, much more than men would** – 36% vs. 19% of male borrowers who borrow through informal channels. Arisan are informal groups that are a much more common fixture in the social networks of women across Indonesia.

[9] Similar to saving, borrowing for the purpose of meeting livelihood-related expenses include borrowing to purchase livestock, purchase inputs, purchase implements used in one's livelihood or business, and/or to pay for the wages of workers employed in one's business; as well as broader-category responses such as "to start a business", or "to expand my business". Overall, only 18% of borrowers (across the four provinces) identified one of these as their main purpose for borrowing, with a higher proportion of male borrowers (23%) compared to females (14%). Amongst these options, borrowing "to purchase inputs" was most frequently cited, more so among male borrowers.

Fig 5. Sources of informal credit for male and female borrowers (%)



Box 1: Understanding arisan and their value to women

At its very basic definition, an *arisan* is a social gathering of people who share a common social bond. In some contexts, an arisan involves the pooling of funds for social purposes (e.g. to pay for food during social gatherings); while in others, it goes a step further and involves the pooling of funds to enable members to make a significant purchase or construction (e.g. to construct toilet facilities) or indeed to carry out joint investments. In different parts of Indonesia, arisan takes the form of a Rotating Savings and Credit Association, whereby arisan members contribute to a pool of funds (i.e. joint savings), and members take turns in borrowing amounts from the amount pooled together.

In many provinces in eastern Indonesia, arisan are generally attached to religious activities, such as in NTB and East Java. These are also referred to as *Jamah Pengajian,* which are groups that meet regularly for religious activities. After completing the religious activity, the members of the group would then convene to collect contributions for the arisan. The amount of money collected per member varies, and very much depends on what the different members are able to contribute. This ranges between IDR10,000 to 100,000 per meeting – often on a weekly or monthly basis. The size of arisan also varies: some groups can be quite large, with as much as 40 members, while others can have 7-10 members only. Regardless of size, arisan will often involve individuals who are close to one another – be it in terms of proximity (e.g. members belong to the same hamlet or sub-village) and/or have a shared interest or common bond (e.g. a religious activity or other shared social activities).

An individual can be a member of more than one arisan. And even if the *arisan* is undertaking joint savings and provision of credit to members, arisan members may still save some of their money through other channels – e.g. by keeping some savings at home and/or purchasing items such as jewellery or livestock, which they could sell later when cash is needed.

While arisan can be seen across all social groups, it is particularly popular among women, who consider it beneficial to meet others socially and at the same time access money from an arisan when they need it. For women in low-income groups especially, getting credit through arisan is the next best thing to borrowing from family and friends in times of need.

In focus group discussions undertaken in Malang, the participants pointed out that there are four financial service providers that are typically used by people in their communities. These are banks, cooperatives, arisan, and their family and friends. For the female participants, arisan are important and come in second after family and friends. This is driven mainly by the trust that these women say they have for these types of providers.

The female participants explained that saving in an arisan works for them because it is accessible – the location is close to them. For these women, accessibility is key given that they are busy taking care of their households and are also working in the farms to help their husbands (who are mostly sugarcane farmers). On top of this, some of the women also engage in small-scale trading activities (at harvest season) for other crops that they produce.

The arisan also allows a great deal of flexibility, which the women appreciate. For example, members are not required to borrow money at fixed intervals and can request for their turn to get the money if they need it. (In other words, the arisan does not operate on a strict lottery system that we see in other rotating savings and credit associations).

In Lombok Tengah, participants explained that arisan has a long tradition dating back to older generations. People would come together to pool funds together to meet needs, usually during certain events – which is also locally referred to as Banjar – e.g. Banjar for marriage, for bereavement/death, etc. Unique to this area, the value accumulated by the arisan is converted to the value of goods needed – e.g. 3 kg of sugar, as Banjar for bereavement. The social events that are supported by arisan are important to these communities – and especially women, who often manage or organise these activities.

Source: Interviews and FGD with female farmers in Lombok Tengah (NTB) and Malang (East Java)

03

Characteristics of female adults and the implications on financial access

What would explain the differences we observe between how female and male adults use financial services – i.e. that more men are using banking services compared to women, and more women are using informal financial services? To answer these questions, we explore some key characteristics of female consumers (as opposed to males) that may influence the types of financial services that women are generally able to access.

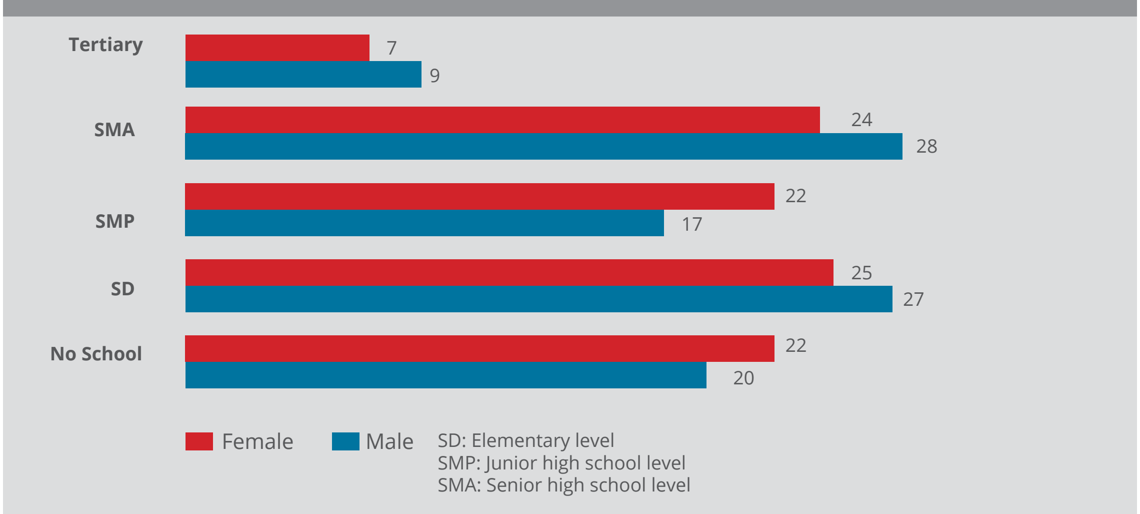
Gender is often correlated with factors that have an influence on the kinds of economic activities that men and women are able to participate in and the opportunities available to them. Studies on financial inclusion globally explore the financial constraints that women face vis-à-vis their disadvantages in terms of owning assets, their educational attainment, and societal norms or legal restrictions attached to gender roles. These then influence the ability of women to generate better incomes or to grow the businesses they own.

In the sections that follow, we explore these key factors that help to explain women's use of financial services.

3.1 Educational attainment

The SOFIA survey results show that **women are more likely to have no education or have only achieved lower levels of education, compared to men.**

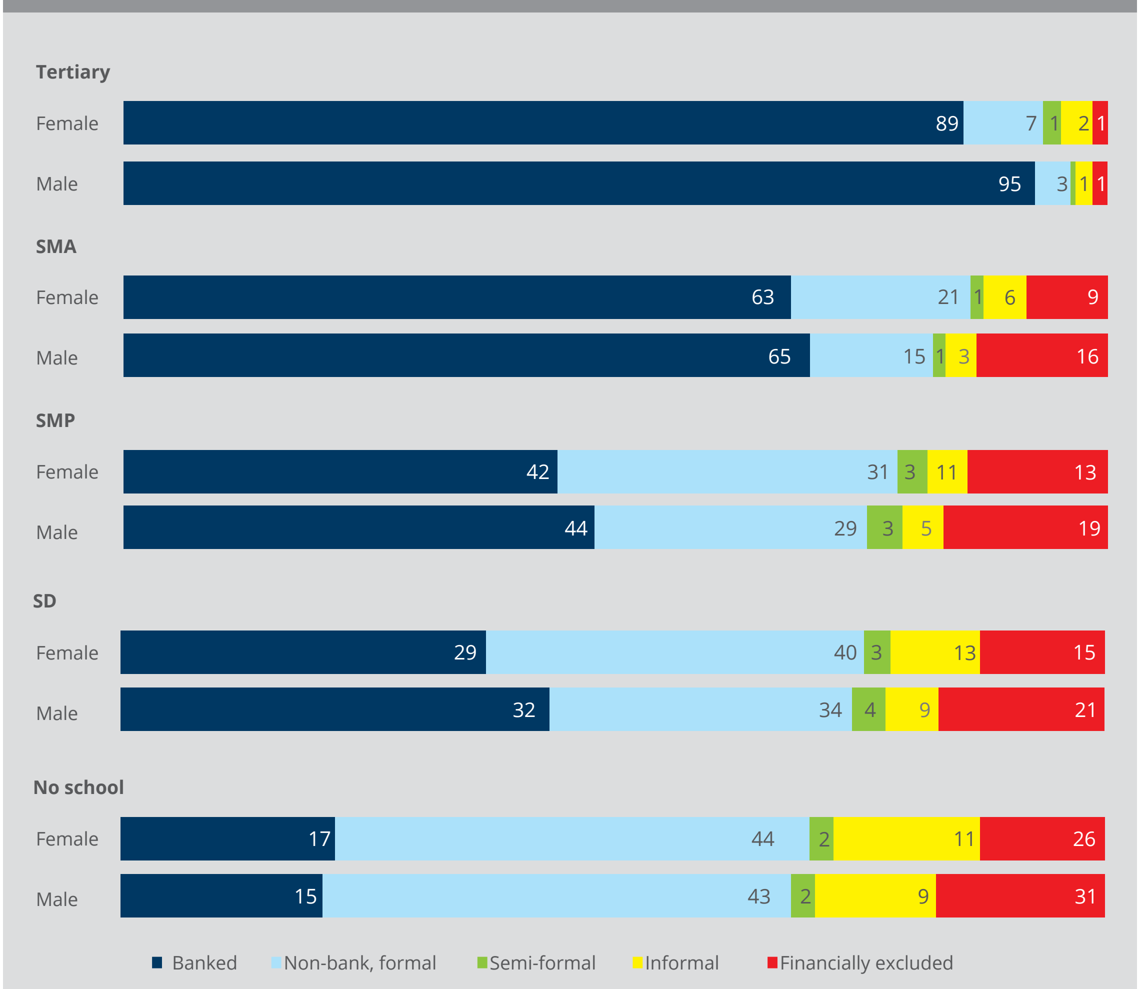
Fig 6. Educational attainment: males vs. females (%)



As shown in Figure 6 above, a slightly higher proportion of female adults (22%) in the four provinces surveyed have never been to school or have not completed any educational level (compared to 20% of males). Moreover, it is estimated that a significantly higher proportion of men (37%) have reached and completed at least secondary education (SMA), with some having completed tertiary levels as well. Whereas, only 31% of women have been able to do the same. Around 69% of female adults (in the provinces surveyed) are estimated to have left school by the 9th Grade (SMP), as opposed to 63% of males.[10]

So *does education influence financial access?* From the analysis of the relationship between the type of financial services used and consumers' educational level (across genders), the answer is clear: **the progression towards higher educational levels results in a higher likelihood of being banked**, which is as expected. Likewise, **those who have had no education or have achieved only low levels of education are more likely to be financially-excluded**. These results are depicted in Figure 7 below.

Fig 7. The Financial Access Strand, according to educational attainment (%)



Notes: The figure above depicts segments of the population broken down into educational levels. The percentages reported above therefore reflect the proportion of the population, with respect to the corresponding educational level and gender group. For example, considering those who have no schooling/education, 17% of females who fall under this category are estimated to be banked vs. 16% of males in this same category (no schooling/education).

These results are consistent with findings in other studies on the relationship between education (including numeracy) and financial inclusion. For example, there are often marked differences in ownership of accounts at formal financial institutions between adults with primary or lower levels of education and those with tertiary or higher education levels. These differences are often even larger than the differences related to other consumer characteristics, such as gender, location (rural vs. urban), and income. [11]

Educational attainment affects financial inclusion in terms of the preferences and behaviour of both providers of financial services and consumers themselves:

- The education profile of consumers affect the preferences of financial institutions when they select their customers. While formal financial institutions may not blatantly disregard those with little or no education when they deliver their services, the kinds of financial products they make available, as well as how they deliver their services, may tend to favour those with higher education levels. There is also an often held assumption that better-educated individuals tend to have higher incomes than those with little or no education; and individuals with higher incomes will tend to be preferred clients of financial institutions such as banks. Moreover, people with higher levels of education also tend to perform better along a number of dimensions in terms of 'financial capability' – e.g. in terms of budgeting, being able to live within their means, attitudes towards the future, and being able to control the impulse to spend.[12]

- Consumers also make decisions themselves about which service providers they feel better able to transact with. People with little or no education may, for example, perceive formal financial institutions such as commercial banks as distant, too complicated or inappropriate to their needs.

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[10] These results are consistent with the lower rate of women's participation in education compared to men, observed across the country. Various research on education in Indonesia underscore how women lag behind men in terms of the educational level they are able to complete. According to BPS estimates, for example, the proportion of women obtaining higher education was only 6.62%, compared to 7.12% of men in 2010. The UNDP Human Development Report of 2015 also indicates that only less than 40% of women in Indonesia were able to complete secondary education, compared to almost 50% of men (as of 2014).

[11] This finding is expressed in: World Bank (2014): Global Financial Development Report 2014: Financial Inclusion. Washington, DC: World Bank. This is also echoed in studies undertaken by the Sustainable Cocoa Production Program (SCPP) in Indonesia, which found that the higher the educational attainment, the higher the likelihood of individuals being able to access saving accounts and loans from formal financial service providers. See: SCPP (2016): Access to Finance for Cocoa Farmers in Indonesia (http://www.swisscontact.org/en/country/indonesia/resources/library.html).

[12] See Kempson, E., et al (2013): Measuring Financial Capability: Questionnaires and Implementation Guidance for Low- and Middle-Income Countries. Working paper, Financial Literacy and Education, Russia Trust Fund. Washington DC: World Bank.

Box 2: Perspectives of individuals with little or no education on using formal financial services

Many of those who consider themselves among the older generation (those aged 50 years and older) in Sumenep, Madura have never gone to school. As such, they cannot read nor write. These people feel wary about using formal financial services, such as those offered by banks. They understand that in order to save in a bank, they have to fill in various forms which they are completely unable to do (on their own). For those who have had some education, they are also reluctant to engage with banks and stated that they are "not comfortable" to fill out the forms required by banks.

As such, these individuals – who have little or no education – save mainly by purchasing jewellery or buying livestock, which they could then sell later when they need the cash. In some cases, they join an arisan; but their preference would be to buy jewellery that they could then pawn when they need the money. As for borrowing, they prefer to get loans from their relatives or neighbours. They are concerned that even if loans were made available to them by banks, the requirements would be challenging for them to meet.

It is interesting to note how these individuals did not only cite issues surrounding the need to meet a number of administrative requirements when using formal financial services. They also point out characteristics of their financial lives that they are aware are incongruent with the way formal financial institutions operate. For example, the participants at focus groups discussions, who have little or no education, explained that apart from having to fill out a number of bank forms, they also need to provide collateral in the form of land certificates when they want to borrow from banks. And even for those with land certificates, pledging one's land feels like a tall order: land is typically considered a significant family asset and *"it would be very embarrassing (for them) if the land is seized when they cannot pay the loan on time"*. The last statement is quite important as it provides insight into the degree of flexibility that these types of consumers require from their credit sources.

According to the participants in the focus group discussions, people in the community who use formal financial services are typically those who are managing businesses that require capital more than what can be lent to them by their family/friends. Those who have worked outside the district are also among those who typically use formal financial services – especially when sending money to their families.

In Lombok Tengah, the female participants in the focus group discussions, who had little or no education, expressed the same reluctance when it comes to engaging with banks. Interestingly, for these women, the necessity of dealing with banks only comes when they apply for Hajj. *"And when we do go to banks during this process, we need to be accompanied by the head of the village"*, they noted. In terms of remittances, these women also expressed a preference for using the services of Western Union – as they find the process to be straightforward, without any need to open an account – as what would be expected if they transacted through banks. For women in low-income groups especially, getting credit through arisan is the next best thing to borrowing from family and friends in times of need.

Source: Interviews and FGD with female farmers in Lombok Tengah (NTB) and Sumenep (East Java)

3.2 Wealth and asset profile

People's wealth (or poverty) levels and their socio-economic situation influence the types of financial services they are able to access and use. Extremely poor individuals, especially those who do not receive any form of cash, are often 'unbanked' and may not necessarily benefit from access to financial services (in the near term). On the other hand, there may be segments of the population who are among those classified as poor or near-poor, but may stand to benefit from greater access to financial services.

In order to understand the wealth and income situation of the population, the SOFIA survey uses proxy measures to determine people's wealth/poverty levels and ownership of assets. Thus, to answer the question, *'are women poorer, compared to men?'*, we considered the results for three indicators: the PPI index, the asset index, land ownership, and income source.

There are hardly any disparities in the PPI [13] distribution between males and females across the four provinces. In other words, based on the PPI results alone, women do not appear to be worse off than men in terms of their poverty status in East Java, NTB, NTT and South Sulawesi. Across these four provinces, the bulk of the population are in PPI quintiles 2 and 3 – for both men and women. And even in NTT, where there is a significantly higher proportion of the population in PPI-1 (the poorest households), there are equal measures of males and females that fall under this category. Only slight gender differences can be observed in certain PPI groups in NTB and South Sulawesi – albeit these differences are not significant.

However, **the gender disparities emerge when we look at asset ownership**. For this purpose, we looked at the distribution of the population according to their asset index scores. [14] The results, depicted in Figure 8 below, show that while the bulk of the population (both males and females) are in Asset Index quintiles 1 and 2 (considered the *asset-poorest* individuals), there are significant differences between the proportions of males vs. females that fall under these asset groups. **Across the four provinces, there are significantly more women with lower asset levels compared to men**. [15]

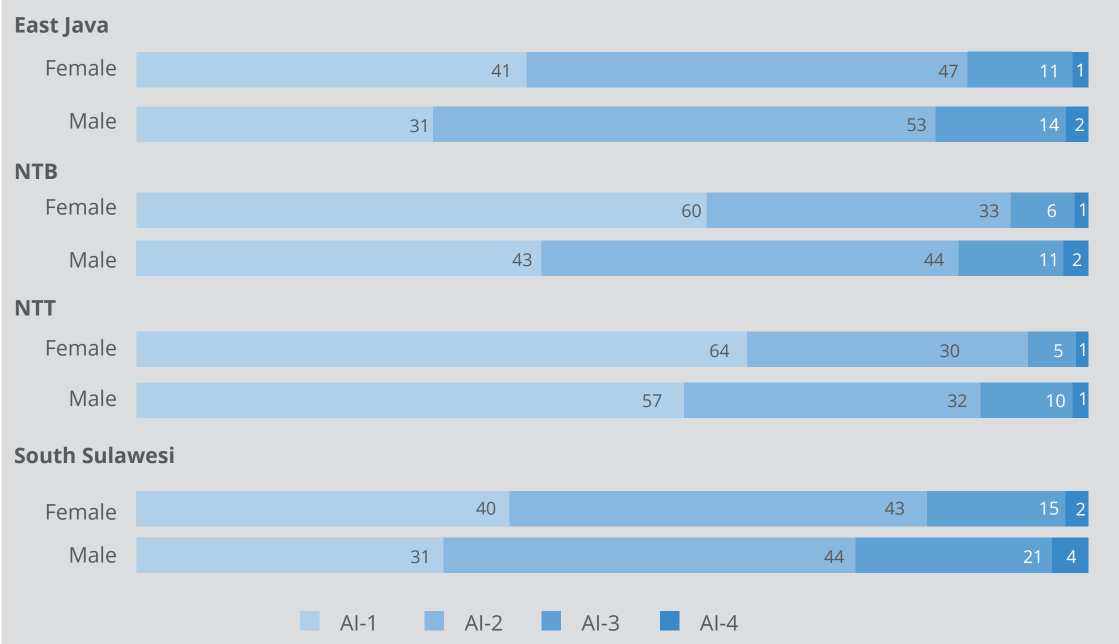
In NTB and South Sulawesi especially, the survey results indicate a much higher proportion of women who fall under Asset Index quintiles 1 and 2, where the difference (between the proportions of men and women) is as much as 6-7 percentage points. Moreover, across all the four provinces, a larger share of males fall under Asset Index quintiles 3 and 4. These results suggest that women are *asset-poorer*, compared to men.

[13] Wealth and income groups were constructed based on the Progress out of Poverty Index (PPI) scores (generated for the household that an individual respondent belongs to), along with the estimated income for the group (which is calculated based on the reported incomes of individuals that fall under each PPI category). Using the PPI method, SOFIA respondents have been grouped into five quintiles based on their PPI score. The lower the PPI score of a respondent's household, the higher the probability that this household lives below the poverty line. PPI Quintile 1 (PPI-1), for example, includes respondents with scores ranging from 0 to 19, for which there is a 34.1% to 66.3% probability that the household lives below the poverty line. On the other hand, better-off households fall within the upper end of the spectrum – i.e. in PPI-4 and PPI-5.

[14] In SOFIA, an asset index was constructed based on the types of assets that people could readily access and/or which they directly own. This is a non-monetary measurement, which serves to complement the PPI index. The types of assets that were included in this index include real estate property (i.e. residential land and other land or properties owned); movable assets such as vehicles (cars, motorcycles, motorboats, tractors); key household assets (e.g. a refrigerator); livestock (e.g. cattle); and assets that facilitate connectivity (e.g. mobile phones, computers, etc.). Similar to the PPI, scores were assigned to (ownership of or access to) these assets, which then generated an 'asset score' that allows us to classify into five asset groupings: A-1 (the group with the least assets available at their disposal) through to A-5 (the group with the highest asset levels and considered to be the wealthiest).

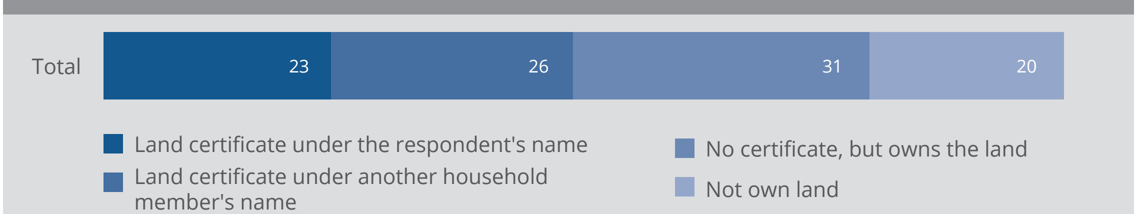
[15] Similar findings are also presented in studies undertaken by the Sustainable Cocoa Production Program (SCPP).

Fig 8. Asset index distribution according to province and gender (%)



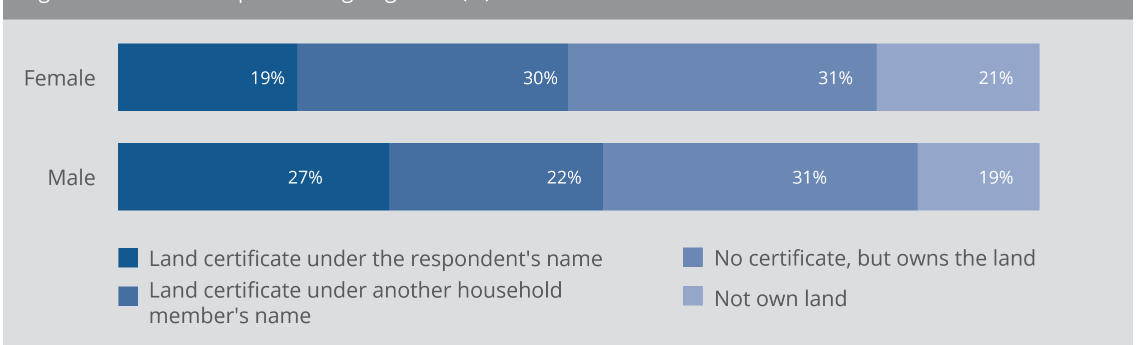
When looking at ownership of land/property, in particular, it is estimated that about 80% of the population across the four provinces claim ownership of the land they live on.[16] However, only 49% have the title or ownership certificate – maintained in his/her name or the name of another household member.

Fig 9. Land ownership of entire population, across 4 provinces (%)



The results also show gender disparities when it comes to land ownership – as shown in Figure 10 below. While the rates of non-ownership or the lack of certificate to prove ownership are comparable between men and women, **women are significantly less likely to have the land certificate in their name**. As further explained below, however, this does not mean that women are precluded from using the said property.

Fig 10. Land ownership according to gender (%)



[16] In the SOFIA survey, respondents were asked two questions regarding land ownership: (i) *"Do you or any other member of your household have the land certificate for this land you are living on?"* (Q401) and (ii) *"Other than the land you live on, do you or your household own any other land that you have the land certificates for?"* (Q403). The results presented here refer to the first question only.

The evidence thus far shows that women tend to have lower asset levels or do not hold assets in their name – in contrast to men. However, lack of ownership does not necessarily equate to lack of access to assets. In many cases, women reported that the land (on which they live) is owned by another member of the household, which is often the male spouse. In focus group discussions with female participants, women explained an allocation of roles between men and women (in households), whereby women take on 'domestic tasks' and men are expected to be responsible for other tasks such as generating the money needed to finance household expenses, as well as raising capital (for households that have income-generating activities). In some locations, the role allocated to men include the acquisition and maintaining ownership of certain assets owned by the household. And even if the land is in the name of the male spouse, this does not preclude women from using the said property.

Likewise, ownership of an asset does not necessarily mean that full control is exercised over the use of the asset. There are often social norms that drive behaviour between men and women and influence the bargaining power that women have within households. For example, a recent study of female entrepreneurs in Indonesia showed that while some women-business owners have started acquiring assets in their own name (e.g. vehicles, business premises), some of these women-entrepreneurs have pointed out that they would still require *permission* from their husbands if they wanted to put up their assets as collateral (to apply for loans) or to liquidate these assets to self-finance their businesses.[17]

3.3 Income source

An individual's source of income influences the type of financial services s/he is able to access and use. Those whose livelihoods enable people to generate only low incomes and where income flows tend to be erratic and volatile are more likely to be unable to access formal financial services.

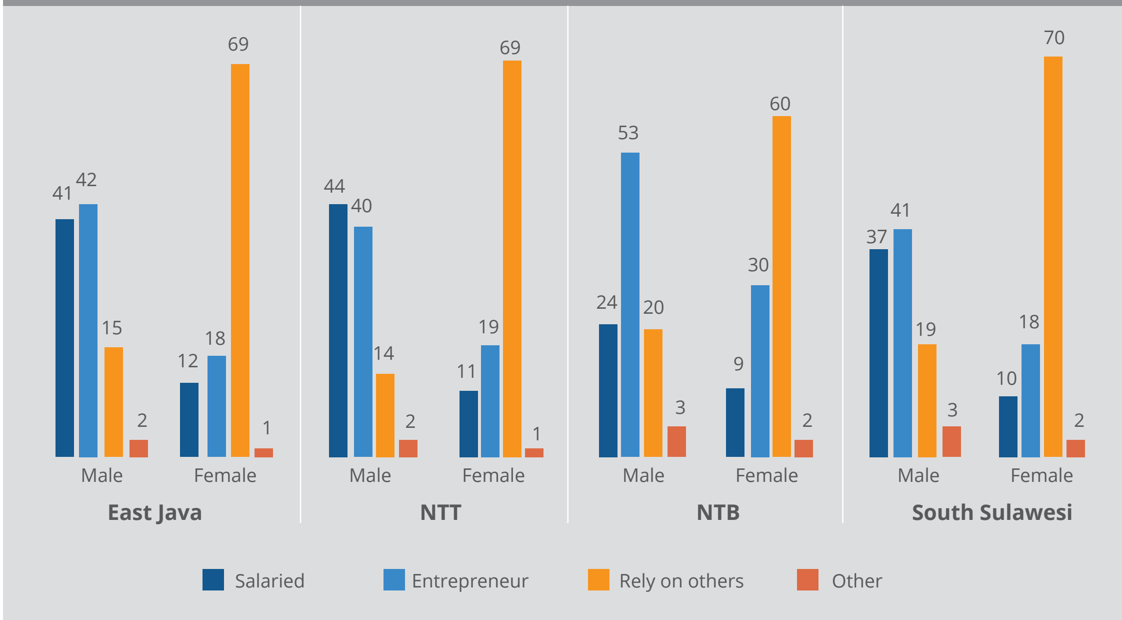
In SOFIA, income sources – i.e. how people receive cash that they use to pay for their personal and other expenses – are grouped into four categories, outlined below:

Income source category	Variations
Entrepreneur	People who source money from: • Trading/selling – i.e. including things produced, grown, raised, bought or collected with the intention of selling • Providing a service – i.e. transport, tailoring, hairdressing, repairs, processing, hospitality such food and lodging • Lending money to others with interest • Something they rent out (e.g. real estate property)
Salaried	People who receive: • A salary or wages for working for someone/a business or any organization • Pension fund payments
Relies on others (people or institutions providing assistance)	People who rely on others (for money to meet their needs), such as through: • NGO/government assistance • A church/other community-based organizations • Other household members • Other individuals who are not household members
Others	E.g. those who derive their income from interest / earnings from investments

[17] See: Frankfurt School of Finance & Management (2016): Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions: Market Research Study prepared for the International Finance Corporation (IFC).

As expected, the survey results show differences between females and males when it comes to sources of income. Male adults source their income mainly through entrepreneurial activities (42%) or through salaries (40%), while the bulk of females (68%) rely on others for their income (whether their spouse, children/other members of their households, or indeed others outside their households). The results, which are presented in Figure 11 below, indicate a consistent pattern across the provinces.

Fig 11. Main income source, by province and gender (%)



It is important to point out that these results do not necessarily mean that females are completely dependent on others (for the money they need to meet personal and household expenses).

- Firstly, although females tend to mainly rely on others for their income, **around 43% of females reported to have secondary income sources – mainly entrepreneurial activities**. A smaller proportion of women are also able to find work and receive wages that they then use to augment household income.
- If we consider especially the context of households that run businesses or those engaged in agricultural production, **the income generated is typically perceived as income from the male head of household (e.g. the husband), even if the farming activity is essentially a 'family business'**. In the cocoa sector, for example, the distribution of tasks in the farm between male and female household members is typically 50:50. And while some men may be doing more on-farm activities, women are typically involved in critical off-farm work, such as drying cocoa.
- In many cases, the husbands or male household-heads remit the income generated (e.g. wages or income from the sale of harvest) to their wives or female household members. This does not come in the form of a 'voluntary donation' to female household members, but appears to be embedded in a social contract that underpins how households operate. And while this does not apply to all households as such, **the income that is passed on by the male household member to the female is very much a 'shared income'**. Further evidence on this dynamic between men and women in households are discussed in the sections that follow.

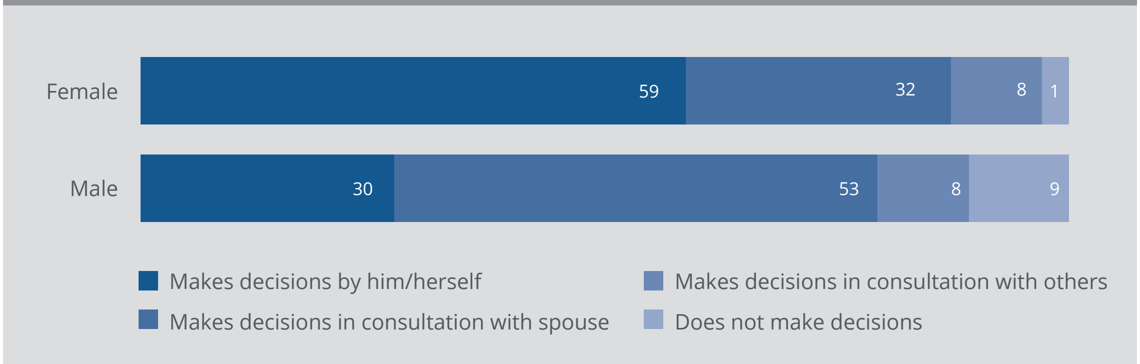
3.4 Financial skills and attitudes

In this section, we explore facets of financial skills and attitudes that would help explain the way women use financial services. These include (i) whether and how individuals carry out decisions on spending money they receive; and (ii) whether they are able to keep track of inflows and outflows of the money at their disposal.

Financial decision-making
The SOFIA survey results show that most adults are engaged in making decisions on spending the money they personally receive, with only 5% of the population (in the four provinces surveyed) indicating that they were not involved at all when making such decisions. Most people make decisions on their own (45%) or in consultation with their partners/spouses (42%), and a few (8%) said that they make these decisions in consultation with other household members.

What is interesting though are the differences in terms of gender: the results underscore **the role of women in households as key financial decision-makers**. In comparison to males, a greater proportion of females (59%) reported that they made decisions on how they spent their personal income independently (compared to only 30% of men). And in contrast, a larger proportion of men (53%) said that they make decisions in consultation with their partners/spouses, as compared to only 32% of women. Moreover, the results show that 9% of males said that they do not make such decisions (at all), compared to only 1% of females.[18]

Fig 12. How people make financial decisions: males vs. females (%)



In more in-depth interviews (focus group discussions) carried out with both men and women following the survey, male participants explained that they trust their wives to take care of the family's finances: the money that men earn (e.g. wages) are remitted to their wives soon after they receive it, and their wives then manage this money to cover the needs of the entire household. Some of the male participants went on further to note that, *"My wife knows best what to do with the money we have."* **This financial decision-making role that women have in households is linked to their broader household management role** – which include allocating money to meet daily household consumption needs and ensuring that children go to school. In many cases, women's financial management role in households extend to managing funds allocated for livelihood activities – often agriculture-related. For example, some of the female participants explained that with the money remitted to them by their husbands, they also have to make sure that some money is left to purchase poultry feed or seeds for the next planting season.

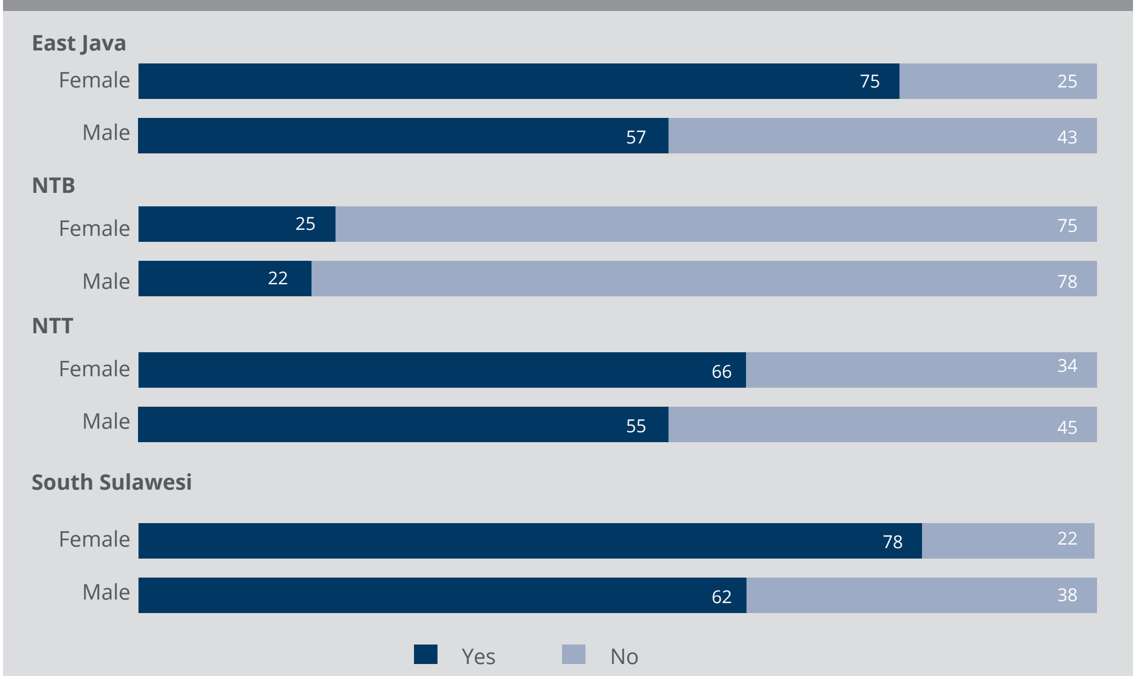
[18] This result does not appear to be biased because of age, as 23% of the men who do not make such decisions are in the 36-45 age group, 25% in the 46-55 age group and 37.5% in the 55+ age group.

Keeping track of income and expenditures

Almost two-thirds of adults (62%) reported that they keep track of their income and expenditures, which is considered a positive behaviour. However, the majority do not keep written records as such – but only keep track of the information mentally. Some may, for time to time, write down some of the information, but would not keep a singular, comprehensive record of income and expenses.

The results show that overall, **women are more likely to keep track of income and expenditure than males** – 70% compared to 55% of men. In Figure 13 below, the results are further disaggregated according to province: across all provinces, a higher proportion of female adults reported that they keep track of income and expenditures, with the largest differences observed in East Java, South Sulawesi and NTT. This finding is consistent with and supports the observation made earlier about women's role as financial decision-makers in the household. Women's role as household managers requires that they make decisions on spending (at times, independently of others), and that they keep track of earnings and how money is spent.

Fig 13. Do people keep track of their income and expenditure? (%)



The tendency for women to keep track of income and expenses also appears to be linked to how they source their income. For example, those who rely on others for their income (and more than half of female adults do) appear more likely to keep a record of their income and expenses: 68% vs. 56% of adults who received a salary.

Box 3: Keeping track of income and expenses among small-scale female entrepreneurs

Nurul (aged 36, from Sumbawa in NTB) has been running a business selling crackers at a local market since 2011. She prepares the crackers herself and employs other women in her community who work with her at home. Prior to starting her business, Nurul worked for a relative who also ran a similar enterprise. Given what she learned on the job, Nurul decided to set up her own business, which she managed to do using IDR500,000 as start-up capital – which she drew from personal savings.

With her business, Nurul is able to generate around IDR250,000 to 350,000 a day in profit. Although she does not keep a written record of all her transactions, she is able to explain in great detail what she needs to produce the crackers she sells – i.e. the cost of all the ingredients needed and what she pays those who work for her business. She had two other persons working for the business when she started six years ago and now employs a total of 11 workers.

When asked why she had never documented or kept a written record of her income and expenses, Nurul explained that she did not really see any need to do so. However, she explained that at times when she found that her daily earnings were far less than what she expected (after returning from the market), then she would start writing down her transactions. She also explained that as she is now hoping to grow her business further and intends to access a bank loan, she is aware that this would require her to show records of her spending and sales.

Source: Interviews and FGD with female entrepreneurs in Sumbawa, NTB

The higher share of women who kept track of their income and expenditure compared to men does not, however, equate to women being less likely to experience problems in terms of meeting payment obligations. More than half of the adult population (in the four provinces) reported that they have experienced running into trouble when meeting payment obligations – and this pattern appears to be consistent across both males and females. Moreover, more than half of those who reported having experienced problems meeting payment obligations over the last year said that they encountered problems *often*, and over a third said that they encountered problems only once or twice the past year. This pattern is consistent across both males and females.

The frequency of 'running into trouble when meeting payment obligations' can, however, be explained in terms of the wealth/poverty status of individuals. Amongst adults who track their income and expenditures, there is a lower proportion of those in wealthier households (PPI quintiles 4 and 5) who reported experiencing difficulty in making payments – compared to those in poorer households (PPI quintiles 1 and 2).[19]

Understanding the roles allocated to males and females in households – and their implications on use of financial services

The SOFIA survey results point to the roles that men and women have within households. Women appear to take on a central role in terms of making decisions on where and how money is spent –

[19] 60% of the respondents in PPI Quintile 1, who track their income and expenses, reported experiencing difficulties often in making payments. This figure decreases through the subsequent PPI quintiles, with only 27% of the respondents in PPI quintile 5 reporting that they faced difficulties in making payments.

even as income is considered as something that women receive from others. The task of 'generating income' appears to be allocated to men, and women are then expected to make decisions on how this money is budgeted and spent according to what the household needs. These observations may not be entirely new, given what we know of how households generally operate. Nonetheless, these observations should not be taken for granted: they help to explain why women tend to be better at keeping track of income and expenses, and why women are active savers.

In focus group discussions carried out following this survey, both male and female participants explained that women are not only expected to make decisions on how income is budgeted and spent to meet household needs. There is also recognition of how women are best placed to take on this role, given that they are the ones who understand the needs of the household, and have a better grasp of how much each item costs (much more than men). The female participants in the focus group discussions point out that this is not an easy task – especially when income is erratic and at times not enough to meet all expenses. *"There are many things to consider when budgeting, such as the cost of everyday meals, providing allowances for children (when they go to school), setting aside money for school fees, etc.*"

During the focus group discussions, male participants point out that *"saving is part of the responsibilities of the wife, while the husband's job is to earn money that could be saved".*

Interestingly, the participants further noted that while women are expected to play this financial management role within households, this role is not exercised without limitations. For example, in Sumenep (Madura), participants point out that decisions involving large amounts of money cannot be unilaterally taken by women without consulting their spouses. *"...If I borrow money more than IDR1 million without informing my husband, he will be angry with me"*, one female participant pointed out. But if the woman determines that she needs to get a loan and the amount needed is small – e.g. to cover the cost of everyday needs or meals – then she can proceed without seeking the consent of her husband.

There also appears to be some notable variations when a household is running what it considers a business – given insights from participants during focus group discussions carried out in Malang and Lombok. In some cases, there seems to be some delineation between who budgets and manages the financial needs of the business or income-generating activity vs. financial management of the household. Some of the female participants explained, for example, that they do not know all the details of what are needed to manage one hectare of sugar cane plantation, how many kilos are usually harvested, nor the selling price of the sugar cane. They noted that *"these are things that my husband knows and is in charge of".* For other females, however, they explained that they have an idea of how much money is needed for their household's farming activity – even if their husbands are the ones who *take the lead* on managing the farm. They explained that as wives, they are basically the custodians of the income generated, which their husbands hand over after selling the harvest. Their role therefore includes making sure that some money is apportioned for the cost of seeds and fertiliser when the next planting season starts. As their husbands ask for this money from them, they therefore have a good idea of how much these inputs cost.

Females are also not entirely separated from farming activity – both the husband and wife have their respective tasks and duties, which we observe in all the locations surveyed. The division of labour is generally based on the nature of activities undertaken. For example, the husband prepares the land and the wife is in charge of planting; some women are also involved in harvesting the crop, while men bring the harvest to the barn. When it comes to livestock raising, women appear to be responsible for feeding animals, while men take care of cleaning the pens where the animals are stored.

Why is understanding these roles of men and women important? What is its relevance to understanding how financial services are used? These roles have implications on a number of dimensions.

- Firstly, even as women generally appear to be only receiving the income, they play a very important role in how this money is budgeted and spent. In other words, **women are actively engaged in financial transactions – whether in terms of storing money for future use (saving), making payments and transfers, or indeed accessing loans especially to bridge gaps between revenue and spending streams.**
- Secondly, as financial decisions-makers in households, many women keep track of income and expenses (much more than men do, as the survey results suggest). It is difficult to conclude whether this characteristic is inherent to women. But what the evidence thus far suggests is this characteristic (i.e. being able to keep track of income and expenses) is linked to the role that women have as financial managers. **Even as women (generally) may not have achieved the same education levels as men, they appear to perform better along a number of dimensions in terms of 'financial capability' - because such capabilities are *needed* in the role that women play.**
- Understanding the role of women as household financial managers also lends insight into women's perceptions and attitudes towards financial services:
  - The women we interviewed, for example, relayed how their time is completely consumed by daily household chores – which include preparing meals for the family and taking care of children. In many cases, women are also actively involved in farm work or are helping to run family businesses or secondary income-generating activities (e.g. a retail store), alongside their responsibilities in managing the household. This often means that **women have very little time left to do anything else – such as go to town to visit a bank and deposit one's savings. They would opt for more accessible facilities – such as saving in an arisan or keeping one's savings at home**.
  - For many women, taking care of their families, and especially the needs of their children, is at the core of what they do – be it running an income-generating activity, setting aside money for future use or borrowing money. For women, especially those in low-income households, their focus will be strongly placed on immediate or near-term needs, rather than making long term plans for the future. They may also view risks quite differently from the way men do. For example, if we consider the pattern of borrowing vs. saving between men and women (given the SOFIA survey results, as well as similar findings in other countries), men appear to take on more debt, compared to women. Many other studies explain that this seems to stem from the ability of men to take a longer-term perspective on money – possibly because they are not (as) worried about the household, especially when a female partner or spouse is looking after the details of meals, children's well-being, etc.[20]

[20] Studies on the use of financial services between men and women in the U. K. and Canada, for example, show how men are more likely to carry large amounts of debt, compared to women. Men are also more likely to handle investments and long-term planning; whereas, women tend to be less prepared for retirement, even though they live longer. These studies relate these observations with the greater tendency among women to be risk-averse and how women's actions and decisions tend to be strongly driven by the need to take care of their families and those important to them.

Box 4: Understanding the responsibilities allocated to women and the implications on the kinds of financial services they are more likely to use

Maria is 44-year old mother of two from Ende (NTT). Her eldest child is already in high school and attends school outside the village and lives with her uncle. Her younger son is in 2nd Grade. Maria explained that on a daily basis, she wakes up very early in the morning to prepare cookies that she then sells in a small kiosk at her son's school. Once she has prepared the cookies, she then proceeds to prepare breakfast for her husband and her son, and thereafter takes her son to school. Her husband, who is a farmer, goes to their land (which is around two kilometres away from their home), where they grow walnuts and cloves. On her way back home, Maria will go to the village market to buy what is needed for meals of her family and then spends what is left of the morning cooking. After lunch, she goes about doing other household chores, such as cleaning the house and washing clothes. At times, she says she finds an extra hour in the morning, which she then uses to clean the pens where they store the three pigs they own. She feeds the pigs after lunch. As the afternoon draws to a close, Maria then needs to prepare for dinner for her family.

Maria explained that given everything she needs to do on a daily basis, she has barely any time available to do other things. When asked whether she would be keen to put her savings in a bank, she said that, *"It is difficult for me to find time to go to the sub-district (kecamatan) where the bank is. It takes about an hour from here. I need to find an ojek to travel to the bank branch, which will cost me IDR10,000 for one trip... It would be nice if the teller can visit us at home and collect the money."*

04

Summary of key findings and recommendations

4.1 Key findings

The survey results indicate that **women tend to be less banked than men**. There are three key factors that help to explain this gender gap in financial access and usage:

- **Females are more likely to have no education or have only achieved low levels of education, compared to males**. This is expected to have implications on formal financial access - e.g. consumers with little or no education tend to perceive the services offered by formal financial institutions, such as banks, as too complicated or inappropriate to their needs. Likewise, the kinds of financial products that banks make available, as well as how they deliver their services, may tend to favour those with higher education levels.
- **Women are also more likely to maintain lower asset levels and not own land/property.** Even if certain assets, such as land, are owned by the household, the certificate or title of the land tends to be in the name of the male spouse or head of household. This (low) level of asset ownership can lead to a number of barriers for women – such as the inability to access loans from banks and other financial institutions that impose certain collateral requirements.
- **Most women rely on other members of their household for their income**. This ties in with the role that most women assume – as household managers. In contrast, men are expected to generate the money needed to meet household needs; and the money earned is typically remitted to women to budget and allocate according to what the household needs. On the basis of the main source of income, women would be assumed to have limited economic independence and therefore not particularly attractive to formal financial institutions.

But there are a number of other characteristics of women as economic actors that are also worth considering:

- Although women *mainly* rely on others for their income, **a significant proportion of them have secondary income sources – mainly entrepreneurial activities.**
- Although women rely on others, such as their spouses, to provide the money to finance personal and household needs, **women exercise control over household finances**. Women's role as household managers requires that they make decisions on spending (at times, independently of others), and that they keep track of earnings and how money is spent. These behavioural attributes of women and the role they have as household financial managers underscore the value of engaging women – e.g. by financial institutions that are keen to deliver products and services that target family-run micro-enterprise activities.

Although women tend to be less banked than men, **a significantly higher proportion of women are able to turn to informal financial services**. The use of informal financial services – especially in terms of saving and borrowing – is driven by the following:

- **These financial services are mainly used to meet short-term needs** (i.e. to smooth consumption and to meet other household expenses). The amounts being saved and borrowed tend to be small, and ease of access to these amounts (whether saved or to be borrowed) is of importance to both male and female consumers alike.
- Women turn to a range of informal financial service providers. However, **women access loans from *arisan*, much more than men do**. These informal groups are a much more common fixture in the social networks of women across Indonesia.

4.2 Key recommendations

For policymakers

If the intention is to increase the proportion of women who are able to access and use the services of formal financial institutions, such as banks, interventions that **improve women's (and girls') access to education and support women to gain ownership of assets (especially land/property)** are seen as instrumental to the realisation of this goal, especially in the long term.

Given the financial needs of unbanked women, however, it is difficult to assume that these needs can be met (directly) by formal financial service providers. Most of the reported saving and borrowing activity involve values that may not be economically viable for formal financial institutions to handle directly. While there are lessons that the formal sector can draw from the informal options that women turn to, shifting informal usage into formal access could lead to unduly increasing the cost of intermediation (for suppliers of financial services) and the transaction costs that female consumers have to bear in order to access these financial services.

This is important to consider – as it is all too often assumed that the overall objective in terms of promoting financial inclusion is to bring banking services to all the unbanked. At the core of the proposition to improve financial inclusion is the consumer – that s/he can be provided with financial services that are affordable, accessible and safe. Thus, the purview taken in this survey has not primarily been limited to 'understanding who or which segments are unbanked', rather 'understanding how different segments of consumers use financial services'. And in this paper, we have highlighted the actions/choices, preferences and attitudes of women, in particular, with respect to their use of financial services.

There are notable **opportunities to consider in terms of ensuring that financial education programmes include women.** Firstly, as women are playing a central role in household financial management, there is a strong case to ensure that efforts to promote numeracy, financial literacy and greater financial capability target or include women. Moreover, the results also show that even as women (generally) may not have achieved the same education levels as men, they appear to perform better in terms of being able to track income and expenditure (given that such capabilities are needed in the role that women play). This suggests that targeting financial education programmes towards women could offer greater traction.

In terms of opportunities that are geographically-oriented, the survey results point to a need to promote financial education especially in the province of NTB. Across the four provinces surveyed, NTB has the lowest proportion of the population – both males and females – who reported that they keep track of income and expenses, far less than what is observed in the other three provinces.

For financial service providers

There are two areas where opportunities are seen in terms of being able to reach more women and encourage their use of formal financial services.

- **Bringing services closer to female consumers:** As noted earlier, many women – especially those who belong to low-income households – are often time-constrained and unable to travel to bank branches to open accounts and carry out financial transactions. These women therefore tend to prefer saving or borrowing at facilities that are accessible at the village – e.g. via an arisan or service providers that give them the option to transact via door-to-door collectors or indeed agents that now form part of the branchless banking model adopted in the country.

  While formal financial services providers, such as banks, may not necessarily be able to directly provide (in a viable manner) the sort of services that all unbanked women and men need, **there are opportunities seen in terms of building relationships with other types of providers** in a way that allows consumers to take full advantage of those financial services that meet their particular needs. For example, *linkage banking schemes* that capitalise on the existence of savings and loans associations (e.g. arisan) can help bring more women closer towards formal financial access. From the perspective of formal financial institutions, such as banks, developing these initiatives that target 'unbanked women' will be motivated by the positive savings behaviour observed among women.

- **Developing products that really matter to female consumers:** Saving for the purpose of meeting school-related expenses is central to the financial activities undertaken by women. There are 'education insurance (*asuransi*) products' available in the market, including those that cater to small-scale requirements. For example, some of the education insurance facilities allow minimum premium contributions of IDR50,000 (per month), which can be withdrawn (at any time) and designed to cover a range of school-related expenses (and not just tuition fees). However, despite the availability of these products, many women still continue to save for school-related expenses outside the financial system. Given the high number of women who do so, there is scope for the formal financial sector, especially banks, to develop long-term or commitment-driven savings products patterned after 'education insurance', and to target these products towards women / mothers.

Annex A - Defining the 'Financial Access Strand'

One of the key indicators of interest is **the proportion of the adult population with access to financial services** – or what is commonly referred to as the 'Financial Access Strand'. This seeks to measure the proportion of the population who have access to or are using different types of financial services, based on a classification of financial products. The Access Strand, as introduced under the FinScope surveys, focuses on the financial system in its broadest sense and assumes that all adults in a country will fall into one of the broad segments.

In SOFIA, access to financial products and services is classified as:

- Banked;
- Formal, non-bank;
- Semi-formal;
- Informal; or
- Financially-excluded.

The overlaps in the usage of products are taken out in the Access Strand. For example, an individual who uses banking services as well as informal services is classified as 'banked'.

The Financial Access Strand is specifically constructed to illustrate the extent of:

- **Financial exclusion**: The percentage of adults who do not use any financial services for the purposes of cash-flow management, risk management, asset-building or productive investment. These individuals rely only on themselves, other household members, family and/or friends for these purposes.
- **Informally served**: The percentage of adults who rely only (purely) on informal financial services (i.e. financial services that are not provided by an institution that is formally regulated or supervised).
- **Semi-formally served**: The percentage of adults who use semi-formal financial services - i.e. those services provided by institutions that are supervised but are not regulated by the financial services authority, such as cooperatives. Although these individuals may also use informal services, they do not use any financial services provided by institutions that are formally regulated.
- **Formal inclusion**: The percentage of adults who use services provided by institutions that are regulated by the financial services authority. Formal inclusion is not exclusive – these individuals may or may not use other types of services (semi-formal and/or informal services) as well. They are, however, distinguished by their usage of formal services. Those who are formally included are further broken down into those who are:
    - **Non-bank, formally-included** – the percentage of adults who use formal financial services but not services provided by banks. These are non-bank formal financial institutions, such as multi-finance companies, authorized payment service providers, etc.
    - **Banked** – the percentage of adults who use services offered by banks. These include commercial banks, rural banks (BPRs) and regional development banks (BPDs). These individuals may or may not use non-bank formal services as well. They are, however, distinguished by their use of commercial bank services.

The table below provides details to distinguish formal, semi-formal and informal financial services.

	Formal	Semi-formal	Informal
Regulatory status	Regulated and supervised by the Financial Services Authority	Not subject to the same supervision as formal financial institutions	Operates outside the legal and regulatory framework (for financial services)
Types of providers	Banks: *Commercial banks* *BPDs* *BPRs* Non-banks: *Multi-finance companies* *Venture capital firm* *Peer-to-peer/internet lending/crowdfunding* *Pawnshop (except pawning services)*	Savings and credit cooperatives Credit schemes or programmes that are not delivered through banks	*Arisan* Moneylender Informal savings collector Employer Individuals whom people do business with – e.g. buyer/trader, processor, supplier

In constructing the Access Strand for the purposes of SOFIA, we have set out five categories, namely: Banked; Formal, non-bank; Semi-formal; Informal; and Financially-excluded. These are further explained in the table below.

	Banked	Formal, non-bank	Semi-formal	Informal	Financially excluded
Using financial products or services offered by…	Financial institutions that are recognised as banks	Non-bank financial institutions that are regulated / supervised by the financial services regulatory authority (OJK)	Non-bank financial institutions that are not regulated / supervised by the financial services regulatory authority (OJK)	(a) money-lenders, (b) village-based informal associations	Does not use financial services from any formal or semi-formal institution, nor through informal means
Examples of providers of financial services	Commercial banks BPDs BPRs	Multi-finance companies	Savings and credit cooperatives	*Arisan*	*"I keep my extra cash/savings at home."*

In developing the access strand, **we consider ‘usage’ of financial services, which does not necessarily mean ownership**. For example, a person may be able to use banking services but not necessarily own a bank account him/herself. S/he may be using an account that belongs to a household member – e.g. when receiving transfers (due her), a wife uses her husband’s bank account.

It is also important to point out that **financially-excluded** individuals are those who do not use services that fall under the formal, semi-formal or informal categories. E.g. they may be keeping their savings at home or borrowing money from their family members or friends. The financially-excluded group does not, however, include those who are not using financial services – e.g. those who are not saving at all, are not borrowing money, are not making any payments or transfers, etc.


VIDO 1
MCM
UltraTec
Coolant
HI-TEMP
THE WEDDING


YAMALUBE
SILVER
TOP
SYNTHETIC
YAMALUBE
YAMAHA
SPORT
MOTOR OIL
NOK
NOK
PROGRAM
KELUARGA
HARAPAN

Kementerian PPN/ Bappenas

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