

Executive Summary

Key Findings and Recommendations

Sumáriu Ezekutivu

The debate and policy discussions surrounding financial inclusion is gaining momentum, particularly among developing nations around the world. The undeniable weight and significance it brings to social and economic progress has been acknowledged by numerous research and studies in recent years, making it an aspect of development which cannot be overlooked. Inclusive finance is currently being advocated, not only by governments and Central Banks of developing nations, but it is also by strong and coordinated international effort, including initiatives by multilateral organisations and international standard setting bodies. In line with this strong global accord, BCTL has recognised value of inclusive finance and what it can do for the sustainability of Timor-Leste's economic growth.

This report is the first financial inclusion report to be undertaken by BCTL. The report is premised on the importance of financial inclusion measurement for evidence-based policy making, as well as BCTL's roles and the national strategies for financial inclusion moving forward. Using supply-side data, financial inclusion is measured across the dimensions of access, usage and quality. These dimensions are the requisite to achieve inclusiveness, enabling convenient access to an adequate range of safe, suitable and affordable financial services to all.

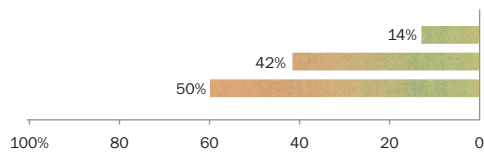
Debate no diskusaun polítika mak hale'u inkluziun finanseira hetan ona ímpetu, partikularmente entre nasaun sira foin dezenvolve-án daudaun iha mundu-raiklaran. Ninia valór no signifikadu inegável ne'ebé lori ba progresu sosiál no ekonómiku hetan rekoñesimentu liuhosi peskiza no estudu oioin sura-labele iha tinan-tinan ikusmai-ne'e, hodi bele halo sai hanesan aspetu ida desenvolvimentu nian mak labele hasees-án bá. Inkluziva finansia ka inkluziun finanseira ne'e hetan suporte, la'ós de'it hosi governu ho banku sentrá nasaun sira foin dezenvolve-án daudaun ne'e-nian, maibé hetan mós hosi esforsu internasionál forte no koordinadu, inklui inisiativas hosi organizasaun multilaterál ho organizmu padraun internasionál sira (multilateral organisations and international standard setting bodies). Haktuir akordu globál forte ida-ne'e, BCTL rekoñese valór finansiamentu inkluzivu nian ho saída mak bele halo ba sustentabilidade kreximentu ekonómiku Timor-Leste nian.

Relatóriu ida-ne'e hanesan relatóriu dahuluk inkluziun finanseira nian mak BCTL sei hala'o bá. Relatóriu ida-ne'e esklarese importánsia medisaun inkluziun finanseira nian para halo desizaun polítika bazeada ba iha evidénsia, hanesan mós

This report is structured into six chapters. The first chapter provides an introduction and general overview of the goals of financial inclusion and how financial inclusion is measured by BCTL. The second chapter gives an in-depth view of the level of access to financial services in the country, resulting in the mapping of served and unserved areas. The third chapter examines the usage dimension, where financial account ownership is analysed by financial service providers, client demographics and municipalities. The fourth chapter highlights the quality aspects of financial inclusion, which largely relates to customer experience on the ease of obtaining and using financial accounts. The fifth chapter of the report details the initiatives that BCTL has carried out and the achievements in promoting financial inclusion. Finally, the sixth chapter addressed the key challenges, policy objectives and recommends a national holistic strategy with key action plans to chart the future direction of financial inclusion moving forward.

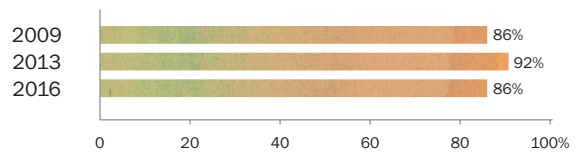
BCTL nia papél eh knaar sira no estratéjia nasionál para hala’o bá oin. Uza dadus hosi parte oferta nian (supply-side data), inkluziun finanseira bele sukat liuhosi dimensaun sira asessu, utilizaun no kualidade nian. Dimensaun sira-ne’e mak hanesan rekizitu para alkansa inkluzividade, hodi bele permite asesu conveniente servisu finanseiru sira-ne’ebé mak seguru, apropriadu no asesível haktuir ninia gama adekuada ba ema hotu. Relatóriu ida-ne’e estruturadu ba iha kapitulu neen (6). Kapitulu ida primeiru ne’e fornese introdusaun no vizaun jerál kona-ba objetivu sira inkluziun finanseira nian ho oinsá mak BCTL sukat ka halo medisaun ba inkluziun finanseira. Kapitulu segundu apresenta vizaun ida profunda nível asessu ba servisu finanseiru sira iha país laran, hodi rezulta iha mapeamento halo bá área sira-ne’ebé mak hetan ona atendimentu ho ba área sira-ne’ebé mak seidauk hetan atendimentu. Kapitulu terseiru ezamina dimensaun uzu, ne’ebé propriedade konta finanseira sei analiza hosi provedór sira servisu finanseiru nian, demografia kliente ho municípios nian. Kapitulu ida-haat ne’e destaka aspetu sira kualidade inkluziun finanseira nian, ne’ebé koalia barakliu relasiona ba kliente nia esperiênsia oinsá fásil atu hetan no utiliza konta finanseira. Kapitulu kintu relatóriu ne’e-nian detalla iniciativa sira-ne’ebé mak BCTL hala’o hela ona ne’e ho realizaun sira-ne’ebé mak alkansa ona iha promosaun ba inkluziun finanseira. Ikusliu, kapitulu sestu aborda prinsipais dezafius, objetivus polítikus no rekomenda estratéjia globál nasionál hamutuk ho planus-de-asaun fundamentáis para trasa rumu futuru ba inkluziun finanseira ne’ebé sei avansa ba beiibeik.

Percentage of Administrative Posts Covered with Bank Access Points in Timor-Leste



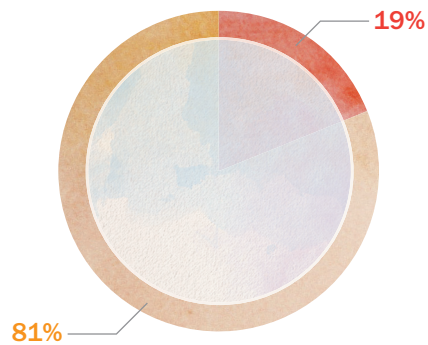
Percentage of Administrative Posts Covered with Financial Services Access Points in Timor-Leste

Persentase Postu Administrativu kobre hosi pontu asesu Finanseiru iha Timor-Leste



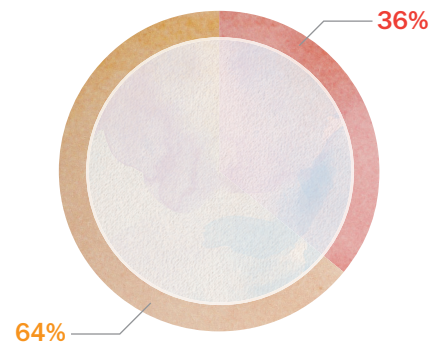
Percentage of Adults Living in Administrative Posts with Bank Access Points in Timor-Leste

Persentase hosi Adultu iha Postu Administrativu ho Pontu Asesu Banku



Percentage of Adults Using Financial Services in Timor-Leste

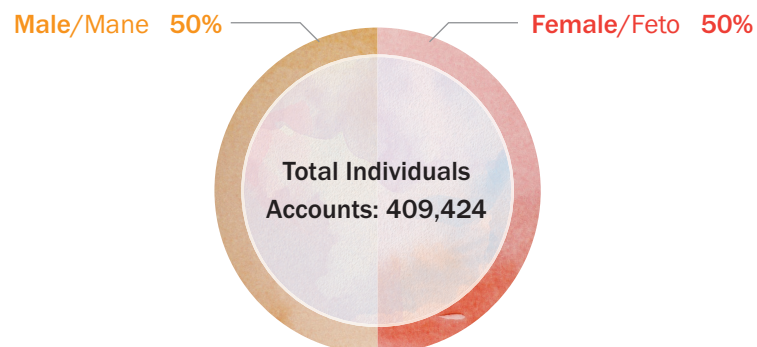
Persentase hosi Adultu mak uza Servisu Finanseiru iha Timor-Leste



■ Served/hetan serve
■ Unserved/Lahetan serve

Gender Distribution for Ownership of Financial Accounts

Distribuisaun jêneru iha konta finanseiru

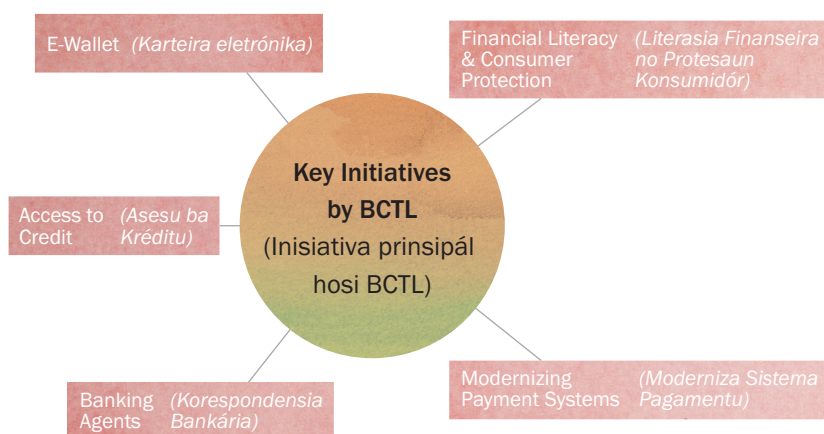


Factors Affecting Quality of Financial Services

- 1 **Language Barriers**
(Barreira Lingua)
- 2 **Account Opening Procedures**
(Prosedimentu loke konta)
- 3 **Affordability**
(Asesibilidade)
- 4 **Collateral & Other Requirements**
(Garantia & Rekuizitu sira seluk)

Initiatives Undertaken by BCTL to Promote Financial Inclusion

BCTL nia iniciativa sira hodi promove Inkluzau Financeira



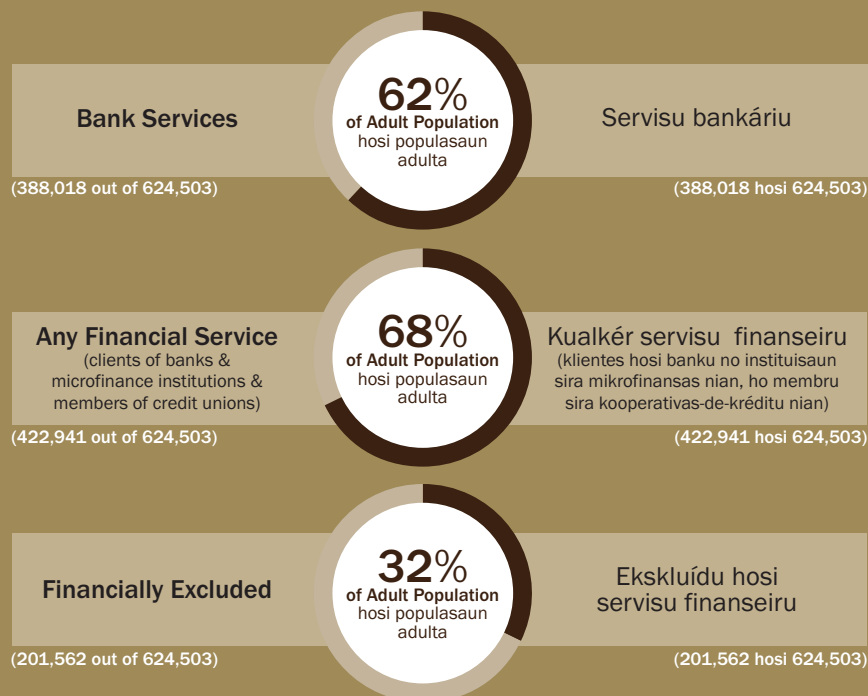
Proposed National Financial Inclusion Framework

Proposta Kuadru Nasionál ba Inkluzau Financeira

Vision (Vizaun)			
<p>An inclusive financial system that brings the benefits of financial services to the unbanked people and communities towards the objectives of reducing poverty and enhancing shared prosperity</p> <p>(Sistema finanseiru inkluzivu ne'ebé lori benefísiu servisu finanseiru ba ema no comunidade ne'ebé seidauk iha konta bankária ho ninian objektivu hamenus kiak no aumenta prosperidade ba ema hotu)</p>			
Broad Strategies (Estratêjia Jerál)			
Enhanced Access Points & Payments Systems (Hadia Pontu Asesu no sistema pagamentu)	Specialised & Affordable Financial Services (Servisu Finanseiru ne'ebé mak espesializadu no asesível)	Capacity Building & Supportive Infrastructure (Hasa'e Kapasidade no Infraestrutur fo suporta)	Financial Literacy & Consumer Protection (Literasia Financeira no Protesaun ba Konsumidór)
<ul style="list-style-type: none"> Brachless Banking (Korespondensia Bankária) Modernized Payments Systems (Sistemas Pagamentu modernizadu) 	<ul style="list-style-type: none"> Micro-savings (Mikru-poupansa) Micro-insurance (Mikru-seguru) SME & Micro-finance (Microfinansas no MPE) 	<ul style="list-style-type: none"> Structured Training Programs (Programa formasaun/ treinamentu estruturada) Financial Infrastructure (i.e. credit guarantee schemes) (Infraestrutur finanseiru (hanesan eskema garantia de-kréditu)) National MSME Council (Konsellu Nasionál PME) 	<ul style="list-style-type: none"> National Strategic Plan (NSP) for Financial Literacy (Planu Estratêjiku Nasionál (PEN) ba Literasia Financeira) Consumer Protection Regulatory Framework (Kuadru Regulatori Protesaun ba Konsumidór)

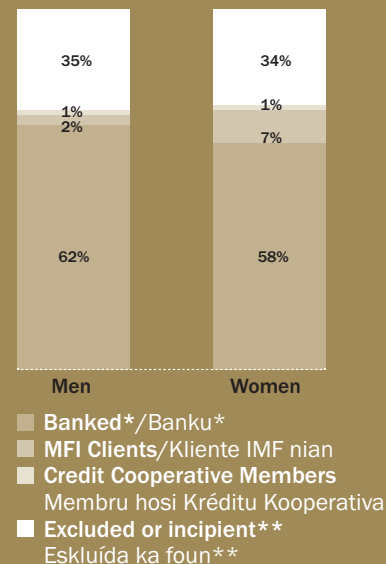
Are Timorese people using Financial Services?

Timoroan sira utiliza servisu finanseiru ka lae?



Adult Population Using Financial Services

Populasaun Adultu Utiliza Servisu Finanseira



Considering all types of financial services, men and women are **equally financially included**

Konsidera servisu finanseiru hotu-hotu oferese tantu ba mane hanesan mós ba feto sira hanesan iha inkluzau finanseira

(*) Gender detail was not available in 4% of the bank clients, hence the small difference between gender breakdown and total bank clients.
Detallu dadus ba jêneru la disponível iha 4% hosi kliente banku, ne'e rezulta diferença ituan entre detallu jêneru no total kliente banku

(**) This segment includes financially excluded adult population and users of financial services not analysed in this report, such as, small credit unions, savings and loans groups, and informal loans.
Segmentu ne'e inklui finanseiramente eskluída populasaun adultu no utilizadór servisu finanseiru sira mak la analiza iha relatóriu ne'e, hanesan, kooperativa de-kréditu kiik sira, grupu de-poupansa no empréstimu sira, no empréstimu informál sira.

E-wallet (small penetration, huge opportunity)
Karteira eletrónika (penetrasaun ki'ik, oportunidade boot)

Under 2,000 registered e-wallet users

Menus hosi 2.000 uzuráriu e-wallet mak rejista

0.3% of Adult Population hosi populasau adulta

Near 1.5 million mobile subscribers

Iha besik 1,5 millaun subskrisaun telemóvel

1.4 mobile subscription per person
subskrisaun telemóvel /por pessoa

Where are the Financial Services Access Points?

Pontos de Acesso Servisus Finanseirus nian-ne'e iha ne'ebé ?

Financial Services Access Points are **spread across** all municipalities

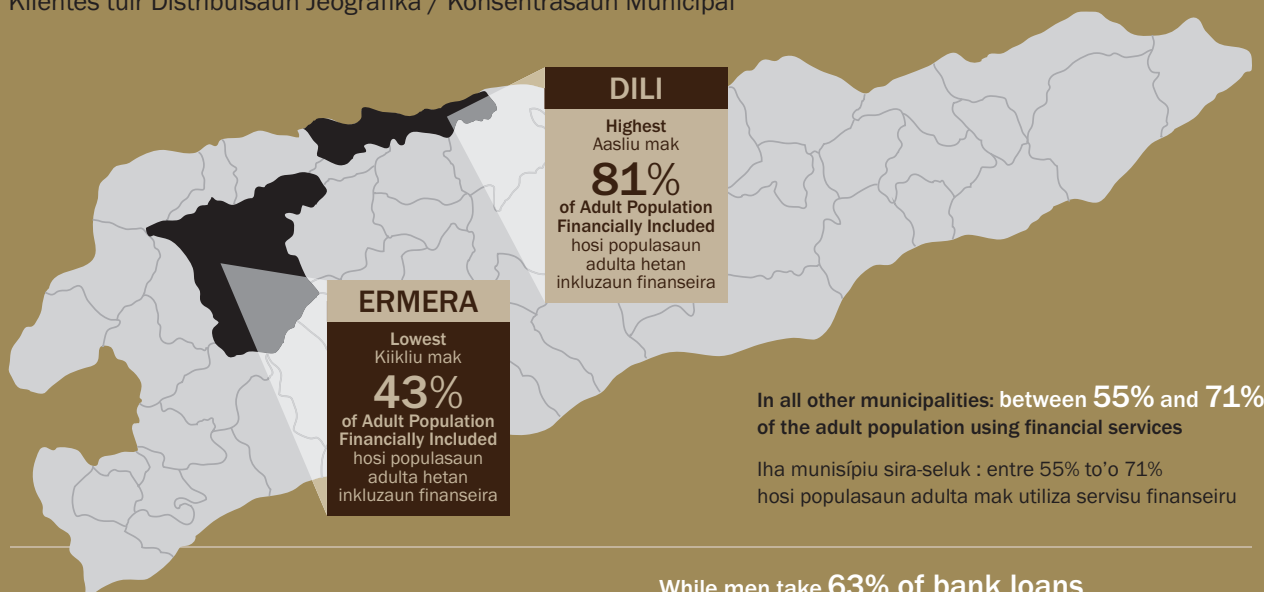
Pontos de Acesso Servisus Finanseirus nian-ne'e espalladu iha munisípiu hothotu

Number of EFTPOS and ATMs more than doubled since 2013

Númeru EFTPOS no ATM duplika liután dezde tinan 2013



Clients Geographic Distribution / Municipal Concentration Klientes tuir Distribuisaun Jeográfika / Konsentrasaun Municipál



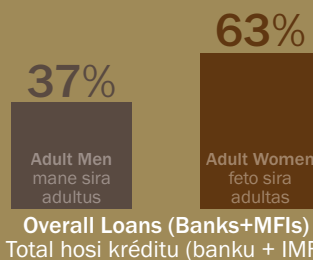
Loans Empréstimu

only **6%** of the adult population has an **outstanding loan** (or 9% of the financial services users)

Iha de'it 6% hosi populasauñ adulta mak iha empréstimu pendente (ka 9% hosi utilizadór servisu finanseiru sira-nian)

While men take **63%** of bank loans, they take only **4%** of microfinance loans

Enkuantu mane sira halo 63% hosi empréstimu bankáriu, sira halo de'it 4% hosi



While most of financial services clients uses **banks services for deposits (92%)**, only **55%** of outstanding loans are bank loans (45% loans from MFIs)

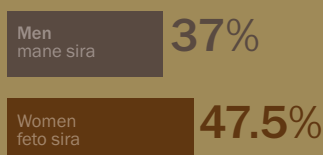
Enkuantu maioria hosi klientes servisu finanseiru sira-nian utiliza servisu bankáriu ba halo depózi (92%), hosi empréstimos pendentes ne'e 55% de'it mak nu'udar empréstimu bankáriu (45% empréstimu sira hosi IMF)

Because of the concentration in microfinance loans: **women pay higher average interest rates for loans than men** (interest rates from microfinance loans are at least the double of banks loan interest rates)

Tamba konsentrasaun iha empréstimu sira hetan hosi mikrofinansas: feto sira selu taxas médias jurus elevadu liu ba empréstimu duke ema mane sira (taxas juru ba empréstimu sira mai hosi mikrokréditu ne'e pelumenus dobru hosi taxas juru banku- de-empréstimu sira-nian)

Is literacy a significant barrier for financial inclusion?

Alfabetizasaun ka literasia ne'e bele sai hanesan obstákulu signifikativa ba inklusaun finanseira?



aged 15 and above are **not able to write** a simple sentence in any of the 4 languages used in Timor-Leste

ho idades entre 15 ba leten laiha kapasidade para bele hakerek fraze simples ruma uza lian kualkér ida hosi ligua 4 uzadu iha Timor-Leste