



Executive Summary

Objective: To have a Comparative Report on Philippine and Indonesia Rural Banks operation and digitalization.

Findings:

- a. **Market** – Considered as an archipelagic country, both countries experience the same problems like accessibility of banks, since banks are typically located in main islands and urban areas, with 53% remained unbanked in Philippines and 51% remained unbanked in Indonesia.
- b. **Rural bank in Indonesia** - Rural Bank in Indonesia is called Bank Perkreditan Rakyat (BPR) and regulated by the Otoritas Jasa Keuangan (OJK). A Rural bank in Indonesia is classified into 3 classes and based on core capital, namely BPRKU 1, BPRKU 2, and BPRKU 3.
- c. **Telecommunication** - The Philippines’s telecommunications industry has been dominated by two companies over the last two decades, PLDT and Globe. Recent reforms and the launch of a third mobile operator brings competition and innovation to the sector where mobile network is still dominated by either 3G or 4G connections, while rural areas have been limited to either 2G or 3G network and the country is recently exploring the 5G network technology resulting to an internet penetration rate of 68.0%. Meanwhile in Indonesia, telecommunications industry has five large network operators which is Telkom Indonesia, Indosat Ooredoo, XL Axiata, Smartfren and Tri-3. Where it employs 4G network technology to provide internet access to around 94% of the cities across the country and recently exploring the 5G network resulting to an internet penetration rate of 73.7%
- d. **Government support in Indonesia** - OJK published a “Blueprint for Digital Banking Transformation” which highlighted five elements of banking digitalization development which includes:
 - a. Data covering, protection, transfer, and governance
 - b. Technology covering information technology governance, architecture, and adoption principles
 - c. Information technology risk management which includes commercial bank cyber security and outsourcing
 - d. Collaborations that include sharing of platforms and bank collaborations in the digital ecosystem
 - e. Institutional arrangements that include funding supports, leaderships, organizational designs, human resource talents, and cultures

A number of policies was implemented in support of bank digitalization, including the Master Plan for the Indonesian Financial Services Sector 2021-2025 (MPSJKI) Pillar 3 and the Roadmap for Development of the Indonesian Banking 2020-2025 (RP2I) Pillar 2.

- e. **Core Banking Solution in Indonesia** - Telkomsigma, a subsidiary of Telkom Indonesia, offers an affordable core banking solution called “Satu Suites Banking System” which provides Modern Banking to Small and Medium Banks and Financial Institutions. It is a core banking system with zero investment required. Currently it provides services to 75 rural banks, consisting of 678 outlets across Indonesia.
- f. **Developments on Digital Rural Banking in Indonesia** - A fintech company in Indonesia, Komunal, established “DepositoBPR” a Peer-to-peer(P2P) platform, like shopee and ladaza, using rural bank services as its product which improves the funding access to Indonesia’s MSME. It is also called “neo-rural banking” where by using the platform, rural banks now can source deposits nationwide



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without incurring the hefty cost of opening additional branches and marketing efforts to attract more deposits.

Conclusion: With a lot of similarities, Philippine rural banks can adopt some of Indonesia's approach on digitalization like "Collaborations that include sharing of platforms in the digital ecosystem" which will lessen the hefty cost of establishing a platform alone. For example, establishing a B2P "Bank-to-Peer" type of platform for rural banks. Since it is a shared platform, it will enable small rural banks to have a presence in the digital world at the same time giving them the ability to offer flexible, fast, safe and quality banking services nationwide.

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