

Module Microfinance and Micro Banking in Indonesia

Made and Presented by: BRI Research Institute, Otoritas Jasa
Keuangan



Microfinance and Micro banking in Indonesia

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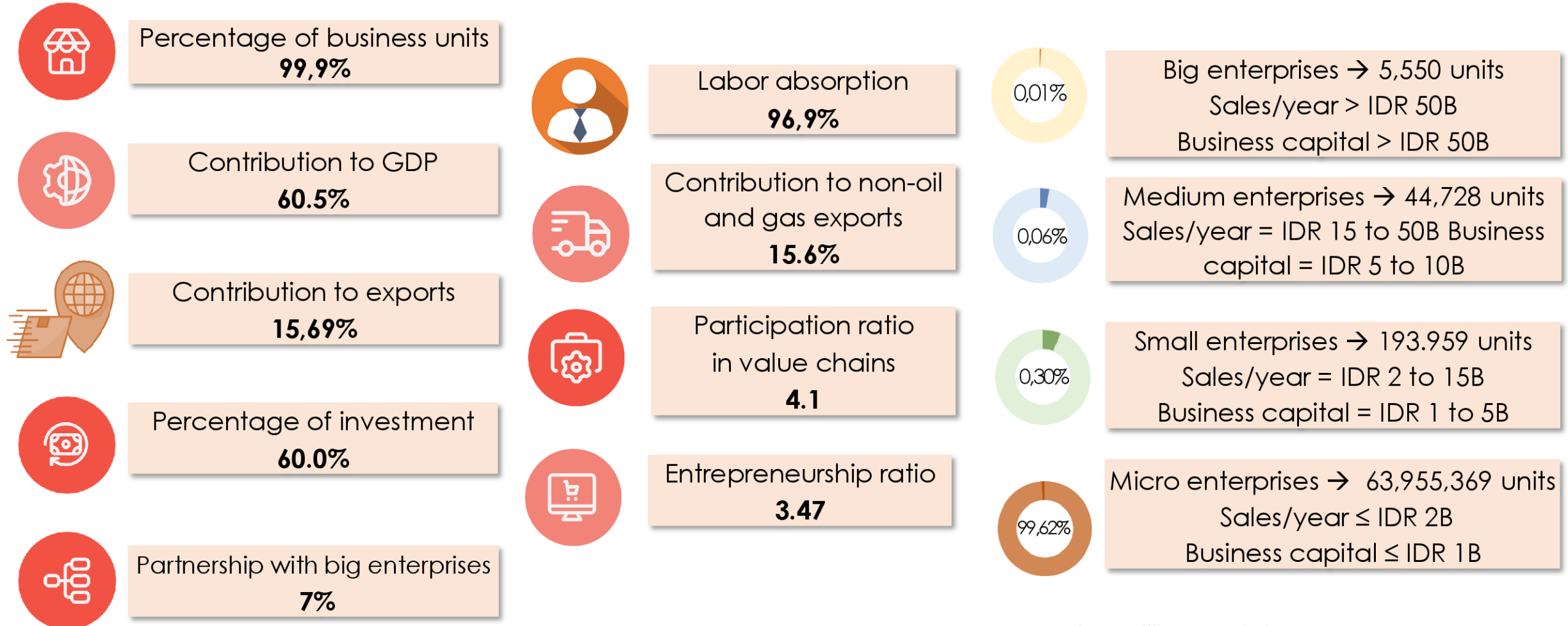
The Head of OJK Regional Office 1 DKI Jakarta and Banten

BRIRINS, Jakarta, Tuesday, 10th October 2023

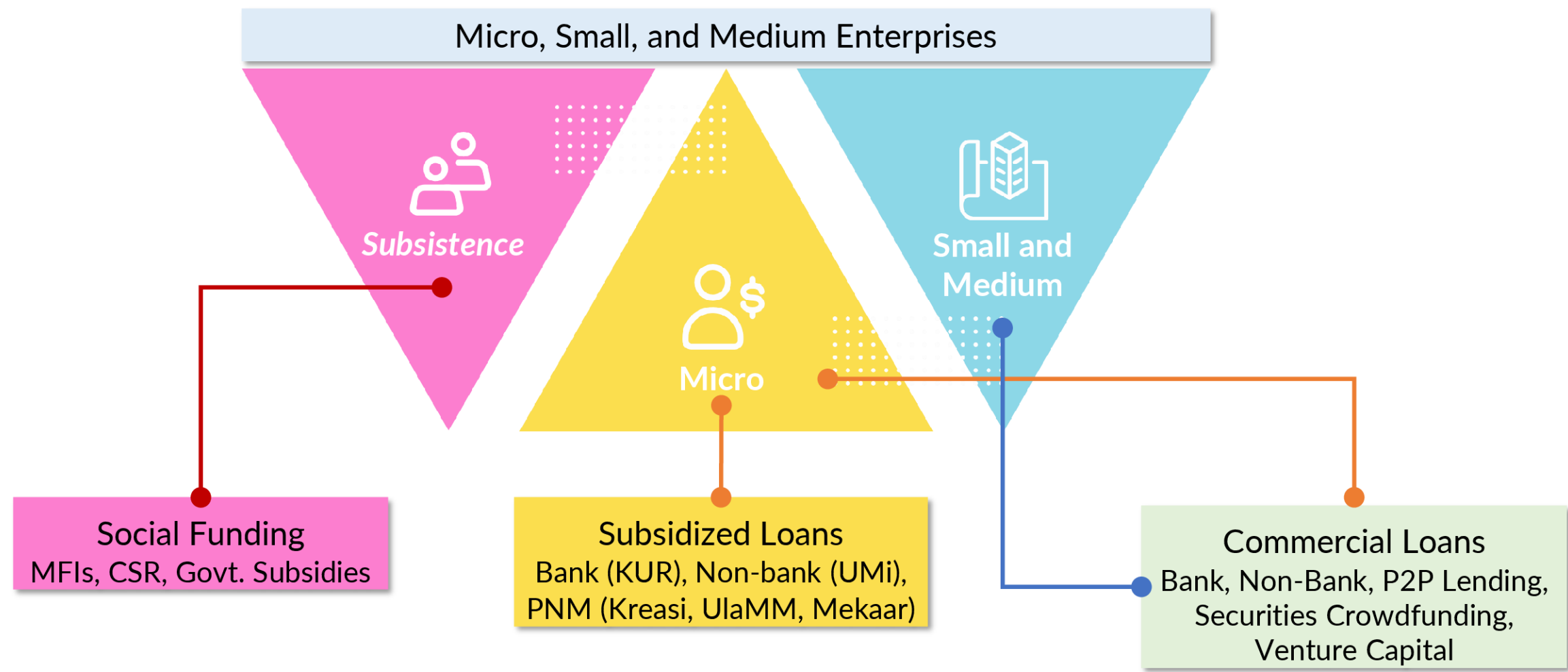


MICRO, SMALL, AND MEDIUM ENTERPRISES LANDSCAPE

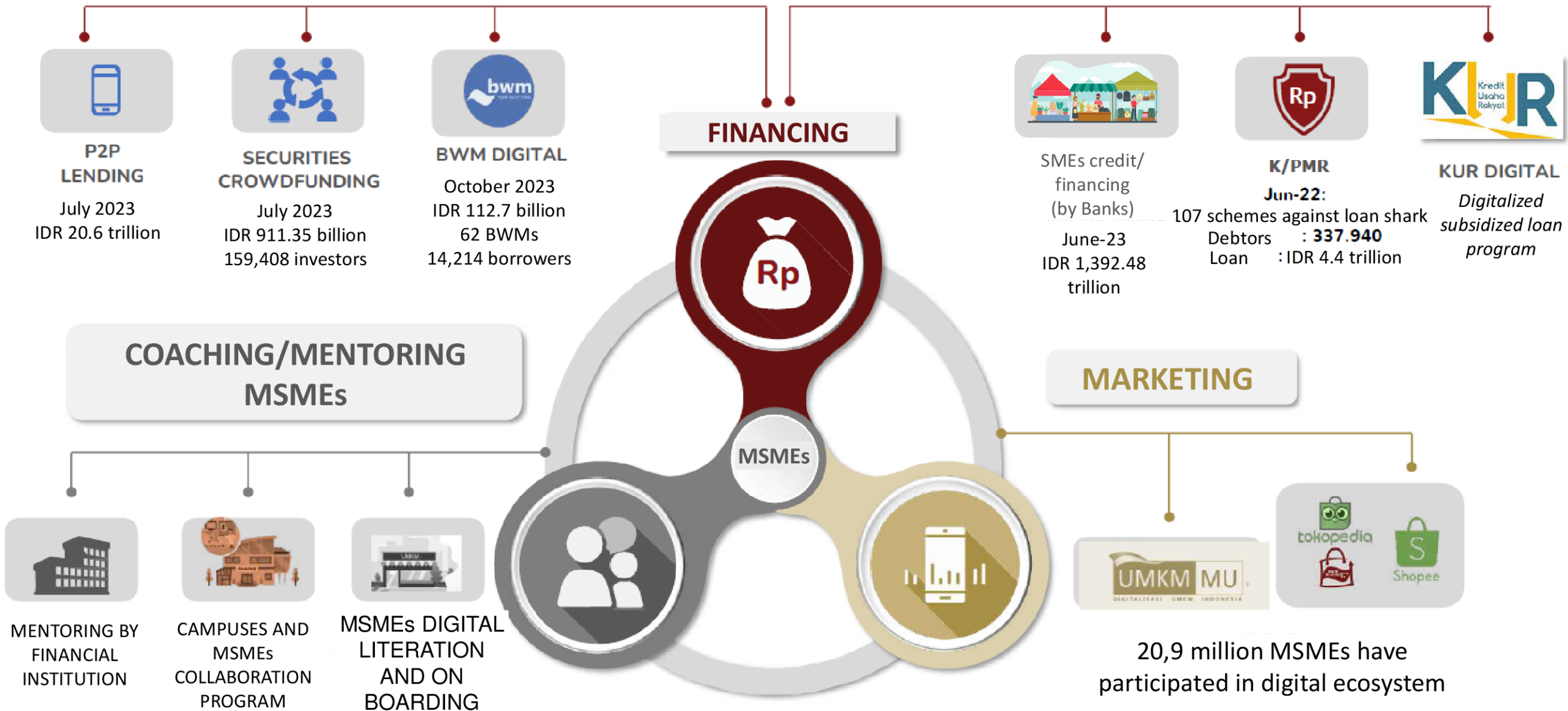
According to The Global Entrepreneur and Development Institute, in 2020, the Indonesian Entrepreneurship Index has a score of 26.0, and is ranked 75 out of 137 countries. While in ASEAN it is ranked 6 out of 10 countries.



*B = Billion Rupiah; USD1 ~ IDR 15,648.15



MICROFINANCE ECOSYSTEM



NATIONAL



Financial inclusion means the condition in which every member of the society has access to formal financial services timely, steadily, and securely with affordable costs, in accordance to their needs and abilities, to improve their welfare.

STRATEGY

- Increase access to formal financial services;
- Increase financial literacy and consumer protection;
- Expand financial services;
- Strengthen access to finance and support for micro and small enterprises development;
- Improve digital financial products and services;
- Strengthen the integration of economic activities and financial inclusive through digital financial services.



STRATEGY



Strengthen regulation and policies



Implementation of financial access expansion program



Development and strengthening information systems



Encourage participation and strategic alliances from stakeholders (Local Government, Financial Institution, Ministry)



PRINCIPLE



Measurability



Suitability



Affordability



Sustainability



LAYANAN KEUANGAN TANPA KANTOR DALAM RANGKA KEUANGAN INKLUSIF (LAKU PANDAI) – BRANCHLESS BANKING



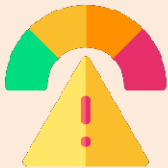
Financial Institutions become operator of Laku Pandai, after **obtaining permission** from OJK.



Licensing mechanism is carried out in accordance with the POJK regarding the **implementation of bank products**.



Supporting documents for applying permits are determined by the OJK (SEOJK).



Risk profile rating,
Operational risk level,
Compliance risk level.



Rank 1, 2, or 3 based
on the last
assessment period;



Have supporting infrastructure
to provide electronic banking
services.



Bank Products that can be provided
through the implementation of Laku Pandai



(Basic Saving
Account/BSA)

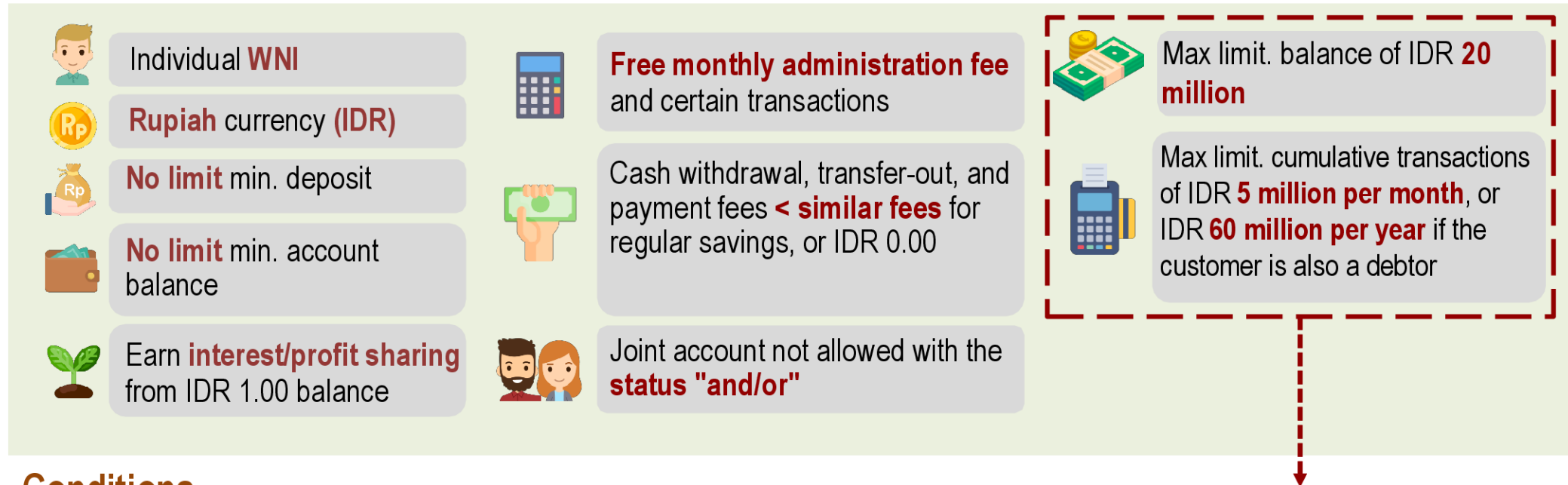


Micro credit



Other Bank Products
(based on OJK permission)

Characteristic



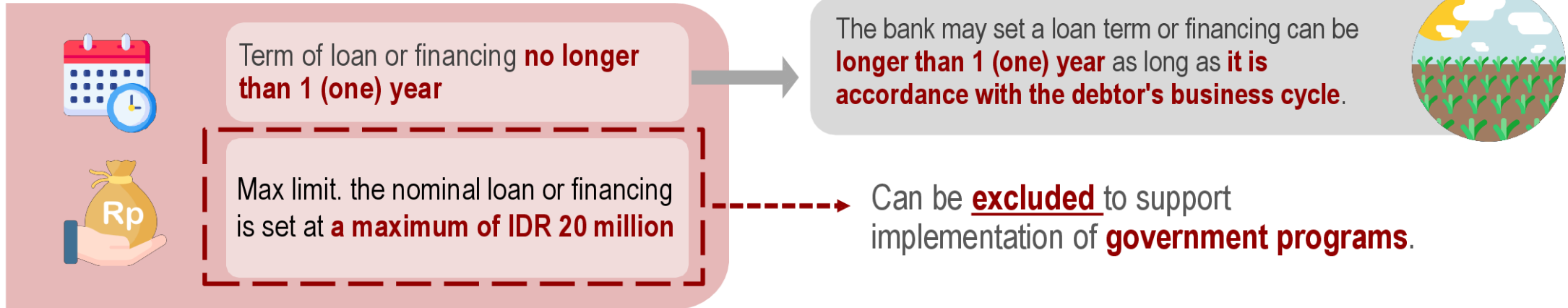
Conditions

1. Banks can only open BSA accounts to prospective customers who **do not have other savings.**
2. Under certain conditions, the Bank may **establish transaction maximum limit oversight policy** for a time.

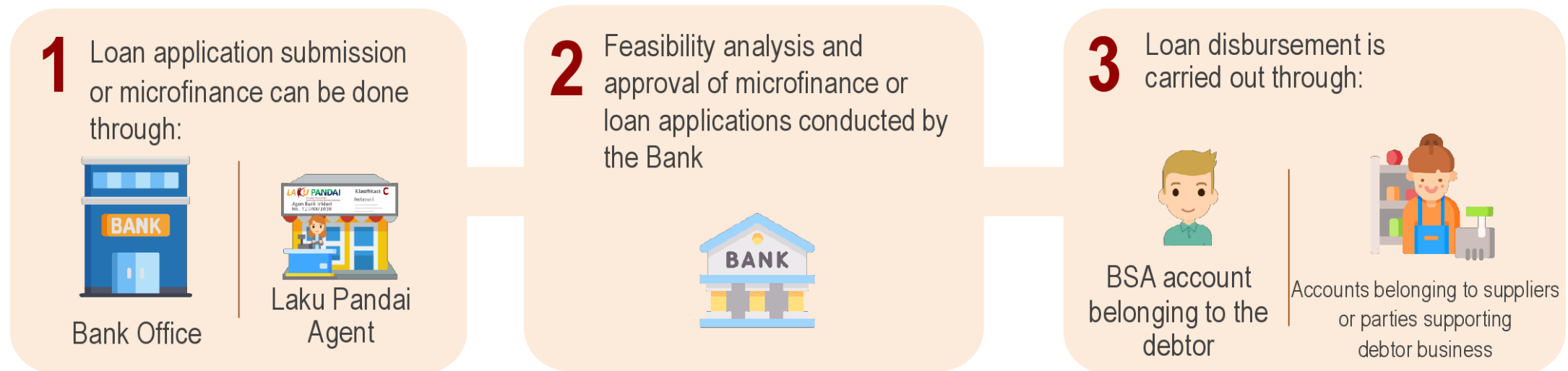
Can be **excluded** to support implementation of **government programs.**



Characteristic



Disbursement Mechanism



BANK COOPERATION WITH LAKU PANDAI AGENTS: SERVICES PROVIDED BY LAKU PANDAI AGENTS

- Laku Pandai Agent serves customers or prospective customers **according** to the scope of services based on their **classification**.
- New agents should **start from classification A**.
- If the new agent **has first provided** services related to other financial products **beyond** the scope of classification A services, the agent **may still provide such services**.
- Banks must have **a written policy regarding the mechanism for changing** the classification of Laku Pandai Agents.
- Changes The classification of agents **does not have to be sequential** (from classification A directly to classification C).

Agent Services	Classification		
	A	B	C
<ul style="list-style-type: none">BSAElectronic Money (DFS agent)Microinsurance	●	●	●
<ul style="list-style-type: none">Loan/MicrofinanceSavings account other than BSA (excluding manual account opening and closing)		●	●
<ul style="list-style-type: none">Other Financial Products			●

In the case of Laku Pandai Agent serving transactions related to financial products **issued by other institutions**, in the form of:



Electronic money products & Digital Finance Services (DFS)



Microinsurance products



Other financial products



Services are carried out on the basis of **Cooperation Agreement**



P2P Lending development

102 P2P Lending

95 Conventional and 7 Sharia

10,730,270

Lender (unit of entity)

(Number of lender accounts)

14,289,506

Borrower (unit of entity)

(Number of borrower accounts)

IDR 20.6 Trillion

Disbursement to MSMEs

July 2023



Fintech Development Strategy

Providing OJK Infinity and regulatory sandbox to encourage Start-up growth and create a fintech ecosystem in Indonesia

Ensuring that fintech and traditional financial institutions will have the same level playing field going forward



Digital Financial Innovation

106 Registered and licensed by Digital Finance Innovation Group **15** Clusters

4 Association

AFTECH, AFPI, AFSI, ALUDI

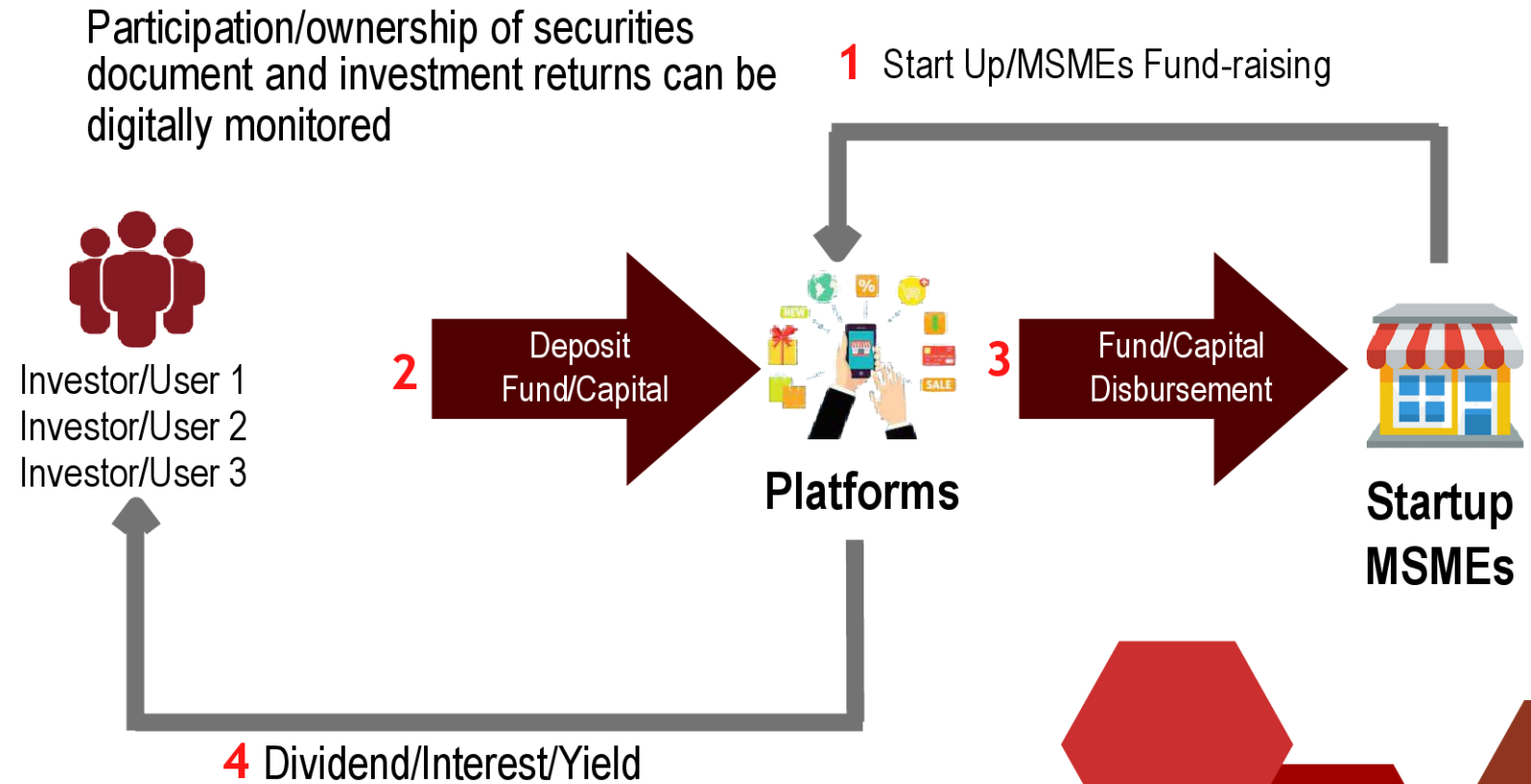


- Offering securities through technology-based crowdfunding services or known as Securities Crowdfunding/SCF
- Alternative sources of funding that are fast, easy, and cheap for the younger generation and nonbankable SMEs to develop their business

Indonesian Securities Crowdfunding (SCF) Potential

in August 2023, there are 16 platforms and 439 issuers who have raised funds IDR 951.20 billion.

Securities Crowdfunding Concept



Regulation Issuance:
POJK 19/2022 concerning
Special Treatment for
Financial Services
Institutions in Certain
Regions and Sectors in
Indonesia Affected by
Disasters
Assessment quality of
loan/financing/provision of
other funds only based on
timeliness of payment
principal and/or interest for
loans up to IDR 10 billion.

**Default
on Loan**

allowance for
impairment
losses



OJK Policy:

1. Loan Restructure
2. Additional working capital



Government Policy:

Interest subsidies, credit
guarantees



OJK Policy:

1. Market stabilization to
maintain market sentiment
2. Massive and Effective
policy communication

Investor Outflow



Financial Sector

(Banking, Capital Market, Non
Banking Financial Industry)

Liquidity

Loan Inflow
Costumer Deposit
Outflow

Financial Services Sector Conditions
✓ **CAPITAL** ✓ **LIQUIDITY**

Supporting the National Economic Recovery Program

- Subsidy for Interest Expenses
- MSMEs and Corporate Credit Surety
- Placement of Government Funds in Banking



Government Policy:

Placement of Government
Funds in Commercial Banks



Bank Indonesia Policy:

1. Liquidity Scheme
2. Quantitive Easing



• In order to encourage the development of MSMEs, OJK will take several policies.



OJK directs all FSIs to expand services to MSMEs, especially in remote rural areas.



OJK continues to support the distribution of People's Business Loan (KUR) with various schemes.



OJK and the Indonesia Stock Exchange will improve access to MSME financing through the Capital Market, especially by listing them on Acceleration Boards, business incubators programs and accelerating the process of Electronic Registration of Public Offerings for Issuers with small or medium scale assets (E-Registration).



OJK will continue to optimize special MSME programs such as Micro Waqf Bank and Micro Insurance. OJK also continues to encourage financing for social assistance beneficiaries (Program Keluarga Harapan) through the Mekaar program by PNM, credit guarantees by guarantee institutions, financing for housing development for low-income communities by SMF, financing through mortgages and financing for export-oriented MSMEs by the Indonesia Exim Bank (Lembaga Pembiayaan Ekspor Indonesia or LPEI).



OJK supports the formation of a financial ecosystem that involves cooperation between FSIs in serving the financial needs of MSMEs.

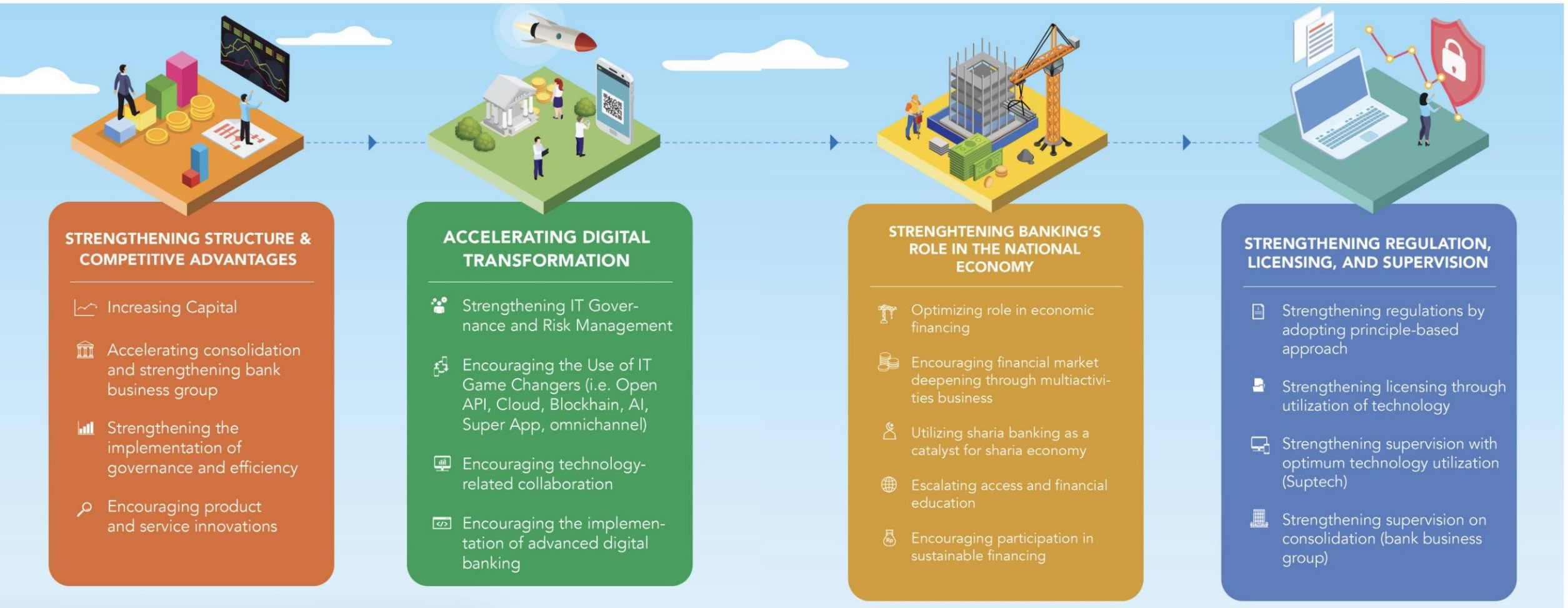


OJK will strive to strengthen the role of guarantee institutions at the central and regional levels to support FSI financing to MSMEs.



OJK will also coordinate with related ministries and agencies to improve the empowerment of MSMEs, especially those that are export-oriented and import substitution.

INDONESIA BANKING DEVELOPMENT ROADMAP 2020-2025



SUPPORTING TOOLS (ENABLER)

 Leadership and Change Management

 Quality and Quantity of HR

 Information Technology Infrastructure

 Synergy & Collaboration Among All Stakeholders

Thank You

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