Financial Inclusion Report 2020

Boosting Financial Services Access Through Digitization
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We at the Banco Central de Timor-Leste believe financial inclusion brings positive change for the people’s life, the development and stability of the financial sector, and the country’s economy as a whole.
EXECUTIVE SUMMARY

The Banco Central de Timor-Leste continues to push the financial inclusion agenda, develop policies, bring new technology, and foster partnership among financial sector players to accelerate financial sector development.

The financial inclusion path relies on continue monitoring and evaluation of comprehensive data that builds up to the measurement frameworks. The data enables policymakers to diagnose conditions, identify obstacles, set targets, plan policies and assess impact, and more importantly, to ensure Timor-Leste can attain its financial inclusion goals and objectives.

The BCTL is committed to conducting regular data collection, monitoring, and evaluation. This report is the third Financial Inclusion Report undertaken by BCTL. The report is enriched by extensive and updated supply-side data and the results of the first Financial Services Demand-side Survey (DDSS) in Timor-Leste. The data allows a more comprehensive assessment of the measurement framework that includes access, usage, and quality indicators. These dimensions set the foundation to enable citizens to access and utilize a range of financial services which are safe, suitable, and affordable.

The data on access points, usage of financial services (accounts, clients, products), and quality indicators reflect the end of the 2020 position unless stated otherwise.

The Financial Inclusion Report 2020 is structured into seven chapters:

- **Chapter 1** provides an overview of the developments in financial services and their impact on financial inclusion in the previous two years since the FIR 2018.
- **Chapter 2** analyses the distribution of financial services access points across the country, highlighting areas with limited financial services available. This analysis includes data from banks, other deposit-taking institutions, e-wallets, and other regulated and non-regulated financial services providers.
- **Chapter 3** evaluates the use of regulated financial services by the number of clients and type of accounts.
- **Chapter 4** measures the quality indicators based on demand-side data (market research survey results), and data provided by the financial services providers.
- **Chapter 5** highlights the key results from the Demand Side Survey (DDSS), a market research survey on customers’ evaluation of the financial services available.
- **Chapter 6** provides an update on the main financial literacy programs, activities, and events over the last two years.
- **Chapter 7** summarizes the key points from the report and defines the line of action for the following years.
Boosting Financial Services Access Through Digitization

Financial Inclusion Report 2020

Adult Population Using Financial Services in 2020

Timorese adults are using more financial services compared to 2018.

On the gender perspective, women use more financial services than men.

- Total Adult Population: 61%
- Female: 65%
- Male: 57%

Access to Credit

While 68% of adults own deposit/saving accounts with banks or ODTI's, only a smaller share can access credit products.

- 9% Bank clients with credit
- 70% ODTI clients with credit

Preference Between Cash & Electronic Money

The e-wallet services can make financial services more convenient and efficient for clients. However, the key challenges to further promoting e-wallet services are awareness, trust, and digital literacy.

- Cash
- Electronic Money
- Neither

Major Concerns About Electronic Money

- Don’t understand electronic money: 18%
- Banking unsecured: 7%
- Usage is low: 5%
- Loss of deposit: 7%
- Excess in making transactions: 3%
- Malfeasance of agents or5
customers: 3%
- Transparency of prices: 2%
- Distance from agents, bank branches, ATM or POS: 6%
- Other: 1%

NOTE: MORE THAN ONE ANSWERING ALLOWED

2020 Quality Indicators

31% Affordability
41% Transparency
98% Indebtedness
49% Convenience
6% Financial Education
95% Fair Treatment
0% Customer Protection

Quality indicators evaluate 8 categories—closer to the outside border in the chart reflects good quality results. Consumer protection and financial education are the areas with more significant opportunities for improvement.
FINANCIAL INCLUSION DEVELOPMENTS

Since the 2018 Financial Inclusion Report, many changes and improvements have happened in the financial sector, from the advances in technology for new product features, to the first financial services demand-side survey.

FINANCIAL INCLUSION M&E: DEMAND-SIDE SURVEY

The financial inclusion measurement is essential to accelerate the journey towards a more inclusive financial sector. BCTL has planned to conduct a Financial Services Demand-Side Survey (DSS) to unveil critical challenges and financial inclusion barriers. The DSS is nationwide quantitative market research about perceptions, preferences, and needs related to the financial services, missing from the previous FIR.

The previous FIR, issued in 2016 and 2018, analyzed the financial services providers’ data (supply-side) only. While the information shows the country’s financial inclusion level, it does not provide details from the customers’ perspective.

The BCTL’s partnership with The Asia Foundation Timor-Leste made the DSS project possible despite the pandemic restrictions. The Asia Foundation coordinated all the data collection, validation, and consolidation process.

The first DSS in Timor-Leste took place in the second half of 2020. More than 900 adults Timorese from all municipalities and the Região Administrativa Especial de Oé-Cusse Ambeno (RAE0A) responded to the questionnaire regarding financial services and financial behavior. The data collection took place in October and November 2020.

The DSS questionnaire covered a wide range of topics, such as bank account ownership, reasons for not use bank services, saving and borrowing behavior, financial resilience, and usage of non-regulated financial services.

The main findings from the DSS are summarized in chapter 5 of this report.
National Switch and National Card

The National Switch’s implementation, named P24 (the “P” associated with Pagamento, Pagamento, Payment, and Pembayaran in twenty-four hours), already offers a full range of payment services. ATM with the P24 logo can be used by bank cards with the P24 feature regardless of the issuing bank. To achieve the complete interoperability of the ATM network, commercial banks are in the process of upgrading their clients’ debit cards to include the P24 functionality.

Payment of Government Fees and Taxes in ATM

In October 2020, the BCTL completed the tax payment feature’s implementation in the P24 system, allowing bank clients to pay their taxes electronically through ATMs with the P24 logo. It is an essential step in the e-government strategy to simplify and make government services more efficient in the future. Facilitating people access to these services is a crucial strategy of the Central Bank to modernize, strengthen and develop the financial sector to support economic growth.

Integration of E-wallet Services to P24 System

Since October 2020, the MOSAN e-wallet service is connected to the Mobile Switch through the P24 system. The P24 system connection allows transfers between e-wallet to bank accounts and vice-versa (B2W2B), facilitating bank clients to access their accounts and transact electronically without visiting a bank branch or ATM, using the MOSAN e-wallet application in their smartphones, as well as the USSD (Unstructured Supplementary Service Data) for phones without internet access. The TPAY e-wallet service is in the process of offering similar functionalities.

International Connectivity

The BCTL started the process to connect the National Payment System to international payments systems. The P24 system is already connected to the VISA system through BNU Timor. It has completed the VISA contactless acquiring, issuing, and Visa 3D Secure protocol compliance with the VISA requirements.

In 2020 BNCILT, initiated acquiring services (electronic transactions acceptance and process) with Union Pay International that will be integrated into the P24 systems. Once the certification is completed, it will enable the Union Pay cardholders to perform transactions in Timor-Leste.

In 2020, the Central Bank initiated a regional integration project as part of the National Payment System strategy. It started with the Prima network by PT. Rintis Indonesia will enable P24 cardholders to withdraw money and perform balance inquiries in ATM with PRIMA logo in Indonesia. Cardholders of the PRIMA ATM network can perform the same ATM transactions in equipment with the P24 logo in Timor-Leste. The connection process is expected to be completed before the end of 2023.

Digital Village Campaign

The Central Bank has launched the Digital Village campaign in Maubisse, Atauro, on 29 November 2020. The campaign aims to promote digital financial services among Timorese in rural and urban areas. During the launch event, all payment transactions in the market area were done through MOSAN e-wallet to encourage people to experience the digital payment tool. Local authorities and representatives from all financial services involved in the service attended the event.

E-WALLET SERVICES

The most significant change in access to financial services from the FIR 2018 is the impressive growth of the e-wallet agent network. In 2018 the Telemor Fintech (branded MOSAN) was the only e-wallet service provider, and it was a pilot project, with only 178 e-wallet agents across the country. Currently, Telemor Fintech and Tolin Digital Solution (branded TMY and linked to Telkomcel) offer e-wallet services, and there are 2,579 e-wallet agents. E-wallet agents can register new clients, top-up e-wallet balance, performing withdrawals, and transferring cash between the users. The e-wallet service is the largest in access points network among the different types of financial services.

In 2020, the Credit Guarantee System is managed by the BCTL and implemented by lending institutions approved by the BCTL. The CGS program benefits only MSMEs, economically viable proposals owned by Timorese, and operating in Agriculture, Tourism, Industry and Manufacturing, Transport, Trade, and Services sectors.
COVID-19 IMPACT

To minimize the impact of the COVID-19 pandemic in the financial sector, the BCTL introduced special working arrangements for financial institutions during the state of emergency and different levels of movement restrictions imposed by the Government. All financial institutions continued to provide essential services to the public while fully observe the health and safety procedures set by relevant authorities. In the areas under the health fence during the lockdown periods, financial services were limited to reduce the face-to-face contacts and halt the local transmission. The most significant measures adopted were:

◊ Branch and offices services hours changed to 9:30 to 14:00.
◊ Bank institutions monitor the ATM network closely to guarantee all terminals are fully operational and able to perform withdrawal transactions all the time.
◊ Financial institutions guarantee that all electronic payment channels are fully operational with a minimum of 98% uptime.
◊ Change in the daily amount limit for withdrawals at ATMs to US$1,000.00.

The Central Bank also requested clients to use electronic channels for financial transactions to reduce face-to-face contact and immediately inform the banks if an ATM terminal is not working properly.

Credit Moratorium Program

Besides other government measures, BCTL launched a credit moratorium program to support the economy, benefiting businesses and households affected by the COVID-19 outbreak. The program offered the possibility to pause the loans for three months; during this period, borrowers paid only 40% of the interest costs. The program contributed with the remaining 60% of the interest paid to the bank lender (no principal repayment during the three months). The COVID-19 Financial Assistance Program covered the cost of the program. Individuals and established businesses with ongoing loans were the direct beneficiaries of the program.

The participating banks received a total of 6,321 clients’ applications for the moratorium program. After reviewing the applications based on the program criteria and the evaluation from the lender (commercial bank) and the Central Bank, a total of 4,135 applications successfully joined the moratorium program; the great majority (4,124 out of 4,135) are individual borrowers.

The COVID-19 pandemic increased the urgency to attain greater financial inclusion levels, together with a robust and up-to-date database of citizens and businesses. Higher levels of financial inclusion and digitalization would enable the Government and NGOs to increase efficiency in the direct grants programs, facilitate the process, and add speed and security at a reduced cost of the grant distribution. At the same time, also minimize face-to-face contact handling physical money (bills and coins).
The first step on the financial inclusion path is facilitating access to financial services through geographic distribution of brick-and-mortar branches, offices, and other distribution channels. This chapter analyses the distribution of financial services access points and the evolution of the financial inclusion access indicators. A diverse range of financial services access points is evaluated, including banks, regulated deposit-taking institutions, and non-banks, to present a complete picture of the country’s financial services outreach. The chapter includes an in-depth analysis of banks’ services, deposit-taking institutions, and e-wallet services.

### Financial Inclusion Access Points

The total number of financial services access points jumped from 1,642 to 4,925 during 2019 and 2020, a remarkable 200% increase. Most of the growth resulted from the increased network of e-wallet agents across the country, all types of financial services, except insurance, increased their number of access points since 2018.

The table below shows the number of access points from the different types of financial services and channels.

However, for financial inclusion, not only the number of access points matters, the location of these access points is equally important to make financial services easily accessible to all, urban and rural areas. The following maps show the distribution of the different types of access points1. (See Figures 2.1 and 2.2)

### Table 2.1: Financial Services Access Points Evolution

<table>
<thead>
<tr>
<th>Type of Financial Services</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
<th>Growth of 2020 over 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Services: branches, sub-branches, ATM, EFTPOS, and meeting centers</td>
<td>484</td>
<td>375</td>
<td>397</td>
<td>6%</td>
</tr>
<tr>
<td>Other Deposit Taking Institutions (ODTI): field offices, meeting centers</td>
<td>671</td>
<td>1,012</td>
<td>1,234</td>
<td>22%</td>
</tr>
<tr>
<td>E-wallet Services: agents and merchants accept it as form of payment</td>
<td>-</td>
<td>178</td>
<td>3,182</td>
<td>1688%</td>
</tr>
<tr>
<td>Insurance Companies</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Currency Exchange Bureaus (CEB)</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>67%</td>
</tr>
<tr>
<td>Money Transfer Operations (MTO)</td>
<td>14</td>
<td>20</td>
<td>22</td>
<td>10%</td>
</tr>
<tr>
<td>Other Credit Providers: pawnshops and microcredit services</td>
<td>N/A</td>
<td>9</td>
<td>15</td>
<td>67%</td>
</tr>
<tr>
<td>Credit Cooperatives: Credit Union and Multi-sectorial Cooperatives with credit service</td>
<td>32</td>
<td>43</td>
<td>68</td>
<td>58%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,205</td>
<td>1,642</td>
<td>4,925</td>
<td>200%</td>
</tr>
</tbody>
</table>

1 The maps are available at the Banco Central do Timor-Leste website.
Figure 2.1. Geographic location of different types of access points across Timor-Leste.
Figure 2.2. Heat map portraying the geographic concentration of financial services access points per suco.
There are five commercial banks operating in Timor-Leste:

- BNU Timor, from the Grupo Caixa Geral de Depósitos
- Australia and New Zealand (ANZ) Bank Timor-Leste Branch
- Banco Nacional de Comércio de Timor-Leste (BNCTL)
- Bank Mandiri Timor-Leste Branch
- Bank Rakyat Indonesia (BRI) Timor-Leste Branch

The commercial banks’ access point had a marginal 6% increase from 375 in 2018 to 397 in 2020. An increasing focus on ATMs and Electronic Funds Transfers at Point of Sales (EFTPOS) to spread out services for clients’ convenience, benefiting only the fraction of bank clients with debit cards. The gradual reduction in the meeting centres may highlight the movement from group loans to a more personalized service offer from BNCTL. The number of bank branches remained at 42 since 2018.

Two banks, BNCTL and Mandiri, offer the bank “móvel” services (bank vehicles). The bank móvel makes and collects payments and other similar services for clients in areas with significant demand concentration or difficult access areas.

The map on the bank branches network and their circular coverage area shows the bank branch’s outreach. An estimated 33.6% of the population, equivalent to 395,960 individuals, reside within 5 km of a bank branch (in a straight line). The 10 km distance covers more individuals, 562,865, or 47.8% of the population. Hence 52.2% of the people need to travel more than 10 km, for many hours, to use bank services, such as open a bank account, make a payment, or even collecting payments from Government. (See Figure 2.3)

Despite the increase in the banks’ access points, branches, ATM and EFTPOS are primarily located in the main urban area of each municipality, resulting in a large number of the unserved regions, 40 out of the total 65 administrative posts, and 386 out of the total 452 sucos1 without any bank service access points in 2020.

The access points from the two other deposit-taking institutions operating in the country, Keabauk Investimento no Finansas (KIF) and Servisu Finanseiru Moris Rasik (SFMRSA), increased by 22% from 1,012 in 2018 to 1,234 in 2020, primarily due to the increase of meeting centres.

ODTIs collect deposits and give loans to individuals. The SFMRSA follows the microfinance guidelines from Professor Mohammed Yunus, concentrating its offers to women through solidarity groups, with regular gatherings at the meeting centres. While KIF has shifted its operations to individuals, not using meeting centres anymore.

ODTIs access points are widely distributed compared to commercial banks; its services covered 60 of the 65 administrative posts and 284 sucos out of the total 452 sucos in 2020.

E-wallet Services Access Points

The e-wallet services showed the most significant change in access points from 2018 to 2020, from 178 access points to 3,182. There are currently two FinTech offering e-wallet services in Timor-Leste, the Telomor Fintech (branded MOSAN) and Telin Digital Sollution (branded TPAY linked to Telkomcel). In the FIR 2018, only Telomor Fintech was piloting its service.

The significant increase in the number of access points results from intensive promotion campaigns across the country. The low costs associated with e-wallet access points allow the services to scale up fast in recent years. The two types of access points for e-wallet services are the agents and merchants. The e-wallet agents are responsible for registering new clients, top-up the e-wallet balance, performing withdrawals, and transferring cash between the users. The e-wallet merchants accept payments through the e-wallet service.

Bank Account Connectivity

The MOSAN e-wallet service is already connected to all four commercial retail banks (BNCTL, BNU Timor, BRI, and Mandiri). This connection allows transfers between e-wallet to bank accounts1 through the P24 system, facilitating bank clients to access their accounts and transact electronically without visiting a bank access point or using the debit card. (See Figure 2.4)

1 Only transfers from Bank Mandiri accounts to MOSAN e-wallet account are not yet operational. The transfer from MOSAN e-wallet account to Mandiri accounts are operational.

2 FinTech is the term for business that use technology to enhance or automate financial services and processes.

1 Sucos are villages in Timor-Leste.
Figure 2.3. Bank branches network and their circular coverage area
Figure 2.4. Distribution of the e-wallet agents and merchants across Timor-Leste.
FINANCIAL INCLUSION ACCESS INDICATORS

The distribution of financial services access points, considering all types of financial services, covers all 12 municipalities and RAEOA, and for the first time, all the 65 administrative posts. At the suco level, 391 sucos have at least one financial services access point, but 61 sucos without any financial services; people living in these sucos need to commute to use financial services.

The following table details the analyses by the different types of financial services at the end of 2020.

<table>
<thead>
<tr>
<th>Table 2.2. Coverage of Type Financial Services by Geographic Regions 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESS POINTS COVERAGE</td>
</tr>
<tr>
<td>TOTAL NUMBER OF ADMINISTRATIVE UNIT</td>
</tr>
<tr>
<td>With Any Type of Financial Service</td>
</tr>
<tr>
<td>With Bank Service</td>
</tr>
<tr>
<td>With ODTI Service</td>
</tr>
<tr>
<td>With E-wallet Service</td>
</tr>
<tr>
<td>With Other Financial Services*</td>
</tr>
</tbody>
</table>

* Other Financial Services include: Insurance, MTO, CEB, Credit Union, Multi-sectoral Cooperatives that include Credit, Other Credit Providers

The next table evaluates the number of access points relative to the country size (area and population). These indicators allow a more comprehensive analysis and a more straightforward comparison analysis between countries.

<table>
<thead>
<tr>
<th>Table 2.3. Access Indicators Relative to the Adult Population and Geographic Area at End-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCESS INDICATORS</td>
</tr>
<tr>
<td>Bank Branches</td>
</tr>
<tr>
<td>ATM</td>
</tr>
<tr>
<td>EFTPOS</td>
</tr>
<tr>
<td>ODTI Access Point</td>
</tr>
<tr>
<td>E-wallet Access Point</td>
</tr>
<tr>
<td>Cash-in and Cash-out Access Point*</td>
</tr>
</tbody>
</table>

* These include banks and ODTI branches, ATMs and e-wallet agents, apply The Alliance for Financial Inclusion (AFI)

FACT SHEET

ON FINANCIAL INCLUSION IN MUNICIPALITIES

Alleu Municipality

- Population: 48,837
- Total land area: 736 sq km
- Number of Administrative Posts: 4
- Number of Sucos: 33
- Unserved Sucos: 7 (Lequitura, Fatisi, Tohumeta, Fanisoi - Liquidoe, Fatunilau, Manucassa, and Suco Lurai-Remexio)
**Ainaro Municipality**

- **Population:** 63,136
- **Total land area:** 803 sq km
- **Number of Administrative Posts:** 4
- **Number of Sucos:** 21
- **Unserved Sucos:** 2 (Mauchiga and Manelobas)

**Baucau Municipality**

- **Population:** 123,203
- **Total land area:** 1,504 sq km
- **Number of Administrative Posts:** 6
- **Number of Sucos:** 59
- **Unserved Sucos:** 13 (Hae Coni, Larisula, Uacala, Sagadate, Bualale, Laisorolai De Cima, Lelalai, Macalaco, Maluro, Namanei, Uato-Lari, Uai Oli, and Uatu Haco)

* The municipality with the largest number of unserved sucos.
Bobonaro Municipality

- Population: 97,762
- Total land area: 1,378 sq km
- Number of Administrative Posts: 6
- Number of Sucos: 50
- Unserved Sucos: 6 (Rairobo, Cowa, Al-Assa, Cota Bo’Ot, Guenu Lai, and Lontas)

Covalima Municipality

- Population: 65,301
- Total land area: 1,199 sq km
- Number of Administrative Posts: 7
- Number of Sucos: 30
- Unserved Sucos: 2 (Nanu, and Uoceai)
Dili Municipality*

- Population: 277,279
- Total land area: 364 sq km
- Number of Administrative Posts: 6
- Number of Sucos: 36
- 100% of Sucos covered by Financial Services Access Points
- Administrative and Economic Capital of Timor-Leste

* One of two municipalities where all sucos are served by financial access points, together with Liquiça.

Ermera Municipality*

- Population: 125,702
- Total land area: 756 sq km
- Number of Administrative Posts: 5
- Number of Sucos: 52
- Unserved Sucos: 11 (Batumano, Laubono, Malabe, Tiarteo, Leimea-Craic, Leimea-Sorínbalo, Mau-Ubo - Hatolia, Urahou, Catrai Craic, Lauana, and Deleso)

* The municipality with the second largest number of unserved sucos.
Lautém Municipality

- Population: 65,240
- Total land area: 1,817 sq km
- Number of Administrative Posts: 5
- Number of Sucos: 34
- Unserved Sucos: 3 (Tirilolo, Illalai, and Wairoque)

Liquíça Municipality*

- Population: 71,927
- Total land area: 560 sq km
- Number of Administrative Posts: 3
- Number of Sucos: 23
- 100% of Sucos covered by Financial Services Access Points

* One of two municipalities where all sucos are served by financial access points, together with Dili.
**Manatuto Municipality**
- Population: 46,619
- Total land area: 1,783 sq km
- Number of Administrative Posts: 6
- Number of Sucos: 31
- Unserved Sucos: 4 (Laicore, Fatumequerec-Laclubar, Funar, and Maun-Fahe)

**Manufahi Municipality**
- Population: 53,691
- Total land area: 1,333 sq km
- Number of Administrative Posts: 4
- Number of Sucos: 29
- Unserved Sucos: 6 (Bubususo, Fatucalo, Foholau, Lessuata, Matorec, and Mindelo)
Região Administrativa Especial de Oé-Cusse Ambeno

- **Population:** 68,913
- **Total land area:** 814 sq km
- **Number of Administrative Posts:** 4
- **Number of Sucos:** 19
- **Unserved Sucos:** 3 (Banafi, Usitaqueno, and Malelat)

Viqueque Municipality*

- **Population:** 76,033
- **Total land area:** 1,873 sq km
- **Number of Administrative Posts:** 5
- **Number of Sucos:** 36
- **Unserved Sucos:** 4 (Laline, Afaloica/i/ Uatucarbau, Irabin De Cima, and Fatudere)

* The largest municipality.
ACCESS TO FINANCIAL SERVICES FROM THE CUSTOMERS PERSPECTIVE

The DSS includes a set of questions regarding the awareness of the closest financial services access point, transportation mode to the access point, cost of the transportation, and time required to reach the access points.

**Bank Branches**

Only 36% (1 in 3) of the adults know the bank branch’s location near their house or work. Regarding the mode of transport used to go to the bank, most use their car or motorbike (38%). On average, people incur $5.89 of transport cost; an average commute time of 118 minutes, almost 2 hours.

**ATM**

Only 24% (1 in 4) of adults know the ATM location near their house or service. The mode of transport used to go to the ATM is mostly car or motorbike (53%) or walking (25%), incurring on average $0.97 in transport cost and average time spent of 116 minutes, almost 2 hours.

**ODTIs Branches, Field Offices or Meeting Centres**

Similar to banks’ location, 36% (1 in 3) of adults know the site of an ODTI access point near them. The mode of transport used to go to the ODTI is mostly walking (50%) and own a car or motorbike (30%).

**E-wallet Agent**

Despite having the best distribution among all types of financial services, only 7% of adults are aware of the e-wallet agent near them. The low awareness probably reflects the unfamiliarity with the service or the nomenclature. The transport used to access an e-wallet agent is mostly car or motorbike (43%) and walking (26%).

KEY TAKEAWAYS

Easy access to financial services is essential to promote financial inclusion. Despite the increase in the number of financial services access points since 2016, there are still 61 sucos with no financial services available.

Over the last years, it was not only the number of access points that increased, but the geographic distribution coverage has also improved, as showed in the increased coverage of the administrative posts and sucos. However, Timorese’s awareness of access points seems low, even for the bank branches, as only 36% know the nearest branch. Only 7% of Timorese know the location of e-wallet services, even with an impressive distribution network present in 76% of sucos.

The BCTL launched the “Digital Village” awareness campaign in November 2020 to inform Timorese about digital channels to access financial services and promote its usage, including access to bank accounts through the e-wallet account.

Given the importance of access to financial services, the BCTL will continue to work with financial sector providers to develop policies to improve and facilitate access and information regarding the use of financial services.
Easy access to financial services is a requisite for financial inclusion; however, the main objective of convenient access is to encourage more people to effectively use financial services to enhance their financial health and build better lives. Usage of financial services is, therefore, the backbone of an inclusive financial system.

**FINANCIAL INCLUSION USAGE INDICATORS**

The usage indicators evaluate the number of financial services clients relative to the country’s adult population and types of accounts. The Financial Strand graphic summarises the critical aspects of financial services usage. By the end of 2020, around 61% of the adult population were bank clients, 7% were ODTI clients (ODTIs are also regulated financial institutions). The most relevant non-regulated financial services are the credit unions and multi-sectorial cooperatives that include credit services; 3% of the adult population were members of such cooperatives. The Village Savings and Loans Associations (VSLA) are also a relevant source of non-regulated financial services; however, no data is available for this service. Around 13% of the adult population were e-wallet clients. Assuming there is a minimum overlap of clients from different financial services types and providers, 16% of the adult population were excluded from all the financial services evaluated.

Currently, e-wallet offers payment facilities and money transfer services, not yet the full range of financial services, such as investments and savings options and access to credit. Hence e-wallet clients do not experience the benefits from financial inclusion. Additionally, the overlap between e-wallet clients and other financial services clients can be significant, an issue that needs to be addressed in the following reports.

Compared to 2018, all indicators improved, bank account ownership increased from 57% to 61%, ODTI share grew from 6% to 7%, non-regulated financial services also improved from 2% to 3%, and e-wallet increased from a pilot project with few clients to 13% of adult population using the service by the end of 2020.

A significant proportion of the adult population has access to regulated financial services (banks and ODTIs) 67.6%, but only an estimated 14% of adults use credit products from banks and ODTIs.

By the end of 2020, there were 477,129 clients from banks and ODTIs, an 8.6% increase from 2018 439,446 clients. Among financial services clients, individual clients represent the majority, while corporate clients represent only 2.5% of the client database.

The volume of accounts has also increased by 11.8%, from 535,407 in 2018 to 598,343 in 2020.

**Important Note:** It is essential to highlight that the usage indicators in this report are calculated based on supply-side data. Due to the characteristics of the data and consolidation method, the indicators and ratios are consistently over-estimated. The main issues are:

- The data from each financial service is consolidated by client level. Hence, a client with accounts in more than one financial service provider will be counted as many times as the number of providers used.
- The Census 2015 is the latest available data. Ratios for account penetration are calculated based on the outdated data from the Census 2015.
- The supply-side data does include database issues, as clients’ age and address may be incorrectly recorded. Since the FIR2016, many banks and deposit-taking institutions have improved their client database and minimized inconsistencies.
CHAPTER 3: FINANCIAL INCLUSION USAGE INDICATORS

FINANCIAL INCLUSION REPORT 2020

BANK CLIENTS BY AGE GROUP

The adults aged 65 and above are the group with the highest penetration of bank accounts, as this group is eligible for Government elderly social benefits paid through their bank accounts.

The 35-49 and 50-54 age groups come next, with an average bank penetration rate of 93% for both age groups. The graphic shows further detail of gender ownership of bank accounts.

As mentioned at the beginning of this chapter, accounts ownership ratios are overestimated due to the consolidation method and population data used, resulting in segments that appear with 100% bank account penetration.

On the other hand, youth and young adults are the segments with the lowest bank account penetration.

BANK OWNERSHIP BY GENDER & AGE GROUP

Usage of Banks Services

Banks are the predominant financial services providers by the number of clients and accounts in Timor Leste. There were 431,799 bank clients by the end of 2020, a 7.7% increase compared to 400,886 by the end of 2018. Most of the clients are individual clients, 97% of total banks clients.

Among individual clients, women represent 53% of clients and have a significantly larger bank account penetration rate, 65% compared to 57% of men. The banks also offer bank accounts to younger clients below 17 years old; most of these accounts are the Ha’unia Futuru accounts, special savings account for kids.

Around 24% of the deposits and savings accounts had debit cards associated with them. The banks with larger penetration of debit cards per deposit and savings accounts are BRI and Mandiri.

There were 496,085 bank accounts by the end of 2020, 12% more than in 2018 when there were 444,407 accounts. In 2020, only 7.9% of the accounts were credit products, resulting in around 9% of banks’ clients with some active credit product (loans).

Banks classify accounts as non-active if the account has no transaction (banks charges excluded) over the period of 3 to 12 months, depending on the bank. These accounts are likely to be closed if they are not re-activated. From the 496,085 bank accounts by the end of 2020, 16% were classified by the banks as non-active accounts.

BANKS CLIENTS DETAIL

97% 3%
Individual Clients Corporate Clients

BANKS INDIVIDUAL CLIENTS

51% 45%
Adult Female Adult Male

2% 2%
HNF Female HNF Male

INDIVIDUAL ACCOUNT OWNERSHIP BY MUNICIPALITIES

The bank account ownership by municipalities shows Dili, the country’s capital and the location of most of the bank branches, with the highest bank account penetration (81%), followed by Manatuto (71%), Manufahi (66%). The municipalities with the lowest penetration rates are Ermera (39%) and Lautém (47%).

Usage of Banks Services

Bank Clients By Municipalities
Regarding the bank account usage, only a few bank clients maintain regular monitoring of their accounts’ balance, only 26% check the balance monthly, and almost 2/3 never check their balances. The clients who check their account balances regularly do it in the ATM (55%) and at the bank branch (39%).

The graphic shows the frequency of account transactions performed by the account holder.

Regarding the bank account usage in the previous 12 months, clients used it primarily to receive payments from the government and other sources. Less than 1 in 5 clients (19%) used their accounts to save money, and a smaller share used their accounts to send or receive remittances.

The use of a bank account as a mailbox, cashing out all money received immediately, is a common practice in Timor-Leste. 3 in 4 bank clients (78%) prefer to cash out the payments received in the bank account as soon as possible instead of cashing out as needed. 7% of them were not even aware they could leave the money in the account, while others are concerned about convenience (24% and 6%); and 8% to avoid additional fees.
CHAPTER 3: FINANCIAL INCLUSION USAGE INDICATORS

USAGE OF E-WALLET SERVICES

The two e-wallet services operating in Timor-Leste, MOSAN and TPAY have experienced substantial growth in transactions and clients. There were around 70,000 average active clients per month in the last three months of 2020.

Regarding the client profile, slightly more men (58%) use the services than women (42%).

The e-wallet services offer a wide range of financial transactions, such as:
- Cash Transfer between clients
- Cash-In (deposits in the e-wallet account)
- Cash-Out (Withdrawal from the e-wallet account)
- Top-up phone balance (pulsa purchase)
- Buy data and other disbursements
- Utility payment (payments to merchants)

The number of financial transactions has increased around 10% per month during the second half of 2020. In the last quarter of 2020, there were approximately 370,000 financial transactions per month. The average transaction value is US$8.00, as 80% of financial transactions are the “top-up” (pulsa purchase).

The recent integration of the e-wallet services into the P24 allows clients to transfer money from bank accounts to e-wallet accounts, with the potential to facilitate bank clients to perform an extensive range of services without going to the bank or ATM. Even a debit card would not be necessary to pay stores and withdrawals, as e-wallet agents are widespread through the country, with a much more extensive distribution network than banks.

The e-wallet scores well on the qualitative aspects, as the fee structure is simple and easy to understand. The agents’ network is huge compared to other financial services, adding convenience by minimizing the time to commute and to be served. The extensive distribution network allows clients to choose between agents according to their preferences, incentivizing agents to provide better services. The use of e-wallet reduces the handling of bills and coins between people, an essential aspect during the COVID-19 pandemic, as money can transmit the virus.

The e-wallet service has the potential to transform the financial services in Timor-Leste. The critical challenges for e-wallet adoption are clients’ awareness, trust in the service, and a basic level of digital literacy. Additionally, based on the DSS results, only 26% of the adult population own smartphones and can access to the full range of upcoming services available through the e-wallet.
KEY TAKEAWAYS

The uptake of financial services has improved over the years; primary financial services (banks and ODIs) have increased the number of clients, resulting in a declining share of the adult population excluded from financial services.

The DSS provided helpful information on how clients use their bank accounts and why. A significant proportion of clients lack the basic understanding of bank services available to them and even understand if they own a bank account. They should be informed about checking their bank account balance regularly, saving money in their bank accounts, for example. An informative campaign would assist clients in using financial services more productively.

The distribution of bank clients by municipalities is very irregular; for example, Ermera and Lautém have the lowest bank account penetration, signaling a potential market for promotional campaigns.

Among the different financial services, the e-wallet service has grown the most. The recent integration of e-wallet services into the P24 system will increase its relevance in the following years. The e-wallet service has the potential to transform the financial services in Timor-Leste, adding convenience and efficiency in all payments between people, businesses, and Government.

In the following years, Fintech companies plan to introduce other convenient services such as payment of tax, utilities, and transportation. The e-wallet services can contribute significantly to the payment system environment in Timor-Leste while facilitating access to financial services in remote areas.

The DSS results offer valuable insights to financial services providers to develop better products and services for their clients, to empower Timorese with tools to improve their financial health. While continuing investing the financial literacy programs and informative events will help Timorese better evaluate and encourage the usage of financial services, enabling them to escape from poverty, recover from adverse situations, and reach their life goals.
AFFORDABILITY

The affordability indicators evaluate the cost of bank services and products relative to the minimum wage and the customer view. The indicators' calculations use the information from the supply-side and demand-side surveys.

Average monthly cost to have a basic account, based on the official minimum wage.

This indicator is calculated based on the average of the prices from all the four commercial retail banks, the reasonable monthly use of a bank account with a debit card, and the minimum wage of US$115.00. The services considered are the monthly account maintenance fee, cost of the debit card, and four ATM transactions.

The average monthly cost to have a basic personal account is US$1.76, or 1.5% of the minimum wage.

Percentage of clients who stated that the charges for financial transactions are expensive.

According to the DSS responses, almost half of the bank clients do not pay fees on their accounts, as their accounts are required to receive regular government payments.

Around 1 in 4 bank clients are not aware of the fees charged by the banks.

Among the clients who pay financial services fees and are aware of the amounts, 23% spend less than $1.00, and 32% between $5 to $10.00 on average per month, while 13% pay more than $100.00. Around 38% of clients stated that the bank fees charged are expensive.

TRANSPARENCY

Access to right and relevant information is crucial for financial inclusion. The indicator measures the client’s perception of the information received when contracting a loan.

Percentage of clients who believe they have received clear and sufficient information about financial services at the start of the loan contract.

Only 41% of clients believe they receive clear and sufficient information from the financial service providers at the start of the loan contract.
CONVENIENCE

The ease and comfort of accessing and using financial services are evaluated mainly by the waiting time spent in the branches to perform the desired transactions.

Percentage of people who are not comfortable with the average time spent waiting in a queue at financial institution branches (bank and non-bank agents).

Around half of bank clients waited less than 30 minutes in their last visit to the bank branch. While 1/3 (36%) waited for more than 1 hour, in extreme cases, clients waited for more than one day to be able to perform the financial transaction they wanted in the branch - they had to return to the bank in the next day to finalize the transaction.

Around 50% of people waited more than 30 minutes at the branch on their last visit.

FAIR TREATMENT

This indicator measures the customers’ perception of how fair the financial services staff treat them.

Percentage of users who have felt mistreated by the staff of a financial institution.

Among the financial services users, 17% mention having almost no or minimal interaction with any staff.

5% of users stated they felt mistreated by a financial institution’s staff in the last 12 months.

However, only a few clients escalated to the financial sector regulator or a consumer protection authority.

CONSUMER PROTECTION

This category is focused on the rules and regulations to ensure customer protection.

Percentage of consumers who have contacted a consumer protection authority to solve a problem regarding financial services within the last three to six months and had their issue resolved within two months.

In the last six months, the BCTL solved all two complaints (100%) related to financial services under its jurisdiction within 60 days.

There were only eight client complaints raised to BCTL in 2020, summarized in the graphic. In one of the cases, BCTL is, working with the financial institution to find the solution to solve the issue raised by the client. An awareness campaign to inform financial services clients how to proceed with their complaints against a financial service institution would be beneficial.

Percentage of clients whose deposits are covered by a deposit insurance fund.

There is no deposit insurance fund in Timor-Leste; hence 0% of clients deposit covered.

FINANCIAL EDUCATION

Financial knowledge allows customers to evaluate and select providers and financial products specifically for their needs and monitor and control financial matters to achieve their financial objectives.

Percentage of adults who know the definitions of these basic financial terms: rate, risk, inflation, and diversification.

Only 6% of adults can calculate a simple percentage correctly.

Timor-Leste has a low inflation rate, and customers perceived it differently depending on the products they buy and where they live. 53% noted the price of things increasing compare to a year before, 9% said that the prices decreased, while 38% believe prices did not change.
Percentage of adults who prepare a budget each month.

One in two adults (48%) mentioned making a plan to manage income and expenses every month.

One in five adults (21%) keep a diary of their spending. And 1 in seven adults prefers to save money for bills separate from day-to-day expenditures.

INDEBTEDNESS

Indebtedness level is an integral part of promoting financial inclusion. The expansion of credit access must be aligned to borrowers’ capacity to repay their loans’ installments and healthily manage their finances.

Percentage of borrowers who are more than 30 days late with a loan payment.

BCTL monitors the non-performing loans by values, not by the number of borrowers. At the end of 2020, the loans classified as a non-performing loan (late on the loan repayments for more than 30 days) represented 2% of the loan amount.

CHOICE

Finally, having choices among financial services providers is also essential to ensure clients can choose providers based on the quality of services.

Percentage of administrative units in urban areas with at least three different branches of formal financial institutions.

In all urban areas (100%), there are at least three different regulated financial institutions, considering urban areas only the central city in each municipality. The regulated financial institutions are the commercial banks and deposit-taking institutions.

Suppose only commercial banks are accounted for this indicator, just in Dili, out of the municipalities (7.7% of urban areas) had at least three different banks operating. Of the five banks, only BNCTL and BNU Timor maintain bank branches outside of Dili.

Percentage of administrative units with at least three different branches of formal financial institutions.

There are at least three different branches of formal financial institutions in 20 out of the 65 Administrative Posts, or 31% of them (commercial banks and deposit-taking institutions).

KEY TAKEAWAYS

Quality indicators measure the level of excellence of the services available and how the customers and non-customers evaluate them. It is the first time all the quality indicators are calculated, as many indicators rely on demand-side data.

The quality indicators enable regulators to monitor progress, deepen the existing understanding of society’s challenges and expectations, and develop and strengthen policies that will improve the services available to the overall population.

The indicators show that in all eight categories of quality, there is potential for improvement.

◊ **Affordability**: 62% of clients do not consider bank fees expensive.

◊ **Transparency**: 41% of clients stated to have received clear and sufficient information when contracting a loan.

◊ **Convenience**: 49% of clients have waited in line less than 30 minutes in their last visit to the financial institution branch.

◊ **Fair treatment**: 95% of customers had no complaints about feeling mistreated by a staff of a financial institution.

◊ **Consumer protection**: 0% of deposits covered by a deposit insurance fund.

◊ **Financial education**: 6% of adults can perform a simple percentage calculation correctly.

◊ **Indebtedness**: 98% of total loans amounts are up to date with payments installments or with less than 30 days past due.

◊ **Choices**: in 31% of administrative posts, there are less than three different branches of formal financial institutions.
The market survey on financial services is commonly called the Financial Services Demand-Side Survey (DSS). The DSS conducted in 2020 offered insights into customer preferences, behavior, and reasons to use the financial services available. The DSS data complements the supply-side data collected regularly, allowing a better understanding of financial inclusion issues.

UNBANKED OVERVIEW

The lack of stable income seems to influence the ability to own a bank account even though 10% of people who do not have a bank account had estimated monthly income above the recommended minimum salary.

The lack of documents seems not to be a significant barrier based on the mandatory documents required, as only 3% did not have any of the identification documents required. However, some banks may require proof of income, as internal policy, which excludes farmers, start-up entrepreneurs, and other self-employed people.

Most of the unbanked mentioned not having enough money to have a bank account as a reason to be unbanked. As more than one answer was allowed, qualitative issues were also cited: location, high cost of bank services, lack of trust, and lack of understanding of the function or process to open an account.

Among the unbanked, 8% use some else’s bank accounts when necessary to save money (4%), to send money (2%), or to receive money (2%).
SAVING BEHAVIOR

Banks are considered the most important form to save money (33%), followed by keeping the money at home (31%). Unregulated financial groups, such as Savings and Loans Groups (or VSLAs), Savings Clubs (arisan), were mentioned more often than ODTIs and Credit Unions. A significant 22% do not save at all.

The diagram on “Other Forms to Save” shows the relevance of non-financial services as a way to save.

People are more inclined to confirm they save money in the last 12 months if asked about specific objectives.

The main reasons for not saving are related to income level, but some mention the preference to spend (49%) or not knowing how to save (7%).

BORROWING BEHAVIOR

Among the main reasons to borrow money are paying for education and paying for a health emergency.

A concerning 20% of borrowers admitted getting a loan to pay another loan.

Regarding the sources and forms to borrow money, the family’s member or friends is the preferred source to borrow money, followed by banks, ODTIs, and Credit Unions. Among alternative methods to borrow money, buy small things (food, clothes) to pay later is very popular.

A significant 33% of adults never borrow money, and they don’t even consider credit sources. Avoid being indebted is the main reason to avoid borrowing, 30% do not need credit. Other reasons are the limited access to loans, not being able to repay, and not fulfill the requirements.
FINANCIAL RESILIENCE

Regarding the frequency of households run short of money for food and necessary items, 83% mentioned that the household had experienced a lack of funds for essential items in the past 12 months.

The main reasons mentioned were the low income (70%) and the COVID-19/State of Emergency (60%). The solution for the situation was to borrow from family or friends or to sell something.

On the financial safety net (the strategy to cope with unexpected financial needs), only 58% of responders felt they would be able to come up with an extra US$200.00 in one month and mostly rely on families and friends.

FINANCIAL LITERACY

Around half of the respondents use some tools or strategies to manage their finances better and meet their financial obligations, it is a conscious effort to manage their finances. The most common mechanism is to plan how to manage income and expenses, but only 1 in 5 keep note of the expenses.

Research suggests that defining a clear goal leads people to save more and regularly than those without a defined purpose. 53% of adults mentioned having defined financial goals to pursue. Most of the Timorese financial goals are related to afford education for themselves or their children; buy, build or renovate a house is the second most mentioned financial goal.

As important as setting financial goals, it is to take action to achieve the goals. The actions often mentioned are related to managing the money better (save, invest, plan) or finding additional income. 3% rely on credit to achieve their goals.

Regarding the ability to calculate percentages, 1 in 4 people declared able to perform calculations with percentages. However, only 1 in 17 people (6%) could calculate 10% of 100 correctly.

CHANCES TO COME UP WITH $200 FOR AN EMERGENCY IN THE NEXT MONTH

MAIN SOURCES OF MONEY FOR AN EMERGENCY

WAYS TO MANAGE YOUR FINANCES

WAYS TO MEET YOUR FINANCIAL GOAL

DECLARED KNOWLEDGE TO CALCULATE INTEREST RATES

TESTED KNOWLEDGE IN CALCULATING INTEREST RATES
DIGITAL FINANCIAL SERVICES

Among adults, 72% have a hand-phone, of which only 26% were smartphones. Smartphone owners use the internet primarily for accessing social media platforms.

The use of the internet for emails and work-related activities (13% of answers) may indicate a potential use of hand-phones for financial services. 4% of adults are already using for payments and transfers, and 2% for bank services.

When asked about their preference between cash and electronic money, 51% answered “neither”, highlighting the unfamiliarity of the term electronic money. Among the ones who responded, 91% preferred cash.

WEBSITES & APPLICATIONS ACCESSED REGULARLY FROM THE HAND PHONE

KEY TAKEAWAYS

The demand-side survey is an essential step in the financial inclusion path. The Financial Inclusion M&E framework requires both the supply-side and demand-side survey data to perform a comprehensive evaluation of the financial inclusion scenario.

The first DSS conducted in Timor-Leste indicated issues of understanding financial services terminology, financial literacy skills, digital awareness, and prevalence of unregulated financial services.

The DSS results indicate the importance of continually investing in financial literacy programs focused on adults. It also suggests that financial services providers could organize regular information sessions for clients about financial products available, the costs related, how to monitor the services received, and how to protect themselves from scams and fraud.

The DSS results will enable stakeholders and BCTL to develop evidence-based policy solutions to address the gaps better, promote and monitor financial inclusion, encourage new product developments, and prioritize action plans.
Timor-Leste’s Financial Literacy movement focuses on evaluating economic opportunities and risks and how to manage them through savings, insurance, and financial education. The National Financial Education Awareness campaign, launched on 29 November 2014, focuses on three key pillars: Plan, Save and Protect. BCTL promotes Financial Literacy by conducting awareness activities throughout the country and implementing programs for children, adults, and MSME.

FINANCIAL LITERACY PROGRAM IN ELEMENTARY SCHOOLS

In 2016, the Central Bank and the Ministry of Education, Youth and Sports (MEJD) signed a Memorandum of Understanding (MOU) to develop a Financial Literacy module for the first and second cycle of elementary education, train teachers, and potentially integrate it into the national curriculum.

In February 2019, the BCTL and the Instituto Nacional de Formação de Professores e Profissionais de Educação de Timor-Leste (INFORDEPE) organized a workshop to identify the weakness, challenges and to redefine the strategy to scale up the Financial Literacy Program to all public schools.

Early March 2020, the BCTL signed the second MOU with MEJD to continue implementing, monitoring and evaluating the Financial Literacy Program in elementary schools.

In 2020, due to COVID-19 restrictions, teachers’ training and financial literacy classes had to be halted. The BCTL and INFORDEPE took the opportunity to revise the teaching module and develop the guideline to train teachers.
FINANCIAL LITERACY

CHAPTER 6: FINANCIAL LITERACY

CHILDREN SAVINGS ACCOUNTS: HA’U-NIA FUTURU

The BCTL launched the children’s savings accounts “Ha’u-Nia Futuru” (HNF) on 28 August 2015. The account is designed for children from birth up to 17 years old to save money for their education; there are no fees for this account. All commercial retail banks offered the products with similar conditions. Currently, there are around 20,000 HNF accounts, with more than US$7 million in balance.

According to the demand-side survey data, 1 in 3 adults knows about the children’s savings account. Among the adults aware of the HNF account, 38% mentioned the household children have the HNF account.

NATIONAL SAVING DAY

In 2014, the Central Bank launched the nationwide awareness campaign to improve financial literacy focuses on three key pillars: Plan, Save and Protect. The National Savings Day, celebrated on 29 November, aims to raise awareness about personal and small business finances, promoting a change in the spending behavior to encourage the habit of saving. The Ha’u-Nia Futuru account is widely publicized during the National Saving Day to influence parents and children to start saving.

In 2019, the celebration of the National Saving Day happened in Maliana, Bobonaro. The celebration included a poetry and speech competition among students from ten local elementary schools. The competition took place in November, and the winners received a symbolic prize on 29 November. Also, the celebration included a drawing competition that involved students from 14 elementary schools spread across eight municipalities.

In 2020, due to COVID-19 restrictions, BCTL celebrated National Saving Day with a writing competition among students from the third cycle of elementary education and students from secondary education. The competition was open to students from public and private schools. The MEJD and CARE International, a non-government organization, supported the initiative. The prizes distributed were deposited in the HNF accounts for the top three winners from each category.

FINANCIAL LITERACY TRAINING OF TRAINERS PROGRAM

In August 2019, BCTL signed an MOU with the Federação Cooperativa de Crédito Hanai Malu (FCCHM, a credit union federation) to train selected FCCHM’s members on Financial Literacy for adults. The training aims to enhance and promote the knowledge on how to manage their personal and business finances.

The training took place on 3 to 5 September 2019 for 26 FCCHM members from 12 Municipalities and RAEOA. The participants who completed the training were committed to delivering the training to the other members of their original credit union.

BASIC RECORD-KEEPING AND ACCOUNTING TRAINING FOR MSME

The BCTL is committed to supporting Micro, Small, and Medium Enterprises (MSME) to foster economic activity and create jobs. It designed an initiative to improve MSME’s business skills in financial reporting and facilitate access to financial services.

The BCTL developed the module on Basic Record-Keeping and Accounting Training for MSME and piloted it in 2016. In 2018, the BCTL established cooperation with Instituto de Apoio ao Desenvolvimento Empresarial (IADE) and Chamber of Commerce and Industry Timor-Leste (CCI-TL) to offer the training at no cost to interested MSME. Until 2019, 272 participants completed the training.

In 2020, the BCTL conducted a comprehensive evaluation of the MSME training program to understand the results and define its next steps. BCTL surveyed participants, and the results show participants are positive regarding the training, as it offers them a methodology to manage the business finances. However, some of the training topics were quite complex for most micro and small businesses. Consequently, only a few participants could implement the reports and controls; the basic daily cash management is well understood and implemented by most training participants.

KEY TAKEAWAYS

Financial literacy skills equip individuals to understand, evaluate, and select the financial products that better attend their needs in different life stages. BCTL is committed to promoting Financial Literacy as the foundation for a well-functioning financial sector. Collaboration with key stakeholders, such as the MEJD, INFORDEPE, and Banco de Portugal, has contributed to developing, implementing, and scaling up financial literacy at elementary schools.

Over the following years, BCTL will enhance the collaboration with key partners to further promote financial literacy initiatives to a broader range of target groups to reach out to as many segments of society as possible to empower them with Financial Literacy skills.
The Financial Inclusion Report 2020 consolidates and analyses data from supply and demand to evaluate how Timor-Leste is evolving towards its financial inclusion agenda.

The report shows progress in access indicators, as the distribution network has improved, covering all administrative posts and a large share of sucos. The multiplication of e-wallet agents has the potential to ease access and usage of services even further. Indeed, facilitating access to financial services is a complex task. Despite the progress, more is needed to facilitate citizens’ access to financial services, mainly the ones living in rural areas.

The usage indicators also showed progress in absolute numbers. However, there are barriers to overcome to promote a more intensive usage of the financial services available. Financial services clients do not fully understand the services available; they are not comfortable with the financial products; and need support to improve their financial literacy skills, including math calculations. The BCTL will continue to focus on financial literacy programs and encourage financial services providers to educate customers about their products and services actively. There is also a need for new and simpler products designed based on customers’ needs and limitations.

The e-wallet services’ recent connection to the P24 system will transform the way clients use financial services, addressing some of the critical financial inclusion challenges. The e-wallet services are easily accessible and attractive to younger clients, the segment with lower bank account penetration. The e-wallet offers simple products with an easy-to-understand fee structure. It developed a convenient distribution channel, either through smartphones or e-wallet agents and merchants.

In the following years, the BCTL will work with financial services providers to improve the usage and the quality of services offered to ameliorate the customers’ perceptions towards the financial sector.

Timor-Leste is experiencing remarkable financial sector development. The BCTL has led the development of a safe, stable, and facilitative regulatory environment to foster financial inclusion. The Financial Inclusion Report 2020 has delivered the pledges to report customers’ opinions accurately, to serve as a reference for the financial inclusion path, and to identify the next steps towards a sustainable financial inclusion that will bring benefits to all.
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<td>Instituto Nacional de Formação de Professores e Profissionais de Educação de Timor-Leste</td>
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<tr>
<td>KIF</td>
<td>Kaebauk Investimentu no Finansas</td>
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<td>MEJD</td>
<td>Ministério da Educação, Juventude e Desporto (Ministry of Education, Youth and Sports)</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
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<tr>
<td>ODTI</td>
<td>Other Deposit Taking Institutions</td>
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<td>P24</td>
<td>National Switch with Payments available for twenty-four hours per day</td>
</tr>
<tr>
<td>RAEOA</td>
<td>Região Administrativa Especial de Oé-Cusse Ambeno</td>
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<td>SFMRSA</td>
<td>Servisu Finanseiru Moris Rasik</td>
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<td>Small and Medium Enterprises</td>
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<tr>
<td>USSD</td>
<td>Unstructured Supplementary Service Data</td>
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<td>VSLA</td>
<td>Village Savings and Loans Associations</td>
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