

Module Microfinance and Micro Banking in Indonesia

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Microfinance and Micro banking in Indonesia

Dr. Roberto Akyuwen
The Head of OJK Regional Office 1 DKI Jakarta and Banten

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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.



Percentage of business units 99.9%



Contribution to GDP **60.5**%



Contribution to exports 15,69%



Percentage of investment **60.0%**



Partnership with big enterprises **7%**



Labor absorption **96.9%**



Contribution to non-oil and gas exports

15.6%



Participation ratio in value chains **4.1**



Entrepreneurship ratio **3.47**



Big enterprises → 5,550 units

Sales/year > IDR 50B

Business capital > IDR 50B



Medium enterprises → 44,728 units Sales/year = IDR 15 to 50B Business capital = IDR 5 to 10B



Small enterprises → 193.959 units
Sales/year = IDR 2 to 15B
Business capital = IDR 1 to 5B



Micro enterprises → 63,955,369 units

Sales/year ≤ IDR 2B

Business capital ≤ IDR 1B

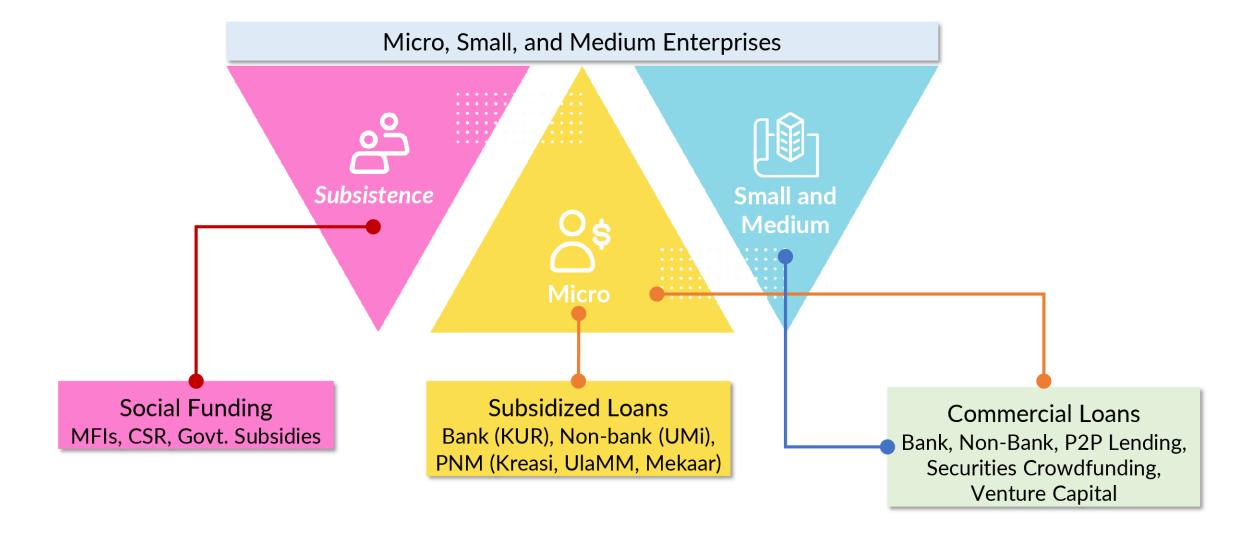
*B = Billion Rupiah; USD1 ~ IDR 15,648.15

ACCESS TO FINANCE









MICROFINANCE ECOSYSTEM









P2P LENDING

July 2023 IDR 20.6 trillion



SECURITIES CROWDFUNDING

July 2023 IDR 911.35 billion 159,408 investors



BWM DIGITAL

October 2023 IDR 112.7 billion 62 BWMs 14,214 borrowers



n <u>lan</u> t

SMEs credit/

MSMEs

June-23 IDR 1,392.48 trillion

financing

(by Banks)



K/PMR

Jun-22: 107 schemes against loan shark Debtors : 337.940

Loan : IDR 4.4 trillion



KUR DIGITAL

Digitalized subsidized loan program

COACHING/MENTORING MSMEs



MENTORING BY FINANCIAL INSTITUTION



CAMPUSES AND MSMEs COLLABORATION PROGRAM



MSMEs DIGITAL LITERATION AND ON BOARDING

MARKETING







20,9 million MSMEs have participated in digital ecosystem

FINANCIAL INCLUSION STRATEGY







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.

OJK



Financial inclusion is the availability of access to various financial institutions, products and services that meet community needs and abilities to improve public welfare.

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)

LAKU PANDAI PRODUCT: BASIC SAVING ACCOUNT (BSA)







Characteristic



Individual WNI



Rupiah currency (IDR)



No limit min. deposit



No limit min. account balance



Earn interest/profit sharing from IDR 1.00 balance



Free monthly administration fee and certain transactions



Cash withdrawal, transfer-out, and payment fees < similar fees for regular savings, or IDR 0.00



Joint account not allowed with the status "and/or"



Max limit. balance of IDR 20 million



Max limit. cumulative transactions of IDR **5 million per month**, or IDR **60 million per year** if the customer is also a debtor

Conditions

1. Banks can only open BSA accounts to prospective customers who do not have other savings.

 Under certain conditions, the Bank may establish transaction maximum limit oversight policy for a time. Can be <u>excluded</u> to support implementation of government programs.





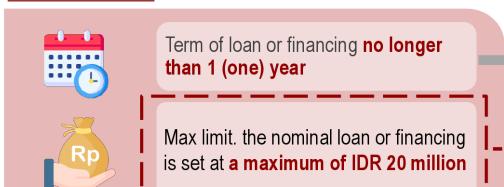
LAKU PANDAI PRODUCTS AND SCHEMES







Characteristic



The bank may set a loan term or financing can be longer than 1 (one) year as long as it is accordance with the debtor's business cycle.



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

Disbursement Mechanism

Loan application submission or microfinance can be done through:



Bank Office



Peasibility analysis and approval of microfinance or loan applications conducted by the Bank



Loan disbursement is carried out through:



BSA account belonging to the debtor



Accounts belonging to suppliers or parties supporting debtor business

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		
	Α	В	С
• BSA			
• Electronic Money (DFS agent)			
Microinsurance			
Loan/Microfinance			
 Savings account other than BSA (excluding manual account opening and closing) 			
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

FINTECH DEVELOPMENT









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











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Investment Management







Authentication





and RegTech - TT nting elektronik

EXPANSION FINANCIAL ACCESS FOR SMEs THROUGH SECURITIES CROWFUNDING





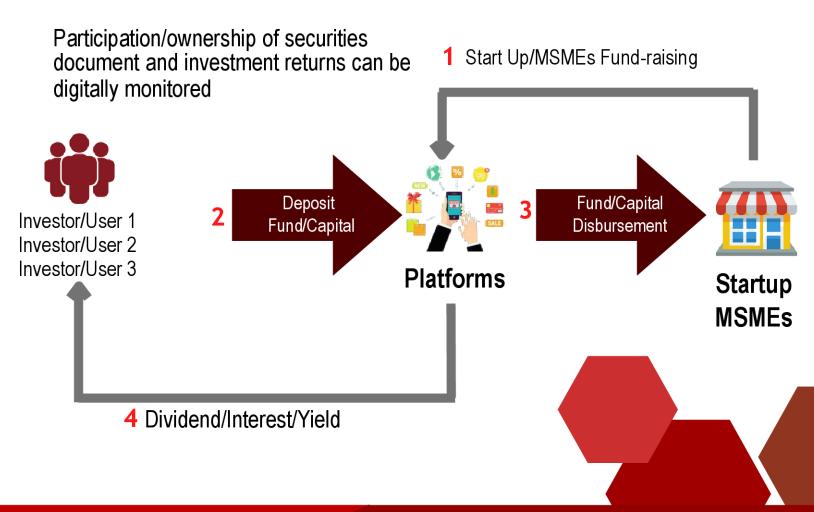


- Offering securities through technologybased crowdfunding services or known as Securities Crowdfunding/SCF
- Alternative sources of funding that are fast, easy, and cheap for the younger generation and nonbankable SMEs to develop their business

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



POLICY RESPONSE TO COVID-19







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
Ioan/financing/provision of
other funds only based on
timeliness of payment
principal and/or interest for
Ioans up to IDR 10 billion.

Default

on Loan

allowance for impairment losses



OJK Policy:

- 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



OJK Policy:

- 1. Loan Restructure
- 2. Additional working capital



Government Policy:

Interest subsidies, credit guarantees

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

INDONESIA FINANCIAL SERVICES SECTOR MASTER PLAN 2021 - 2025









▶ 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 exportoriented 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









STRENGTHENING STRUCTURE & COMPETITIVE ADVANTAGES

- Accelerating consolidation and strengthening bank business group
- Strengthening the implementation of governance and efficiency
- Encouraging product and service innovations



ACCELERATING DIGITAL TRANSFORMATION

- Strengthening IT Governance and Risk Management
- Encouraging the Use of IT Game Changers (i.e. Open API, Cloud, Blockhain, AI, Super App, omnichannel)
- Encouraging technologyrelated collaboration
- Encouraging the implementation of advanced digital banking



STRENGHTENING BANKING'S ROLE IN THE NATIONAL ECONOMY

- Optimizing role in economic financing
- Encouraging financial market deepening through multiactivities business
- Utilizing sharia banking as a catalyst for sharia economy
- Escalating access and financial adjustion
- Encouraging participation in sustainable financing



LICENSING, AND SUPERVISION

- Strengthening regulations by adopting principle-based approach
- Strengthening licensing through utilization of technology
- Strengthening supervision with optimum technology utilization (Suptech)
- Strengthening supervision on consolidation (bank business group)

SUPPORTING TOOLS (ENABLER)



Leadership and Change Management



Quality and Quantity of HR



Information Technology Infrastructure



Synergy & Collaboration Among All Stakeholders







Thank You

The Office of OJK Regional 1 – DKI Jakarta and Banten Wisma Mulia 2, 25th Floor General Gatot Subroto Street, Kav. 42 South Jakarta 12710