

Fostering Financial Inclusion in Timor-Leste with Kaebauk Investimentu no Finansas (KIF)



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Executive Summary

As a young country, having gained independence in 2002, Timor-Leste faces significant development challenges, including alleviating high level of poverty. In general, inadequate access to affordable finance has been identified as one of the key barriers to poverty alleviation. Timor-Leste is well aware of this and has developed a national strategy to address financial inclusion. Commissioned by leading microfinance and allied service provider Kaebauk Investimentu no Finansas, SA. (KIF), a research team comprised of students from the Masters of Public Policy and Global Affairs program at the University of British Columbia's School of Public Policy and Global Affairs developed and conducted fieldwork in December 2017 in urban and rural areas of Timor-Leste. This research seeks to identify barriers, risks, and opportunities for KIF in providing financial services to enhance financial inclusion within the larger Timorese context.

KIF's Mission

To provide microfinance and allied services for a large number of the poor in a sustainable and regulated manner to improve the quality of life of families and empower women.



The research explored four main areas of interest. First, this research sought to identify barriers to financial services to address how KIF can support livelihood systems through improved financial services. Second, the research was designed to explore the use of technology, specifically the feasibility of shifting to different types of mobile technology for operations. Third, strategies for KIF to assist in overcoming the challenges associated with government-to-person (G2P) payments. Namely, reducing the transaction costs associated with transferring funds from the government to remote areas given a lack of strong banking channels. Finally, identify any existing problems with current KIF clients to assess what needs to be addressed before expanding into new areas. Each of these were explored under their own research question throughout the fieldwork

The research method included a qualitative survey utilized in interview and focus group setting. Further, semi-structured interviews with KIF staff, experts, and practitioners were conducted. While clients and non-clients of KIF were the targeted sample population for the study, the research team had the opportunity while in country to conduct focus groups with university students as well. These focus groups had some salient characteristics and were especially illuminating with regard to the in-country payment transfers and technology use patterns of the upcoming generation of potential business owners. These focus groups supported the recommendations and overall research into the current picture of clients and non-clients by allowing the recommendations to have an eye toward the future for longer term sustainability and financial inclusion.

Following the analysis of the data, this report outlines several recommendations for KIF moving forward.

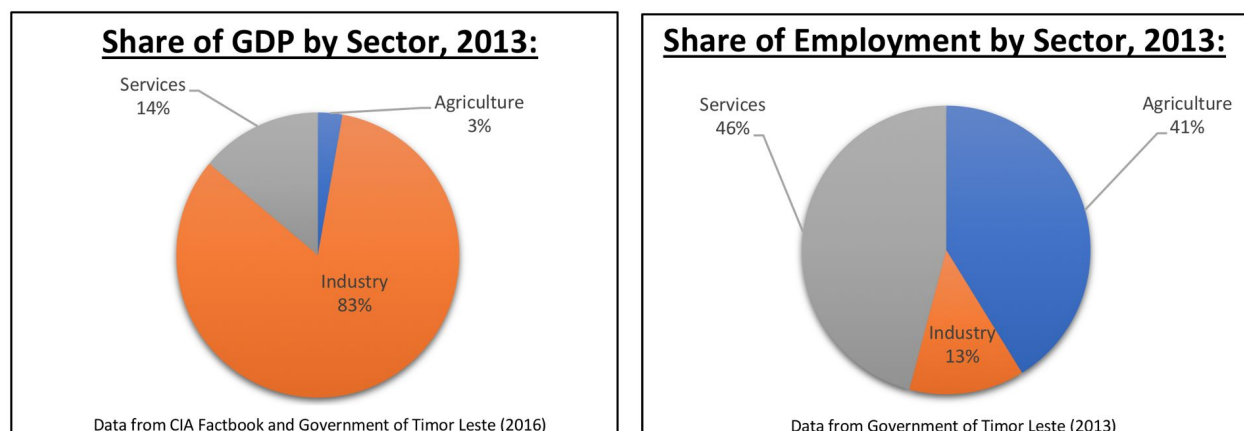
1. Lobby policymakers to
 - a. Provide leading capital investment and policy frameworks for areas of the economy with high potential for KIF such as agriculture;
 - b. Carve out an agreement with the government to provide G2P payments by leveraging their comparative advantage in reach remote areas in the country through their agent networks. To this end, KIF ought to focus on 'soft' areas of business development in marketing and networking within country to build their agent network and reliable reputation; and
 - c. Lobby the government to initiate an effective country-wide credit bureau to provide efficient and accurate credit references for aspiring clients, as well as boost regulatory framework across all lending institutions to foster trust among clients and potential partners alike.
2. Human resource recommendations
 - a. Increase staff capacity in field locations to reduce cost and travel times of Dili staff for large loan verification; and
 - b. Given KIF's mandate to empower financial literacy and access for women, KIF can include more women in their customer service staff - especially as field officers where appropriate to do so.
3. Increase age limits on loans from 55 to 60 years old.
4. Before moving to mobile banking, pursue development of an agent banking model coupled with brand and savings marketing to build capacity and further assess the mobile banking landscape – technology, regulations, and competition.

Background

The Democratic Republic of Timor-Leste (hereafter Timor-Leste) gained independence in 2002 after the Timorese people voted to end Indonesian occupation in a 1999 referendum after 24 years of violence and political upheaval. The United Nations Transitional Administration in East Timor (UNTAET) provided interim civil administration and peacekeeping from 1999 to 2002 and returned from 2006 until 2012 after a resumption of violence in the capital, Dili. Timor-Leste has experienced a period of relative stability and peace over the past decade, however, despite oil revenues helping the country earn lower middle-income status in 2011, Timor-Leste continues to experience significant political, administrative, infrastructural, and social challenges: In 2014 the poverty rate was 41.8% and in 2015 it was ranked 133 out of 188 countries in terms of its human development index, reflecting underinvestment in physical and especially social infrastructure¹.

¹ ADB, 2017.

This underinvestment is reflected in the contrasting data on the sectoral share of GDP compared to employment. In 2013, whereas industry accounted for 83% of Timor-Leste's GDP in 2013, it only accounted for 13% of employment. By contrast, agriculture only accounted for 3% of GDP, despite accounting for 41% of employment in the country and an even high proportion outside of the capital city, Dili.



Since 2013, the share of industry in GDP has declined due to volatility in the global oil market and the share of the non-oil sector has been growing. However the government has stimulated growth, in part, with expenditures from the country's Petroleum Fund above the expected sustainable income, which may limit efforts to diversify the economy in the long-term.

One of the main initiatives by the government to promote stability and socio-economic wellbeing in Timor-Leste following resumption of violence during the 2006 crisis has been the development of four cash payment schemes (Government to People, or G2P, payments), launched in 2008, using the income from the Petroleum Fund and managed by the Ministry of Social Solidarity. The most extensive scheme has been tiered pensions for veterans of the resistance movement against Indonesian occupation, which accounted for 50% of the social assistance budget in 2012² and 8% of the total government budget in 2017³, despite veterans representing only 1% of the Timorese population. Elderly people (aged 60+) and persons with disabilities receive \$30 per month, and vulnerable female-headed households also receive payments depending on the educational level and performance of the household's dependents⁴. While this social security framework appears more comprehensive than many other developing countries in the region, with the majority of benefits going to veterans, there appear to be "too few beneficiaries to allow for any sizeable national impact on poverty"⁵. Furthermore, paired with low government investment in educational, medical, clean water, and agricultural infrastructure, the impact on poverty and diversification of the Timorese economy is negligible.

² Dale et al., 2014, 290.

³ Lao Humutak

⁴ Wallis, 2015, 237.

⁵ Dale et al., 292.

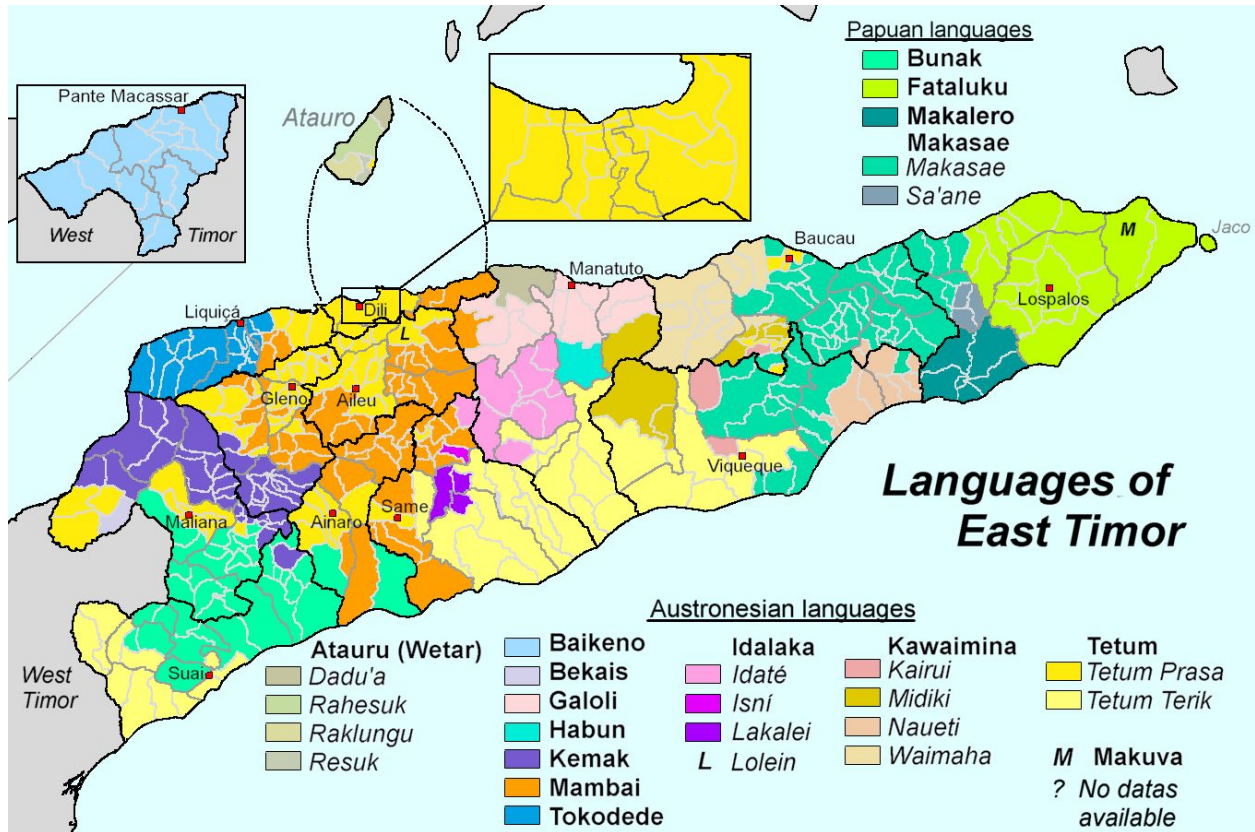


The government of Timor-Leste has acknowledged these challenges and laid out its plans to build an inclusive, equitable, and sustainable society in its Strategic Development Plan for 2011-2030. By its own account, these challenges entail high unemployment among youth, dominance of precarious employment and unskilled labour opportunities, rapid population growth, high rates of undernutrition, and multiple infrastructural challenges, including in the education system. Other organizations operating in the country have reported other development challenges, including high levels of violence against women⁶ and low literacy rate, which was 58.5% among Timorese 15 years and older in 2014, lower than the average in other lower-middle income countries⁷. The high level of linguistic variety in the country is another challenge for implementation of nation-wide socio-economic and infrastructural programs: while the constitution establishes Tetun and Portuguese as the official languages and Indonesia as well as English as working languages, it is estimated that there are more than 20 different mother tongues that continued to be used in Timor-Leste, as demonstrated in the following map.

⁶ Warner, 2015.

⁷ Education Policy and Data Centre, 2014.

Major language groups in East Timor according to the October 2010 census:



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As part of the government’s development strategy, the Banco Central de Timor-Leste (BCTL) has released a National Strategy for Financial Inclusion 2017-2022, which asserts that, “Financial inclusion is not only imperative for the development of the financial sector, but its significance extends to the country’s socio-economic development in entirety”⁹. According to the strategy, only 64% of Timor-Leste’s adult population of 625,000 use financial services in Timor-Leste, with the rate of access lower in rural areas¹⁰. In order to increase access, part of the strategy is to “[p]romote the extensive use of digital financial products and to facilitate the introduction of agent banking arrangements to cover 75% of administrative posts”¹¹. With mobile account subscriptions expanding to more than 100% of the population since the telecommunications industry was liberalized in 2012, mobile banking is seen as a promising opportunity for increasing financial inclusion in all areas of the country. Furthermore, with a median age of just 17.5, indicating Timor-Leste’s very young population, who are more technologically connected than any previous generation, mobile banking options will become increasingly relevant and appropriate for adult Timorese people in the coming years.

⁸ J. Patrick Fischer, 2012.

⁹ BCTL, 2017, 7

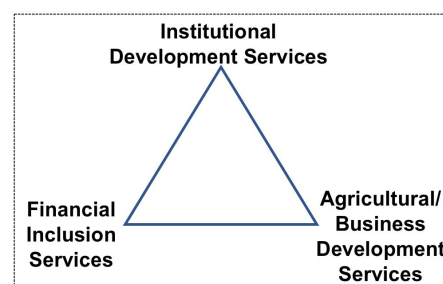
¹⁰ BCTL, 5.

¹¹ BCTL, 9.

In the BCTL's strategy for financial inclusion, Kaebauk Investimentu no Finansas (KIF) is identified as one of the private stakeholders in the financial industry involved in expanding access to financial services in Timor-Leste. Having evolved out of the microfinance activities of Tuba Rai Metin, a Timorese non-governmental organization (NGO), KIF has a greater presence in rural areas than commercial banks, placing it at the forefront of improving access to financial services in the country. To that end, KIF was granted a license as an Other Deposit Taking Institution (ODTI) by the BCTL in 2015 and now offers a range of microcredit and savings services and is Timor-Leste's leading microfinance institution.

Financial Inclusion and Agent-Based Banking

Timor-Leste is not alone in its emphasis on fostering financial inclusion as a means of supporting social and economic development: in recent years the concept has emerged as an effective strategy to ensure economic and financial development is accompanied by considerations for equitable distribution and expanding access to previously unbanked populations. Indeed, financial services are part of the Indian livelihood promotion institution BASIX's livelihood triad model denoting the components necessary for the promotion of equitable livelihoods.



To do this, the use of technology has become an indispensable tool. Through the use of internet and mobile phone technologies, the latter having become nearly ubiquitous in developing countries and the former becoming increasingly accessible through smartphones, banks and microfinance institutions (MFIs) are able to both lower the cost and extend the reach of their service provision. Due to the different financial needs and technological capabilities of low-income customers, rather than introducing mobile banking directly, wherein bank accounts are directly accessible to customers using the internet, MFIs have been adopting an agent-based model of service delivery. Also known as the “business correspondent” model or “branchless banking”, agent-based banking involves the establishment technologically enabled local agents as customer service points in remote areas, connected to a central server, to facilitate transactions¹². While this model is promising from a financial efficiency perspective, it also may have social benefits: based on data from the Global Findex Database measuring access to financial services, telephone and internet usage have been found to be positively associated with financial inclusion, which, in turn, is associated with higher levels of human development¹³.

¹² Mas et al., 2012, 2.

¹³ Sarma and Pais, 2011, 624; 613.



Establishing a system of agent-based banking in Timor-Leste is central to the BCTL's strategy for expanding financial inclusion. In 2014, Banco Nacional Ultramarino (BNU), of Portugal's Caixa Geral de Depósitos Group, partnered with Timor Telecom to pilot its mobile banking products in Timor-Leste¹⁴. While use of these services is still limited, the deregulation of Timor-Leste's telecommunications sector in 2012 and now near universal mobile coverage in the country, there are more opportunities for marketing these products. Recognizing this potential, other financial institutions operating in Timor-Leste, including commercial banks like Bank Mandiri and Banco Nacional de Comercio de Timor-Leste (BNCTL) and KIF as an ODTI, are exploring options for offering mobile services to their clients as well.

The first step in establishing a system of agent-based banking in any country is authorization from the government through the creation of regulations and guidelines. In collaboration with the Asian Development Bank and the University of New South Wales, BCTL has developed such guidelines, released in February 2015 in Circular Letter 14/2015: Guidelines on the Use of Agents in Branchless Banking¹⁵. The guidelines cover: prohibitions, agent structure and permissible activities, requirements of banks (and ODTIs) undertaking agent banking, agent selections and application process, transparency and reporting, remedial measures and administrative sanctions, and dispute resolution. These guidelines add to efforts to encourage development of a credit culture in Timor-Leste: in May 2009, the BCTL (then the Banking and Payments Authority) released Instruction N. 03-2009 defining the legal regime for the creation of a Credit Registry Information System in the country. However, there is no evidence that the registry is being widely used for credit checks on micro-borrowers, limiting its ability to provide information and prevent risk for investors and lending institutions.

In addition to a sound legal framework, the principle tasks that remain are investment of initial capital, establishment of a network of agents throughout the country, and extensive trust-building efforts (through marketing and transparency measures, for example) to encourage

¹⁴ ADB, 2016, 9-10.

¹⁵ de Sousa, 2017, 7.

adoption of this new method for accessing financial services. In operationalizing agent-based banking, there are a number of successful models KIF can deploy:



One initiative, and model, that has been particularly successful and is noted frequently in the literature on agent-banking is Kenyan-based M-PESA. M-PESA was developed by the British telecommunications company Vodaphone and launched by its Kenyan affiliate Safaricom in 2007. M-PESA operates a system of low-value electronic accounts (transactions capped at \$500) linked to and accessible from subscribers' mobile phones through use of a Safaricom SIM-card. Safaricom leveraged its existing network of retailers throughout Kenya to create a network of M-PESA agents offering money transfer services (depositing, withdrawing, and sending). While repayment of loans can be done using M-PESA, it does not offer a microcredit product itself¹⁶.

Another successful model as been operationalized by Sub-K, a subsidiary company of the Indian livelihood promotion institute BASIX established in 2010. Sub-K is a mobile bank model that has established a network of agents throughout India by appointing and training technologically enabled local retailers as agents. With a technological platform developed in-house called ViTranSP that can integrate with both the core banking and payments systems of third party service providers as well as the technology accessible to agents to enable real-time authenticated transactions.



Sub-K offers a wide range of products and services, including:

- Business correspondence (i.e. deposits, withdrawals, remittances, savings, mini-statements, etc.);
- Business facilitation (i.e. extending microcredit in partnership with RBL bank);
- Payment services (i.e. government to citizen, business to business, or business to customer); and
- Other value added services.

Sub-K's business model, technological model, and network of agents allows for, and encourages, a wide array of options for partnerships with governments, banks, and other financial institutions for the provision of financial services in India.



Finally, Wing Cambodia was launched in 2009 by the Australia New Zealand Banking Corporation (ANZ), representing a third, bank-led, partnership model. Self-defined as a mobile payments service provider, Wing does not offer all banking products, but has established a network of agents across Cambodia. Wing has also managed to reach agreements with all telecommunications service providers in Cambodia to access their USSD gateways, allowing customers with any SIM-card

¹⁶ Mas and Ng'weno, 2010.

to use Wing for money transfers. Furthermore, in 2012 Wing introduced a money transfer product that does not require registration by either the sender or receiver of the funds, reflecting the company's responsiveness to the particular needs and characteristics of the Cambodian market.

These three models suggest agent-based banking can be successful regardless of whether it is launched by a telecommunications company, a livelihood institution/NGO, or a bank. These examples illuminate the importance of partnerships in the establishment of an accessible, convenient, and trust-worthy agent network for mobile banking. Therefore, KIF will have to carefully consider what kind of partnership, and with whom, best suits its objectives in launching agent-based banking.¹⁷

Purpose and Objective

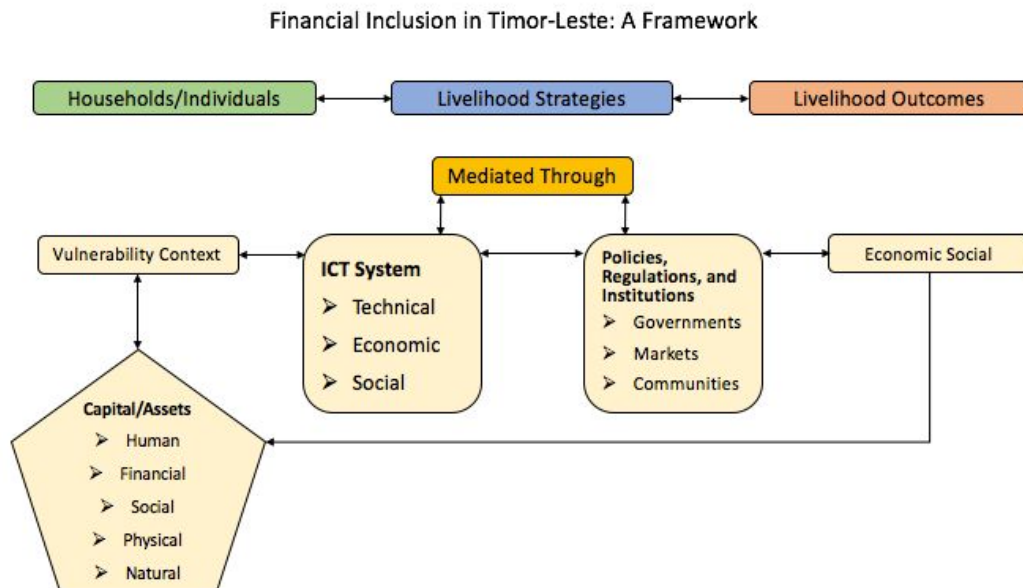
In a burgeoning country, there are many areas for potential high impact in developing policy interventions in the financial inclusion space. With many sectors of the economy being cash based or having high transaction costs, enhancing financial inclusion has the potential to improve livelihoods in Timor-Leste. The main focus of this study was, therefore, to understand how households manage and access financial services to make recommendations on how KIF can best utilize their role in Timor-Leste to enhance financial inclusion.

Further, the study sought to understand the current landscape of mobile access, infrastructure, and technologies in Timor-Leste. As the country has opened up significant competition, the study will evaluate if it is prudent for KIF to enter into mobile banking or agent banking in light of their mission and the need for their business to remain viable. Finally, our study is happening in a space with a confluence of financial inclusion, social welfare payments, mobile technologies, and sustainable livelihood promotion. It is the hope that our study will contribute to KIF's ability to work with the public and private sector to improve financial inclusion among rural households in Timor-Leste.



¹⁷ Hoffman, Jenny and Mary McVay. 2013.

Analytical Framework



The research questions have been designed to allow the research team to gather data on the overall picture of financial inclusion for Timor-Leste. As can be seen in the framework provided, livelihood systems are mediated through a variety of systems and factors. Specifically, at the top level of the framework from left-to-right, the decisions made at the 'household/individual' level on how to proceed with livelihood strategies resulting in specific livelihood outcomes is mediated through a complex system of factors enumerated in the bottom level. Once a certain outcome is achieved, this result then informs a new set of decisions at the 'household/individual' level, along with any changes in the factors interacting in the bottom-level. This framework enumerates the various mediating factors that contribute to the success or failure of a particular livelihood strategy. Of particular interest to KIF is the information and communications technology (ICT) systems and how they can be better utilized and expanded to contribute to successful livelihood outcomes. Ultimately, for this study, this simple framework guides both the research question and recommendations.

Research Questions

KIF is currently developing an operational strategy for branchless/mobile banking services. To assist in this goal, KIF commissioned research from three graduate students from the University of British Columbia's (UBC) School of Public Policy and Global Affairs. The students developed the following questions to guide their field research in Timor-Leste during December 2017:

1. What barriers exist to accessing financial services in order to promote livelihood development?
2. Given Timor-Leste's current infrastructure, what strategy for financial inclusion should KIF adopt? Is mobile banking the best strategy?
3. With and without the research conclusions of the preceding question, how can KIF coordinate social security payment delivery (G2P payments) in conjunction with a broad array of other financial services?
4. What problems exist with current clients' (12,500 accounts) experience that can be addressed before KIF seeks clientele expansion?

Methodology

Given that the research involves several stakeholders with varying degrees of knowledge and understanding of the financial sector and mobile banking, the research is predominantly based on qualitative methods. Given the nature of the research, and the short time-frame in which it was conducted, there are certain limitations with this approach and some key assumptions made by the team. Before outlining how the data was collected and analyzed, these assumptions and limitations will be outlined.

Assumptions and Limitations

Our research findings are based on two key assumptions. First, that greater financial inclusion is demanded by Timorese households, especially women, and will benefit them. Second, honest and truthful answers were given to sensitive financial and personal questions.

While the team was able to interact with most of the key stakeholders identified for the research, there remain some key limitations. First, KIF helpfully provided staff for translation at all client and non-client interviews to facilitate smoother gathering of data. Given the need in many instances to explain key concepts such as mobile banking and agent banking to participants, there is a risk that of losing information in translation. Further, while the translation assistance provided by KIF staff was vital to facilitating the research, their presence may have influenced the responses of participants more so than if a third-party translation service had been used. This is especially a risk for all participants who had applied for loans, but had yet to hear back on the approval of their loans. KIF translators were also present at expert and practitioner interviews where the participant lacked English language skills. Namely, the interviews with Kmanek Supermarket, The Ministry of Social Solidarity. With the exception of the Market Development Facility, when the participant had strong English language skills the translators were not present.



Regarding participant selection, due to the time in country, difficulties in travelling while in country, and social norms there were barriers to acquiring a high n of non-client participants. Therefore, the ability to make generalizations from the data acquired from this sub-population is limited. While the study included a strong sampling of both rural and urban populations, not all administrative districts were sampled. Further, there was a significant struggle in finding G2P recipients to interview to inform strategies for KIF in delivering these payments, the recommendations are heavily based on a small sample supplemented by expert analysis.

The population sampling overall was not randomized which is limiting to generalizability of findings. Additionally, some of the relevant stakeholders identified for this study had high barriers to entry and the team was unable to get past the gatekeepers. Namely, the team was unable to meet with all banks and telecommunication companies. However, the study does include interviews with BNCTL and Telkomcel which mitigates the limitation emanating from the absence of these stakeholders.

Design

The research findings are based on a qualitative study design. The team utilized interviews, focus groups, and semi-structured interviews to gather data. The population sample included:

- Current clients - rural and urban;
- Non-clients - rural and urban;
- G2P recipients - clients and non clients;
- University students in Dili;
- Experts and Practitioners; and
- KIF Staff.

Focus groups and interviews, with the assistance of KIF translators, were utilized to gather data from current clients. The participants of each interview and focus group was organized by KIF staff prior to the arrival of the research team, or on the day of the interview in collaboration with KIF head office staff and KIF regional staff. As noted, participants for these focus groups and interviews were not selected through a randomized process. The questions for the interview are found in Appendix 1. The questions were divided by research question.

For non-clients, the research team, with the assistance of KIF translators, utilized interviews. The questions can be found in Appendix 1 for these interviews. Both the non-client and client interviews included the same questions for G2P recipients. Further, the same interview questions were used for the student focus group interviews. However, it was decided later in the process to treat the students as separate from the non-clients given their status as students making them unable to qualify for loans from KIF. Further, given the small number of non-clients

who could qualify for loans, utilizing student responses to analyze non-client data would unnecessarily skew the findings from other non-client interviews.

Semi-structured interviews were used when interviewing experts, practitioners, and KIF staff. The research team would tailor each interview depending on the type of expert or practitioner being interviewed and, while keeping certain goals for each interview in mind, would leave space for the participant to inform the discussion. The information gathered during these interviews were then grouped into themes to inform certain findings and provide overall context for recommendations.

Finally, some of the findings are supplemented by data provided by KIF such as HR statistics, hiring practices, and loan statistics.

Data Collection

Overall, the data collection breakdown is as follows:

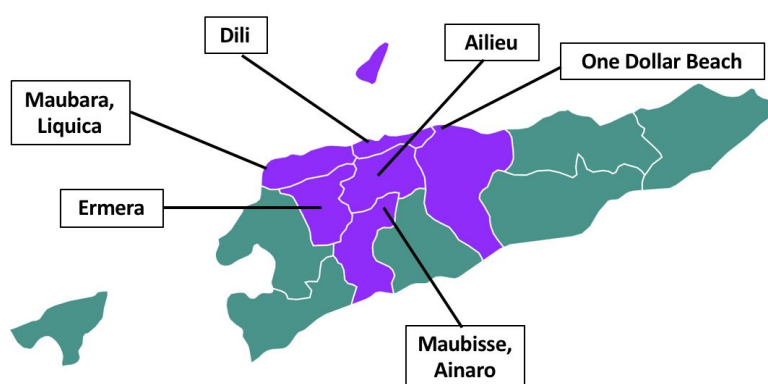
Method	Participant Type	Location	Total Number of Participants	Number of G2P Recipients Among Total
Focus Group	Client	Maubara	16	0
	University Student	Dili	26	0
Interview	Client		18	3
		Dili	8	
		Alieu	4	
		Maubisse	2	
		Ermera	2	
		Ainaro	2	
		Non-client	13	2
	Dili	9		
	One Dollar Beach	1		
	Maubisse	1		
	Baleibra	1		
Ermera	1			
Total			73	5

Method	Participant Type	Organization
Semi-Structured Interview	Expert	Asian Development Bank
		Asia Foundation
		International Finance Corporation
		Market Development Facility
		Mercy Corps
		United Nationals Development
	Practitioner	KMANEK Supermarket
		Ministry of Social Solidarity
		Telkmocel
		The National bank of Commerce of Timor-Leste (BNCTL)
	KIF Staff	KIF Dili Branch (A)
		KIF Dili Branch (B)
		KIF Ermera Branch
		KIF Maubara Branch

Data Analysis

Once all the data was collected the team undertook content and thematic analysis of the data. For the content analysis of the focus group and interview data, the team coded the data for words and content to identify patterns to inform the findings and recommendations. Thematic analysis was utilized to group the data from expert, practitioner, and KIF staff interviews to address the research questions. The findings based on this analysis is addressed below.

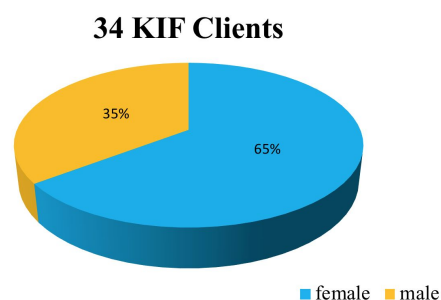
Research Locations in Timor-Leste, December 2017:



Demographics and Key Statistics

The average age of the existing KIF clients surveyed was 36 years old and 65% were women. Two former clients were also interviewed who, at 59 and 65 years old, were no longer eligible for loans due to KIF's age restrictions. To make their income:

- 11 work as vendors and/or through petrol resale;
- 10 run small shops;
- 8 run kiosks;
- 3 are G2P recipients;
- 1 is a vegetable farmer; and
- 1 is a homemaker.



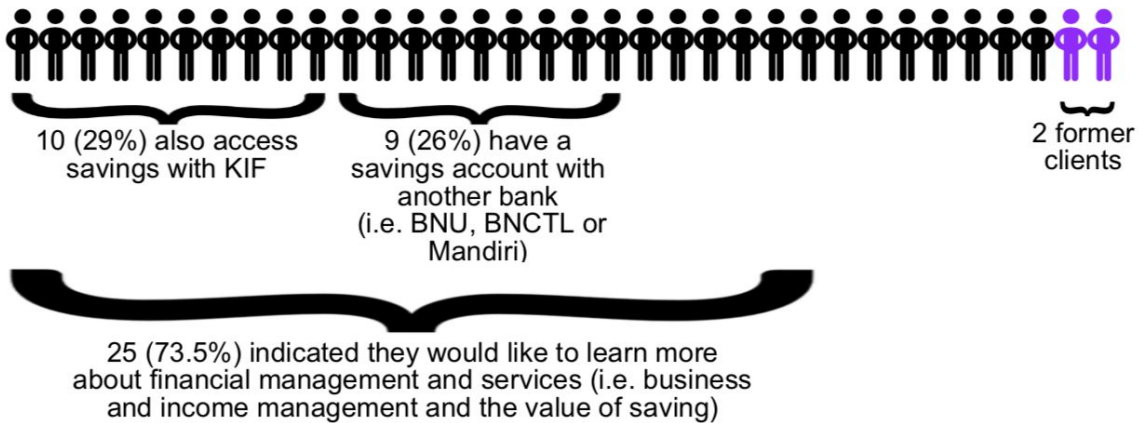
The average age of the non-clients surveyed was 34 years old and all but one made their income form a shop or kiosk of some kind. It should be noted, however, that the number of non-clients surveyed, at 13, is below the commonly used n=30 standard for statistical

significance and therefore these results should not be taken as representative. The average age of the students surveyed was 21 years old and they were all undergraduate students at the National University of Timor-Leste in Dili.

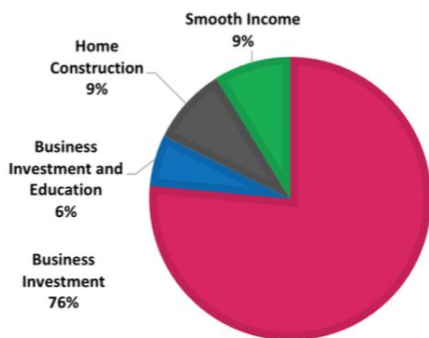
Research Question 1:

What barriers exist to accessing financial services in order to promote livelihood development?

Clients:



Loan Use:



The average loan size was \$1,500



The average travel time to a KIF branch was ~45 minutes



All reported receiving a receipt and signature on their loan schedule, which they very much appreciate



All respondents sending money domestically do so informally, entrusting delivery to bus drivers or travelling friends and family

Non- Clients:



6 (46%) have a savings account with another financial institution:

- 3 use BNCTL, citing brand loyalty and pride in using a Timorese institution
- 2 use Madiri, citing low fees and ease of ATM service
- 1 uses BeTimor Cooperative Bank

1 respondent reported accessing a loan for \$4000 from BNCTL, which she uses for business investment

4 (31%) want to access a loan, but cited high barriers of entry for accessing financial services



77% indicated they would like to learn more about financial services and management



All respondents sending money domestically do so informally, entrusting delivery to bus drivers or travelling friends and family

Students:



Students are not yet eligible for loans, but they represent potential future clients and their characteristics



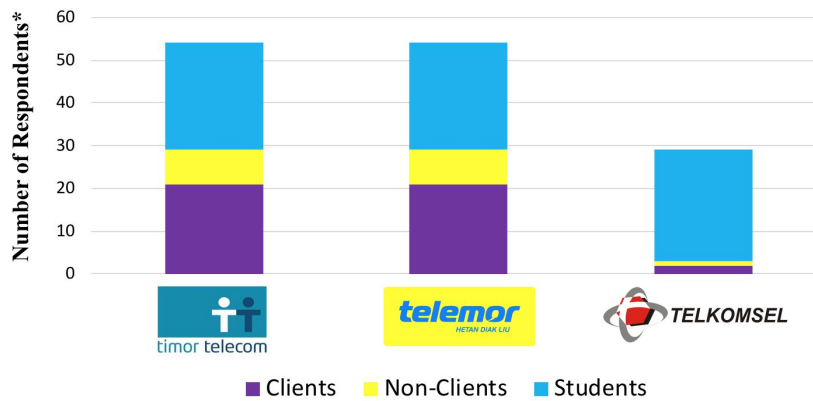
Nearly all reported receiving money for tuition from parents outside of Dili informally through bus drivers or travelling friends and family



Research Question 2:

Given Timor-Leste's current infrastructure, what strategy for financial inclusion should KIF adopt? Is mobile banking the best strategy?

Telecommunications Providers Used



* Some respondents use more than one provider.



Nearly all respondents reported owning a telephone and having consistent signal on their device



As indicated above, many respondents used the services of more than one telecommunications provider, with the students in particular having SIM cards from all 3 providers and switching them depending on cost and who they are contacting



There were a variety of phone use patterns, but notably:

- 64.7% of clients use SMS and 58.8% use the internet
- 84.6% of non-clients use SMS and 69.2% use the internet
- All students used their phones for calls, SMS, and the internet



73% of clients and 38% of non-clients said they would be comfortable with an agent completing their transactions with a mobile phone.



There was, however, a lot of uncertainty about the idea.



Many cited they would feel more comfortable if they continued to receive a receipt.

Research Question 3:

With and without the research conclusions of the preceding question, how can KIF coordinate social security payment delivery (G2P payments) in conjunction with a broad array of other financial services?

Of the 73 people surveyed, only 5 (7%) were receiving G2P payments, 3 clients and 2 non-clients. Recipients of veterans payments reported being able to access their payments from BNCTL or BNU with an ATM card. Recipients of other payments, such as for old-age, reported having to travel long distances, sometimes on foot, and waiting in long queues at BNCTL to pick up payments.

The interview with representatives of BNCTL confirmed that, while veterans and government can access their G2P payments from either BNCTL or BNU ATMs, elderly recipients must travel to pick up the payments at BNCTL branches or arrange alternative delivery through their Suco-office, and that lines are, indeed, often very long. Only persons living with disabilities are eligible for home delivery of G2P payments.

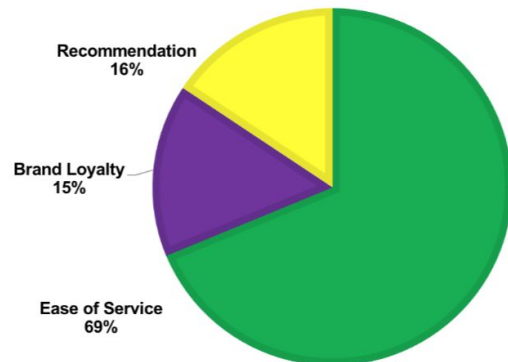


Research Question 4:

What problems exist with current clients' (12,500 accounts) experience that can be addressed before KIF seeks clientele expansion?

69% of clients reported choosing KIF due to the ease and accessibility of service compared to other financial institutions.

They all heard of KIF through word of mouth or directly from a field officer.



When asked what issues, if any, they had encountered with KIF's services:

- 4 mentioned delays
- 2 mentioned loan restrictions (age)
- 3 mentioned problems with customer service and communication (including one case of bribery by a field officer several years ago)

Other Observations

Expert and Practitioner Semi-Structured Interviews:

During their time in Timor-Leste the research team had the opportunity to meet with a variety of in-country experts and practitioners as outlined in the 'data collection section.' These semi-structured interviews provided some key insights into local, national, and global contexts for financial inclusion in Timor-Leste. While not all of the areas are addressed in depth in this research, some of the key observations and findings are briefly listed here to provide a more rounded picture of the Timor-Leste financial inclusion picture. The areas covered here include economic barriers and opportunities for Timor-Leste and private-sector factors to consider for KIF.

Several of the experts mentioned that the sectors with the greatest potential for growth in the country are agriculture and tourism. However, both face significant challenges in achieving their potential.

Agriculture

Several development organizations are looking to lobby the government into shifting focus into non-oil revenue generating activities. Namely, coffee, fishing, and forestry. Most notably was the potential of agriculture discussed by several experts and practitioners. Importantly, however, these experts and practitioners identified several key challenges in the agriculture sector specifically:

- For a demographically young country, there is little enthusiasm within the younger generation for entering the agriculture space.
- According to a development expert, ~85% of agriculture is subsistence agriculture and there is little willingness and/or ability to increase capacity.
- It is difficult to compete with the price of imported goods as there is little economy of scale in the local market.
- A key challenge for the \$20 million per year coffee industry is the need to increase yields. Currently, the existing land could generate 3x the current yield, but there is a lack of investment and underutilization of the land.

Given these challenges, there were still some passing observations by experts from organization such as the UNDP and the ADB that could be taken into consideration by KIF for further research or inquiry. These include opportunities such as:

- Helping farmers invest in other, more competitive crops including strawberries and spices (which overlaps with coffee in some instances).
- The potential for developing agri-inputs including seeds and pesticides and supporting those involved in this sector. Many of these products are imported and could be, relatively, easy to produce domestically.
- The strategy of providing training to farmers on techniques and managing their crop rotations and business practices to improve yields.



Tourism

Another sector of particular interest mentioned during several interviews is tourism. Timor-Leste has the opportunity to develop a high-end, niche eco-tourism sector focusing on nature lovers and divers. With tourist hubs such as Bali within close proximity, it is unlikely that Timor-Leste will be able to compete with high-supply, low-cost tourism. Considering this, several challenges and trends emerged from these interviews:

- A major challenge is a lack of investment in the service sector and a lack of human capital.
- There are new hotels and resorts opening in the coming years, and they will need high-end, quality inputs. Large potential for roll-on businesses.
 - This links to agriculture and the ability to foster predictable food inputs for tourism industry.
 - A possible way to compete is to focus on bringing the export market to Timor-Leste through tourism which will help with economies of scale.

Private Sector Factors

Given the competitive space for financial services and telecommunications, the expert and practitioner interviews allowed for some insight into private sector factors and trends that could be explored further and taken into consideration for future projects.

- A key barrier for any private sector actors in the financial space is the lack of ‘good clients.’
 - Many potential clients demanding financial services lack assets, sound business practices, and a demonstrated business plan that will generate income.
 - A key intervention could be to increase the demand for financial services and spread knowledge of sound business practices.
 - Risk is that other companies will scoop up ‘good-clients’ after first-mover sinks high costs into training.

Overall, a strong trend that emerged that ought to be researched more in-depth in the Timor-Leste context is the state of interest rates. Experts from various organizations and field noted in one way or another that across the banking and microfinance sector in general the interest rates and fees are too high to be sustainable in the long-term.

KIF Branch Staff:

The research team had the opportunity to visit 5 KIF branches in December: Dili A, Dili B, Liquiça, Ermera, and Maubisse, as well as to work in the Dili headquarters office. At each branch, discussions were had with the branch manager and at least one field officer in order to understand the diverse staff experiences between branches, as well as to gauge field officer challenges and opportunities.

Many field officers expressed some concern over collecting on “portfolios at risk” (PAR) at the end of each month, though all staff members were confident in using kind approaches with clients. One branch expressed that nearly 12% of their total clients are considered PAR, which increases demands on field officers’ schedules to make calls, conduct visits, and re-coordinate scheduled payments. It should be noted, however, that the definition of PAR may be assumed to be particularly challenging clients and not the widely understood PAR definition of fully delinquent clients. Field officers expressed that the end of each month can be stressful when needing to visit each client who was late on payments, especially as any overtime accrued to meet monthly business goals and collect payments is not compensated (though fuel is covered for motorcycle transportation).

A noted strong point for KIF is their good relationships with communities, with branch managers in multiple locations stating that despite available alternatives (BNCTL, commercial banks, Moris Rasuk, etc.), KIF maintains a reputation for friendly, personalized and professional service, even in the case of late payments. This is corroborated by high levels of repeat loan recipients.

A key issue brought up at each branch is the state of infrastructure, especially for rural roads during the wet season. Poor travel conditions can increase travel times for field officers and clients. This not only affects staff and client time, but as acquisition of new clients has primarily been through word of mouth, staff are limited in reaching new clients if road access is poor. Poor road conditions also contributes to extremely low numbers of female field officers outside of the Dili branches, which is seemingly contrary to KIF’s focus on empowering women. In discussions with KIF staff, the reason for this is due to poor road conditions not being suitable for female field officers on motorcycles. In speaking to a female field officer based in Dili, her personal lack of comfortability on rugged rural roads (especially in wet season) was confirmed. This type of issue could be overcome with a strong agent network in which female agents can be based in the communities in which they live.

January 2018 IFC and KIF Study Findings:

From January 17-23, 2018, after the UBC research team had completed their field work, the IFC supported KIF in conducting a similar study titled “Digital Finance Survey,” (hereafter DFS). It is important to include as their research findings that are summarized below echo many similar conclusions that are provided in this report’s final recommendation section, and therefore bolster the validity of the UBC team’s findings.

The DFS found low usage of formal banking, with it being most common among urban workers in Dili. 95% of the DFS respondents had a mobile phone, with approximately 50% having a smartphone and the other 50% having a feature phone - and the majority of respondents have more than one SIM card in order to optimize deals between different telecommunications providers. The predominant financial concern was spending too quickly, and 30% of rural interviewees were concerned about safekeeping of money.

Cash is used most commonly for mobile phone top-ups, and then electricity payments at 86%, and school fee payments at 70%. The school fee payment schedule is particularly of interest given that many of the UBC study respondents claim that school fees are paid via sending physical money through bus drivers or relatives. The DFS found that school fees average \$42 a month, with 64% of respondents making a payment 2-3 times a week, 24% paying every two weeks, and another 20% paying daily. 73% of school fee transactions were reportedly paid in cash. More broadly, $\frac{1}{3}$ of respondents in the DFS study reported sending money every month for all purposes with an average transaction fee of \$3.60, though around $\frac{1}{2}$ of respondents claim they never send money.

The DFS study found that in acceptance of a mobile banking operation, ease of use and security are the most cited concerns. For agent banking, the majority of respondents would be interested in mobile banking if it decreased their travel time and transaction costs. DFS concluded that while most respondents would try mobile banking, many are uncomfortable with the technology and unsure if it will work for them in the long term.

In terms of brand recognition, the DFS study found that 77% of respondents replied ‘yes’ when asked if KIF is a brand they know and would trust to launch mobile or banking operations. However, it is important to note that the DFS study was hindered by the same limitations as the UBC study in that known KIF staff were administering the survey to existing clients, which has the potential for bias in responses.



Recommendations

1. Lobby Policymakers

While KIF has made significant progress in providing accessible finance, there are some key areas where government initiative and interventions are needed to take the next step. Namely, (1) in increasing the demand for financial services (2) securing the necessary permissions to deliver G2P payments, and (3) development of an effective national credit bureau and enhanced regulatory framework for lending institutions.

Several key experts and practitioners involved in the research indicated that there is a lack of movement on behalf of the government to make ‘soft’ investments into different areas of the economy such as agriculture, despite positive rhetoric. This leaves a gap in capital investment needed to make agri-loans a long-term sustainable strategy for KIF. International organizations are also attempting to convince policymakers that agriculture is a worthwhile investment. In their lobbying efforts, KIF can demonstrate an ability to bridge some gaps on the ground and provide knowledge to agri-loan clients on the back of government investment, clear-long term strategy, and policy support for developing key economic sectors of interest for KIF. It ought to be noted that increasing the demand for financial services will require increasing the ability to potential Timorese business owners to develop and implement sound business practices to be good potential clients. Mechanisms ought to be implemented to as best as possible avoid competitors from poaching these clients.

Currently, the government (Ministry of Social Solidarity) has a MOU with BNCTL to distribute G2P payments for veterans, elderly, and disabled persons. Veterans may also opt to withdraw their G2P payments from BNU as well. KIF will need to lobby or meet with key policymakers in order to ascertain the requirements for obtaining a similar MOU to provide eligible clients with their G2P payments. KIF’s position in the lobbying could focus on their comparative advantage at reaching hard to reach, rural areas where the government struggles to direct services due to a lack of infrastructure. KIF would be able to glean a transaction fee from each G2P payment provided, but the method of delivery to clients would need to be discussed based on Recommendations 4 and 5. Using the current system, G2P payments would either need to be collected in person at a client’s nearest branch or via field officer delivery (which KIF could also charge a small fee for based on the elasticity of demand for home delivery).

The creation by the government of a national credit bureau would allow KIF to tap into accelerated and accredited verification systems to conduct potential client background checks. This would be assisted by enhanced federal regulation of lending institutions to ensure fairness



in the finance field for both firms and clients. Better government regulation and the availability of verified credit statuses of citizens would reduce the travel and time demands on KIF staff in bringing on new clients. It would also lower appraisal and processing costs, savings which could be passed onto customers to reduce the risk of over-indebtedness as well as increase the attractiveness of KIF's products to low-income potential clients.



2. Marketing

While the research team was limited in speaking to individuals completely unaffiliated with KIF, it was noted that many non-clients who were approached randomly were not aware of KIF, or if they were aware they were unsure of what it does. In speaking with professionals working for development organizations, many were in favour of KIF's business model but mentioned that KIF is not very forward in terms of marketing beyond word of mouth. The research team's second recommendation is to allocate a modest marketing budget to help KIF become more outward facing. The advertising target should be commensurate with the number of new clients that can realistically be lent to given current KIF assets. Furthermore, a more prominent, recognizable, brand throughout the country will help in the process of developing trust and partnerships with banks and/or telecommunications companies, both necessary components for the establishment of successful mobile banking and agent networks.

Advertising can initially be done relatively cheaply, and due to language and literacy barriers, should utilize strong pictorial elements or be verbally based through radio and the local television station. While billboard rental is apparently rather costly, Facebook advertising is relatively not and 1/3 of the Timorese population uses it regularly. In-person marketing events in well-visited public areas such as markets can be another cost effective way to increase KIF's visibility. An expert practitioner in development from Dili also mentioned having management staff conduct networking at Habouras (a popular lunch gathering places for politically active individuals and development organization staff) could catalyze intra-organizational promotive networking with trickle down effects to increase clientele base.

The research team acknowledges that KIF's current deposit limit of \$1 million USD serves as a barrier to supply increasing demand for savings accounts, however raising the profile of KIF throughout the country is likely to contribute to positive outcomes in KIF's government lobbying efforts, as well as in the establishment of an agent-banking network throughout the country. A key opportunity will be to leverage KIF's ability to reach the Suco-level as there is currently a gap in providing direct payments here due to lack of infrastructure, which is the key focus moving forward for the government in this area. Therefore, continuing to foster strong relationships with local communities through KIF's existing branches and field offices in addition to raising their profile in Dili will be instrumental in building trust in KIF's services, laying a solid foundation for the expansion of its services in the future. The aforementioned marketing tips can be utilized in rural areas, with an emphasis on in-person networking in market areas.



7 (54%) of non-clients had heard of KIF (or TRM), all through word of mouth

3. Human Resources Capacity Building

Delays in loan approval and significant time, costs, and transportation resources are used by KIF in verifying large loans in field offices and district branches. This is reflected in the high interest rates required to be profitable. This could be remedied by boosting local staff expertise and building intraorganizational trust with branch managers, which can be met through capacity building. For example, KIF could host training sessions or subsidize staff to take relevant higher education courses at applicable universities. Randomized audits by the head branch would allow for monitoring and evaluation of branch staff performance.

Training local staff in district branches can also be tailored towards preparation for establishing an agent-banking network. To this end, training programs can also be designed to involve potential local agents and other local people who want to learn more about financial services

and management. Continuing to work with the Market Development Facility in pilot projects in markets would be an excellent way to facilitate such training.

Interviews with clients and non-clients suggested that the gender of the field officer is far less important than is general customer service and professionalism. However, KIF has zero female field officers working outside of Dili, and even in Dili the number is extremely low compared to the majority of clients being female. In the head office, there are similarly few women in managerial roles. In order to match KIF's mission statement of empowering women with access to financial services, KIF should consider gender mainstreaming their field officers and management staff as appropriate with women who meet the employment requirements.

The research team suggests that if KIF is eligible for grant applications, they could apply on the basis of gender equality and rural human resources development in order to boost the efficacy of local branch staff and increase the numbers of female field officers and managers. These efforts will also support the process of training agents and boosting financial literacy to encourage adoption of mobile banking among the local people.

3. Old age loan limits

In speaking to former clients and current clients, some expressed concern about the old age limits of 55 years on receiving a loan, stating that with kiosks or home renovations in order to rent out rooms that they still had opportunities to produce income were a loan to be obtained. KIF could revisit this policy and set the old age limit back a few years in order to open up opportunities for older clients in good economic standing. Setting the limit at 60 years to coincide with the beginning of eligibility for government social security payments would both contribute to the livelihood opportunities available to these older individuals as well as expand KIF's eligible client base.



4. Agent banking

In speaking to clients who run kiosk shops, many seem interested in operating a KIF agent point were there to be proper training and incentives involved. Utilizing agents could reduce travel time of field officers, could further increase connections with communities, and could be instrumental in helping KIF delve into sending money domestically as it would be faster and more secure than using bus drivers or relatives (and in some cases could be cheaper to pay the transaction commission than the bus fare). The agents can initially be focused on domestic money transfer operations, and can work to connect potential clients with KIF field officers to conduct loan verification in the current model.

To set up an agent network, literate agents would need to be connected with a computer or smartphone to conduct real time transactions and report back to the appropriate branch. Whether owning adequate technology to run an agent point would be a requirement to apply, or whether KIF would equip new agents with technology must be weighed by KIF management. Agents would need to be trained in verifying client identities, understand the banking and loan programs that KIF offers, have a secure location to store cash and client information, and provided with a sign bearing KIF's logo to place on their shop. As mentioned above, this training process could be part of a broader financial literacy programme by KIF and would likely be eligible for funding from private and international donors.

Frequent and random monitoring and evaluation of agents would be necessary as a quality control and anti-fraud measure. In tandem with developing an agent banking network would be the marketing and public outreach recommendations from Recommendation #2 in order to inform clients and potential clients of the new services.

A first step in establishing a network of agents will be to develop a training program and implement a pilot project to assess further challenges. This can be combined with efforts to collect information on the elasticity of demand for various banking products, such as domestic money transfers.

5. Mobile banking

Mobile banking faces similar startup hurdles as agent banking: marketing and outreach, technology requirements, and education initiatives to provide potential users the skills to utilize the services. Mobile banking can either take the form of USSD technology where users are provided SMS codes to send money, or in the form of a mobile application ("app") where clients can access an account online and conduct transactions. Both require technical literacy, with the latter option requiring both technical and reading literacy (which may be difficult unless the app is offered in all major languages used in Timor-Leste). Currently, BNCTL – collaborating with the ADB – is actively working to enter the mobile banking space, but as of December 2017 is struggling with technological issues and internal systems and are not moving as quickly as

they'd like. KIF, in pursuing either of the below options, must actively prevent BNCTL or other competitors from benefitting from their start-up costs.

USSD option will require KIF accessing the mobile gateways, which they can either do through agreements with the telecommunications networks, or by obtaining authorization from the telecommunications regulator, The National Communications Authority of Timor-Leste. It remains unclear to the research team at this time whether or not a policy exists in the country that requires the regulator to treat all telecommunications users equally, in which case KIF may not need to enter into potentially costly agreements with mobile network providers. Further investigation is needed in this area.

Both mobile banking options will require KIF to first set up its savings account system, in order for clients to even have money to send electronically to others or to pay KIF loan installments remotely from. Many clients expressed during interviews some reluctance to formal saving, based on ease of access to money in case of emergencies. KIF would need to provide education outreach on the benefits of savings accounts and demonstrate the ease to which clients can access their money from KIF.

In weighing the options between agent banking and the two paths of mobile banking, it is important to note that all interview subjects were extremely unfamiliar with all options. Any new business rollout based on these platforms would be driven by KIF wanting to innovate, not KIF being responsive to client demands. With that said, given the complexity of language challenges, technical literacy requirements, and need to fully implement the savings account system first - **the research team believes that starting with agent based banking first, combined with brand and savings promotion as well as financial literacy training, will be the most cost effective way to increase clients and awareness.** The experiences learned through an agent banking system may help inform KIF of the viability of mobile banking based on use of savings accounts, and will allow time for KIF to develop a better understanding of the telecommunications regulation system in which it would need to operate in to run mobile banking. Agents can also be trained as community educators to help increase technical and financial literacy ahead of any mobile banking rollout.

Next Steps

With this information on the status of financial inclusion, financial and technological literacy, as well as interest in financial services and these recommendations, conducting cost benefit analysis of the establishment of agent-banking, including training costs, as well as designing pilot projects can be started to bring KIF's plans into fruition.



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Appendix: Survey Questions

<u>Existing Client Survey:</u>
General Questions:
Location
Age
Gender (Male/Female)
Occupation/Livelihood (Agriculture, Kiosk, Shop, Guesthouse, Petrol Re-sell, Vendor, Homemaker, G2P, Unemployed (Primary first and list secondary))
Research Question 1: What barriers exist to accessing financial services in order to promote livelihood promotion?
What KIF services do you currently use? (loan, savings)

Loans:
For how much? (\$X)
For how long? (in years)
What do you use the loan for? (business investment, smooth income, education, agriculture, home construction, vehicle, consumption)
How do you know your transaction is complete? (signed receipt, phone call, verbal)
Have you ever borrowed from a neighbour or a family member?
What approximate interest rate did they charge?
Is there anyone else in your community who you can borrow from? (yes, no, unsure)
How long do you have to travel? (in hours)
Savings:
Do you use KIF for savings?
When did you start saving with KIF? (in years ago)
Why do you save? (children, emergencies, future business plans, cultural ceremonies, general consumption, to limit expenditure, other)
Do you save in another way? (home, livestock, house construction, other bank account)
Do you ever send money?
If yes, how do you send money? (informal / formal)
Approximate income by day (if given by month, divide by 30)
Are there other financial services you would like to use? (savings, credit, ATM card)
Would you like to learn more about financial services/management?
Is there anything in particular you would like to learn? (business management, income management, savings. unsure)



Research Question 2: Is mobile banking the best strategy? What other approaches could KIF adopt to foster financial inclusion?

Do you have a phone?

Which telecommunications services do you use? (SMS, calls, internet)

Do you have regular mobile signal on your device?

Which company do you use? (Telemor, Telkomcel, Timor Telecom)

How much balance do you keep on your phone/how often do you refill your balance?

Would a credit officer connected to mobile banking services assist your access? (Yes, No, Unsure)

Would you be comfortable with an agent completing transactions for you in this way? (Comfortable, Not Comfortable, Unsure)

If no, what would make you more comfortable? (Receipt, Client education, Knowing the agent, Brand trust, Unsure)

Do you have a debit card or any other way to make financial transactions?

Research Question 3: How can KIF coordinate G2P payments?

Do you receive G2P payments? (say what for in the 2nd column)

If yes, where do you currently receive G2P payments? (BNCTL, BNU, Mandiri, ANZ, suco, other)

How long does obtaining your G2P payment take (home to home)?

How long do you have to wait at BNCTL/suco for your G2P payment? (hours)

When obtaining your G2P payment do you use a card and ATM or wait for a teller? (card, teller)

How do you travel to obtain your G2P payment (public bus, ojek (moto taxi), personal motorcycle, personal car, walk)

Is this the most convenient method for you?

How could payment be made easier for you? (closer access, home delivery, electronic payment)

Research Question 4: What problems exist with current KIF customer experiences?

Why did you choose KIF services? (recommendation, ease of service, interest rate, proximity, lack of



alternatives, customer service, brand loyalty)
How did you hear about KIF? (word of mouth, in-person advertising, social media, other)
Do you feel your money is safe with KIF?
What issues have you encountered with KIF? (customer service, communications, corruption, delays, loan restrictions, none)
What would make KIF a better organization for you? (better customer service, better communications, less delays, less loan restrictions, less interest, nothing)
Would you feel more comfortable dealing with a female loan officer? (yes, no preference)
Do you access other financial services from other institutions?
If yes, what kind of services? (savings, credit, ATM card, bank account, G2P)
Where do you access these services? (KIF, BNCTL, Mandiri, BNU, ANZ, Moris Rasuk)

<u>Non-Client Survey Questions:</u>
General Questions:
Location (village, district in 2nd column)
Age
Gender (Male/Female)
Occupation/Livelihood (Agriculture, Kiosk, Shop, Guesthouse, Petrol Re-sell, Vendor, Homemaker, G2P (Primary first and list secondary), Unemployed)
Research Question 1: What barriers exist to accessing financial services in order to promote livelihood promotion?
Do you use credit or have a loan from a financial institution?
If yes, from whom? (KIF, BNCTL, Mandiri, BNU, ANZ, Moris Rasuk)
For how much? (\$X)
For how long? (in years)



What do you use the loan for? (business investment, smooth income, education, agriculture, home construction, vehicle, consumption)

How do you know your transaction is complete? (signed receipt, phone call, verbal)

If no, would you like to have a loan? (start business, increase inventory, education, agriculture, home construction, vehicle)

Why haven't you accessed a loan? (not enough income, no business plan, unaware of loan options, difficult financial institution access)

If you could access one, what would you use it for? (business investment, smooth income, education, agriculture, home construction, vehicle, consumption)

Have you ever borrowed from a neighbour or a family member?

Is there anyone else in your community who you can borrow from?

What interest rate does your informal money lender charge?

Do you use a financial institution to save?

If yes, which financial institution do you use? (KIF, BNCTL, Mandiri, BNU, ANZ, Moris Rasuk)

If no, do you save in another way? (home, livestock, house construction)

Why do you save? (children, emergencies, future business plans, cultural ceremonies, general consumption, to limit expenditure, other)

Do you ever send money?

If yes, how do you send money? (informal / formal)

Are there other financial services you would like to use? (savings, credit, ATM card, bank account)

Have you heard of KIF/TRM? (in 2nd column, from who/what have you heard?)

Would you like to learn more about financial services/management?

Is there anything in particular you would like to learn? (business management, income management, savings)

Research Question 2: Is mobile banking the best strategy? What other approaches could KIF adopt to foster financial inclusion?

Do you have a phone?

Which telecommunications services do you use? (SMS, calls, internet)



Do you have regular mobile signal on your device?
Which company do you use? (Telemor, Telkomcel, Timor Telecom)
How much balance do you keep on your phone/how often do you refill your balance?
Would a credit officer connected to mobile banking services assist your access? (Yes, No, Unsure)
Would you be comfortable with an agent completing transactions for you in this way? (Comfortable, Not Comfortable)
If no, what would make you more comfortable? (Receipt, Client education, Knowing the agent, Brand trust, Unsure)
Do you have a debit card or any other way to make financial transactions?
Research Question 3: How can KIF coordinate G2P payments?
Do you receive G2P payments? (say what for in the 2nd column)
If yes, where do you currently receive G2P payments? (BNCTL, BNU, Mandiri, ANZ, suco, other)
How long does obtaining your G2P payment take (hours home to home)?
How long do you have to wait at BNCTL/suco for your G2P payment? (hours)
When obtaining your G2P payment do you use a card and ATM or wait for a teller? (ATM, teller)
How do you travel to obtain your G2P payment (public bus, ojek (moto taxi), personal motorcycle, personal car, walk)
Is this the most convenient method for you?
How could payment be made easier for you? (closer access, home delivery, electronic payment)

<u>University Student Survey Questions</u>
General Questions:
Location (village, district in 2nd column)
Age
Gender (Male/Female)



Occupation/Livelihood (Agriculture, Kiosk, Shop, Guesthouse, Petrol Re-sell, Vendor, Homemaker, G2P (Primary first and list secondary), Unemployed)

Research Question 1: What barriers exist to accessing financial services in order to promote livelihood promotion?

Do you use credit or have a loan from a financial institution?

If yes, from whom? (KIF, BNCTL, Mandiri, BNU, ANZ, Moris Rasuk)

For how much? (\$X)

For how long? (in years)

What do you use the loan for? (business investment, smooth income, education, agriculture, home construction, vehicle, consumption)

How do you know your transaction is complete? (signed receipt, phone call, verbal)

If no, would you like to have a loan? (start business, increase inventory, education, agriculture, home construction, vehicle)

Why haven't you accessed a loan? (not enough income, no business plan, unaware of loan options, difficult financial institution access)

If you could access one, what would you use it for? (business investment, smooth income, education, agriculture, home construction, vehicle, consumption)

Have you ever borrowed from a neighbour or a family member?

Is there anyone else in your community who you can borrow from?

What interest rate does your informal money lender charge?

Do you use a financial institution to save?

If yes, which financial institution do you use? (KIF, BNCTL, Mandiri, BNU, ANZ, Moris Rasuk)

If no, do you save in another way? (home, livestock, house construction)

Why do you save? (children, emergencies, future business plans, cultural ceremonies, general consumption, to limit expenditure, other)

Do you ever send money?

If yes, how do you send money? (informal / formal)



Are there other financial services you would like to use? (savings, credit, ATM card, bank account)

Have you heard of KIF/TRM? (in 2nd column, from who/what have you heard?)

Would you like to learn more about financial services/management?

Is there anything in particular you would like to learn? (business management, income management, savings)

Research Question 2: Is mobile banking the best strategy? What other approaches could KIF adopt to foster financial inclusion?

Do you have a phone?

Which telecommunications services do you use? (SMS, calls, internet)

Do you have regular mobile signal on your device?

Which company do you use? (Telemor, Telkomcel, Timor Telecom)

How much balance do you keep on your phone/how often do you refill your balance?

Would a credit officer connected to mobile banking services assist your access? (Yes, No, Unsure)

Would you be comfortable with an agent completing transactions for you in this way? (Comfortable, Not Comfortable)

If no, what would make you more comfortable? (Receipt, Client education, Knowing the agent, Brand trust, Unsure)

Do you have a debit card or any other way to make financial transactions?

Research Question 3: How can KIF coordinate G2P payments?

Do you receive G2P payments? (say what for in the 2nd column)

If yes, where do you currently receive G2P payments? (BNCTL, BNU, Mandiri, ANZ, suco, other)

How long does obtaining your G2P payment take (home to home)?

How long do you have to wait at BNCTL/suco for your G2P payment? (hours)

When obtaining your G2P payment do you use a card and ATM or wait for a teller? (ATM, teller)

How do you travel to obtain your G2P payment (public bus, ojek (moto taxi), personal motorcycle, personal car, walk)



Is this the most convenient method for you?

How could payment be made easier for you? (closer access, home delivery, electronic payment)

