

# Module Microfinance and Micro Banking in Indonesia

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





# Microfinance and Microbanking in Indonesia

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# Indonesian Micro, Small, and Medium Enterprises

### MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT



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.



Total Business Unit 99,9%



Contribution of MSMEs to National GDP **60.5%** 



Contribution of MSMEs to Exports
15.69%



Total National MSME Investment 60.0%



Micro - Small Enterprises and Medium - Big Enterprises Partnership

7%



Labor Absorption **96,9%** 



MSMEs Contribution to Non-Oil and Gas Exports 15.6%



SME Participation Ratio in global value chains
4.1%



National Entrepreneurship Ratio

3.47%



Big Business → 5.550

Sales/year> IDR 50B

Business Capital> IDR 50B



Medium Enterprises → 44.728
Sales/year IDR 15 to 50B
Business Capital IDR 5 to 10B



Small Business → 193.959
Sales/year IDR 2 to 15B
Business Capital IDR 1 to 5B

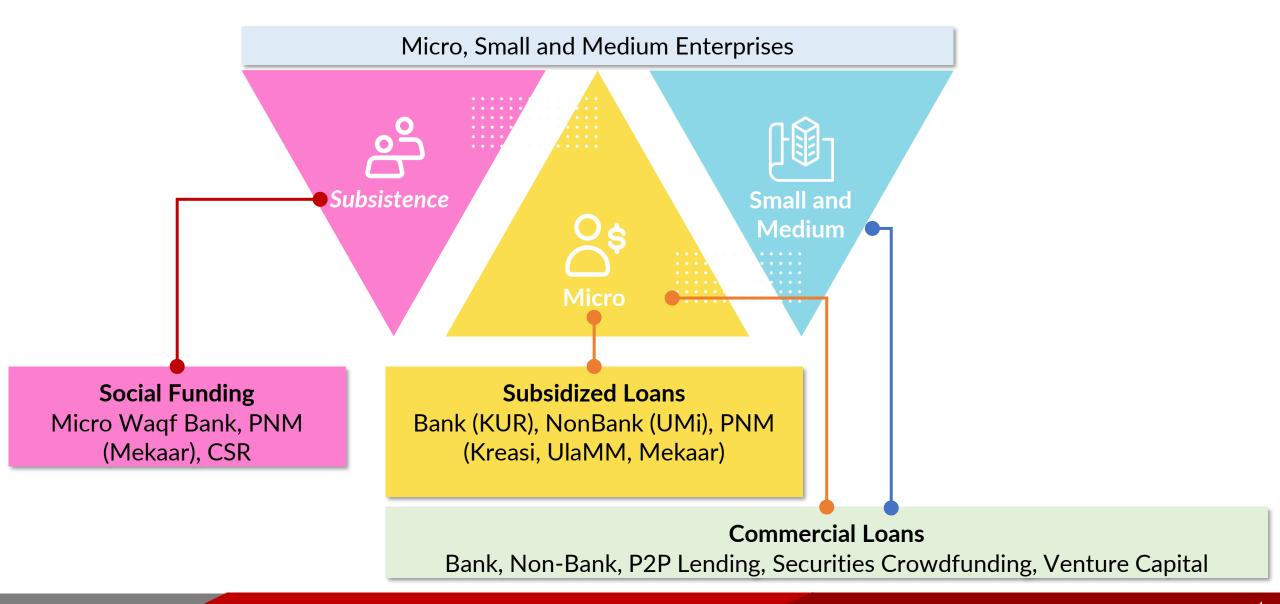


Micro Enterprises → 63.955.369
Sales/year up to IDR 2B
Business Capital up to IDR 1B

\*B = Billion Rupiah

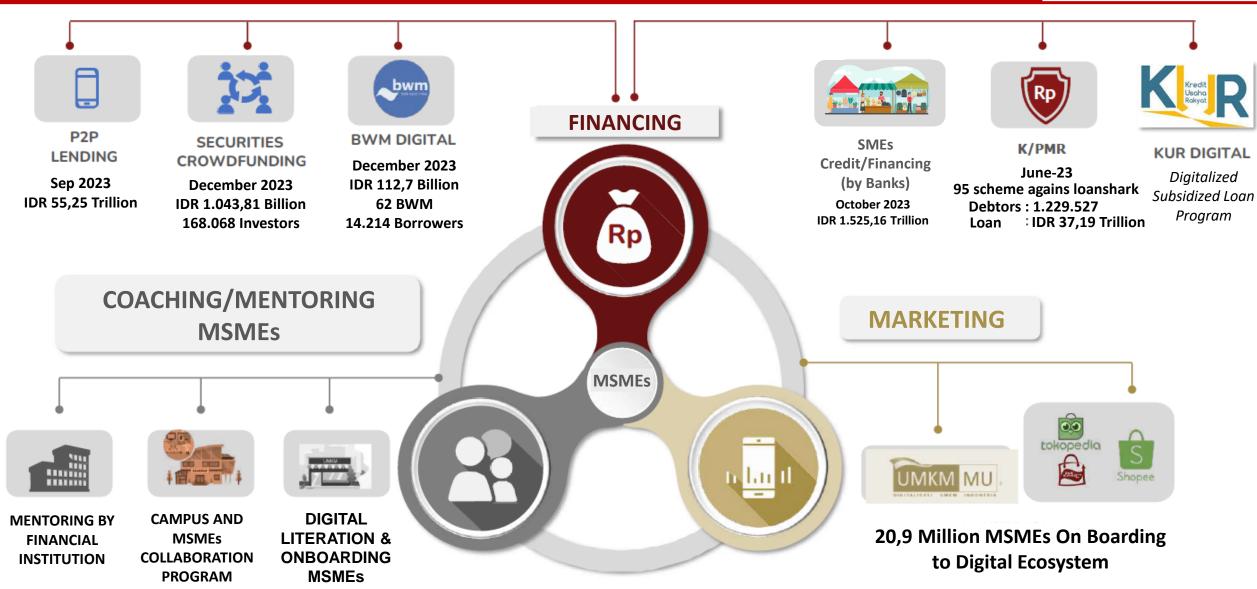
## MSMEs FINANCIAL ACCESS





## MICROFINANCE ECOSYSTEM







# Improving Financial Inclusion

# 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)



Credit or Microfinance



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 IDR0.00



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**.

2. 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.

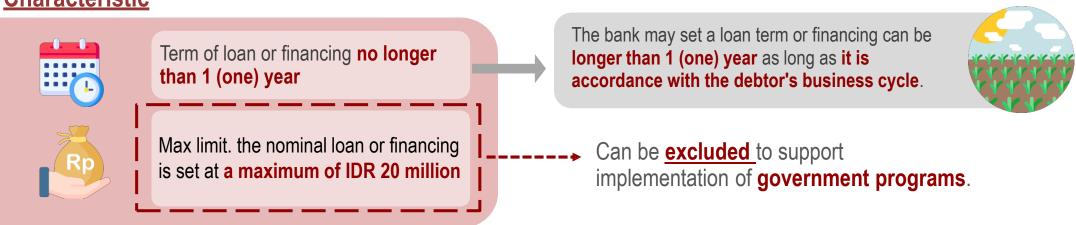




## LAKU PANDAI PRODUCTS: LOAN OR MICROFINANCE



#### **Characteristic**



#### **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



3 Loan disbursement or Microfinance 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 PROVIDE 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			
<ul> <li>Savings account other than BSA (excluding manual account opening and closing)</li> </ul>			
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

#### **ACCOMMODATIVE FINTECH DEVELOPMENT**





### **P2P Lending development**

101 P2P Lending

94 Conventional and 7 Sharia

7.674.858

**Lender (unit of entity)** 

(Number of Lender Accounts)

19.525.822

**Borrower (unit of entity)** (Number of Borrower Accounts)

IDR20,35 Trillion

Disbursement to MSMEs **Sept 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**

Registered and Licensed **Digital Finance Innovation** 

15 Cluster

4 Association AFTECH, AFPI, AFSI, ALUDI

















Management





Authentication



Accounting

#### **EXPANSION FINANCIAL ACCESS FOR SMEs THROUGH SECURITIES CROWFUNDING**

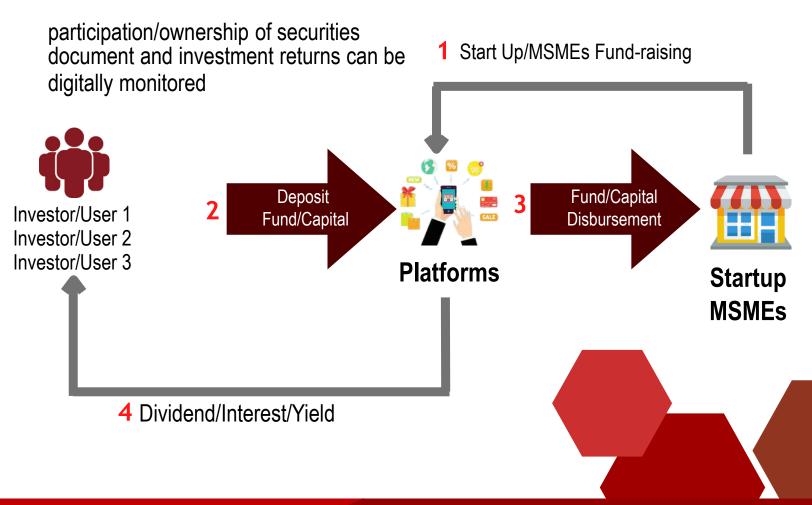


- Offering securities through technologybased crowdfunding services or known as Securities Crowdfunding/SCF
- Alternative sources of funding that are fast, easy, and cheap for the younger generation and nonbankable SMEs to develop their business

# Indonesian Securities Crowdfunding (SCF) Potential

in Dec 2023, **there are 16 platforms** and **494 issuers** who have raised funds IDR **1,04 trillion**.

### **Securities Crowdfunding Concept**





# OJK Policy on Microbanking

# POLICY TO RESPONSE THE IMPACT OF COVID-19



#### **Regulation Issuance:**

POJK 19/2022 concerning Treatment Special for Financial Services Institutions Certain in Regions and Sectors Indonesia Affected by Disasters

quality Assessment 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







- 1. Loan Restructurisation
- 2. Additional Working Capital Loan



#### **Government Policy:**

Interest Subsidies, Credit Guarantees

#### **OJK Policy:**



- Market stabilization maintain market sentiment
- Effective Massive and policy communication

#### **Investor Outflow**



#### **Financial Sector**

(Banking, Capital Market, Non Banking Financial Industry)

**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

Liquidity

**Loan Inflow Costumer Deposit** Outflow



#### **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 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 multiactivi
- Utilizing sharia banking as a catalyst for sharia economy
- Escalating access and financial education
- Encouraging participation i sustainable financing

#### STRENGTHENING REGULATION, 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

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