

Financial Inclusion Access Indicators

2.1 Financial Inclusion Access Points	20
2.2 Financial Inclusion Access Indicators	30
2.3 Key Takeaways	58



Access to financial services, particularly geographical access, is a primary requirement for inclusiveness in the financial system. The foundation of financial access is supported by the availability of safe, reliable and affordable financial products and services which can be delivered to Timorese via a diverse range of financial services access points by banks, regulated deposit taking institutions and non-banks. Thus, access indicators reflect the depth of outreach of financial services through the penetration of access points across the country.

This chapter will analyse financial inclusion access indicators by providing an in-depth view of the growth of access points across the country. This chapter also discusses the notable developments in innovative channels used to deploy financial services, such as the e-wallet initiative and growth of non-bank access points.

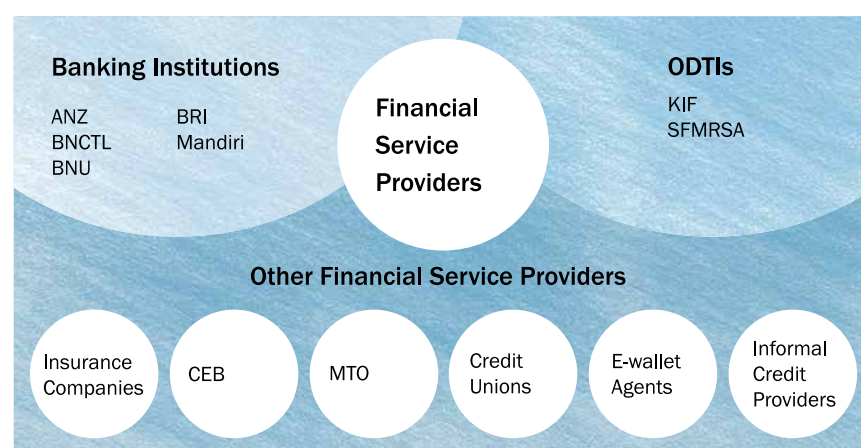
2.1

Financial Inclusion Access Points

The financial landscape in Timor-Leste is characterized by the diversity of financial service providers which comprise of banks, other deposit taking institutions (ODTIs), and other providers such as insurance companies, currency exchange bureaus (CEB), money transfer operators (MTO), e-wallet agents, credit unions, as well as other informal credit providers.

The data collected for this report has enabled BCTL to track progress and update the national map of access points in the country. It is essential to keep knowledge and information up to date to be able to identify specific gaps and challenges faced by our country in advancing financial inclusion, particularly on access to financial services.

Diagram: Financial Service Providers in Timor-Leste



2.1.1

Access Points by Banks

There are currently five banking institutions in Timor-Leste. Banking institutions are some of the most recognisable and trusted financial service providers by Timorese, and thus, they perform a critical role in boosting the outreach of financial services across the country. Banks in Timor-Leste have continued to adopt the usage of branches, automated teller machines (ATMs), electronic funds transfer at point of sales (EFTPOS) terminals and meeting centres as channels to offer financial products and services.

The year 2018 saw significant movements in the number of access points² by banking institutions compared to 2016. The total number of bank access points has been steadily increasing since 2009 reached 484 access points in 2016, however, this number dropped to 375 by end-2018.

² There is a slight variance in the number of access points reported by financial institutions for regulatory purposes compared to the numbers in this report. The variance is due to the status of equipment which are yet to be installed or under maintenance.

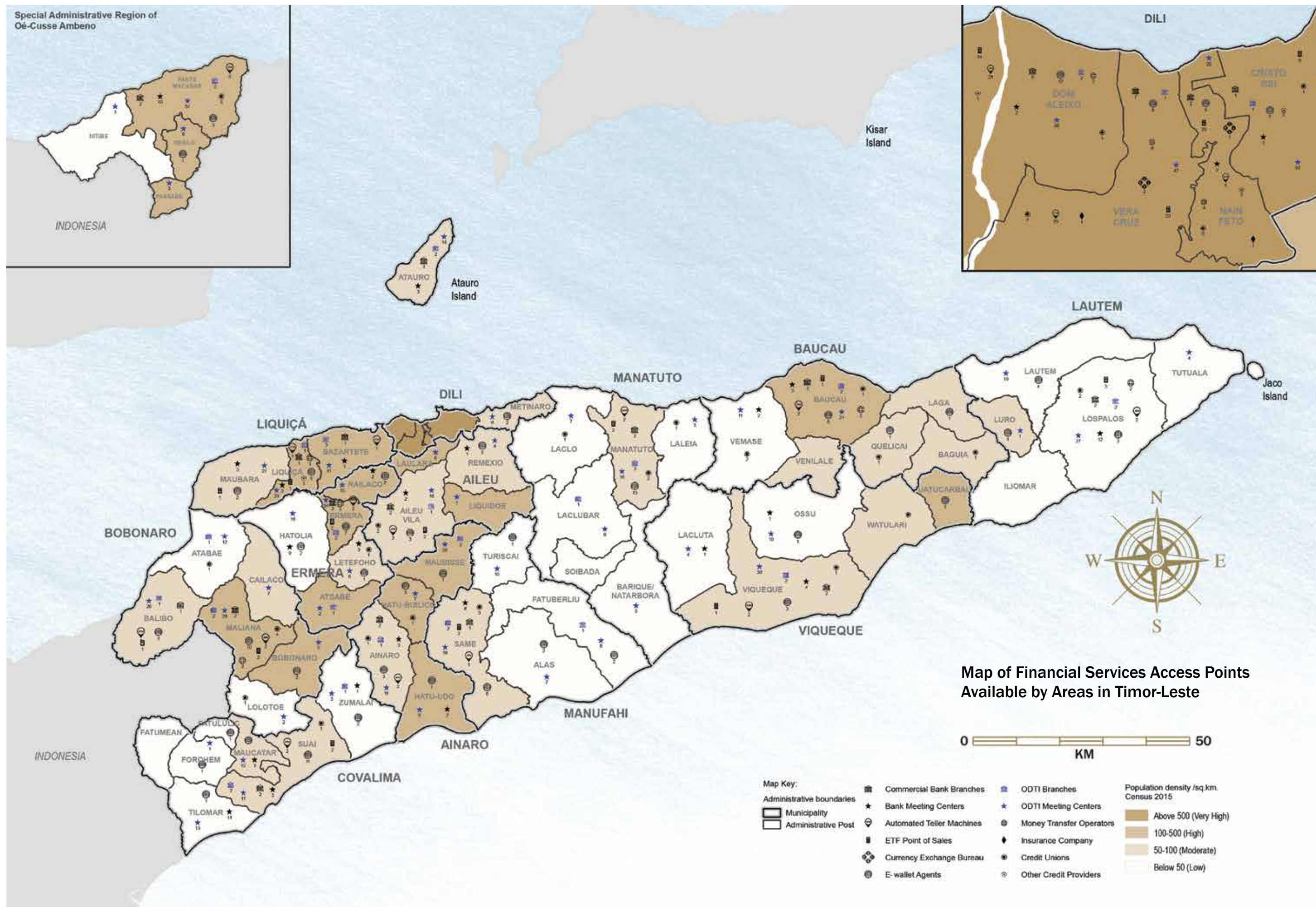
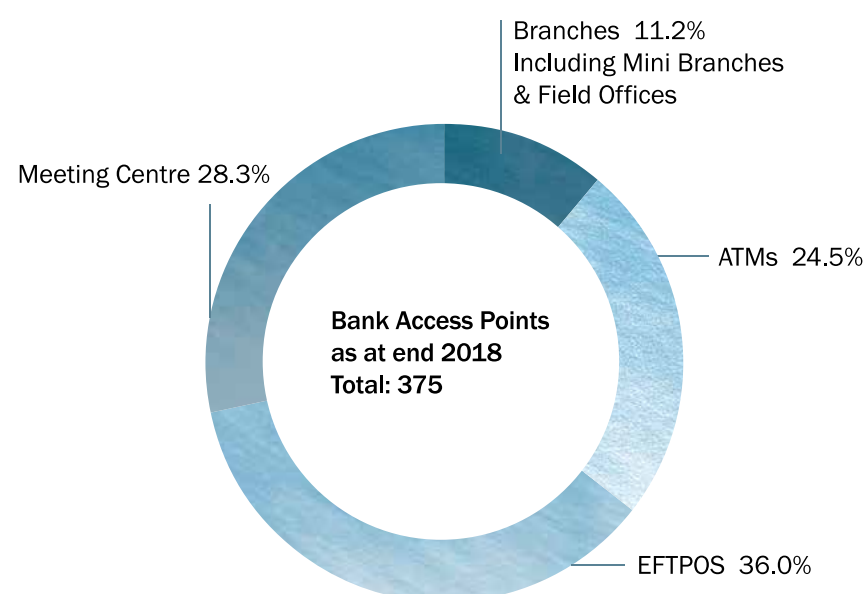


Diagram: A Comparison of Bank Access Points from 2009 to 2018

Type of Bank Access Points	2009	2013	2016	2018
Branches (Mini Branch / Field Offices)	19	24	33	42
ATMs	16	24	52	92
EFTPOS	45	71	164	135
Meeting Centres	118	107	235	106
Total	198	226	484	375

The reason for this reduction in numbers is due to the withdrawal of ANZ Bank from the retail banking market, and they now maintain only a single branch to provide greater focus on corporate banking in the country. While ANZ Bank's departure from the retail banking sector has negatively impacted the quantity of access points, the drop in access points was to some extent moderated by the introduction of a new bank, Bank Rakyat Indonesia (BRI) in 2017. BRI contributed to 15 access points, in the form of 4 bank branches and 11 ATMs, as at end-2018.

Diagram: Types of Bank Access Points as at end-2018



The types of banking access points most commonly found in the country are EFTPOS, making up 36.0% of the total 375 access points, followed by meeting centres which make up 28.3% of the total access points. Banking institutions continue to use these more cost saving and practical branchless banking platforms, instead of traditional branches, as a means to extend financial services beyond the city centres to offer banking services across all municipalities in the country.

2.1.2

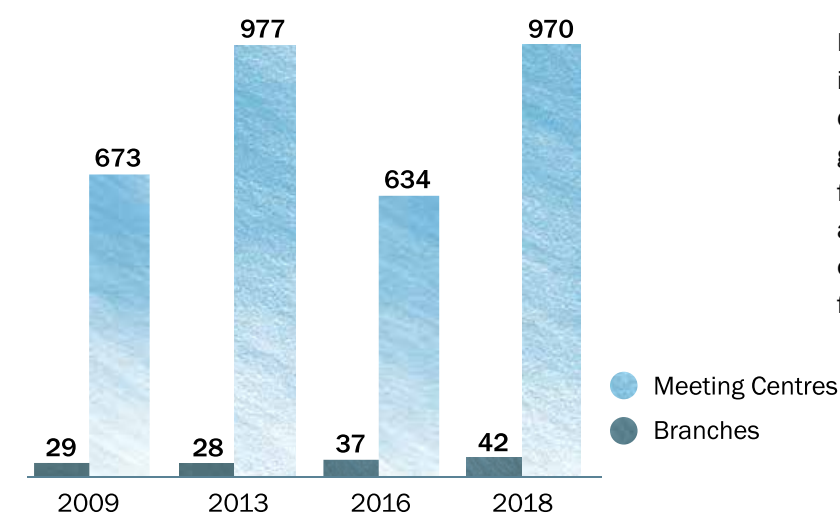
Access Points by Other Deposit Taking Institutions (ODTIs)

ODTIs also play an essential part in advancing financial inclusion by narrowing the disparities and meeting the needs of Timorese in areas which banks are unable to reach out. Microfinance institutions (MFIs) have historically played a central role in providing financial services, particularly in providing credit products and services to micro enterprises and small businesses in the country and this is evidenced by their strong performance in the advancement of access points from 2009 to 2013. However, the numbers dropped in 2016 as one of the MFIs, Tuba Rai Metin, later renamed as Kaebauk Investimentu No Finansas (KIF), changed its strategy from group loans and meeting centres to individual clients, thus reducing the use of meeting centres.

After 2016, MFIs were transformed into ODTIs to assume a greater role in the financial sector through appropriate regulations to enable these institutions to expand deposit-taking services, in addition to lending facilities.

Currently, ODTIs have 1,012 access points across Timor-Leste, providing outreach of financial services through 42 branches and 970 meeting centres.

Diagram: Changes in ODTIs Access Points from 2009 to 2018



Proving to be indispensable players in financial inclusion, ODTIs have demonstrated the most impressive growth in enhancing access to financial services, increasing access points by 341 access points, equivalent to an increase of 51% from 671 access points in 2016.

2.1.3

Access Points by Other Financial Service Providers

The financial landscape also encompasses other non-bank financial service providers, namely insurance companies, currency exchange bureaus (CEB), money transfer operators (MTO), e-wallet agents, credit unions and other informal credit providers.

Diagram: Comparison of Access Points by Other Financial Service Providers between 2016 and 2018

Other Financial Services Providers	2016	2018
Insurance	2	2
CEB	2	3
MTO	14	20
E-wallet Agent	-	178
Credit Unions	32	43
Informal Credit Providers	NA	9
Total	50	255

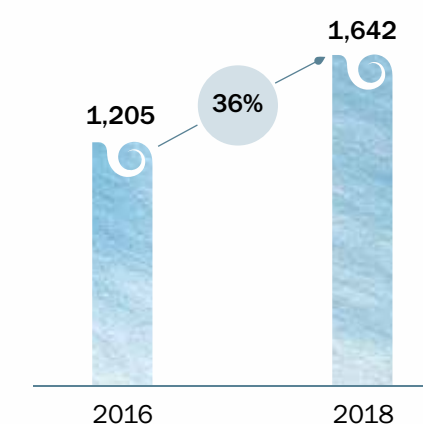
The outreach of CEB, MTO and credit unions all demonstrated positive increments since 2016, while the number of insurance companies remained the same. As for other informal credit providers which access points were unrecorded in 2016, this data collection exercise has managed to track and monitor its numbers. As at end-2018, the number of access points by other informal credit providers stood at 9.

In 2018 Telemor Fintech was licensed and started to offer the e-wallet services, including the development of e-wallet agent access points. After the formalization of the National Strategy for Financial Inclusion (NSFI) in 2017, and the licensing of Telemor Fintech in 2018, the e-wallet channel continued to expand its coverage and at end-2018, there are a total of 178 e-wallet agent access points servicing Timorese in the whole country. The e-wallet initiative has been very successful in its launch and implementation nationwide, allowing clients of all ages and locations to be able transact, make payments and transfer money, leading to enhanced inclusion and participation in the digital economy.

2.1.4

Total Access Points in the Financial System

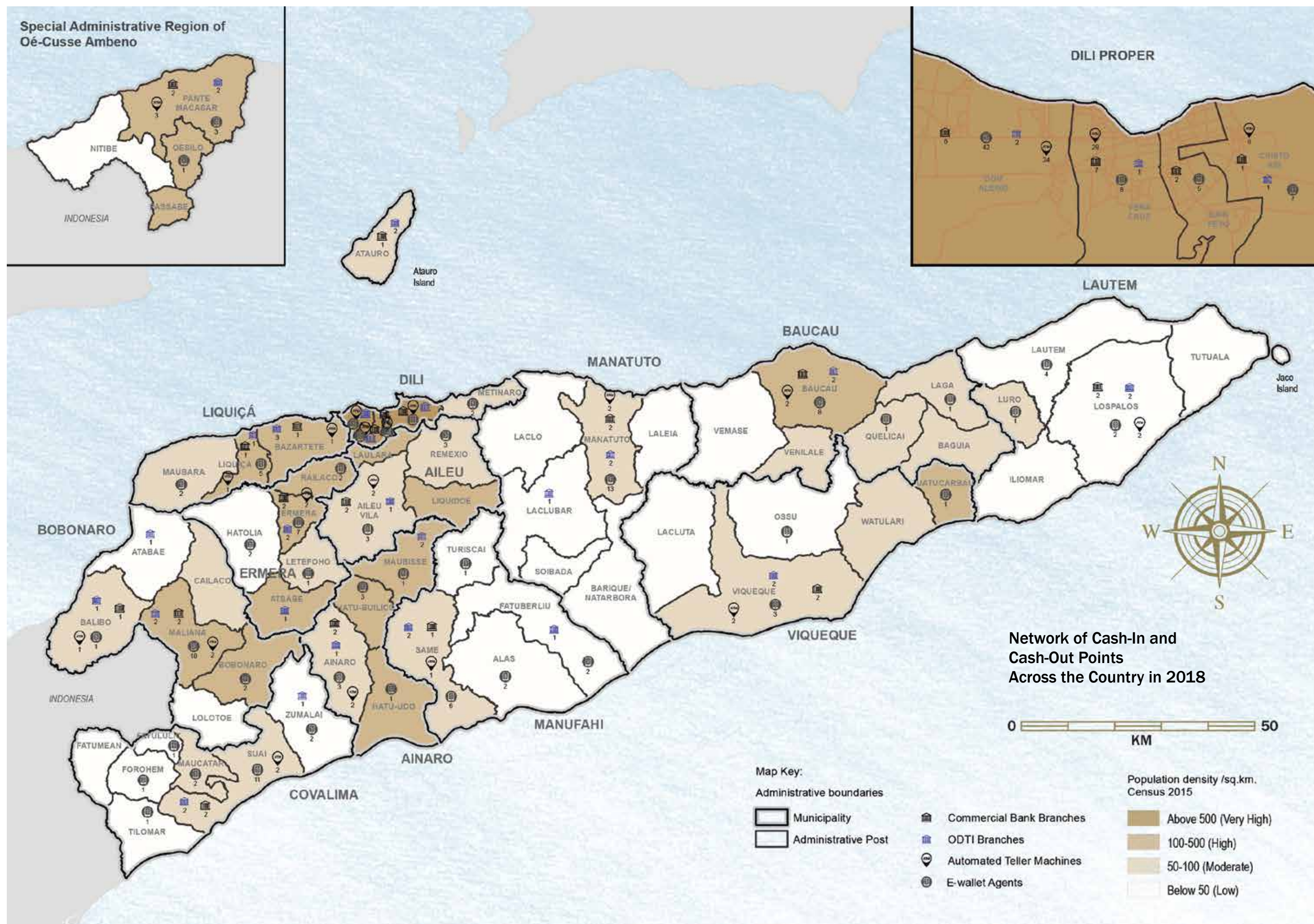
Diagram: Growth of Financial Services Access Points from 2016 to 2018



The changes, growth and evolution of the financial sector players in the last two years have resulted in an expansion of financial services access points in Timor-Leste. The number of access points has now reached 1,642 in contrast to 1,205 in 2016.

Of the total 1,642 financial services access points, 354 access points or 21.6% are cash-in and cash-out access points, where clients can perform both cash-in and cash-out transactions.³

³ Alliance for Financial Inclusion (AFI) defines "Access Points" as regulated access points where cash-in (including deposits) and cash-out transactions can be performed. This would include traditional bank branches and other offices of regulated entities (such as MFIs) that perform these functions. Depending on the type of transactions permitted, this will also include agents of regulated entities and automated teller machines (ATMs). In Timor-Leste, cash-in and cash-out access points include banks and ODTI branches, ATMs and e-wallet agents.



This 36% surge in total access points were largely contributed by the modernization of the financial sector which saw deployment of e-wallet agents and the strengthening of the role of ODTIs. ODTIs have maintained the largest presence of access points of any financial services provider, with 1,012 access points out of the total 1,642 access points in the country.

2.2

Financial Inclusion Access Indicators

An important element of financial inclusion is the distribution of the access points, as a high number of access points does not matter if it is concentrated only where certain segments of the population are able to reach it. Access points should be dispersed across all locations, regardless of urban or rural, to attain wide access to financial services. Hence, it is important to examine the coverage of access points by municipalities, administrative posts and sucos in the country.

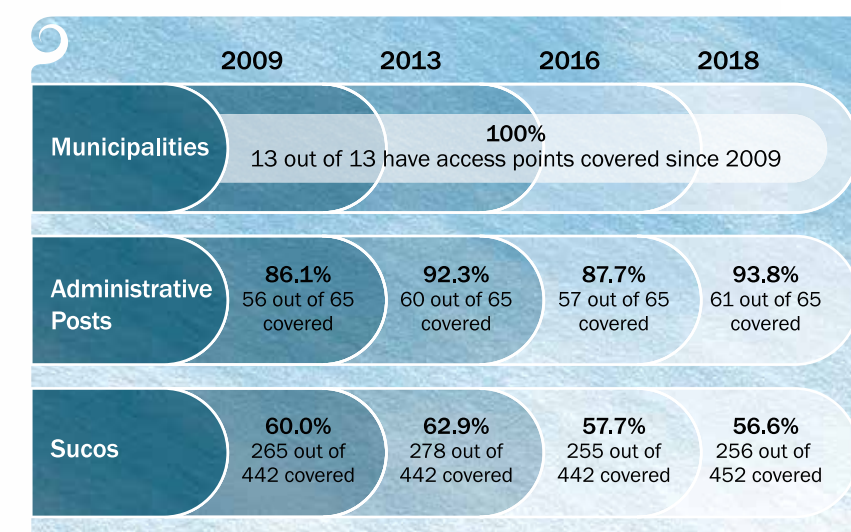
2.2.1

Coverage of Access Points by Municipalities, Administrative Posts and Sucos

Timor-Leste already achieved 100% of municipalities covered by access points since 2009. While it can be concluded that the level of financial inclusion in the country is high, it is still vital to study financial inclusion with more granularities, by examining the coverage of access points in administrative posts and sucos.

As at end-2018, a total of 61 out of 65, equivalent to 93.8% of administrative posts in the country are covered by financial access points. This number has improved from year 2016, which recorded 57 administrative posts covered with access points. From this finding, targeted approaches can be adopted to focus on the 4 administrative points which are yet to be served with access points.

Diagram: Coverage of Access Points by Municipalities, Administrative Posts and Sucos



The total sucos in Timor-Leste covered by financial services access points have reached 256 by end-2018. In terms of improvements observed from 2016 to 2018, the records show that one additional suco has been added to the list of sucos which are served by financial services access points.

However, due to border alteration exercises by the Government which transpired in 2016, new sucos were created, resulting in an additional 10 sucos, bringing the total number to sucos to 452 in 2018 compared to 442 in 2016. Due to this additional number of sucos, the percentage of sucos covered by financial services has dipped to 56.6% compared to 57.7% in 2016.

Currently, 61 out of 65 administrative posts are covered by at least one type of financial services access points. However, only 31 of 65 or 48% of administrative posts have bank access points. ODTIs fare a bit better, covering 55 out 65 administrative posts, while other non-bank financial services cover 49 administrative posts.

Diagram: Distribution of Administrative Posts with Bank and ODTI Access Points



The following maps show the circular radius of outreach for bank and ODTI access points. It is estimated that 18% of the population, equivalent to 209,460 individuals or 36,206 households are residing within 5km of a bank branch, while 37% of the population are residing within 5km from an ODTI branch as a result of ODTIs' wider branch network.

An analysis of the sucos level found that of 452 sucos, 256 benefit from at least one type of financial services access point. Bank access points show the least coverage of sucos, with banking services only accessible in 87 out of 452 sucos, while ODTIs have a presence in 233 sucos, the highest amongst all financial services providers. As a group, other non-bank financial services providers offer access points in 103 sucos. In terms of cash-in and cash-out points, 103 sucos are covered, while the remaining 349 sucos do not have access to these financial services.

From this data collection, it is evident that inequalities still exist in the outreach of financial services in the country, with clear evidence of a high percentage of sucos still unserved by financial services access points.

2.2.2

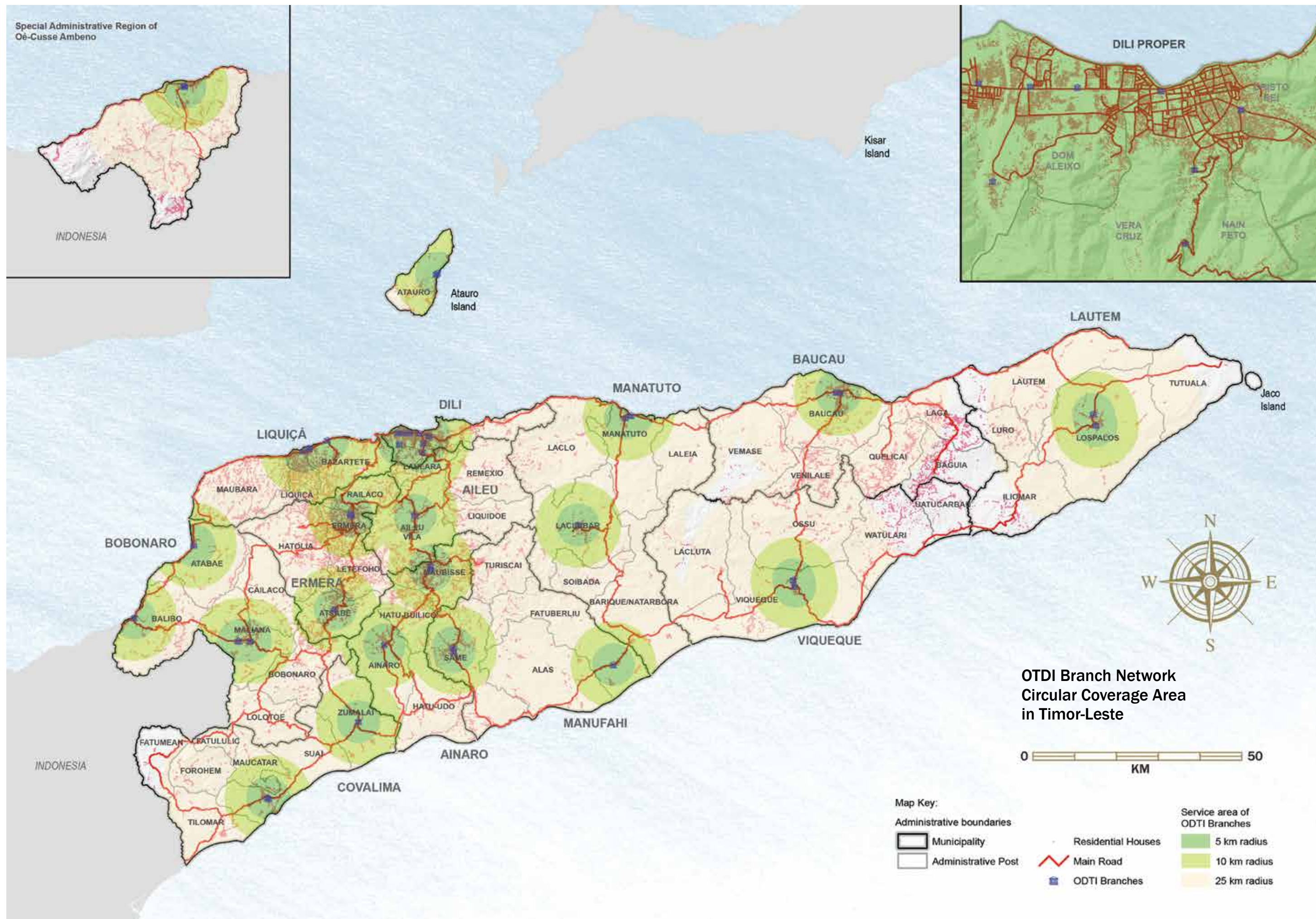
A Breakdown of Type of Financial Services Access Points by Area

A detailed look into the types of financial services which are available by administrative units provides a more in-depth view on the disposition and structure of distribution of financial services in the country. For instance, while all 13 municipalities are covered by financial services access points by providers, a deeper look into the administrative posts and sucos suggest that a lot of financial inclusion gaps and challenges still exist.

Diagram: Types of Financial Services Available by Administrative Unit

Type of Financial Service	Municipalities	Administrative Posts	Sucos
Total number of administrative unit	13	65	452
Administrative unit with any type of financial service	13	61	256
Administrative unit with Bank Service	13	31	87
Administrative unit with ODTI Service	13	55	233
Administrative unit with other financial service	13	49	103
Administrative unit with cash-in & cash-out access points	13	47	103





2.2.3

Summary of Access Indicators

The supply side data on access points collected was analysed together with the population data from the 2015 census. The use of supply and demand-side data is crucial to determine the percentage of population which are able to gain access to financial services and conversely, how many people in the country are actually affected by the lack of financial services in the administrative post and sucos which they are residing in.

As at end-2018, there are 47 administrative posts with at least 2 types of financial services. From the data, it was found that 85% of the population⁴ reside in the 47 administrative posts. On the other hand, when narrowed down to examine the sucos level; it is found that 128 sucos, with a total population of 610,689 or 52%, have access points for at least 2 types of financial services.

As for banking institutions, it was found that 70% of the population are residing in the 31 administrative posts covered by bank access points. At the sucos level, the data showed that 42% of the population live in the 87 sucos which have bank access points. This indicates that a substantial 58% of Timorese still do not have easy access to banking services in their respective sucos of residence.

Diagram: Summary of Access Indicators as at End-2018

Access Indicators	Municipalities	Administrative Posts	Sucos
Population living in areas served by the banks	1,183,643	832,951	499,617
Administrative areas served by the banks	13	31	87
% of the population living in areas served by the banks	100%	70%	42%
Administrative units served by at least 2 types of financial services	13	47	128
% of population living in areas served by at least 2 types of financial services	100%	85%	52%

⁴ Source: Population Data, Census 2015. The total population was reported to be 1,183,643 people as at 2015.

Diagram: Summary of Access Indicators Per 10,000 Adult Population⁵ as at End-2018

Access Points per 10,000 Adult Population	
Bank Branches per 10,000 adult population	0.63
ATMs per 10,000 adult population	1.39
EFTPOS per 10,000 adult population	2.04
Bank meeting centers per 10,000 adult population	1.60
ODTI access points per 10,000 adult population	15.28
Cash -in and Cash-out access points per 10,000 adult population	5.35

Diagram: Summary of Access Indicators Per 1,000 Square Kilometres as at End-2018

Access Points per 1,000 Sq KM	
Bank branches per 1,000 sq km	2.82
ATMs per 1,000 sq km	6.17
EFTPOS per 1,000 sq km	9.05
Bank meeting center per 1,000 sq km	7.11
Cash -in and Cash-out access points per 1,000 sq km	23.73

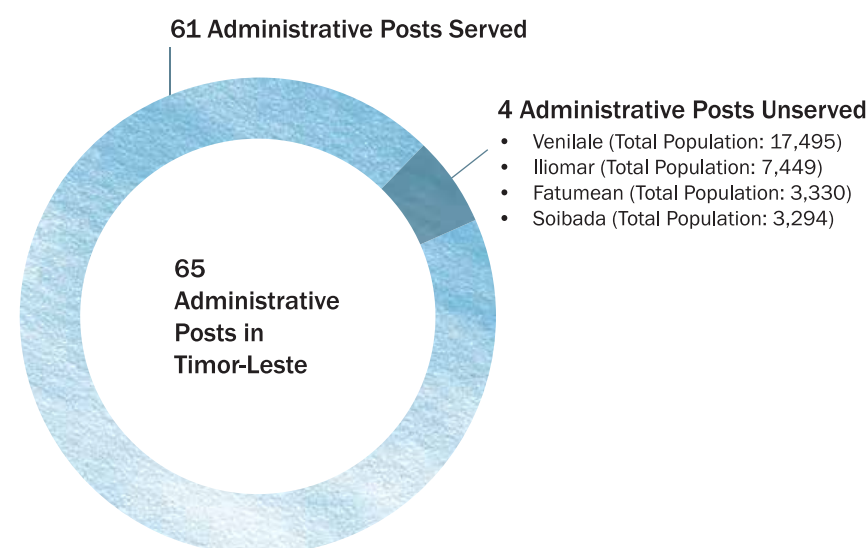
⁵ Source: Population Data, Census 2015. The census documented a total of 662,285 adults, aged 17 and above in Timor-Leste. In Timor-Leste, individuals have to be older than 16 to open a bank account, except for the Hau-Nia Futuru (HNF) Account which is a savings programme for children 17 years and below.



2.2.4

An Analysis on Unserved Areas

This data collection has enabled BCTL to generate a heat map of the areas which are served by different types of financial services. The seven types financial services considered for this map are: bank services, ODTI, e-wallet agents, unregulated credit providers (credit unions and other credit providers), insurance, MTOs, and CEBs. From the map, the uncoloured areas still do not have access to financial services, while darker coloured areas are sucos with higher levels of coverage. A detailed look into the unserved areas reveal that there are 4 administrative posts in Timor-Leste which are yet to be covered by any financial service providers.

Diagram: Unserved Administrative Posts in Timor-Leste

Of these unserved administrative posts, the Venilale of the Municipality of Baucau have the highest population, a total of 17,495. The rest of the unserved administrative posts have populations below 10,000. In total, 31,568 or 2.7% of Timorese reside in these administrative posts which do not have a single financial services access points within its borders. To be able to access financial services, this segment of the population have to travel to the next administrative post which have access points, making it inconvenient and costly for them to use financial services.

From the viewpoint of bank access points, the data uncovered that there are still 34 out of 65 administrative posts which are yet to be served by any banking access point, affecting 350,692 or 30% of the population.

Diagram: Administrative Posts Unserved by Bank Access Points and Their Populations

Administrative Posts Without Bank Access Points			
With Population Exceeding 10,000		With Population Below 10,000	
Bobonaro	24,719	Alas	7,884
Maubisse	23,750	Passabe	7,879
Atsabe	18,563	Laclo	7,756
Laga	18,359	Turiscail	7,718
Venilale	17,495	Iliomar	7,449
Quelica	17,450	Fatuberlio	7,416
Uato-Lari	16,277	Luro	7,124
Lautém	15,989	Laulara	7,090
Hato-Builico	12,966	Lolotoe	6,845
Baguia	12,962	Liquidoe	6,765
Nitibe	12,273	Metinaro	5,654
Laclubar	12,050	Barique	5,438
Oesilo	11,481	Fohorem	4,086
Atabae	10,963	Laleia	3,689
Cailaco	10,405	Tutuala	3,514
Uato-Carbau	10,032	Fatumean	3,330
		Soibada	3,294
		Fatululic	2,027

Of these 34 administrative points, 16 administrative posts have populations above 10,000 people. In fact, there are 2 administrative posts with populations above 20,000 people, Bobonaro with a population of 24,719 and Maubisse with a population of 23,750. There is a rather wide disparity between the populations of administrative posts without banking access points, as evidenced by the number of people living in Fatululic, also an administrative post unserved by banks, which has 2,027 residents.

At the sucos level, it was found that the Municipality of Dili is the only municipality with 100% of their 35 sucos covered by financial services access points. The remaining 12 municipalities still face financial inclusion challenges, with the uneven distribution of financial services access points, particularly at the sucos level.

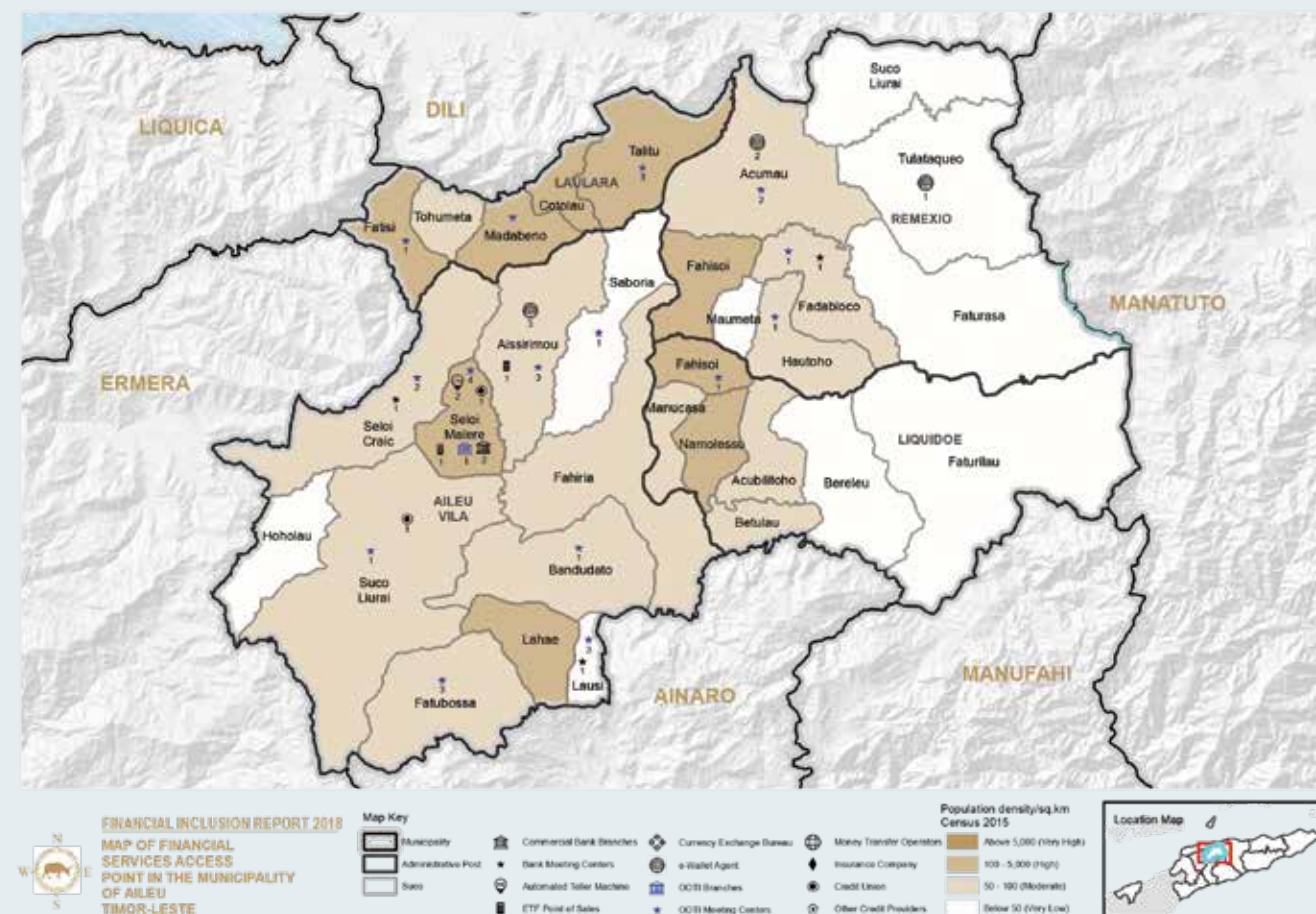
A deeper look into the unserved sucos revealed that the Municipality of Baucau has the highest number of unserved sucos. A total of 41 sucos, including 8 sucos from the unserved administrative post of Venilale, do not have any form of financial service access points in the area. Baucau has the most sucos within its borders, with 59 sucos, and the data shows that this municipality still struggles with the lack of financial inclusion which affects 69% of the sucos within its borders.

The Municipality of Viqueque is another area of concern, with financial exclusion occurring in 61% of the 36 sucos. The Municipality of Bobonaro on the other hand, has 25 unserved sucos out of the 50 sucos within its borders, and the Municipality of Ermera has 20 unserved sucos. The four municipalities discussed have a total of 108 unserved sucos out of the total 196 unserved sucos in the whole country, indicating a higher concentration of financial exclusion in these areas.

Fact Sheets

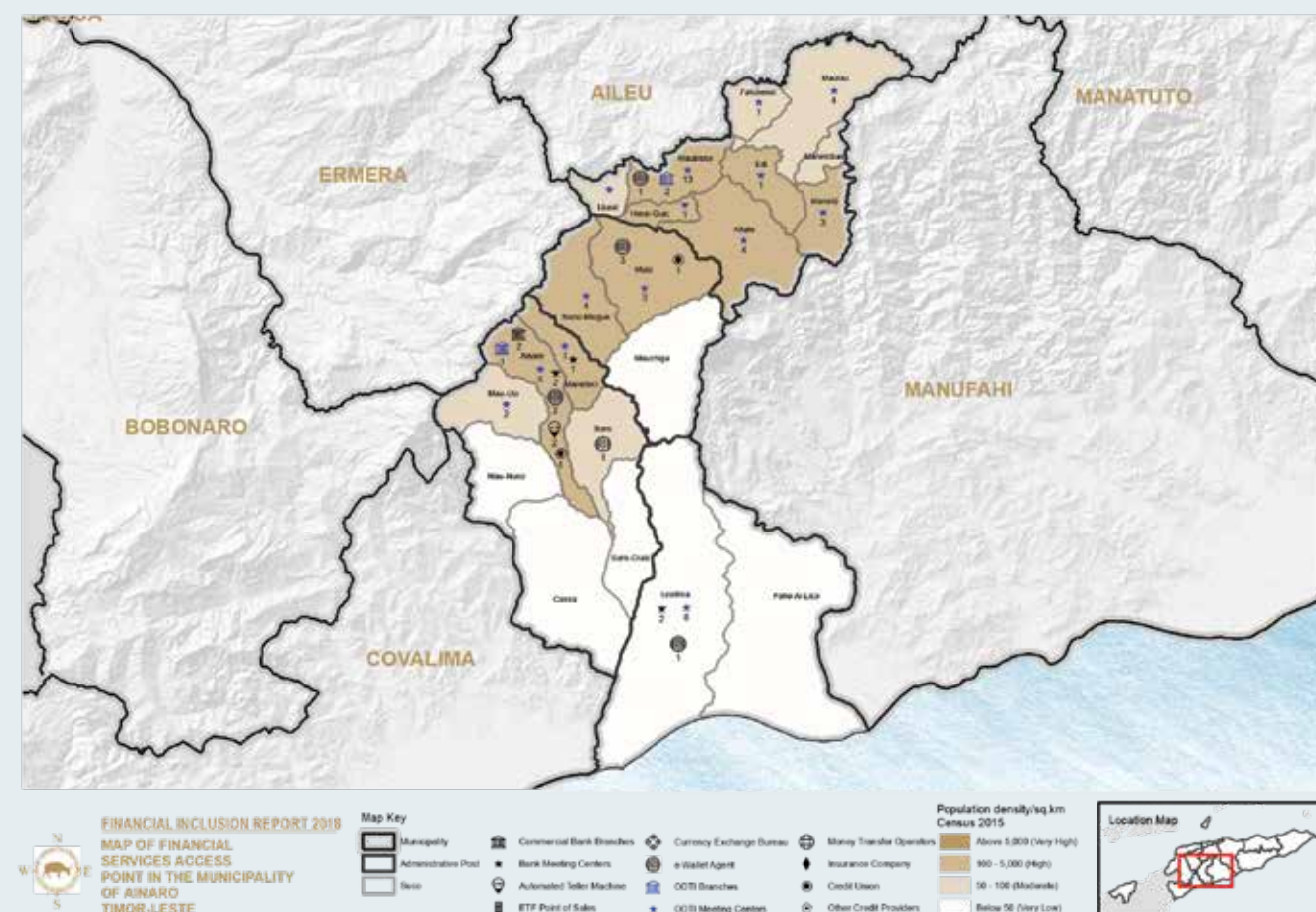
on Financial Inclusion in Municipalities in Timor-Leste

Aileu Municipality



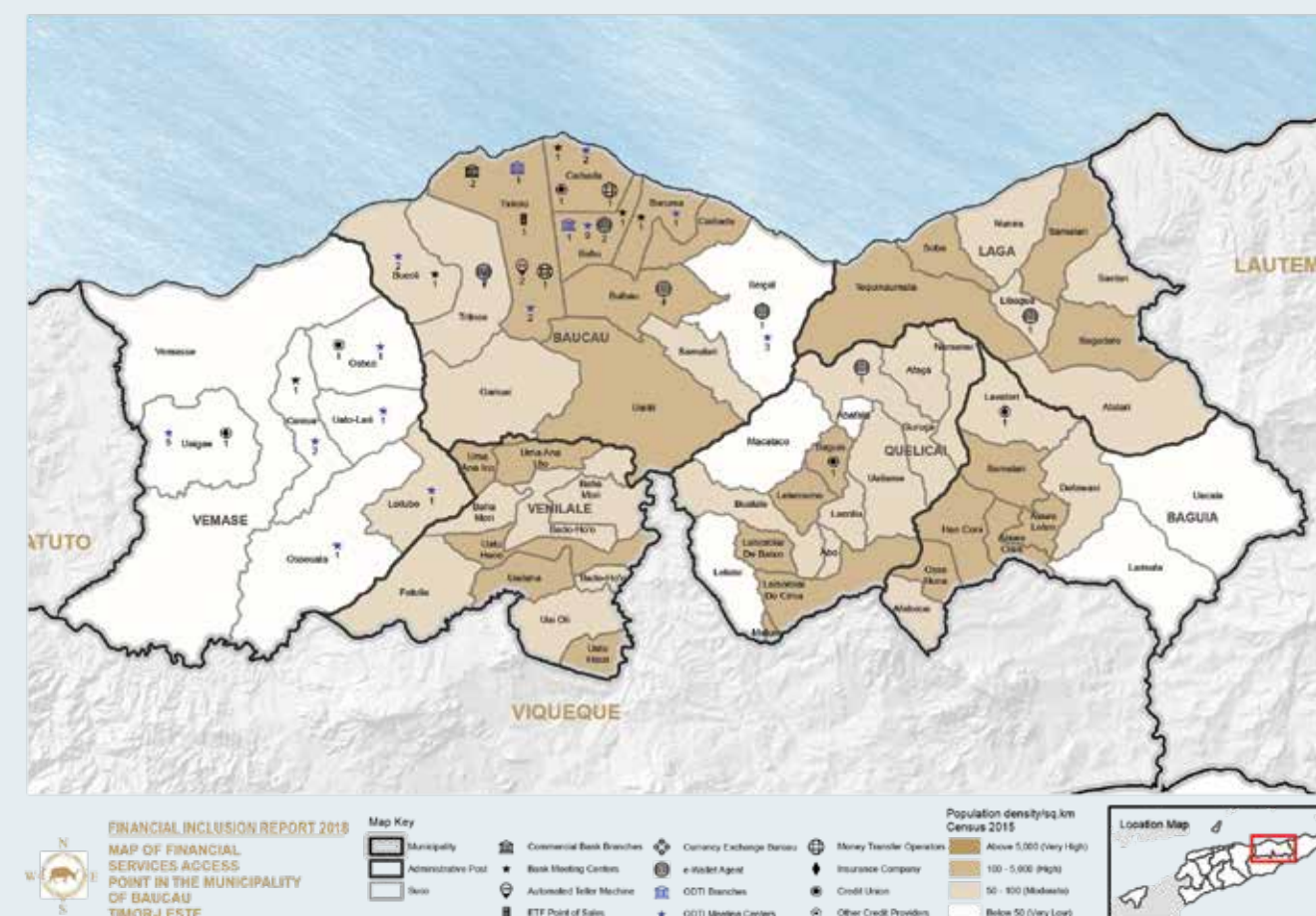
- Population: 48,837
- Total land area: 736 sq km
- Number of Administrative Posts: 4
- Unserved Administrative Posts: 1 (Liquido)
- Number of Sucos: 33
- Unserved Sucos: 16, representing 48% (Suco Liurai in Remexio, Fahiria, Hoholau, Lahae, Bocolo, Cotelau, Tohumeta, Acubilito, Bereleu, Betulau, Faturilau, Manucassa, Namolesso, Fahiso, Faturasa, Maumeta)

Ainaro Municipality



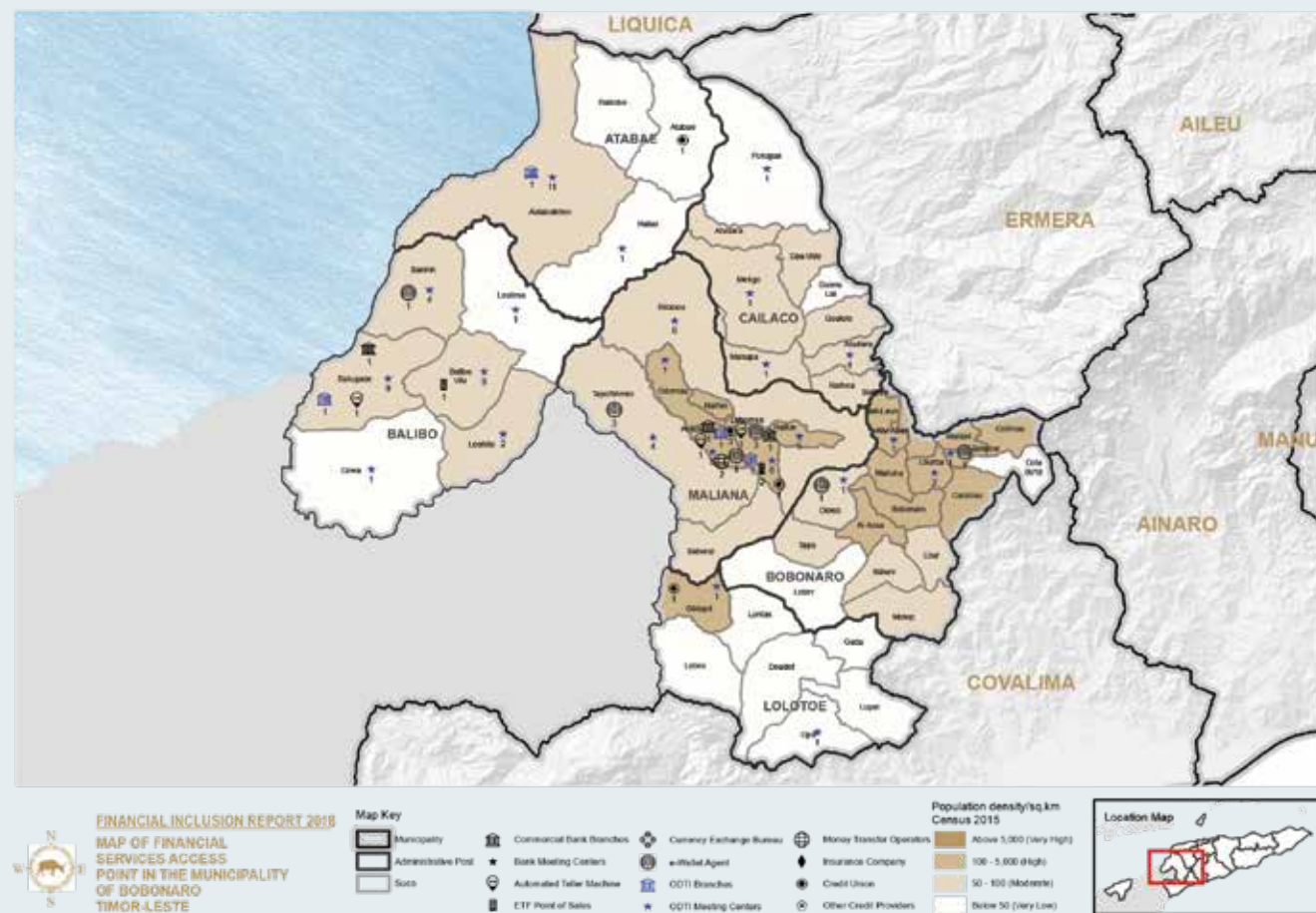
- Population: 63,136
- Total land area: 803 sq km
- Number of Administrative Posts: 4
- Number of Sucos: 21
- Unserved Sucos: 6, representing 29% (Cassa, Mau-Nuno, Suro-Craic, Mauchiga, Foho-Ai-Lico, Manelobas)

Baucau Municipality



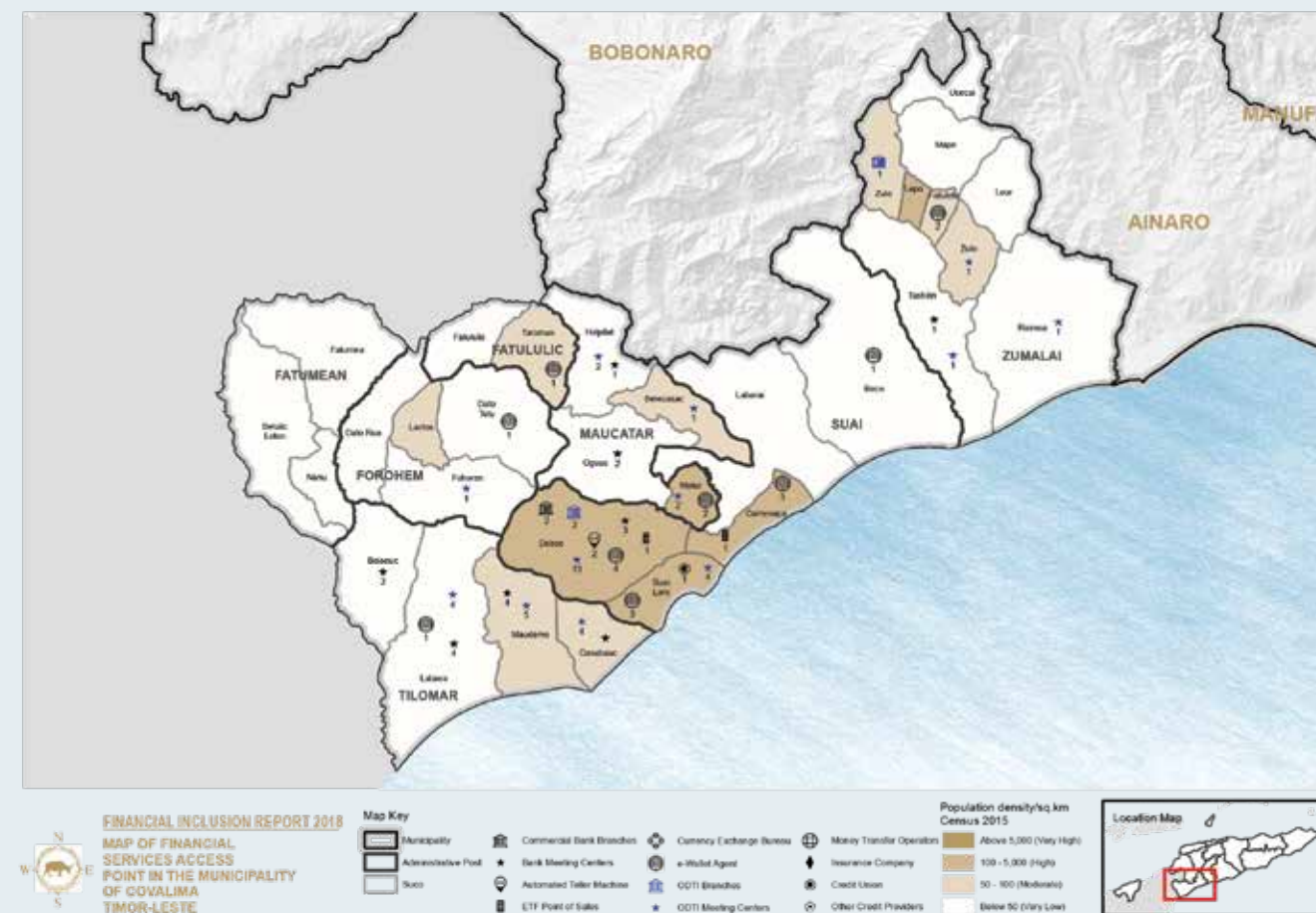
- Population: 123,203
- Total land area: 1,504 sq km
- Number of Administrative Posts: 6
- Unserved Administrative Posts: 1 (Venilale)
- Number of Sucos: 59
- Unserved Sucos: 41 , representing 69% (Afaloicai, Alaua Craic, Alaua Leten, Defauasi, Hae Coni, Larisula, Osso Huna, Samalari, Uacala, Gariuai, Samalari, Uailili, Atelari, Nunira, Saelari, Sagadate, Samalari, Soba, Tequinaumata, Abafala, Abo, Afaçá, Bualale, Lacoliu, Laisorolai De Baixo, Laisorolai De Cima, Lelalai, Letemumo, Macalaco, Maluro, Namanei, Uaitame, Uaigae, Bado-Ho'O, Baha Mori, Fatulia, Uai Oli, Uailaha, Uatu Haco, Uma Ana Ico, Uma Ana Ulo)

Bobonaro Municipality



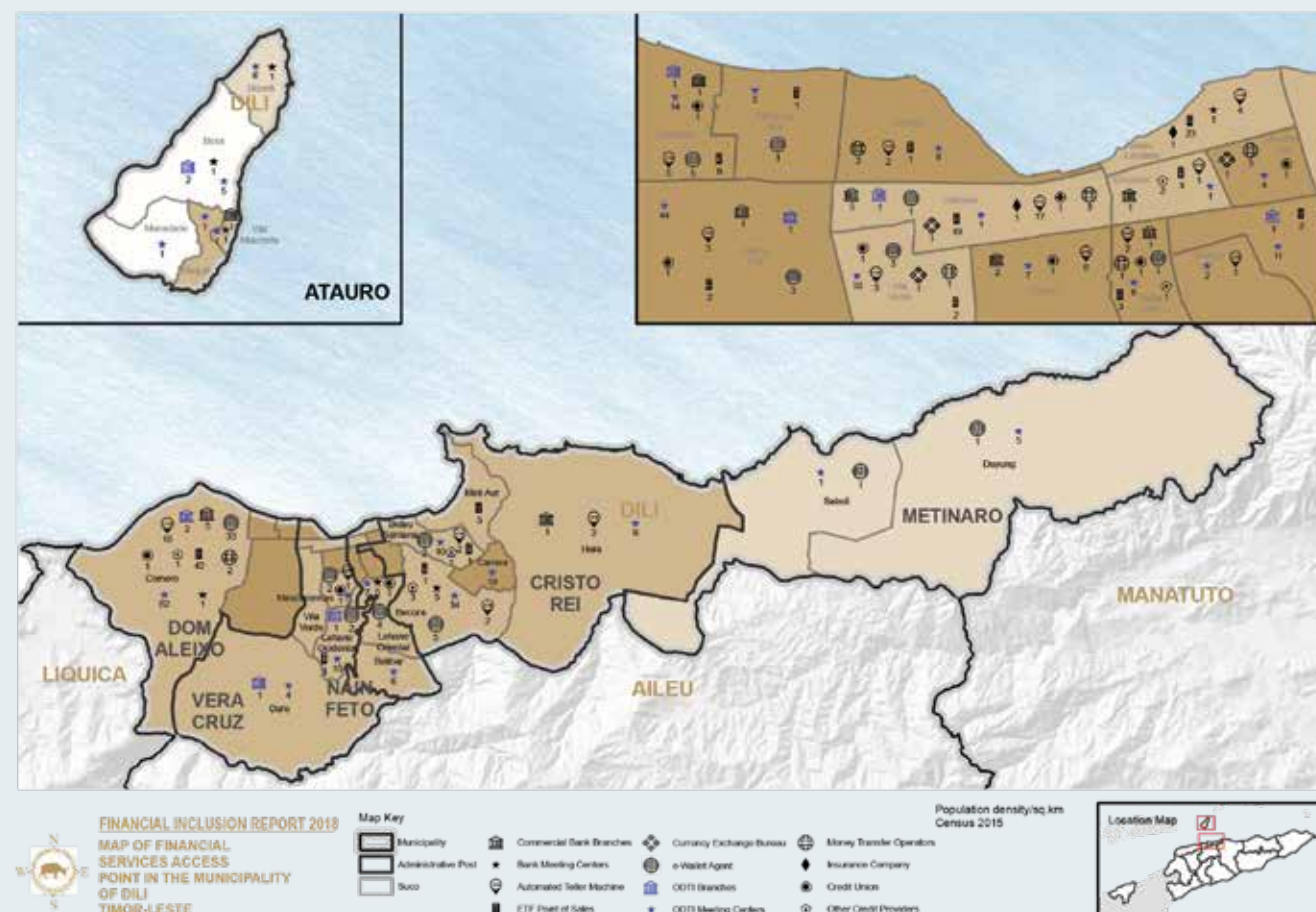
- Population: 97,762
- Total land area: 1,378 sq km
- Number of Administrative Posts: 6
- Number of Sucos: 50
- Unserved Sucos: 25, representing 50% (Rairobo, Ai-Assa, Bobonaro, Carabau, Colimau, Cota Bo'Ot, Ilat-Laun, Leber, Lour, Maliubu, Malilait, Molop, Sibuni, Soileco, Tapo, Dau Udo, Goulolo, Guenu Lai, Raiheu, Deudet, Guda, Lebos, Lontas, Lupal, Saburai)

Covalima Municipality



- Population: 65,301
- Total land area: 1,199 sq km
- Number of Administrative Posts: 7
- Unserved Administrative Posts: 1 (Fatumean)
- Number of Sucos: 30
- Unserved Sucos: 11, representing 37% (Fatululic, Belulic Leten, Fatumea, Nanu, Dato Rua, Lactos, Labarai, Lepo, Lour, Mape, Ucecai)

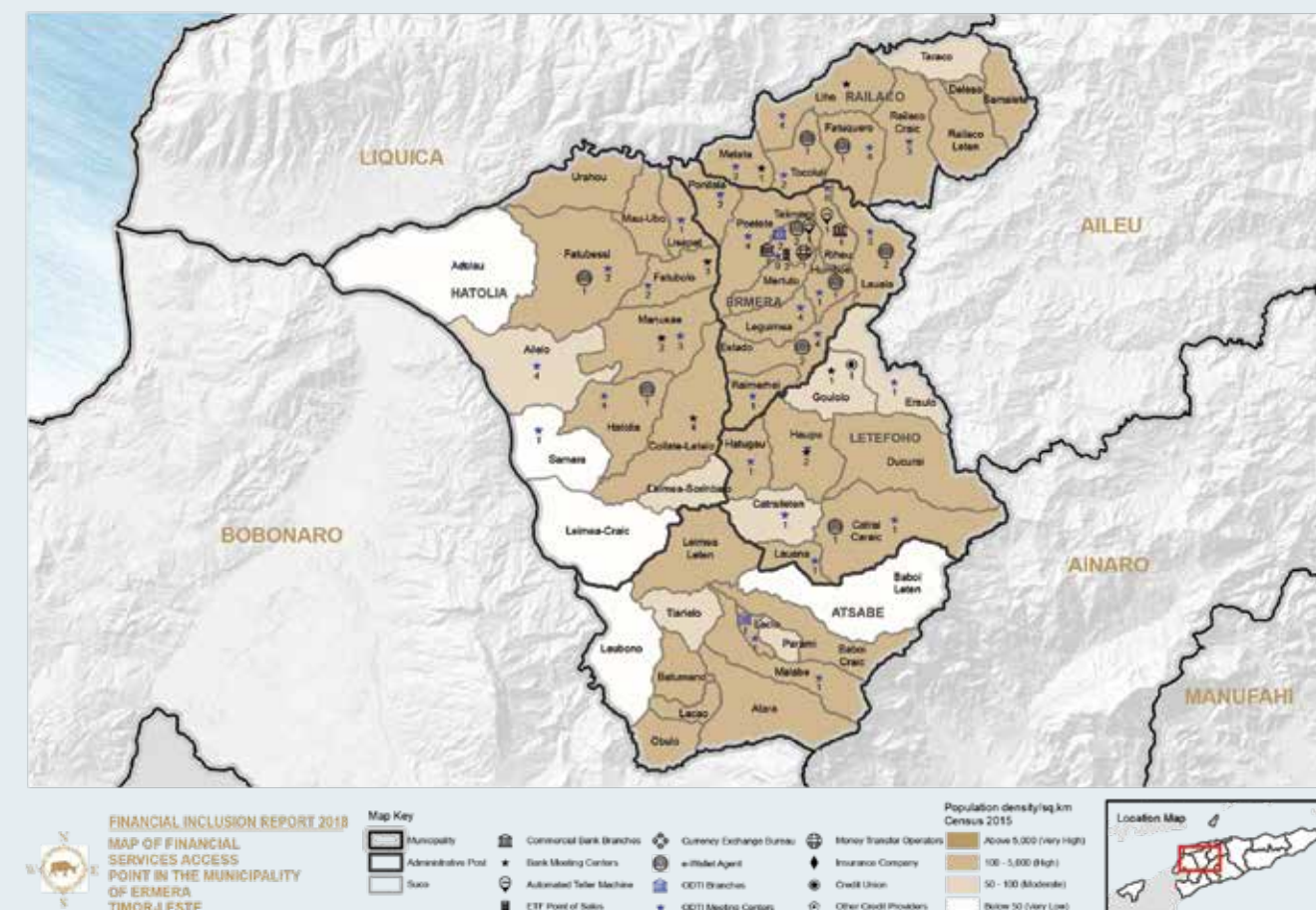
Dili Municipality



Dili is the only municipality where all sucos are served by financial access points.

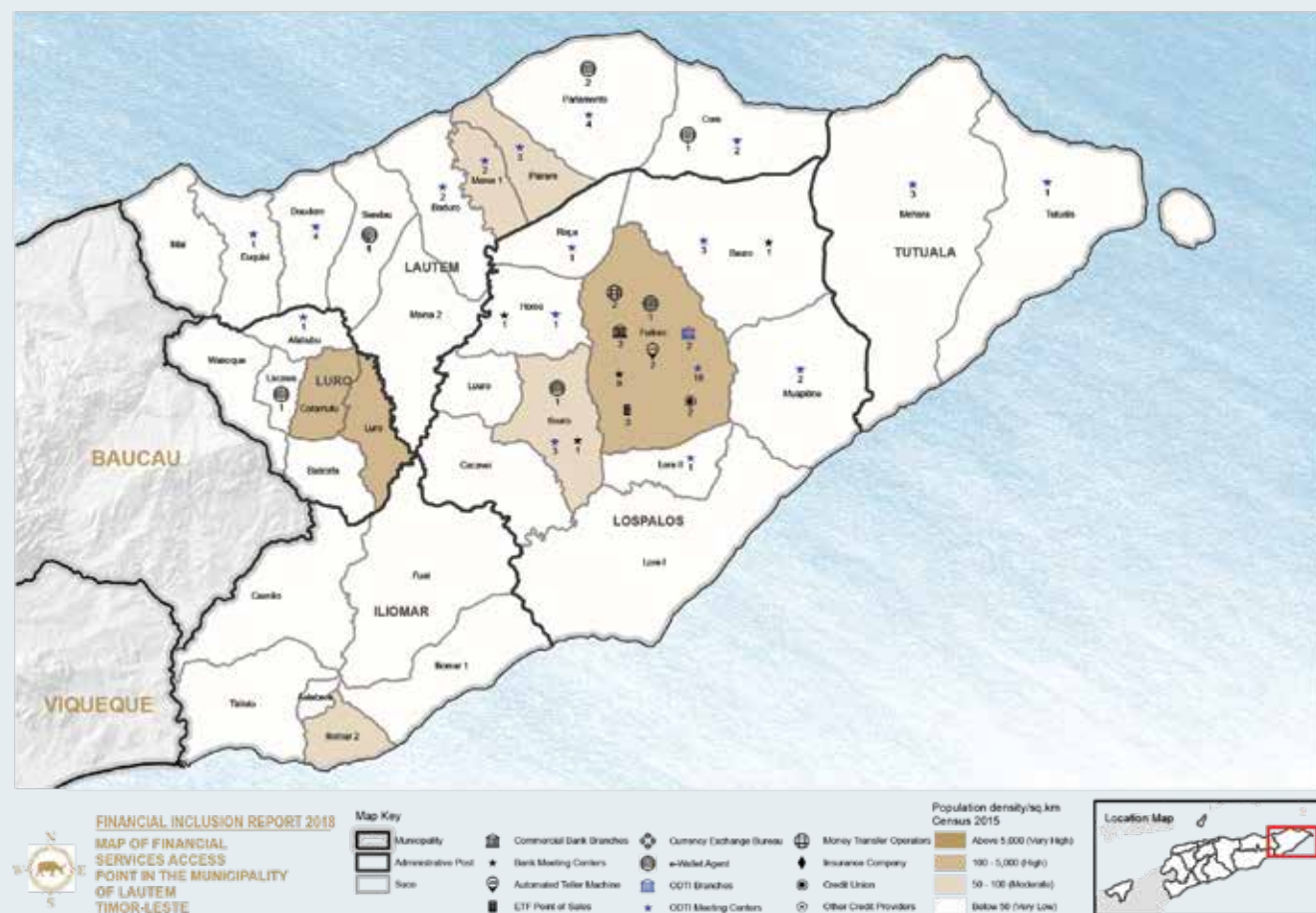
- Population: 277,279
- Total land area: 364 sq km
- Number of Administrative Posts: 6
- 100% of Sucos covered by Financial Services Access Points
- Administrative and Economic Capital of Timor-Leste

Ermera Municipality



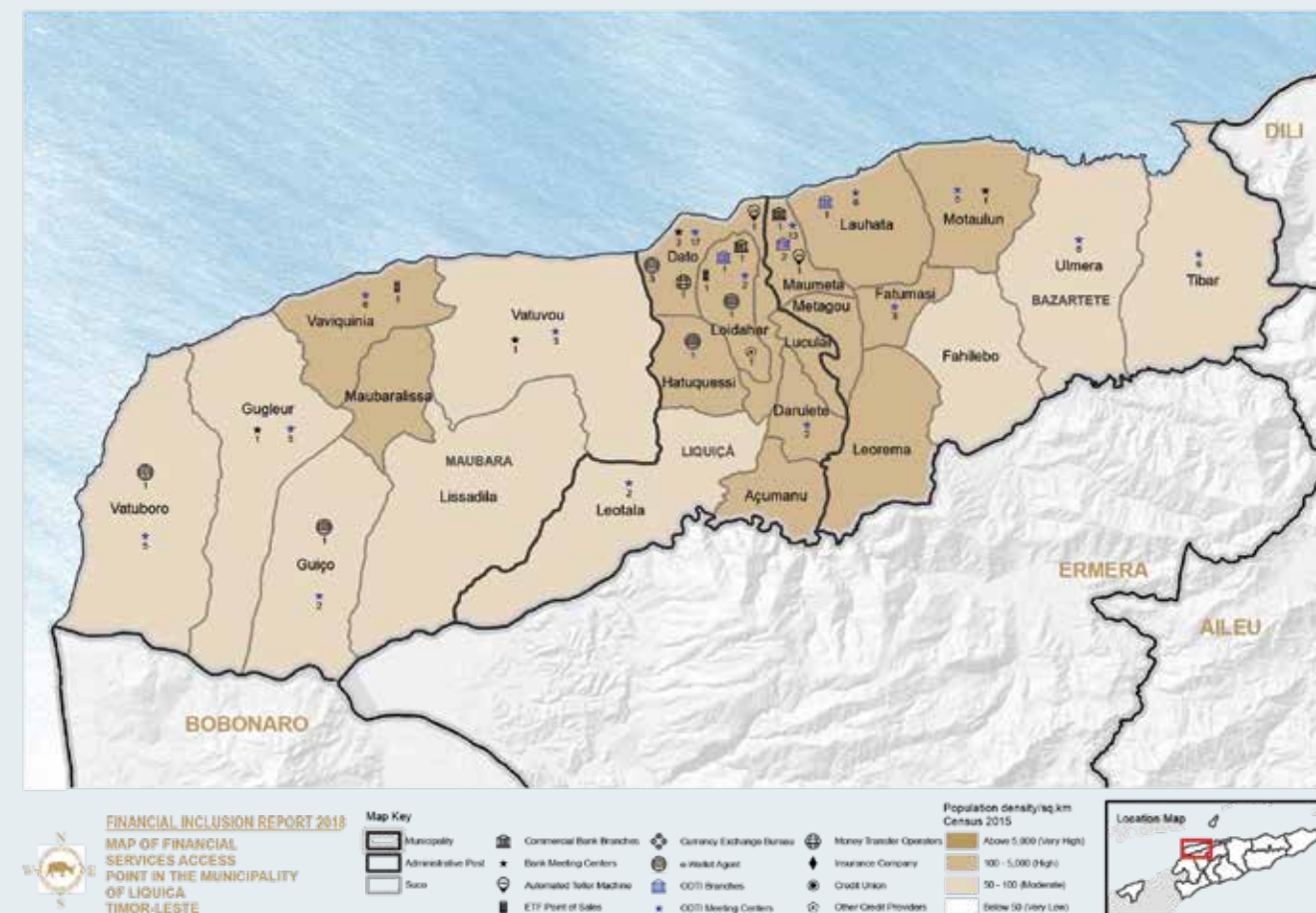
- Population: 125,702
- Total land area: 756 sq km
- Number of Administrative Posts: 5
- Number of Sucos: 52
- Unserved Sucos: 20, representing 38% (Atara, Baboi Craic, Baboi Leten, Batu Mano, Lacao, Laubono, Leimeia Leten, Obulo, Parami, Tiarlelo, Mertuto, Leimeia-Craic, Leimeia-Sorinbalo, Mau-Ubo, Urahou, Ducurai, Deleso, Railaco Leten, Samalete, Taraco)

Lautém Municipality



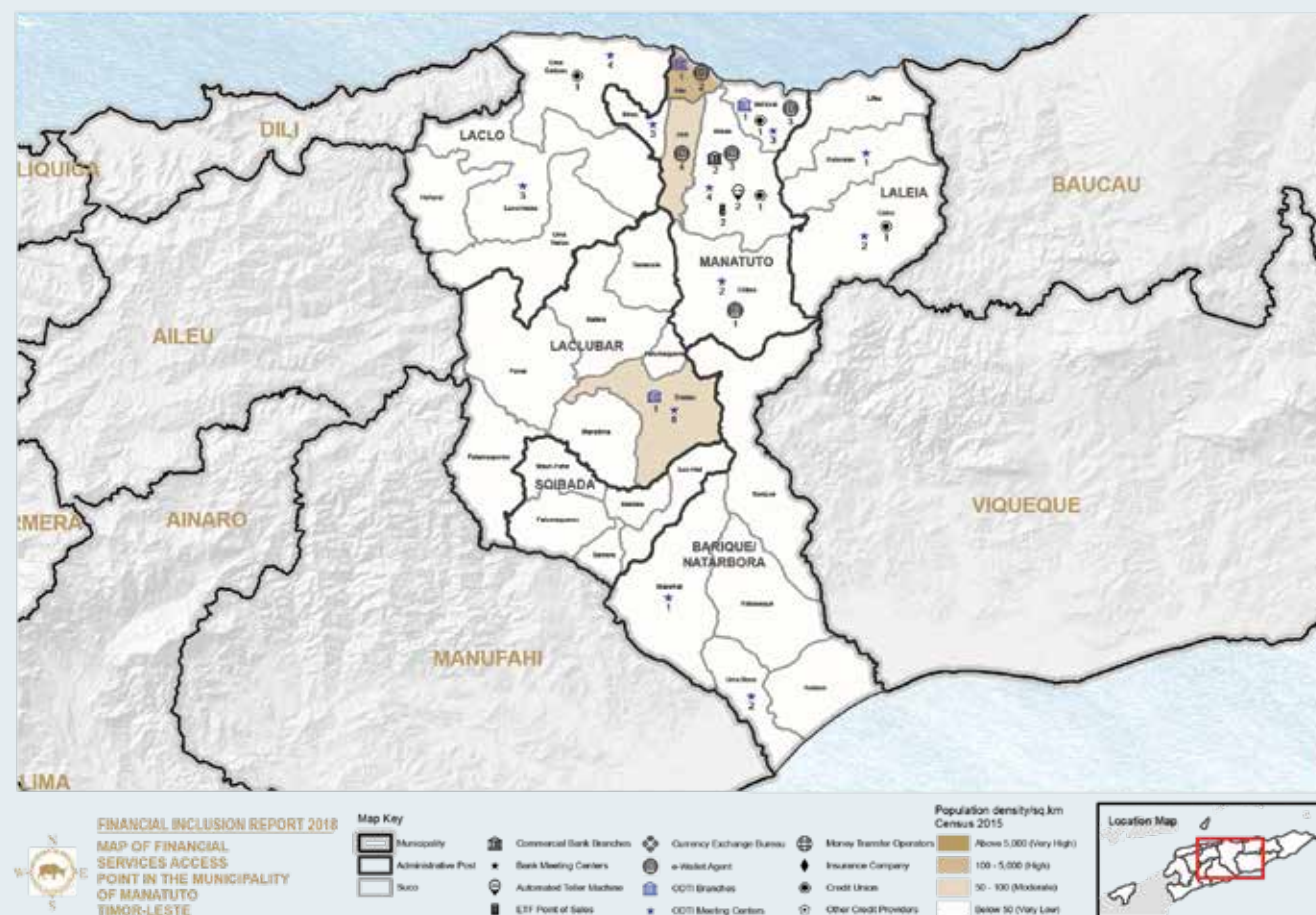
- Population: 65,240
- Total land area: 1,817 sq km
- Number of Administrative Posts: 5
- Unserved Administrative Posts: 1 (Iliomar)
- Number of Sucos: 34
- Unserved Sucos: 15, representing 44% (Aelebere, Caenlio, Fuat, Iliomar 1, Iliomar 2, Tirilolo, Ililai, Maina 2, Cacavei, Leuro, Lore 1, Baricafa, Cotamutu, Luro, Uairoque)

Liquiça Municipality



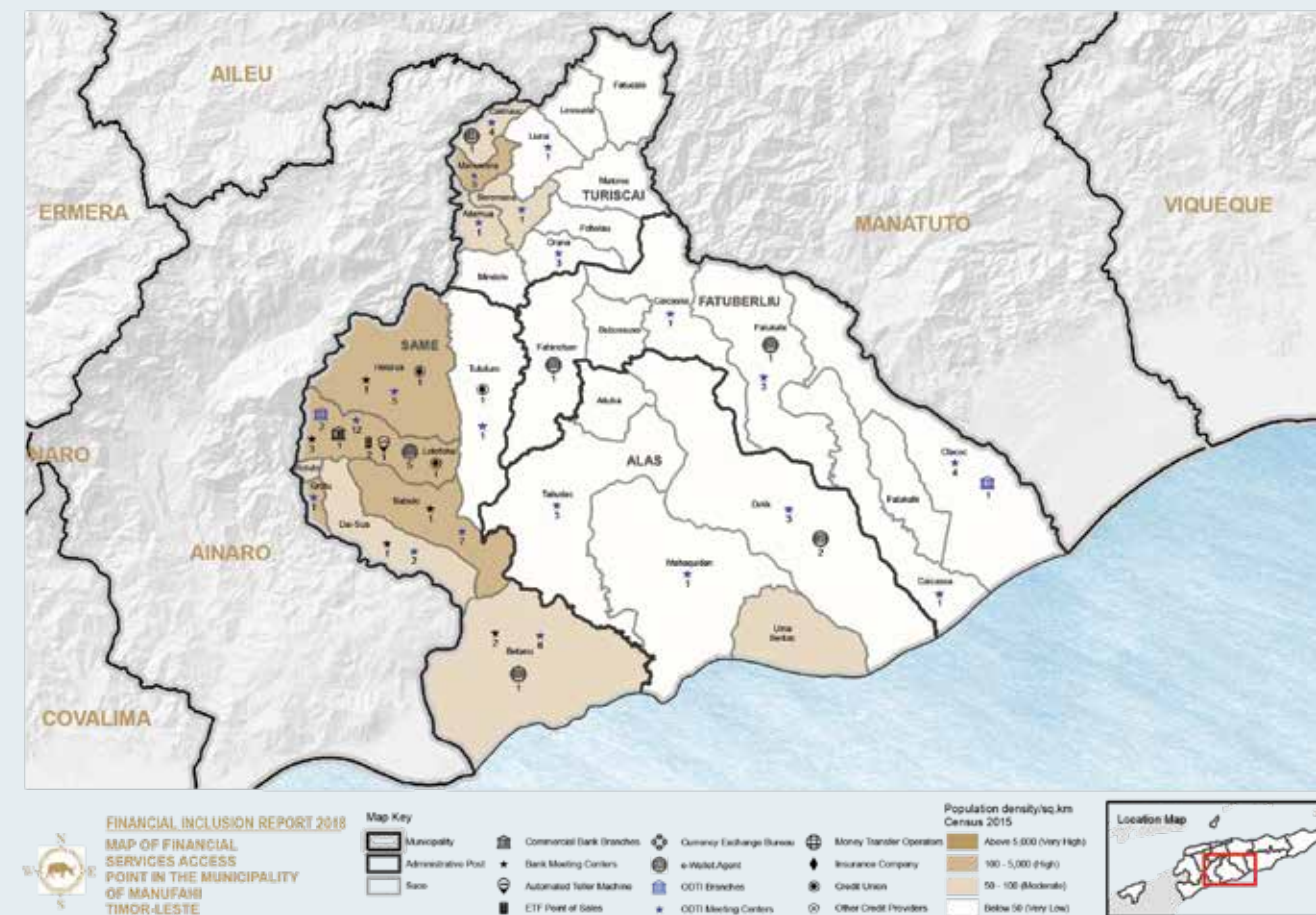
- Population: 71,927
- Total land area: 560 sq km
- Number of Administrative Posts: 3
- Number of Sucos: 23
- Unserved Sucos: 7, representing 30% (Fahilebo, Leorema, Metagou, Açumanu, Luculai, Lissadila, Maubalarissa)

Manatuto Municipality



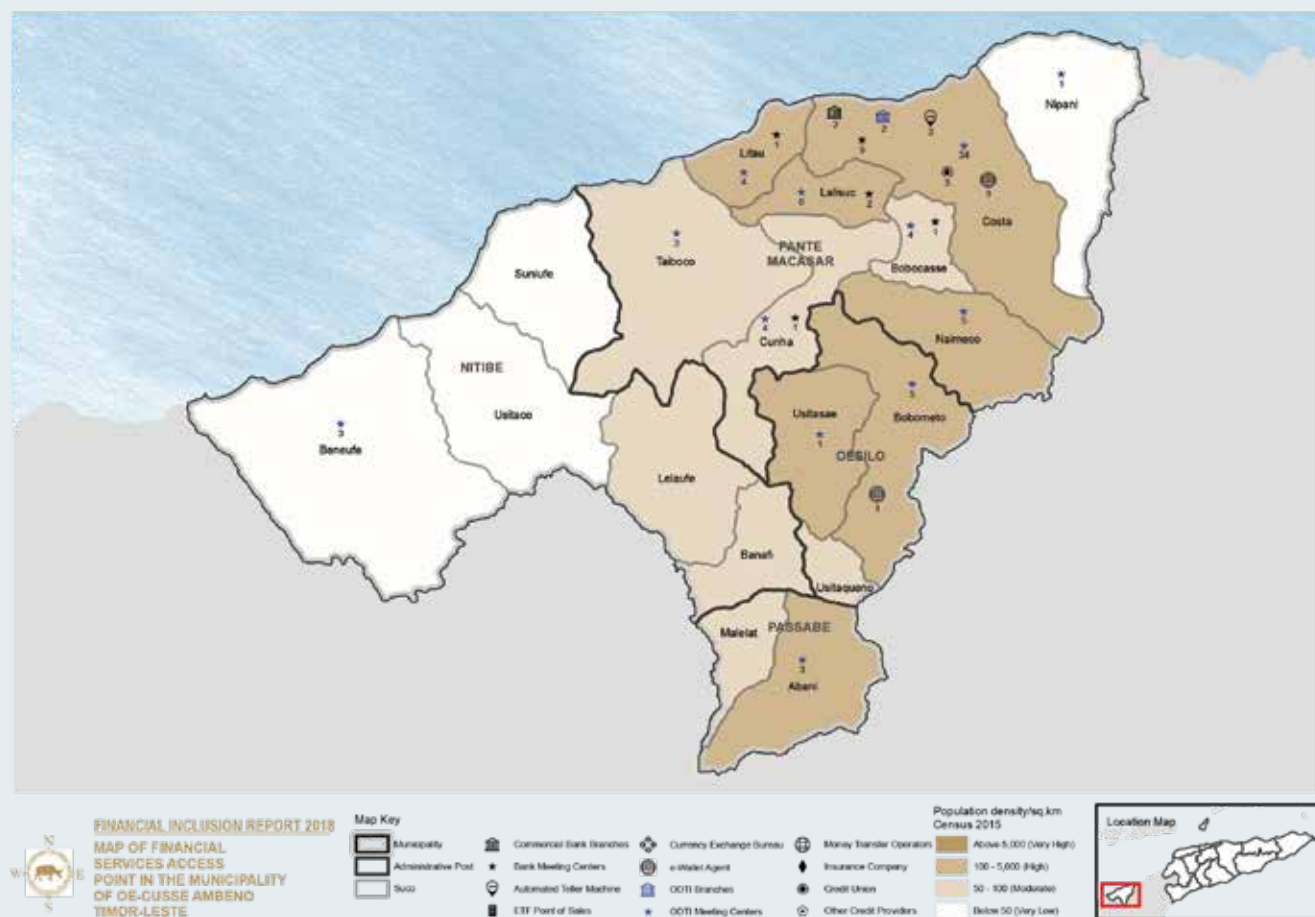
- Population: 46,619
- Total land area: 1,783 sq km
- Number of Administrative Posts: 6
- Unserved Administrative Posts: 1 (Soibada)
- Number of Sucos: 31
- Unserved Sucos: 18, representing 58% (Fatuwaque, Aubeon, Barique, Sikone-Diloli, Hohorai, Laicore, Uma Naruc, Batara, Fatumaquerec, Funar, Manelima, Sananain, Lifau, Fatumaquerec, Leo-Hat, Manlala, Maun-Fahe, Samoro)

Manufahi Municipality



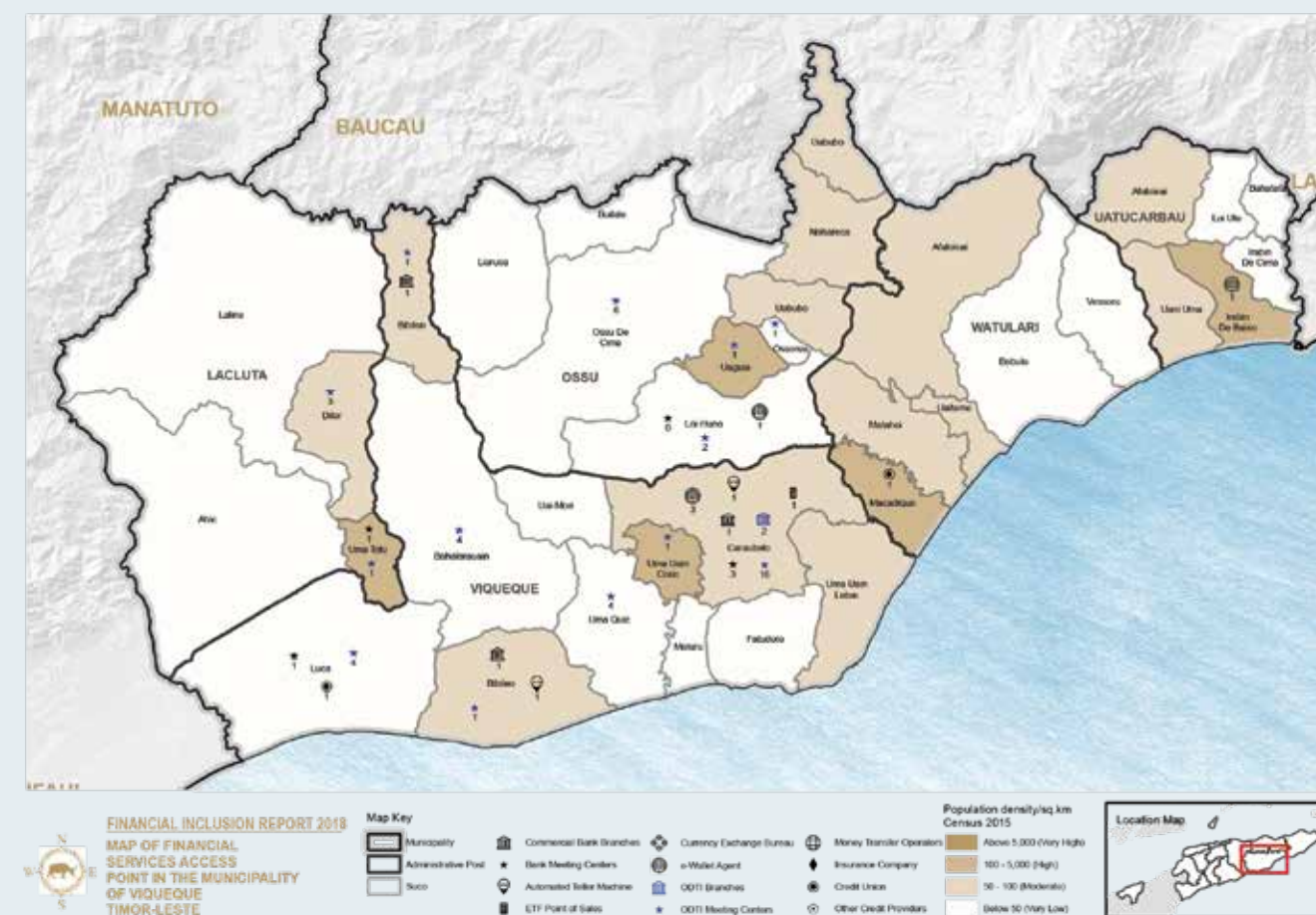
- Population: 53,691
- Total land area: 1,333 sq km
- Number of Administrative Posts: 4
- Number of Sucos: 29
- Unserved Sucos: 9, representing 31% (Aituha, Uma Berloic, Bubususo, Rotuto, Fatucalo, Foholau, Lessuata, Matorec, Mindelo)

Special Administrative Region of Oe-cusse Ambeno



- Population: 68,913
- Total land area: 814 sq km
- Number of Administrative Posts: 4
- Number of Sucos: 19
- Unserved Sucos: 7, representing 37% (Banafi, Lelaufe, Suniufe, Usitaco, Bobometo, Usitaqueno, Malelat)

Viqueque Municipality



- Population: 76,033
- Total land area: 1,873 sq km – the largest municipality
- Number of Administrative Posts: 5
- Number of Sucos: 36
- Unserved Sucos: 22, representing 61% (Ahic, Laline, Builale, Builo, Liaruca, Nahareca, Uabubo, Uaibobo, Afaloicai, Bahatata, Irabin De Cima, Loi Ulo, Uani Uma, Afaloicai, Babulo, Matahoi, Uaitame, Vessoru, Fatudere, Maluru, Uai-Mori, Uma Uain Leten)

2.3

Key Takeaways

Access to financial services is a necessity, a prerequisite for financial inclusion. Without access points, members of society will not even have the exposure and the opportunities to use financial services to participate in the financial system and the economy to enhance their standards of living.

This data collection exercise has revealed that the levels of financial inclusion in the country have not reached the envisioned goals yet. While financial inclusion access has improved from some aspects, there are large percentage of administrative posts and sucos which remain underserved by financial service providers. This signifies that future financial inclusion policies and strategies to widen access of financial services need to take into account the granularity of the administrative units. These policies have to be targeted towards the underserved and unserved administrative posts and sucos which require additional focus and attention.

With this knowledge, BCTL together with Government policy makers and financial services providers will be able to emphasize greater efforts which are directed at areas and sucos which need it the most. Consequently, it is important to note the significance of continuous monitoring of the outreach of access points, to accomplish the short to medium term target of increasing the number of sucos covered by financial access points.

