



Financial Inclusion Strategies Through Branchless Banking in Indonesia

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Abstract

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Financial inclusion plays a crucial role in supporting sustainable economic development, particularly in developing countries where access to formal financial services remains unequal. In Indonesia, disparities in bank account ownership and credit access continue to exist across regions and socioeconomic groups. Branchless banking has emerged as an innovative strategy to address these challenges by providing banking services outside traditional bank branches through digital platforms, mobile technology, and authorized agents. This study aims to examine the role of branchless banking in expanding financial inclusion in Indonesia. The research applies a systematic literature review method to analyze previous academic studies related to financial inclusion, branchless banking, and digital financial services. The findings indicate that branchless banking significantly improves financial access by extending financial services to underserved populations, particularly in rural and remote areas. In addition, the integration of digital financial services enhances efficiency, reduces transaction costs, and encourages greater participation in formal financial systems. Overall, branchless banking plays an important role in strengthening financial inclusion and supporting inclusive economic development.

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1. Introduction

Financial inclusion has become an essential component of sustainable economic development, particularly in developing countries where access to formal financial services remains uneven across regions and socioeconomic groups. Financial inclusion refers to the accessibility and availability of affordable financial services such as savings, credit, payments, and insurance to all segments of society, including low-income populations and rural communities. In Indonesia, despite significant progress in expanding financial services, disparities in bank account ownership and credit access remain evident across different regions and demographic groups. Empirical evidence indicates that both individual and regional factors influence financial inclusion, highlighting persistent gaps in access to formal financial institutions and financial products in certain areas of the country (Sahputri et al., 2024).

To address these challenges, the Indonesian government and financial authorities have introduced several innovative strategies, one of which is branchless banking. Branchless banking refers to the provision of banking services outside traditional bank branches through digital platforms, mobile technology, and authorized agents, enabling financial institutions to reach previously underserved populations. This model has gained increasing attention because it allows banks to expand their service networks more efficiently while reducing operational costs. Studies have shown that the implementation of branchless banking contributes positively to financial inclusion by improving access to financial services in remote and rural areas where conventional banking infrastructure is limited (Nofirda, 2021;

Kesa, 2021). Furthermore, the development of branchless banking initiatives, such as agent-based banking programs, has been associated with increased utilization of financial services and improved financial well-being among communities that previously lacked access to formal banking systems (Situmorang & Sanga, 2024).

Given the growing importance of digital financial services and agent based banking models, understanding the role of branchless banking strategies in promoting financial inclusion is crucial for policymakers and financial institutions. Therefore, this study aims to examine how branchless banking can serve as an effective strategy to expand financial inclusion in Indonesia, particularly in improving access to financial services for underserved populations and supporting inclusive economic development.

2. Literature Review

2.1. Financial Inclusion and Economic Development

Financial inclusion has been widely recognized as a critical driver of inclusive economic growth and poverty reduction. Access to formal financial services enables individuals and small businesses to save securely, obtain credit, manage risks, and participate more actively in economic activities. According to Ozili (2021), financial inclusion enhances economic stability and reduces income inequality by integrating marginalized populations into the formal financial system. In developing economies, improved financial access also facilitates entrepreneurship and supports small and medium enterprises (SMEs), which are vital for employment generation and economic productivity. Furthermore, empirical research suggests that broader

financial inclusion contributes significantly to sustainable development by increasing financial resilience among low-income households and strengthening the overall financial ecosystem (Demirgüç-Kunt et al., 2022). Therefore, expanding access to financial services has become a priority policy agenda for many countries, including Indonesia, in order to achieve equitable economic development.

2.2. Branchless Banking as a Financial Inclusion Strategy

Branchless banking has emerged as an innovative approach to overcome geographical and infrastructural barriers in the banking sector. The concept involves delivering banking services through digital platforms, mobile banking, and agent networks rather than relying solely on physical bank branches. This model significantly reduces operational costs for financial institutions while expanding service coverage to remote and underserved communities. Research by Suri and Jack (2016) demonstrates that digital financial services and agent-based banking models can substantially increase financial inclusion by enabling individuals to access financial services without visiting traditional banking facilities. Similarly, Asian Development Bank (2021) highlights that branchless banking systems improve financial accessibility by leveraging mobile technology and local agents, particularly in rural regions where banking infrastructure is limited. These developments indicate that branchless banking has become a strategic tool for expanding financial outreach in developing countries.

2.3 Digital Financial Services and Financial Inclusion in Indonesia

The rapid development of digital financial technology has accelerated the adoption of branchless banking initiatives in Indonesia. Digital financial services,

including mobile banking, e-wallets, and agent-based banking programs, have played an important role in expanding access to financial services among previously unbanked populations. According to Morgan and Long (2020), digital banking innovations significantly improve financial inclusion by reducing transaction costs and simplifying financial service delivery for rural communities. Additionally, research by Widyastuti et al. (2024) shows that agent-based banking programs, such as Indonesia's branchless banking initiatives, help increase financial literacy and encourage greater usage of formal financial services. These findings suggest that the integration of digital technology and agent banking systems can effectively bridge financial access gaps and support Indonesia's national strategy for financial inclusion.

Based on the previous discussion, numerous studies have examined the relationship between financial inclusion, economic development, and the role of digital financial services in expanding access to financial systems. Financial inclusion has been widely acknowledged as an important factor in promoting inclusive economic growth, reducing inequality, and strengthening financial resilience among individuals and small businesses. In addition, the emergence of branchless banking and digital financial services has created new opportunities to overcome geographical and infrastructural barriers that often limit access to traditional banking services, particularly in developing countries.

Several empirical and conceptual studies highlight the significant role of digital financial innovation, agent-based banking systems, and policy initiatives in improving financial access and supporting financial inclusion strategies. These

studies provide valuable insights into how financial institutions and policymakers can leverage technology to expand financial outreach and improve financial service utilization among underserved populations. To provide a clearer overview of previous research related to financial inclusion and branchless banking strategies, a summary of selected prior studies is presented in Table 2.1.

Table 1. Prior Research

No	Author(s)	Year	Research Focus	Method / Approach	Main Findings
1	Sahputri et al.	2024	Financial inclusion disparities in Indonesia	Empirical analysis of financial access indicators	The study shows that both individual and regional factors significantly influence financial inclusion, highlighting unequal access to banking services across different regions in Indonesia.
2	Nofirda	2021	Role of branchless banking in expanding financial services	Case study and descriptive analysis	Branchless banking improves access to financial services, especially in rural and remote areas where traditional banking infrastructure is limited.
3	Kesa	2021	Implementation of branchless banking programs	Policy and institutional analysis	The implementation of agent-based banking systems helps financial institutions extend service coverage and reduce operational costs.
4	Situmorang & Sanga	2024	Impact of agent-based banking on financial inclusion	Empirical study on community financial access	Agent-based banking increases the use of formal financial services and improves financial well-being among

No	Author(s)	Year	Research Focus	Method / Approach	Main Findings
					previously unbanked communities.
5	Ozili	2021	Financial inclusion and economic development	Literature review and conceptual analysis	Financial inclusion contributes to economic stability, poverty reduction, and lower income inequality by integrating marginalized populations into the financial system.
6	Demirgüç-Kunt et al.	2022	Global financial inclusion and development	Global financial database analysis	Expanding access to financial services strengthens financial resilience and supports sustainable economic development.
7	Suri & Jack	2016	Digital financial services and mobile banking	Empirical analysis of mobile money adoption	Digital financial services significantly improve financial inclusion by enabling people to access banking services without visiting physical bank branches.
8	Asian Development Bank	2021	Digital banking and financial access in developing countries	Institutional report and policy analysis	Branchless banking systems using mobile technology and agent networks help expand financial access in rural areas.
9	Morgan & Long	2020	Digital financial technology and financial inclusion	Empirical research on digital banking adoption	Digital banking reduces transaction costs and increases accessibility of financial services for underserved populations.
10	Widyastuti et al.	2024	Agent banking and financial	Empirical study	Branchless banking programs improve financial literacy and

No	Author(s)	Year	Research Focus	Method / Approach	Main Findings
			literacy in Indonesia		increase the use of formal financial services in Indonesia.

3. Methods

This study employs a Systematic Literature Review (SLR) method to analyze the role of branchless banking in promoting financial inclusion in Indonesia. The SLR approach was chosen because it allows researchers to systematically collect, evaluate, and synthesize existing scholarly studies related to a particular topic in order to identify patterns, research gaps, and key findings in the literature. Through this method, the study provides a comprehensive understanding of how branchless banking and digital financial services contribute to expanding financial access, particularly for underserved populations in developing economies.

The data used in this study consist of secondary data obtained from academic publications, including peer-reviewed journal articles, books, and institutional reports related to financial inclusion, branchless banking, and digital financial services. The literature was collected through academic databases such as Google Scholar, Scopus-indexed journals, and other reputable scholarly sources. The selection process was conducted using several keywords, including financial inclusion, branchless banking, agent banking, digital financial services, and digital banking in Indonesia. The collected studies were then screened to ensure their

relevance to the research topic and to ensure that they were published in credible academic sources.

The systematic review process consisted of several stages. First, relevant studies were identified through database searches using predetermined keywords. Second, the collected articles were screened based on inclusion criteria, such as relevance to financial inclusion, branchless banking, and digital financial services. Third, selected studies were critically reviewed and categorized according to their main themes, including the relationship between financial inclusion and economic development, the role of branchless banking strategies, and the contribution of digital financial services to financial inclusion. Finally, the findings from the selected literature were synthesized and analyzed to provide a comprehensive understanding of how branchless banking can function as an effective strategy for expanding financial inclusion in Indonesia and supporting inclusive economic development.

4. Results and Discussion

4.1 Financial Inclusion and Economic Development

The findings of this study indicate that financial inclusion plays a crucial role in supporting inclusive economic development. Access to formal financial services allows individuals and small businesses to participate more actively in economic activities through savings, credit access, and risk management mechanisms. When financial services become more accessible, households can manage their financial resources more efficiently, while small and medium enterprises gain greater opportunities to expand their businesses. Previous studies emphasize that financial

inclusion contributes to economic stability and reduces income inequality by integrating marginalized populations into the formal financial system (Ozili, 2021).

Furthermore, global evidence demonstrates that wider access to financial services strengthens financial resilience and improves the overall financial ecosystem, particularly among low-income households and underserved communities (Demirgüç-Kunt et al., 2022). In developing countries such as Indonesia, financial inclusion also plays an important role in supporting entrepreneurship and increasing economic productivity. However, despite improvements in financial service availability, disparities in financial access remain a major challenge. Research shows that regional and socioeconomic differences significantly influence the level of financial inclusion across different areas in Indonesia (Sahputri et al., 2024). These disparities indicate that additional strategies are required to expand financial access, particularly for populations living in rural and remote regions.

4.2 Branchless Banking as a Financial Inclusion Strategy

The results of the literature review show that branchless banking has emerged as an effective strategy for expanding financial inclusion by overcoming geographical and infrastructural barriers in the banking sector. Branchless banking enables financial institutions to deliver banking services through digital platforms, mobile technology, and agent-based systems rather than relying solely on traditional bank branches. This approach significantly reduces operational costs while allowing financial institutions to expand their services to remote areas where conventional banking infrastructure is limited. Studies highlight that the implementation of

branchless banking improves financial accessibility by enabling individuals to conduct financial transactions without visiting physical bank branches (Suri & Jack, 2016; Asian Development Bank, 2021).

In Indonesia, the development of branchless banking initiatives has contributed significantly to improving access to financial services in underserved communities. The presence of banking agents and digital platforms allows individuals in rural areas to perform financial transactions such as savings deposits, payments, and money transfers more easily. Empirical studies show that branchless banking programs have increased the utilization of financial services in regions where access to formal banking institutions was previously limited (Nofirda, 2021; Kesa, 2021). Additionally, agent-based banking initiatives have been associated with improved financial well-being among communities that previously lacked access to formal financial systems (Situmorang & Sanga, 2024).

Moreover, the integration of digital financial services further strengthens the effectiveness of branchless banking strategies. Digital banking technologies simplify financial service delivery and reduce transaction costs, which encourages greater participation in formal financial systems among rural populations (Morgan & Long, 2020). Agent-based banking programs also contribute to improving financial literacy and increasing the adoption of financial services among previously unbanked populations (Widyastuti et al., 2024). These findings demonstrate that the combination of digital financial technology and branchless banking systems can effectively expand financial inclusion and support Indonesia's broader strategy for inclusive economic development.

Overall, the analysis indicates that branchless banking plays an essential role in bridging the gap between financial institutions and underserved communities. By leveraging digital technology and agent networks, branchless banking allows financial services to reach populations that were previously excluded from the formal financial system. As a result, this approach not only improves financial access but also contributes to broader economic participation and sustainable development.

5. Conclusion

This study examined the role of branchless banking as a strategy to expand financial inclusion in Indonesia through a systematic literature review approach. The findings indicate that financial inclusion plays a crucial role in supporting inclusive economic development by enabling individuals and small businesses to access formal financial services such as savings, credit, and payment systems. However, despite the progress made in expanding financial services, disparities in financial access remain evident across regions and socioeconomic groups in Indonesia. These disparities are often influenced by geographical conditions, infrastructure limitations, and differences in financial literacy levels.

The results of the literature review show that branchless banking has become an effective strategy for addressing these challenges. By utilizing digital platforms, mobile technology, and agent-based banking systems, financial institutions are able to extend financial services to communities that previously had limited or no access to traditional banking facilities. This approach not only reduces operational costs for banks but also enables wider outreach to rural and remote areas. As a result,

branchless banking contributes to improving financial access, increasing the utilization of financial services, and supporting greater participation in the formal financial system.

In addition, the integration of digital financial services such as mobile banking, digital payments, and agent banking networks further strengthens financial inclusion efforts. These technological innovations simplify financial transactions, reduce transaction costs, and provide more convenient access to financial services for underserved populations. The expansion of digital financial services also supports the improvement of financial literacy and encourages individuals to engage more actively in financial activities.

Overall, branchless banking and digital financial services represent important mechanisms for bridging the gap between financial institutions and underserved communities in Indonesia. The development of these systems has the potential to significantly enhance financial inclusion while also contributing to broader economic development and financial well-being. Therefore, continued support from policymakers, financial institutions, and technological innovation is essential to ensure that branchless banking initiatives can further expand financial access and promote inclusive economic growth.

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