

**PRESS RELEASE**  
**SHARIA FINANCE SOLUTION FOR SDGs: OJK CHAIRMAN**

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**Financial Services Authority, Jakarta, October 9, 2016:** Chairman of Board of Commissioners of the Financial Services Authority (OJK) Muliaman D. Hadad said that Sharia Finance could become one of the solutions for the world towards Sustainable Development Goals (SDGs) established by the United Nations (UN).

“The distinctive principles of Sharia finance, which favor equal income distribution and are oriented to social activities in neighborhoods, have made development of the Sharia finance system highly relevant to achievement of SDG targets,” Muliaman said.

He expressed the view when speaking at a Sharia Finance Seminar in Washington DC, United States, which was held by the World Bank and the Islamic Financial Services Board on Friday, October 7.

Not only able to deal with poverty alleviation, but Sharia finance also tackle issues concerning health improvement, provision of quality education, gender equality, infrastructure development, economic growth, climate change anticipation and efforts to lower income gap.

The OJK, as the authority over the financial services sector in Indonesia, continues promoting development of different Sharia finance sectors—from banking, non-banking financial institutions, to capital market.

The share of the Sharia banking industry to the national banking industry has increased from the previous year to 4.81 percent as of July 2016 from 4.60 percent as of July 2015. The share could go up to around 5.13 percent if Aceh Regional Development Bank, which had converted into a Sharia conventional bank, was also taken into consideration.

In line with the rising share, Sharia banking (Sharia banks and Sharia business units) assets have soared by 18.49 percent year-on-year (y-o-y) to IDR 305.5 trillion (as of July 2016) from IDR 272.6 trillion (as of July 2015). The rise was mainly driven by third-party funds collection that has grown 12.54 percent y-o-y to IDR 243 trillion (as of July 2016) from IDR 216 trillion (as of July 2015). The growth in turn has spurred total loans channeled to climb 7.47 percent y-o-y to IDR 220.1 trillion from IDR 204.8 trillion (as of July 2015).

Regarding quality of financing, year-on-year gross non-performing financing (NPF) ratio has dropped to 4.81 percent (as of July 2016) from 4.89 percent (as of July 2015). On the other hand, the Sharia banking sector has enjoyed higher profitability as reflected by its return-on-assets (ROA) ratio that rose to 1.06 percent (as of July 2016) from 0.91 percent (as of July 2015). The sector also saw its cost-to-income ratio improve to 92.78 percent (as of July 2016) from 94.19 percent (as of July 2015).

Moreover, the Sharia banking industry has recorded higher capital adequacy as reflected by its capital adequacy ratio (CAR) that climbed to 14.86 percent (as of July 2016) from 14.47 percent (as of July 2015).

With regard to the Sharia capital market, as of September 23, 2016, based on their types, Sharia securities had different proportions of the total securities as follows: Sharia stocks made up 55.97 percent of total stocks, corporate sukuk made up 3.88 percent of total corporate bonds, Sharia mutual funds made up 3.76 percent of total mutual funds and state sukuk made up 15.08 percent of total state bonds.

In terms of the Sharia non-banking financial industry (IKNB) development, the industry's total assets have soared by 23.18 percent to IDR 80.1 trillion as of July 2016. The growth mostly came from the arrival of more players and the development of the industry's products and services.

At global level, Indonesia sukuk has made significant contribution of around 23.3 percent (roughly US\$10.15 billion) to total sovereign sukuk issued worldwide. Indonesia was also the first country that issued retail sukuk.

Muliaman said that the Sharia capital market could also play a significant role in the financing of the government's infrastructure projects, especially by developing the sukuk market.

The seminar also discussed about recent political conflicts and natural disasters that have made 1 billion people live in the pit of poverty. There are 1.1 billion people who live with no electricity and 2.5 billion people live without adequate sanitation.

Moreover, some of them are found in Muslim-majority countries and Indonesia contributes around 28 million people to the world's poor population.

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