

ROADMAP

DEVELOPMENT AND REINFORCEMENT FOR INFORMATION TECHNOLOGY-BASED JOINT FUNDING SERVICES

2023 - 2028

The realization of Healthy, Integrity-Driven, Financial Inclusion and Consumer Protection-Oriented LPBBTI industry, and contributing to National Economic Growth





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CHAPTER. I

INTRODUCTION





Chapter I Introduction

The global economy is still faced with uncertainty. In the October 2023 edition of the World Economic Outlook, the International Monetary Fund (IMF) delivered a projection of a slowdown in the global economy, from 3.5% in 2022 to 3.0% in 2023 and then weakening further to 2.9% in 2024. Some of the factors behind the projection are a high global inflation rate, China's economic slowdown, commodity price volatility, increased fragmentation in the global economy, and increased debt vulnerability. The IMF still maintains Indonesia's Gross Domestic Product (GDP) growth projection of 5% in 2023 and 2024. National economic resilience is supported by stable domestic demand, controlled inflation, and positive external performance.

In the third quarter of 2023, the economic growth was supported by private consumption, including consumption from the younger generation, which increased alongside the rise of consumption in the service sector and the remained-high consumer confidence. The investment growth is keeping its good condition driven by the continued completion of the National Strategic Project (PSN). Meanwhile, the real growth of the export of goods declined in line with the weakening demand from major trading partners, especially China, and falling commodity prices, whereas exports of services continued to grow strongly in line with the increase in the number of foreign tourists. Spatially, the highest economic growth occurred in Sulampua, Kalimantan, and Java.

Banking credit in September 2023 grew by 8.96% (yoy), supported by banks' appetite that is still loose and demand for financing requests that have started to increase, it is in correspondence with corporate performance that still growing positively. By sector, credit growth was mainly supported by the Business Services, Trade, and Social Services sectors. Sharia financing also continued to increase, reaching 14.69% (yoy) in September 2023. In the MSMEs segment, credit growth reached 8.34% (yoy), among others due to support from the increasing distribution of People's Business Loan (Kredit Usaha Rakyat/'KUR'). The positive performance of KUR becomes one of the indications that the MSMEs segment has shown a post-pandemic recovery. The MSMEs that have no banking access yet, surely also wish to take advantage of the good domestic economic outlook. This is where the role of LPBBTI becomes important to be able to open the access gates of loans for potential unbanked MSME.

In this context, LPBBTI is expected to contribute to opening access to loans for MSMEs that have not been reached by banks, thus encouraging more equitable and sustainable economic growth. Financing for MSMEs will be optimally distributed by a healthy LPBBTI industry. Therefore, a roadmap is needed to realize a healthy LPBBTI industry. The LPBBTI roadmap that is prepared needs to be in line with and become an integral part of the 2025-2045 National Long-Term Development Plan (RPJPN) in supporting the implementation of the Golden Indonesia Vision 2045. The RPJPN's focus on sustainable and inclusive economic development, with special attention to the MSME sector as a pillar of the national economy, provides direction for the development and strengthening of the LPBBTI industry.



In line with the Final Draft of the 2025-2045 RPJPN regarding the direction of financial sector policy, the financial services sector is expected to be an innovative, efficient, stable, and inclusive source of funding. Optimizing the role of the financial sector outlined in the 2025-2045 RPJPN includes:

1. Deepening the role of the financial services sector through the development of product diversification, financial instruments, and their guarantees as well as strengthening institutions/regulations and more competitive markets;
2. Strengthening the intermediary role of the financial sector by improving the quality and quantity of credit/financing distribution to various priority regions and sectors determined by the government, including to MSMEs and their assistance;
3. Strengthening the basis of funding sources and the role of the non-bank financial sector through the availability of diverse investment portfolios and improving governance;
4. Strengthening financial inclusion and consumer protection through increasing literacy and education as well as financial access;
5. Strengthening innovation and utilization of financial digitalization; and
6. Protection of consumers and financial investors.

The LPBBTI industry has an important role in supporting the direction of the 2025-2045 RPJPN, namely in strengthening the role of financial sector intermediation, especially by expanding access to financing for the unbanked/underserved segment to various regions and MSME groups that have not been reached by traditional banking. The direction of the long-term policy has been translated into several work programs contained in the LPBBTI roadmap, including strengthening regulations that support the relaxation of the maximum limit for financing the productive sector, opening a moratorium for LPBBTI which specifically finances the productive sector and MSMEs, and synergies to encourage financing outside Java.

By aligning the LPBBTI roadmap concept with the 2025-2045 RPJPN, it is hoped that LPBBTI can make a real contribution to supporting the realization of a strong financial sector in welcoming the Golden Indonesia 2045.



CHAPTER. II

BACKGROUND OF ROADMAP PREPARATION





Chapter. II Background of Roadmap Preparation

Based on the World Bank's definition, Peer-to-Peer Lending, or Information Technology-Based Joint Funding Services (*Layanan Pendanaan Bersama Berbasis Teknologi Informasi*/'LPBBTI') is a financial service model that allows individuals or entities to borrow and lend funds directly to each other through an online platform. This business model will create an ecosystem where parties who need funds can apply for loans and lenders who want to invest their money can apply for loans online.

The Financial Services Authority (*Otoritas Jasa Keuangan*/'OJK') defines LPBBTI as a financial services sector that allows individuals or companies to borrow money or invest their funds through an online platform, where the platform serves as an intermediary connecting borrowers with lenders, and charges fees for this service.

This business model is different from other financial services sectors, where the LPBBTI business organizer only acts as an intermediary, and cannot take the role of a party that collects third-party funds or jointly takes risks on lending funds provided by lenders to borrowers. In the LPBBTI business model, borrowers can apply for a loan with the desired amount based on an interest rate adjusted for the tenor. The lenders can choose to fund the desired borrowers based on their respective risk profiles.

One of the main advantages of LPBBTI is that it provides easier and faster access to finance, especially for individuals or small businesses that have difficulty obtaining loans from traditional financial institutions such as banks (unbanked and underserved).

In general, the LPBBTI business has 3 main components, namely:

Online Platform:

LPBBTI organizers operate through an online platform that connects borrowers with lenders. The main function of the platform is as an intermediary to connect both parties.

Borrower:

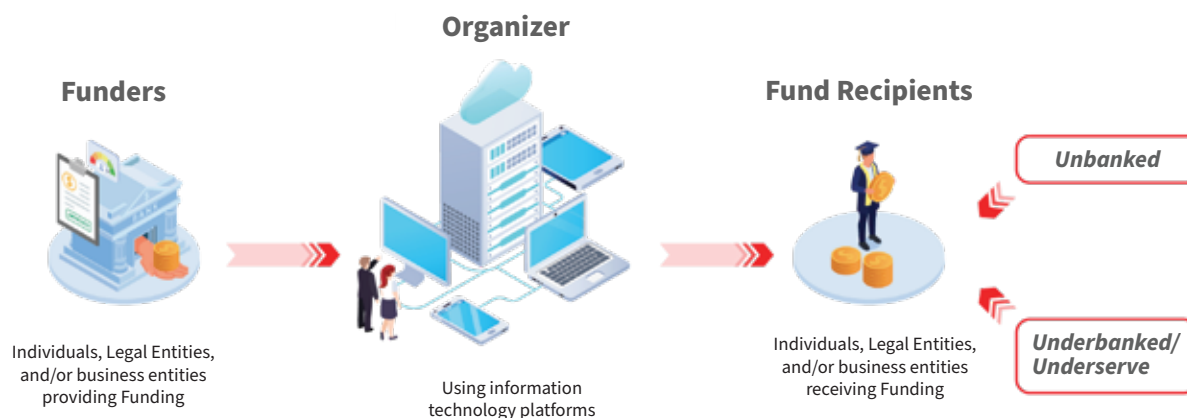
A party who needs funds and makes a loan either individually or as an entity. The loan application is submitted through an online platform, where the borrower provides information about the loan amount and the required data.

Lender:

Lenders are individuals or entities that are ready to provide funds to borrowers. They invest in the loan applied for by the borrower and receive a refund along with interest payments from the borrower.



Graphic 2.1 Mechanism of LPBBTI in Indonesia



Source: OJK

The Peer-to-Peer ('P2P') lending business model dates back to early 2005 when the concept first emerged in the United Kingdom under the name Zopa, the first P2P lending platform founded by Dave Nicholson, Giles Andrews, and Richard Duvall. Zopa created a model where borrowers could borrow directly from lenders through an online platform without the intermediary of traditional financial institutions.

Then, in 2006 Prosper was established, the first P2P lending platform in the United States founded by Chris Larsen and John Witchel. Prosper allowed borrowers to obtain loans directly from individual lenders, while the platform facilitated the process of risk assessment and loan administration. Later, technological developments allowed more P2P lending platforms to emerge in various countries around the world.

In 2008, the US mortgage industry experienced turmoil due to the subprime mortgage crisis. This crisis involved high-risk lending practices to low-credit borrowers that eventually resulted in a huge spike in default payments.

The crisis had a significant impact on the growth of the P2P lending industry, as distrust of conventional financial institutions arose and resulted in an urgent need for alternative financing. In this context, P2P lending emerged as one of the attractive solutions by offering a platform where individuals and small businesses can borrow funds from individual investors without involving traditional financial institutions.

In Indonesia, the P2P lending business model started in early 2016, when the Financial Services Authority (OJK) issued POJK No.77/POJK.01/2016 that allowed the operation of P2P lending platforms in the country as well as the establishment of the Indonesian Fintech Association (*Asosiasi Fintech Indonesia*/'AFTECH') that supports the development of P2P lending in Indonesia. The development of this industry continued in 2018 when a special association for P2P lending was established, namely the Indonesian Joint Funding Fintech Association (*Asosiasi Fintech Pendanaan Bersama*/'AFPI') and the issuance of POJK No.10/POJK.05/2022 which is a refinement of the POJK regarding the implementation of the previous P2P lending business activities.



This was later strengthened by the inclusion of P2P lending business activities in Law No. 4 of 2023 concerning the Development and Reinforcement of the Financial Sector when the P2P lending business activities were first regulated in a law.

Since then, the P2P lending industry in Indonesia has continued to experience rapid growth, driven by a large population and the development of the digital economy. P2P lending becomes one of the funding alternatives for underserved communities, especially for MSMEs which are the backbone of economic growth in Indonesia.

The P2P lending or LPBBTI industry continues its positive growth trend in line with the post-Covid-19 economic recovery. The number of outstanding loans disbursed by the LPBBTI industry in August 2023 was recorded to grow by 12.46% (yoy). This figure is relatively high although it has not reached the pre-pandemic growth rate of 160.84% (yoy).

The following are some of the main aspects that became the background in the preparation of the LPBBTI roadmap:

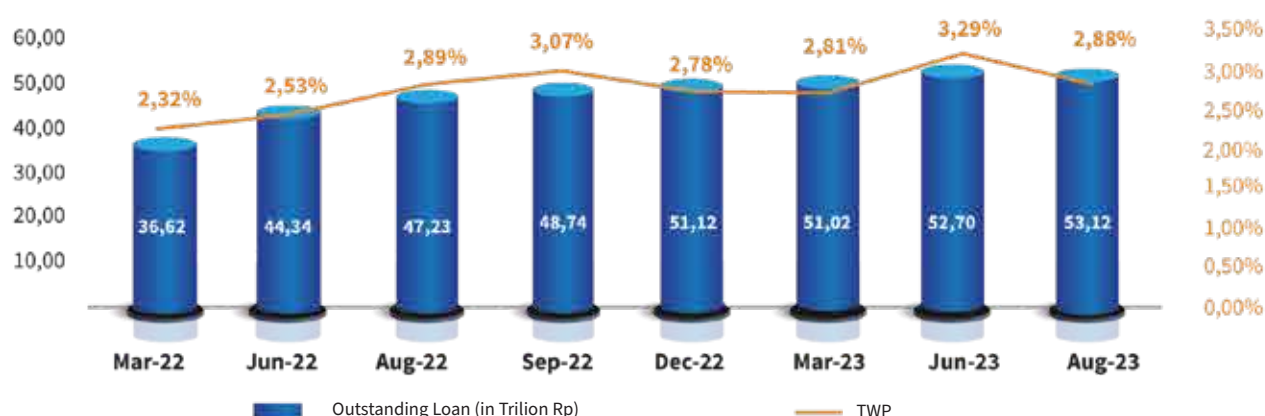
The positive development of the LPBBTI industry is in line with the role they play in serving community groups that have not had access to formal financial institutions (unbanked and underbank/underserved).

In supporting the development of the LPBBTI industry, the Financial Services Authority (OJK) has issued Financial Services Authority Regulation (*Peraturan Otoritas Jasa Keuangan*/'POJK') Number 10 of 2022 concerning Information Technology-Based Joint Funding Services. Then the issuance of the Law concerning Development and Reinforcement of Financial Sector (P2SK Law) in 2023 further strengthened the legal basis for regulating this industry. In the P2SK Law, LPBBTI is stated to be one of the forms of Financing Services Business regulated by OJK.

2.1 LPBBTI Loan Disbursement to Productive Sector and MSMEs is Still Limited

LPBBTI performance in aggregate shows an increasing trend. This is reflected in the outstanding loans which increased by 12.46% year on year and 3.90% year to date to Rp 53.12 trillion as of August 2023. However, outstanding loans experienced a month-to-month performance decline of 5.11% with loan quality maintained with TWP90 below 5% at 2.88%.

Graphic 2.2 LPBBTI Loan Disbursement in Indonesia (Outstanding)

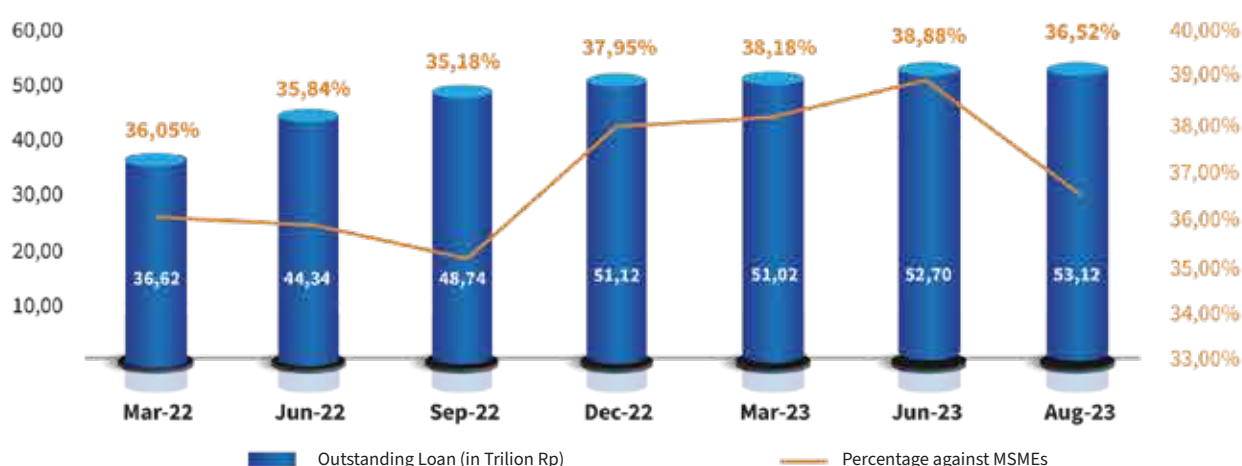


Source from: processed by OJK, August 2023



Loans disbursed by LPBBTI since 2018 have continued to increase with growth in the December 2022 period of 71.09% year on year compared to 2021. Most of LPBBTI's loan disbursements were intended for non-productive sector financing, namely 60.95% of the total financing disbursements in August 2023. In line with this condition, financing disbursed by LPBBTI to MSMEs is also relatively low at 36.52% (as of August 2023). The largest type of financing object in the productive sector came from wholesale and retail trade, reparation, and maintenance of cars and motorcycles amounting to 44.9% of total productive sector financing.

Graphic 2.3 Outstanding Funding Portion for MSMEs Sector



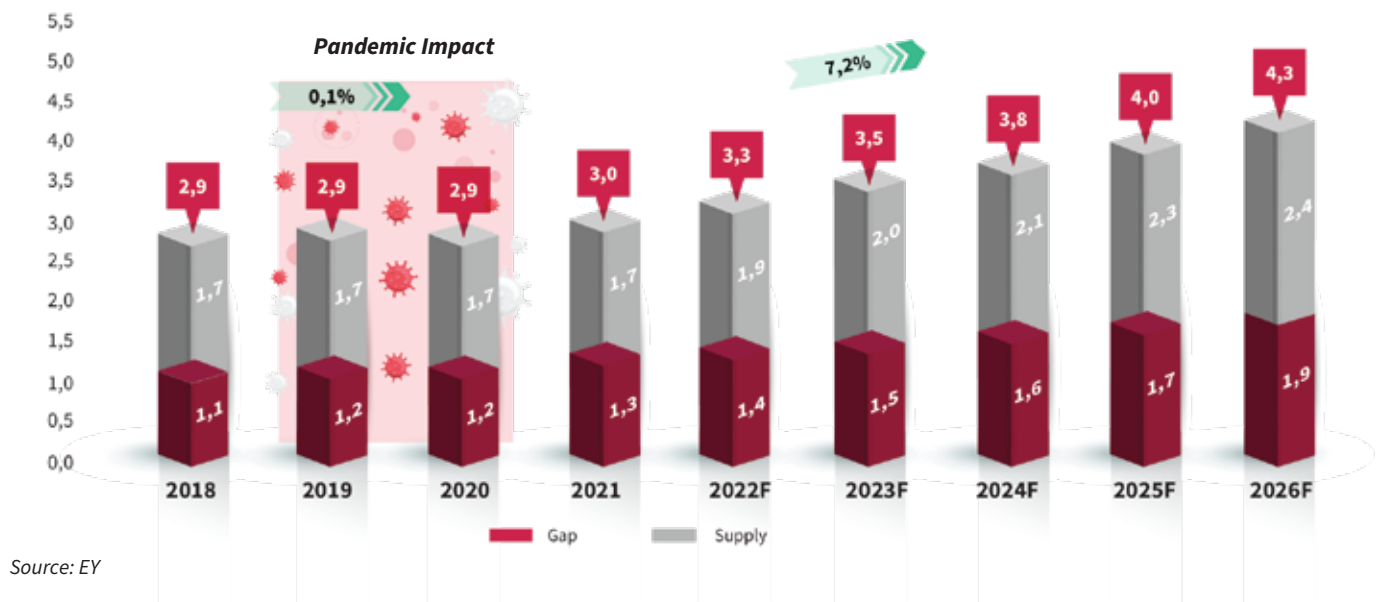
Source from (processed by)OJK, August 2023

2.2 The Potential of MSMEs Financing is Still Very Large

Another potential arises from the huge funding needs of national Micro, Small and Medium Enterprises ('MSMEs'). A study conducted by AFPI and Ernst and Young ('EY') shows that there is an increasing trend of the gap between supply and demand for MSMEs funding until 2026. In 2026 the gap is projected to reach Rp 4,300 trillion while the ability to channel funding for MSMEs by financial services institutions in that period is only Rp 1,900 trillion.

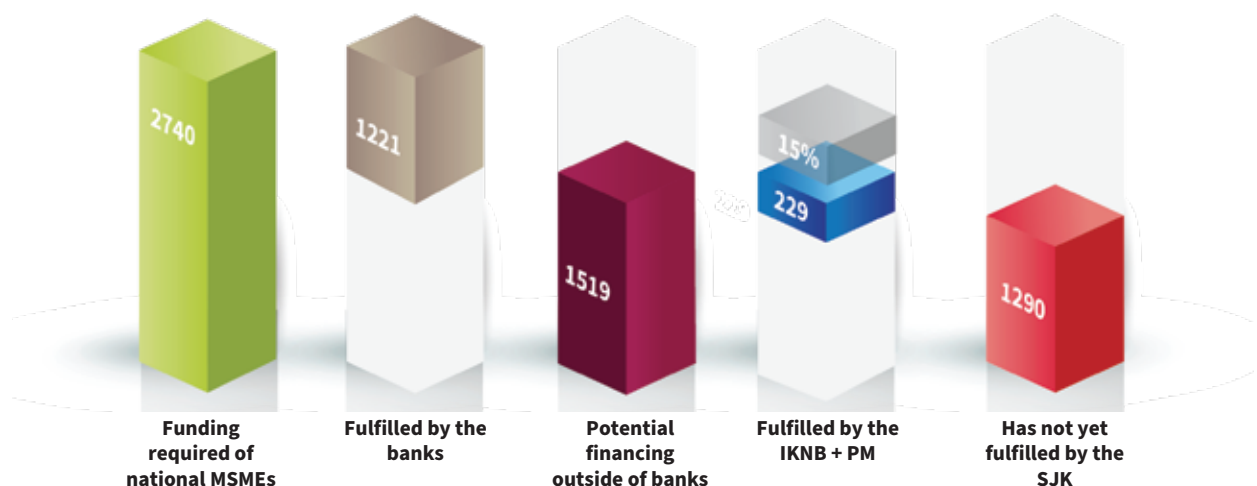


Graphic 2.4 National MSMEs Financing Projections



Similar conclusions regarding the MSMEs financing gap were also obtained from internal research conducted by OJK in 2022. Using the figure of 2021 national MSMEs funding required, a figure of Rp 1,519 trillion (55.43% of the total MSMEs funding required) was obtained, which signifies the required funds for the MSMEs and can be supported by the non-bank financial industry (industri keuangan non-bank/'IKNB'). However, from this amount, the IKNB financing capacity is only able to fulfill Rp 229 trillion (15%), while the LPBBTI industry only contributes Rp 9 trillion (3.9%) of the total IKNB contribution. Thus, there is still a financing gap of Rp 1,290 trillion for the national MSMEs. Based on these findings, it can be concluded that the space of growth for LPBBTI is still very wide open to provide funding to the productive sector. However, capacity building is needed in the LPBBTI industry to fill the financing gap for the national MSMEs.

Graphic 2.5 Map of MSMEs Financing by the Financial Services Sector in 2021



Source from: (processed by) OJK, Bank of Indonesia

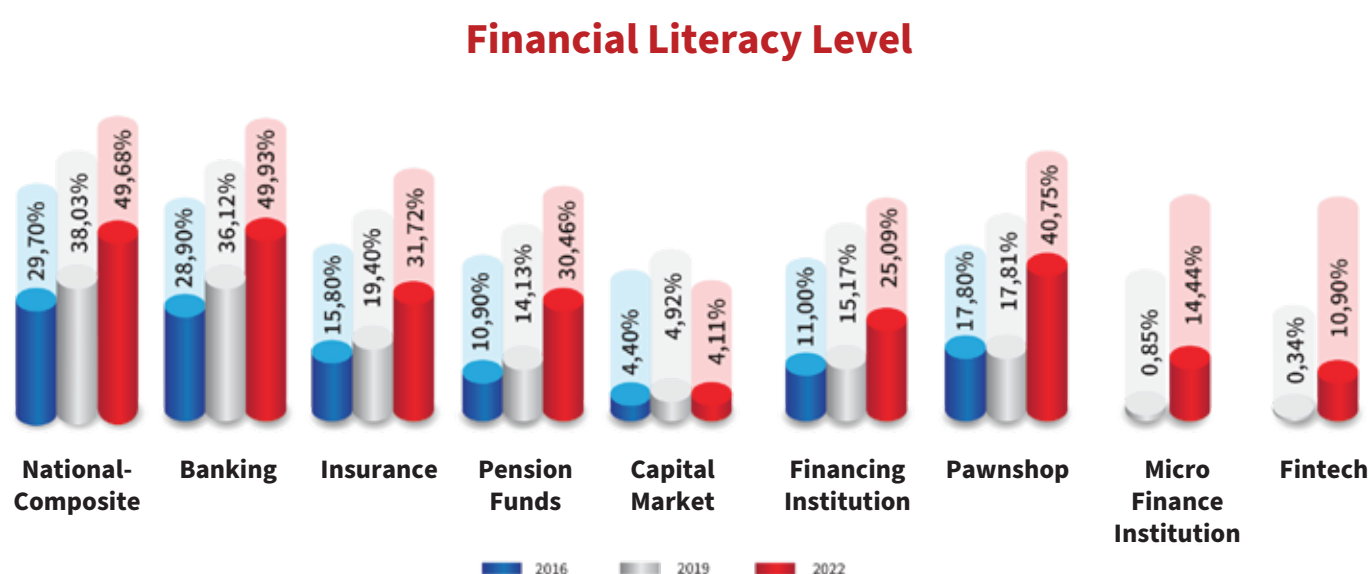


2.3 LPBBTI's Low Literacy and Inclusion Rate

The level of financial literacy can be a measurement in assessing how well the community understands financial products and services. Similarly, the level of financial inclusion that becomes a benchmark in assessing how much the community can access and use a financial product and service. Both the level of financial literacy and the level of financial inclusion can be influenced by various factors. Factors that affect financial literacy among others include level of education, experience, culture and environment. Meanwhile, the level of financial inclusion can be influenced by income, education, location, gender and age.

Graphic 2.6 shows that the level of financial literacy in the LPBBTI industry in general increased from 0.34% in 2019 to 10.90% in 2022. However, when compared to the national-composite level, the level of financial literacy in the LPBBTI industry is still relatively very low (less literate). Likewise, the level of financial inclusion in the LPBBTI industry generally increased from 0.11% in 2019 to 2.56% in 2022. However, when compared to the national-composite level, the level of financial inclusion in the LPBBTI industry is also relatively very low.

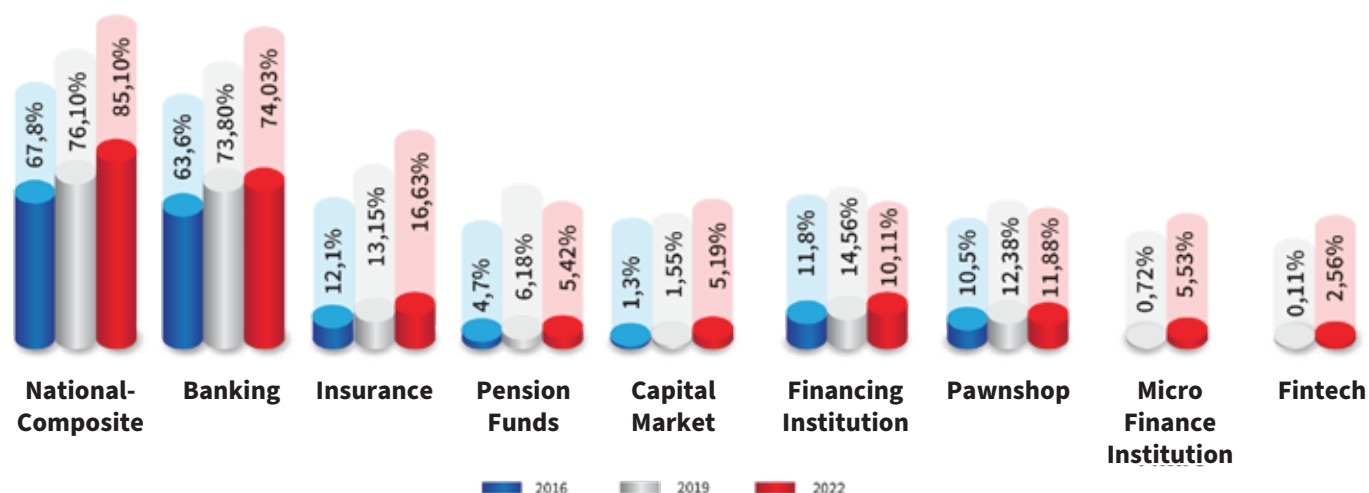
Graphic 2.6 Financial Literacy and Inclusion Level



Source: OJK



Financial Literacy Level



Source: OJK

A very low level of financial literacy can contribute to losses experienced by consumers due to abuse of authority. Based on OJK data, the number of public complaints against LPBBTI from 2020 to 2022 amounted to 4,548 complaints, namely 25 complaints in 2020, 1,726 complaints in 2021, and 2,797 complaints in 2022. Most of the types of complaints received from consumers/communities are related to the behavior of billing officers, amounting to 35.29% of the total complaints. The following is the proportion of complaints by type:

Table 2.1 Complaint Type Portion

Complaints	Portion
Billing Officer Behavior	35,29%
Restructuring/Credit Relaxation/Financing/Loan	16,40%
External Fraud (Fraud, Account Breach, Skimming, Cyber Crime)	14,71%
Misuse of Personal Data	6,02%
Transaction Failure/Delay	5,80%
Others	21,78%

Source: OJK

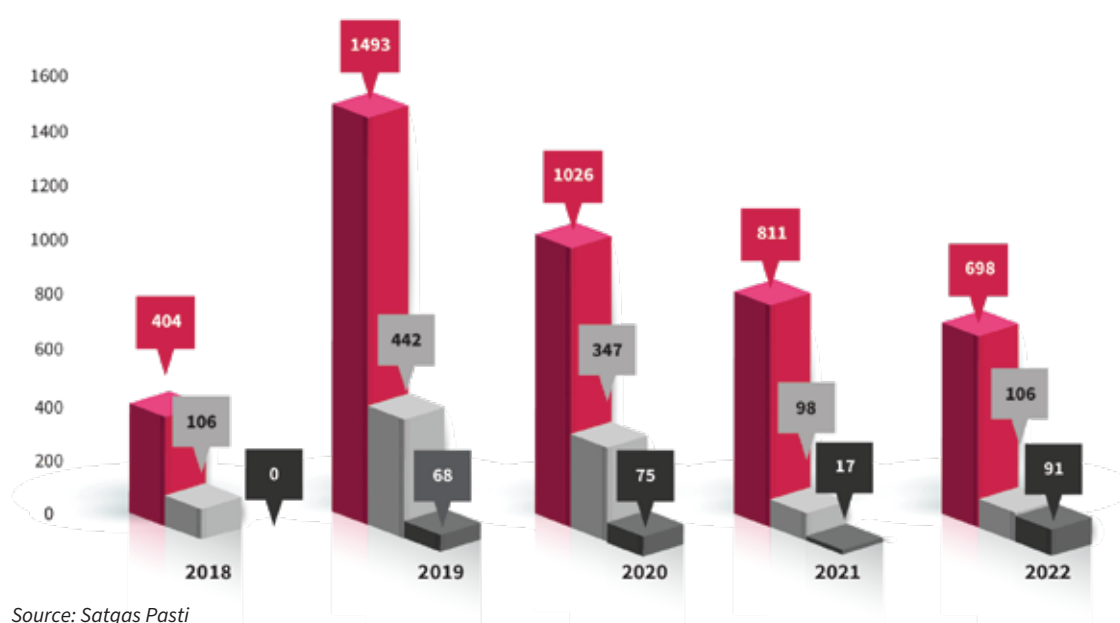


2.4 Quality of Industry Governance that Needs to be Improved

Findings from the result of OJK supervision show that the management aspects of LPBBTI organizers, covering governance, risk management, and compliance, still need to be improved. For example, in terms of governance, organizers that do not have an internal audit function are still found. Then, some Directors also have not performed their functions properly. Meanwhile, in the aspect of risk management, the management of financing risk has not been carried out properly, making it prone to bad loans. Compliance of LPBBTI organizers also needs to be improved since there are still products/business models that are not in compliance with OJK regulations. In addition, many mistakes are still found in the reporting of data that must be submitted to OJK.

2.5 Striking illegal online financing in the society

Graphic 2.7 Number of Illegal Entities Handled by the Task Force for the Eradication of Illegal Financial Activities (Satgas Pasti)



The curbing of illegal online loans becomes the main focus of OJK and the industry in restoring public trust in the LPBBTI industry. The Task Force for Eradication of Illegal Financial Activity (*Satuan Tugas Pemberantasan Aktivitas Keuangan Illegal*/'Satgas Pasti'), formerly known as the Investment Alert Task Force (*Satgas Waspada Investasi*/'Satgas Pasti'), plays an important role in the eradication of illegal online loans.

Since 2018, Satgas Pasti has successfully stopped 6,894 illegal financial entities. In detail, 1,099 entities were illegal investments, 4,432 entities were illegal online loans (financing institutions and illegal deposit management), and 251 entities were related to illegal pawning. Despite intensive efforts to close down illegal online loans, it is still striking in society, hence, another mechanism that has a more deterrent effect on the perpetrators of illegal online loans is needed.



2.6. Mandate from Law No. 4 of 2023 concerning Development and Reinforcement of Financial Sector (P2SK Law) for the Implementation of LPBBTI

The mandate of the P2SK Law provides a strong basis for the regulation and supervision of LPBBTI Organizers. Some key points in the P2SK Law that are relevant to the implementation of LPBBTI are as follows:

- a. Strengthening legal basis at the Law level: The P2SK Law provides a legal basis for LPBBTI organizers, which have not had a legal umbrella at the Law level. This is important to provide legal clarity and increase public trust in the sector.
- b. OJK's authority to file for bankruptcy or postponement of debt payment obligations: The P2SK Law gives OJK the authority to apply for a bankruptcy statement and/or postponement of debt payment obligations against troubled LPBBTI organizers. This is an effective preventive measure in maintaining financial sector stability.
- c. Criminal Provisions: The P2SK Law provides criminal sanctions for LPBBTI organizers that have no OJK. license These sanctions involve significant fines, ranging from Rp 1 billion to Rp 5 billion. If LPBBTI organizers cause loss of property or damage to debtors' goods, they may also be subject to additional criminal penalties in the form of compensation.
- d. Mandate for OJK Regulations: The P2SK Law mandates the drafting of OJK Regulations detailing important aspects related to business operation, fit and proper test, source of funds for participation, business license, opening and reporting of branch offices, conversion of conventional to sharia, establishment of UUS, spin-off of UUS, agreements with customers, governance, risk management, soundness, corporate actions, revocation of business license, reporting and supervision, and imposition of administrative sanctions. This ensures that every aspect of LPBBTI operations is regulated in detail and in accordance with established standards.

Through this comprehensive framework, the P2SK Law both protects the interests of the public and consumers and also creates a healthy and sustainable environment for the development of the financial sector in Indonesia, especially the LPBBTI industry. Careful and consistent implementation of this regulation will help improve the quality of LPBBTI operations and support sustainable growth in the LPBBTI sector.





CHAPTER. III

PURPOSE OF THE ROADMAP

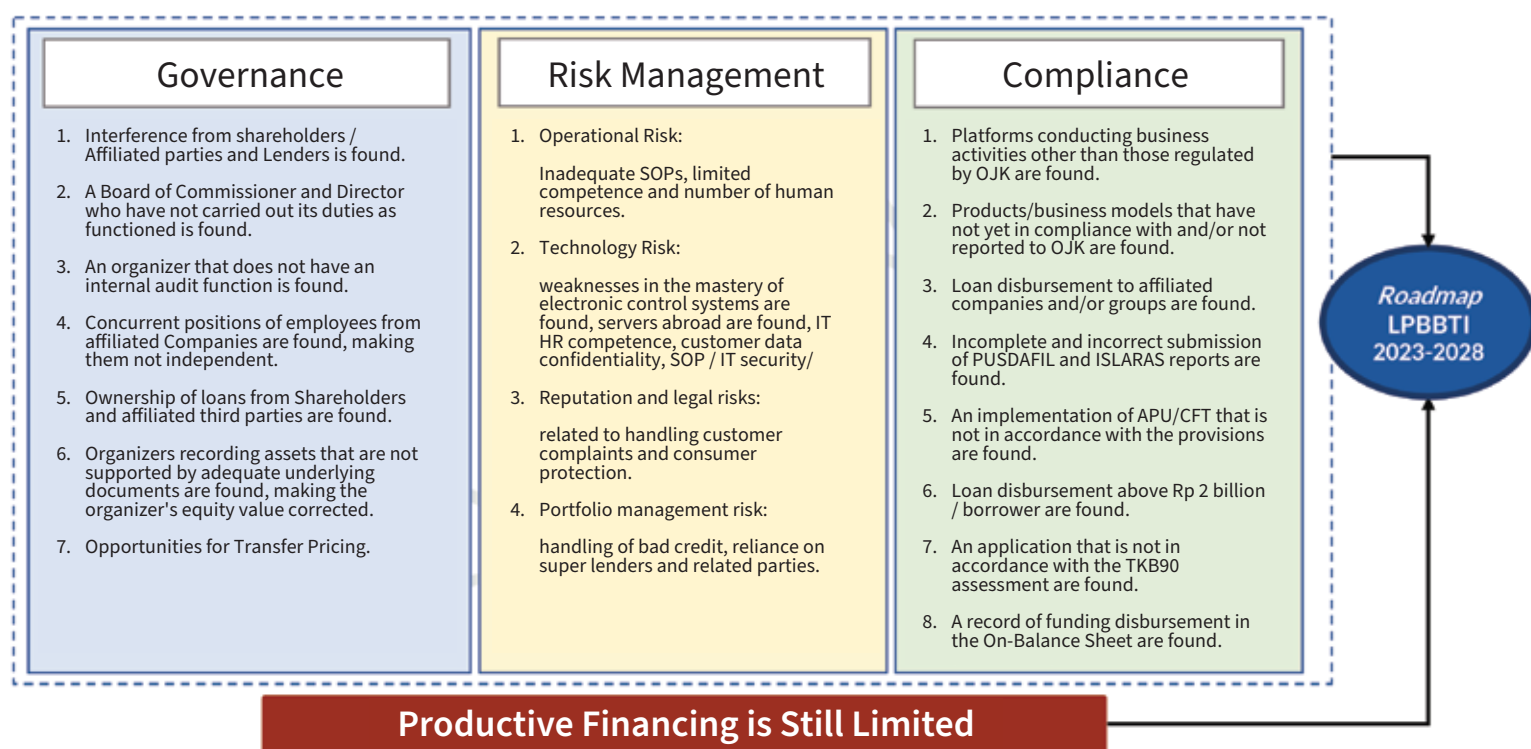




Chapter. III Purpose of the Roadmap

Along with the growth of the LPBBTI industry, the existence of the roadmap of development of LPBBTI for the period 2023-2028 becomes an urgent need. The LPBBTI roadmap is needed to improve governance aspects and encourage the contribution of the LPBBTI industry to the national economy, especially in financing the productive sector and MSMEs. Not less importantly, the working program that will result from this roadmap will also emphasize the focus on consumer protection as one of the main principles that is always upheld in financial services sector services. The following are some aspects that will be the main focus of efforts in the development and reinforcement of the LPBBTI:

Graphic 3.1 Aspects of Main Focus in the Development and Reinforcement of LPBBTI



Source: OJK



In addition to improving the quality of governance and contribution to the economy, other objectives of the Roadmap of Development and Reinforcement of LPBBTI in Indonesia 2023-2028 include:

1. Assist all stakeholders including regulators and LPBBTI actors in determining the direction of the future development of the financing company industry. The Roadmap provides stakeholders with clear goals and key working programs to achieve these goals.
2. Assist stakeholders in developing specific achievement targets and priority working programs based on available resources. Limited resources require decisions on how to allocate resources to critical and impactful working programs.
3. Provide visual and narrative communication tools that enable various stakeholders to understand the direction and future development plans of the financing company industry.
4. Facilitate the planning and allocation of resources according to the timeline and sequence of strategic working programs.
5. Provide a framework for measuring and tracking the progress of the achievement of each working program that has been determined.

Although structured, the LPBBTI roadmap is adaptive and flexible in accommodating any significant changes that occur both internally and externally in the industry. This roadmap will be regularly reviewed and the progress of the implementation of each working program evaluated periodically.

The time horizon of this Roadmap of Development and Reinforcement of LPBBTI is five years, from 2023 to 2028. The roadmap implementation process is divided into three phases where each phase has several specific working programs. At the end of the period, all working programs are expected to be implemented according to the expectations and goals of LPBTI industry development.

This roadmap is expected to be useful for various relevant stakeholders including OJK as the regulator, business actors in the LPBBTI industry, associations, academics, other relevant ministries/institutions, and the wider community.



CHAPTER. IV

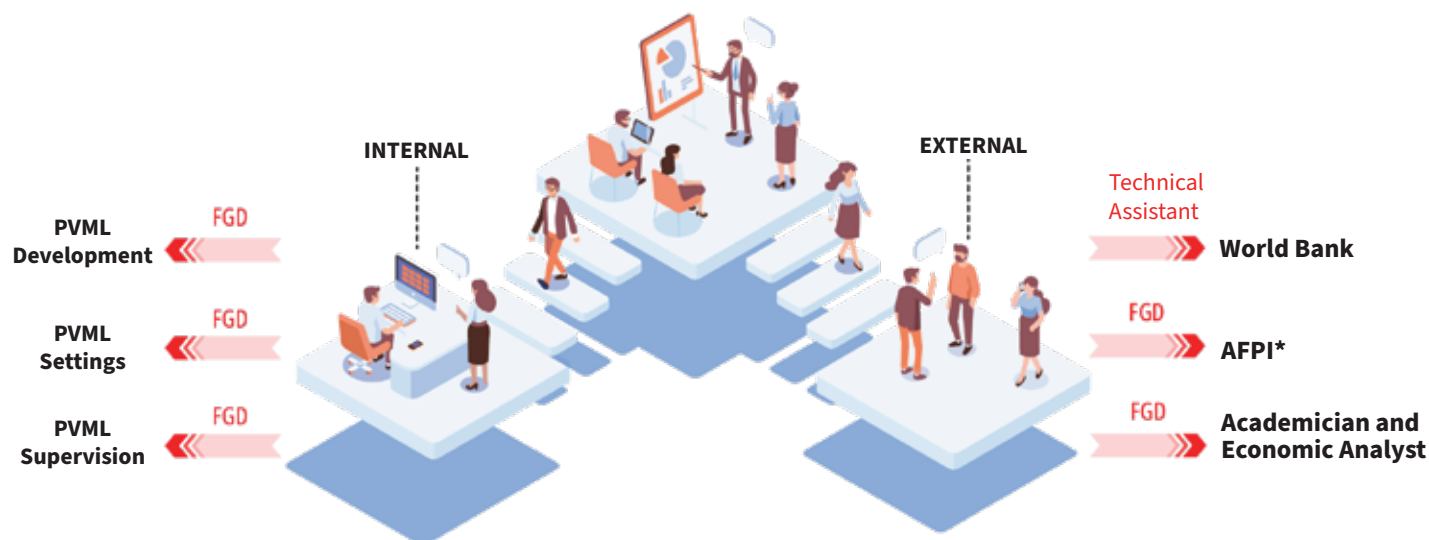
LPBBTI ROADMAP PREPARATION PROCESS





Chapter. IV LPBBTI Roadmap Preparation Process

Graphic 4.1 Roadmap of LPBBTI preparation scheme



Source: OJK

The preparation of this roadmap of development of LPBBTI for the 2023-2028 period was carried out by involving various stakeholders. It is expected that each stakeholder will have a sense of belonging to the roadmap thus, every strategy and working program can be supported by all stakeholders.

OJK has invited AFPI to convey the latest industry conditions, challenges faced, and planning for future industry development. Thus, OJK has included aspirations from representatives of industry actors in the preparation of the roadmap of development of LPBBTI for the 2023-2028 period.

Another process in completing the preparation of the roadmap is to hold focus group discussions, involving academics and economic observers. The opinions and views of these experts become valuable references in formulating the right strategy and direction of development.

In the context of quality assurance, the concept of the roadmap was also reviewed by external parties and went through a public exposure process. The external party that provided the review was the World Bank. This review process is expected to produce a quality roadmap concept and provide maximum benefits for stakeholders.

All of these steps underscore the commitment to build a holistic roadmap, based on accurate information, strong industry aspirations, and involving perspectives and thoughts from various parties who have an interest in the development of the LPBBTI industry.





CHAPTER. V

OVERVIEW OF THE INDONESIAN LPBBTI INDUSTRY





Chapter. V Overview of the Indonesian LPBBTI Industry

5.1 Industry Profile of LPBBTI in Indonesia

Graphic 5.1 Infographic of LPBBTI Industry in Indonesia in the Period of August 2023



Source: processed by OJK, 2023 Period

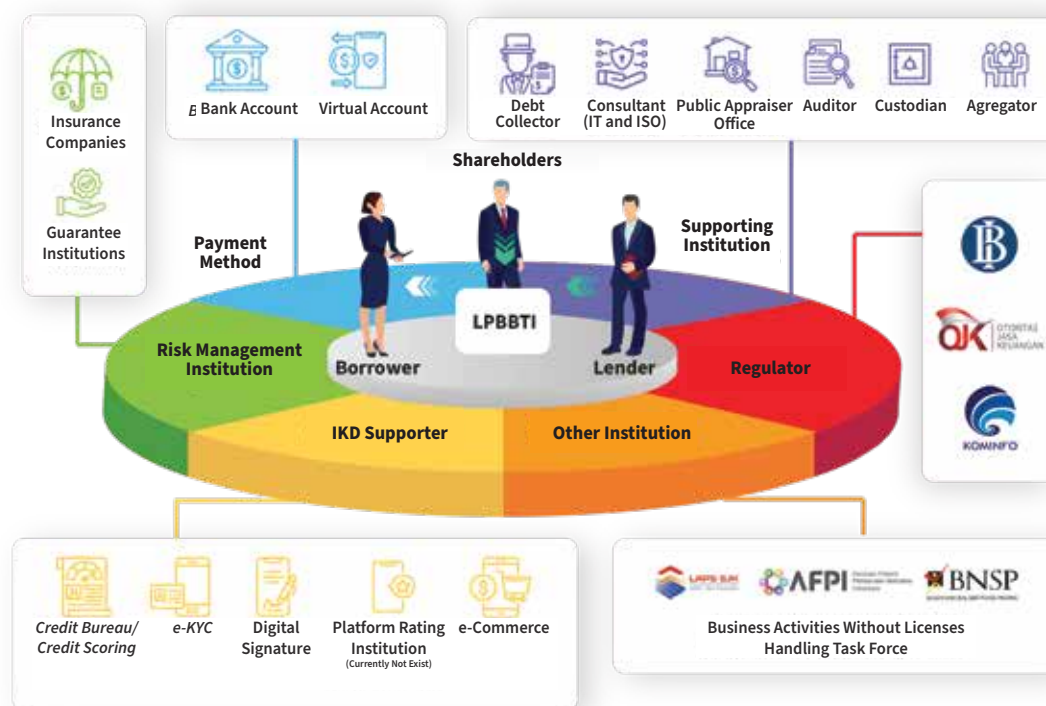
As of August 2023, Indonesia's LPBBTI consists of 101 providers licensed by OJK. From such amount, 7 organizers have platforms with sharia systems, while the other 94 use conventional systems. In aggregate, the condition of LPBTTI is monitored to be good. Based on August 2023 data, LPBBTI assets increased by 29.96% year on year or to Rp. 7.42 trillion. Based on OJK data, Rp. 7.28 trillion is the asset of conventional LPBTTI organizers and Rp. 139.48 billion is the asset of LPBTTI sharia organizers.

The maintenance of LPBBTI Industry Assets was followed by the accumulation of funding which reached Rp.677.51 trillion with outstanding funding of Rp. 53.12 trillion as of August 2023 with TWP maintained below 5%, namely 2.88%. The accumulated funding was carried out by users consisting of lenders and borrowers with each accumulation reaching to 119.80 million borrower accounts and 1.08 million lender accounts. From such accumulated users, as of August 2023, there were 19.13 million active borrower accounts and only 180.81 thousand active lender accounts.



5.2 LPBBTI Ecosystem

Graphic 5.2 LPBBTI Ecosystem



Source: OJK

Based on the graphic above, there are several elements related to the implementation of LPBBTI, namely:

1. Users covering both funder (otherwise known as lenders) and recipients of funds (otherwise known as borrowers).
 - a. Lender is an individual, legal entity and/or business entity that provides funding to borrowers through LPBBTI.
 - b. Borrower is an individual, legal entity and/or business entity that receives funding from lenders through LPBBTI.
2. Regulator is an institution and/or ministries that perform functions, duties, and authorities to regulate and supervise LPBBTI activities. LPBBTI regulators consist of the Financial Services Authority as the main regulator in business operations, Bank Indonesia related to the payment system, and the Ministry of Communication and Information Technology related to the provision of telecommunications.
3. Supporting institutions are parties that cooperate with LPBBTI to support LPBBTI activities. These parties consist of debt collectors who provide collection services, IT and ISO consultants who provide consulting services related to IT and ISO support, public appraisal service offices who provide asset valuation services, auditors who provide audit services, custodians who provide asset storage services, and aggregators who provide data provision services to prospective lenders and borrowers in the selection of LPBBTI.



4. Payment method is a method of payment that can be used by borrowers in LPBBTI transactions. The payment method used in LPBBTI transactions shall be cashless or made through online payment, either through a bank account or virtual account.
 5. Supporters of digital finance innovation are tools and/or supporting parties in LPBBTI activities, it consists of a credit bureau/credit scoring used as a credit feasibility assessment system for prospective borrowers, e-KYC used as a verification process system for prospective borrowers, a digital signature used in part of the LPBBTI transaction process in the form of a digital signature, platform rating agencies are institutions that provide an assessment of the performance, quality, and risk of the LPBBTI platform, and e-Commerce, a forum for buying and selling goods or services online through an information technology platform.
 6. Risk management institutions are institutions or parties that provide support for LPBBTI in managing and mitigating risks in LPBBTI's business activities. This institution consists of insurance companies and/or guarantee institutions.
 7. Other institutions are institutions or parties that also provide support for LPBBTI in organizing LPBBTI's business activities. This institution consists of:
 - a. Alternative Dispute Resolution Institution for the Financial Services Sector (Lembaga Alternatif Penyelesaian Sengketa Sektor Jasa Keuangan/'LAPS SJK') functions as an institution that handles and resolves consumer disputes.
 - b. The Indonesian Joint Funding Fintech Association (Asosiasi Fintech Pendanaan Bersama/'AFPI') is a forum that supervises
 - c. and regulates LPBBTI members or organizers to operate according to market discipline principles, legal provisions and consumer protection principles.
 - d. The National Professional Certification Agency (Badan Nasional Sertifikasi Profesi/'BNSP') acts as an institution that guarantees the quality of competence and work recognition in the professional field in Indonesia.
 - e. The task force for handling unlicensed business activities in the financial services sector is an institution that functions to prevent and handle illegal investment offers and practices.
- ### 5.3 Market Structure of LPBBTI Industry
- Market structure refers to how an industry is classified and differentiated based on the degree and nature of competition in the conduct of business. The higher the market concentration, the lower the competition and closer to the Monopoly market type (Investopedia.com, 2023). There are several market concentration indices, however, the most popular measure to calculate the level of market concentration is the Herfindahl-Hirschman Index (Busu, Mihail. A Market Concentration Analysis of the Biomass Sector in Romania. 2020).
- HHI is calculated by accumulating the absolute percentage squared from the Company's market share in a particular industry/market. The calculation has the following formula:
- $$HHI = S_1^2 + S_2^2 + \dots + S_n^2$$
- Where S_n is the Market Share Percentage of n LPBBTI Company in the Indonesian LPBBTI industry. The level of market concentration obtained using HHI can then be classified according to the standards contained in the following table:



Table 5.1 HHI Concentration Level Classification

HHI Range of Concentration Level	
Low	[0-1500]
Medium	[1500-2500]
High	[2500-10.000]

Source: Calkins, S. *The new merger guidelines and the Herfindahl-Hirschman Index*

Table 5.2 HHI Value of Market Concentration in LPBBTI Industry in Indonesia

Total HHI	Concentration Degree	
742,150	Low	Low

Source from: processed by OJK in the Period of August 2023

Based on the HHI calculation of the LPBBTI industry in Indonesia, the index result is 742.15. Based on the European Commission and the Department of Justice (America), the HHI index is categorized as a low market concentration.

This indicates that there are no LPBBTI organizers that dominate the market, thus, there are indications of high competition in the LPBBTI industry. Based on market share criteria, the following are the top 10 LPBBTI organizers from each loan distribution:

Table 5.3 Top 10 LPBBTI Organizers with the Most Total Loan Disbursements for the Period of August 2023

Ranking	LPBBTI Organizer	Platform	Fund Disbursement Value as of August 2023
1.	PT Lentera Dana Nusantara	Lentera Dana Nusantara	Rp. 4,43 T
2.	PT Indonesia Fintopia Technology	EasyCash	Rp. 1,70 T
3.	PT Pembiayaan Digital Indonesia	AdaKami	Rp. 1,31 T
4.	PT FinAccel Digital Indonesia	KrediFazz	Rp. 1,05 T
5.	PT Lunaria Annua Teknologi	Koin P2P	Rp. 0,93 T
6.	PT Kredit Pintar Indonesia	Kredit Pintar	Rp. 0,83 T
7.	PT Berdayakan Usaha Indonesia	BATUMBU	Rp. 0,81 T
8.	PT Pintar Inovasi Digital	Asetku	Rp. 0,73 T
9.	PT Mapan Global Reksa	Findaya	Rp. 0,68 T
10.	PT Amarthia Mikro Fintek	Amartha	Rp. 0,62 T

Source: processed by OJK in the Period of August 2023



In the August 2023 period, PT Lentera Dana Nusantara had the largest market share in terms of loan disbursement, which amounted to Rp. 4.43 T or 21.59%.

Through SPinjam which is a product of PT Lentera Dana Nusantara that provides unsecured cash loans with monthly installment features offered to consumers who shop on e-Commerce platforms.

5.4 LPBBTI Industry in Other Countries

a. Malaysia

In Malaysia, guidelines related to the operation of the LPBBTI industry are issued by the Securities Commission Malaysia. Based on the Guidelines on Recognized Markets SC-GL/6-2015 (R9-2022) issued by Securities Commission Malaysia (2022b), the financing interest by LPBBTI is not allowed to be exceeding 18% per year. LPBBTI organizers must consult with the Securities Commission Malaysia if they wish to charge financing interest of more than 18% per year. Securities Commission Malaysia does not regulate the amount of funding limit obtained by borrowers, however, advises retail investors not to invest above 50,000 Ringgit. Although not clearly stated, the use of loan services from LPBBTI in the guidelines tends to be emphasized for business purposes. This is reflected in the requirement for borrowers to provide relevant information including information related to business characteristics, business plans, and business financial information (Securities Commission Malaysia, 2022b).

b. Thailand

LPBBTI's business operations are regulated by Thailand's central bank, the Bank of Thailand. On April 29, 2019, the Bank of Thailand issued Notification 4/2562 Re: The Determination of Rules, Procedures, and Conditions for Peer-to-Peer Lending Businesses and Platforms which is the first legal product to regulate the LPBBTI industry in Thailand (Tilekke & Gibbins, 2019). One of the issues regulated in the regulation is loan interest. Under the regulation, the loan interest offered by LPBBTI organizers must comply with the provisions of the Civil and Commercial Code of Thailand, which must not be exceeding 15% per year. The interest limit applies to any type of loan, including consumptive and productive loans (Mendiola, 2019). However, the purpose of the loan may affect the borrower's credit limit. In case the loan is used for business purposes, the credit limit cannot exceed 50 million Bath (Mendiola, 2019). Meanwhile, if the loan is used for personal purposes, the credit limit depends on the borrower's income. If the borrower's income is less than 30,000 Baht per month, the credit limit cannot exceed 1.5 times the monthly income. Meanwhile, if the borrower's income is more than 30,000 Baht per month, the credit limit cannot exceed 5 times the monthly income (Mendiola, 2019).



c. The Philippines

In the Philippines, LPBBTI's business model is classified as lending-based crowdfunding (Philippine Information Agency, 2022). The implementation of crowdfunding in the Philippines, including lending-based crowdfunding, is regulated in SEC Memorandum Circular No. 14 (2019) issued by the Securities and Exchange Commission of the Philippines. The regulation does not stipulate the maximum economic benefit limit imposed on fund recipients. Meanwhile, for online lending platforms owned by financing companies and lending companies, the Securities and Exchange Commission of the Philippines regulates a nominal interest rate cap of 6% per month (~0.2% per day) and an effective interest rate cap of 15% per month (~0.5% per day) applicable to general purpose loans (including consumer and productive loans) without collateral with a loan amount not exceeding 10,000 Pesos. This provision is contained in SEC Memorandum Circular No. 3 (2022).

d. The United Kingdom

In the United Kingdom, the LPBBTI business model is specifically regulated in Policy Statement number PS19/14 by the Financial Conduct Authority. In this provision, there is no cap on borrowing costs. However, LPBBTI in the United Kingdom applies the price cap on high-cost short-term credit (HCSTC) stipulated in Policy Statement number PS14/16. In the Policy Statement, it is stated that the maximum limit of loan fees is 0.8% per day, the maximum penalty fee is £15 (equivalent to Rp285,000), and the loan recipient is prohibited from paying more than 100% of the loan amount.





CHAPTER. VI

CHALLENGES AND DIRECTIONS OF THE DEVELOPMENT





Chapter. VI Challenges and Directions of the Development

LPBBTI development faces various aspects of challenges including: capital requirements, governance, and risk management, IT system reliability and industry credit scoring, data integration, market expansion and deepening, ecosystem, service quality, consumer protection and public education, cyber security, Law concerning Personal Data Protection, funding sources, and LPBBTI industry supervision. Each challenge is also accompanied by various development directions that can be implemented to improve LPBBTI's performance.

6.1 Capital

In terms of capital, the majority of Information Technology-Based Joint Funding Service Providers (LPBBTI) do not have significant paid-up capital and equity. In fact, their equity tends to erode to the point of being negative. Through the revision of Financial Services Authority Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending and Borrowing Services (POJK 77/2016), namely in Financial Services Authority Regulation Number 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services (POJK 10/2022), the paid-up capital rule is increased to Rp 25 billion, while the minimum equity is set at Rp 12.5 billion. The purpose of this change is to address capital and equity shortfall issues that companies may experience. Previously, the regulation only stipulated an amount of Rp 1 billion for listing and Rp 2.5 billion for an operating license.

These changes are based on an analysis of the real capital needs in the LPBBTI industry. In addition, the adjustment of rules related to paid-up capital and equity aims to direct this industry to become healthier thus, it can carry out sustainable business activities and provide better protection to consumers.

In POJK 10/2022 which was promulgated on July 4, 2022, there is a provision that stipulates the minimum equity value in stages, namely Article 50 which stipulates that:

- a. The organizer must at all times have equity of at least Rp12,500,000,000.00 (twelve billion five hundred million rupiah).
- b. Equity as referred to in paragraph (1) shall be carried out in stages, as follows:
 1. At least Rp2,500,000,000.00 (two billion five hundred million rupiah) shall be effective for 1 (one) year as of the promulgation of this Financial Services Authority Regulation;
 2. At least Rp7,500,000,000.00 (seven billion five hundred million rupiah) shall be effective for 2 (two) years as of the promulgation of this Financial Services Authority Regulation; and
 3. At least Rp12,500,000,000.00 (twelve billion five hundred million rupiah) shall be effective for 3 (three) years as of the promulgation of this Financial Services Authority Regulation.

Based on data as of 31 August 2023, there are 27 LPBBTI Organizers that have not fulfilled the minimum equity requirement of Rp 2.5 billion. As a solution, OJK encourages the reinforcement of LPBBTI industry resilience through synergy, which can be realized through merger, acquisition, and consolidation strategies.



OJK has taken proactive steps by asking LPBBTI Organizers who have not met the requirements to develop an action plan to ensure the fulfillment of minimum equity. Written warning letters have been issued to organizers that have not complied with the provisions. LPBBTI industry organizers are encouraged to immediately seek additional capital and maintain a minimum equity of Rp 2.5 billion.

OJK consistently monitors the progress of the fulfillment of capital requirements in LPBBTI. OJK has sent coaching letters and requested the preparation of action plans for improvement related to capital aspects that are experiencing problems. The implementation of the action plan that has been prepared is closely monitored by OJK. In the event of worsening conditions, OJK will take further supervisory action, all to ensure compliance with regulations and maintain the stability and integrity of the LPBBTI industry.

6.2 Governance and Risk Management

One of the main issues in the LPBBTI industry is the lack of good corporate governance in organizing operational activities. Some of these issues include user verification and the implementation of electronic signatures (TTE). The verification process of users applying for loans often lacks of details, leading to a potential falsification of documents or identities. Other issues involve the handling of loan quality and the lack of publication or transparency regarding the organizers' business activities to the public.

Furthermore, related to the handling of loan quality, there are LPBBTI providers with high TWP90 (Tingkat Wanprestasi 90 hari/'90-days Default Rate') values, indicating poor loan quality in these providers. To address this issue, it is necessary to increase the commitment of the Board of Directors and Board of Commissioners in implementing good governance.

The implementation of risk management in lending also needs to be improved. There are still many risk management director positions that have not performed their functions properly according to risk management best practices in the financing business. The existence of risk management directors is done only to fulfill the provisions of the OJK but their functions have not been carried out properly.

POJK 10/2022 has partially addressed this issue by setting out provisions to improve the quality of governance of LPBBTI organizers. These include restrictions on the positions of LPBBTI providers' human resources, certification of LPBBTI providers' human resources, and internal audits of LPBBTI providers. These measures are in line with strengthening the first tier of the LPBBTI industry, which emphasizes improving internal governance and enhancing risk management of LPBBTI providers.



However, it is still necessary to develop implementing regulations and other supporting policies. Within five years (2023-2028), several strategic steps need to be taken in the preparation of regulations and policies related to LPBBTI, including:

a. Human Resources Quality Improvement

Referring to POJK 10/2022, the future development direction of the LPBBTI industry prioritizes improving the quality of the industry. The main focus is the development of individual capacity from the board of directors, commissioners, to employees. Human Resources (HR) certification is required as a selection step to ensure adequate skills. The development of human resources from every level of position supports the improvement of understanding and implementation of Good Corporate Governance (GCG) and risk management. Included in this aspect are adequate capitalization, improving the quality of the credit scoring system, improving service quality, and effective collection methods. The obligation to maintain ISO standards, such as ISO Excellent Service, ISO IT Reliability, ISO Anti Fraud, and ISO Cyber, is also an integral part of this effort. Control of Default Rate or failure to settle obligations (TWP 90) must be kept below 5%.

b. Three Lines Model in LPBBTI Industry Supervision

To develop the supervision of the LPBBTI industry, OJK emphasizes the three lines model (three layers of reinforcement).

The first layer is the internal reinforcement of the LPBBTI industry. The first layer of reinforcement focuses on improving the internal governance of LPBBTI organizers and reinforce the corporate risk management.

The second layer is reinforcement to professional institutions and associations. In this second layer, OJK supports the emergence of supporting professional institutions that can provide optimal added value to the implementation of LPBBTI. Meanwhile, associations can be optimized to provide guidance with the existence of behavioral guidelines to the industry. The existence of such guidance is expected to optimize consumer protection.

In the last layer in reinforcement the industry, it is also necessary to increase the role of OJK as a regulator. This can be done through internal improvements in the fields of regulation, licensing, and more effective supervision. This improvement is both related to the business processes carried out by the OJK, and also infrastructure tools such as the use of information technology and increasing the capacity of human resources.



With three layers of reinforcement in the LPBBTI industry, it is expected to make the LPBBTI industry grow in quality, healthy, and contribute significantly to the national economy.

In its implementation, the reinforcement of the industry also involves the role of other stakeholders such as OJK's internal work units, other ministries/state agencies, and an active community.

Graphic 6.1 Three Layers of Reinforcement of LPBBTI Industry



Source: OJK

c. Preparation of SEOJK on Governance, Risk, and Compliance for LPBBTI

To improve the quality and sustainability of the LPBBTI industry, OJK needs to develop technical provisions that, among others, regulate the LPBBTI Organizers to be required to prepare a report on the implementation of good corporate governance at the end of each financial year. The report on the implementation of good corporate governance shall at least contain:

- 1) Transparency in the implementation of good corporate governance, which at least includes disclosure of all aspects of the implementation of the principles of good corporate governance;
- 2) Self-assessment of the implementation of good corporate governance; and
- 3) An action plan that includes the corrective action required and the completion time as well as obstacles/impediments to completion, if deficiencies are still found in the implementation of good corporate governance.



6.3 IT System Reliability and Industry Credit Scoring

In the LPBBTI industry, information technology is the main tool that drives various processes. Although this industry has been running for five years, improving the quality of credit scoring remains the main focus to improve loan quality. The sustainability of this industry is faced with real obstacles, especially in efforts to overcome fraud and falsification of borrower identity documents.

The main challenge appears in the form of collection reports stating that certain individuals are receiving payment demands for loans that they never actually applied for. In the face of this reality, the LPBBTI industry needs to improve its security and identity verification infrastructure in order to provide better protection to its stakeholders.

Meanwhile, the LPBBTI industry is facing similar demands. Improving service quality and credit scoring is imperative to raise the quality standard of loans provided. With outstanding funding reaching Rp53.11 trillion as of August 2023, this industry has a significant role in supporting the economy.

Despite its huge growth potential, the LPBBTI industry also needs to overcome several challenges. The TWP90 of 3.47% indicates that there are risks that need to be further anticipated. Improving the quality of credit scoring and risk management systems is crucial in managing credit risk and ensuring the health of the industry.

The LPBBTI industry can enhance the security of its business operations with the development of high-level security technologies. This involves investing in the latest security systems, including data encryption, sophisticated firewalls, and artificial intelligence-based threat detection.

In addition, the implementation of stricter identity verification processes becomes the key to mitigating the risk of fraud. Service providers may consider using biometric technology or multiple verification methods to ensure that each transaction involves a legitimate party.

Reinforcement cooperation with related institutions, such as credit guarantee agencies and other financial institutions, can also have a positive impact. This cooperation may include exchanging information related to credit risk and providing support in terms of risk mitigation.

In addition, improvements in the credit scoring process can be an important cornerstone. More in-depth data analysis, including the use of alternative data sources other than the Financial Information Service System (civil registration and data from telecommunications companies), and the application of artificial intelligence technologies can help improve the accuracy of credit risk assessment. It can also enable service providers to identify complex fraud patterns and take proactive countermeasures.

By implementing this strategy, LPBBTI can both increase customer security, and trust and also build a strong foundation for sustainable growth in the era of information technology-based funding services.



6.4 Data Integration

Based on Article 1 point 13 of POJK Number 18/POJK.03/2017 concerning Reporting and Requesting Debtor Information Through the Financial Information Service System (POJK 18/2017) which has been amended through POJK Number 64/POJK.03/2020 concerning Amendments to Financial Services Authority Regulation Number 18/POJK.03/2017 concerning Reporting and Requesting Debtor Information Through the Financial Information Service System (POJK 64/2020), it is explained that the Financial Information Service System (SLIK) means an information system managed by OJK to support the implementation of supervisory duties and information services in the financial sector. The financial information collected by SLIK comes from financial service institutions under OJK's supervision, which include:

- a. Commercial banks;
- b. BPR;
- c. BPRS;
- d. Financing institutions that provide facilities for the provision of funds;
- e. Securities companies that carry out business activities as securities broker-dealers;
- f. Securities funding institutions;
- g. Other LJK that provide funding facilities include Indonesian export financing institutions, pawnshops, secondary housing finance companies, and finance companies for the development of cooperatives, small and medium enterprises; and
- h. LJK that are required to become reporters under OJK regulations.

In POJK 18/2017, the opportunity is opened for LPBBTI organizers to become SLIK reporters.

However, due to differences in loan data characteristics between LPBBTI Organizers and financial service institutions as mentioned above, some loan data with tenors of less than 30 (thirty) days cannot be contained in SLIK. This causes the data submitted to not be able to describe the financial condition of the individual since the data submitted is not of the same type.

To support the implementation of supervisory duties towards LPBBTI organizers, OJK currently has a Fintech Lending Data Center (Pusdafil). Pusdafil itself is currently in the enhancement stage to improve the functions and services available. Pusdafil is characteristically similar to SLIK, however, Pusdafil can be an analytical tool to determine whether or not LPBBTI organizers have violated POJK 10/2022. POJK 10/2022 requires LPBBTI organizers to be able to integrate their electronic systems with Pusdafil. In addition, organizers are required to be able to submit real-time funding transaction data. This is intended to help supervisors obtain updated data and ensure that the organizer complies with and does not violate the provisions relating to the implementation of LPBBTI business activities.

In the context of conducting integrated supervision and providing accurate and transparent information as well as the needs of financial services business actors for transaction data of LPBBTI organizers, then, it is necessary to consider integrating Pusdafil into SLIK. This action needs to be contained in a set of provisions.

This may take the form of a second amendment to POJK 18/2017 or the drafting of a special POJK governing Pusdafil.



These legal tools can regulate other matters beyond integration, such as which parties can access the data, accountability for the data received by the applicant, and limitations on the use of data by other LJKs.

Pusdafil, as a data center for the licensed LPBBTI industry in Indonesia, is intended as a monitoring system for LPBBTI industry activities in real-time, where all data, including user data, transaction data, and payment data, are reported and recorded in the Pusdafil system. As of August 2023, 101 licensed LPBBTI organizers have been integrated with Pusdafil. This number corresponds to the total number of licensed LPBBTI organizers in that month.

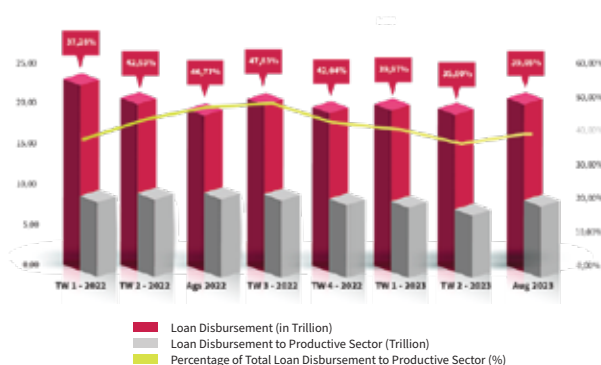
To monitor the data available in Pusdafil, the Pusdafil dashboard is still in the process of system development with an implementation target of December 2023.

In the initial phase, real-time reporting has not been possible due to technical constraints and unprepared information technology infrastructure. Until September 2023, Pusdafil's system has not been able to connect host-to-host with the organizer's system. Therefore, the majority of reporting is still done daily, where the organizer sends transaction data to the Pusdafil server. The target of Pusdafil development in the future is both to become a monitoring tool and also to be integrated with other databases such as SLIK. In addition, to accommodate changes in the provisions according to POJK Number 10/POJK.05/2022, PKSI 2023 has been submitted related to Pusdafil reporting enhancements to accommodate system changes that occur due to the enactment of the POJK.

6.5 Market Expansion and Deepening

LPBBTI's loan disbursement to the productive sector was observed to experience a downward trend from the end of 2022 to mid-2023.

Graphic 6.2 Financing Disbursement for LPBBTI Productive Sector (in Trillion Rp)



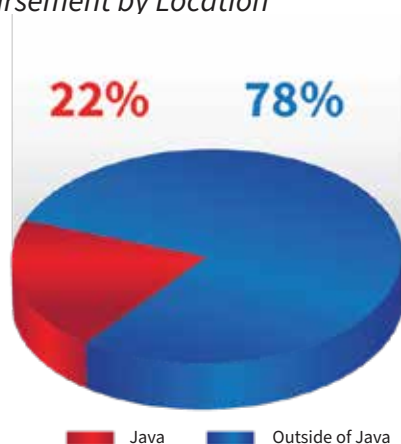
Source: processed by OJK in the Period of August 2023

Through the figure above, the total distribution of loans to the productive sector in August 2023 amounted to 39.05% of all LPBBTI loan disbursements. This condition is an issue that needs to be followed up immediately thus, LPBBTI's role in financing the productive sector has increased again. As stated in the background section of this roadmap book, the potential for MSMEs financing in Indonesia is still very large and LPBBTI is expected to be one of the drivers of financing for MSMEs. LPBBTI's business model is to channel financing to unbankable and underserved communities/business actors, including MSMEs. Based on data from the Government, 99.9% of MSMEs in Indonesia are business actors and absorb 97% of the total workforce in Indonesia. MSMEs contribute 61.07% to Indonesia's GDP or Rp8,573.89 trillion. Thus, an increase in productive financing from LPBBTI is expected to increase the role of MSMEs in the national GDP.



The next issue related to financing is the concentration of funding which is still concentrated in Java with a percentage of 77.80% while outside Java is only 22.20%. Factors causing this include among others, the population in areas outside of Java who do not use technology such as smartphones or the internet thus, additional human resources are needed from LPBBTI organizers to be present in the area. In addition, the presence of additional human resources outside of Java, due to the ecosystem outside of Java, that is still not as effective and efficient as in Java. For example, the effectiveness of consumer complaints handling which takes a long time to process and is done manually. Other factors such as the lack of literacy level of LPBBTI in areas outside of Java are also there.

Graphic 6.3 Distribution of LPBBTI Loan Disbursement by Location

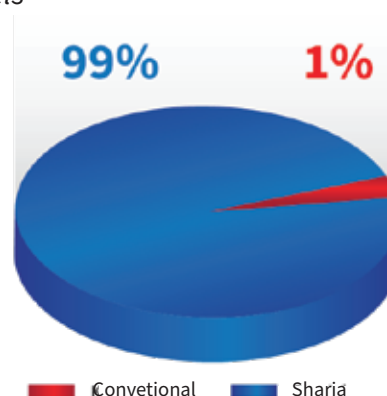


Source: (processed by) OJK, August 2023 Period

The sharia financing market has the potential to be developed further. A survey conducted by OJK to the public in 2023 showed indications of high interest from the public in sharia financial products. As of August 2023, the total number of LPBBTI organizers was 101. Among them, only 7 with sharia business models, and the rest had conventional business models.

In a percentage, the portion of funding distribution from sharia providers is only 1.37% or Rp. 0.28 trillion. From a literacy point of view, public knowledge about sharia business models also still needs to be improved.

Graphic 6.4 Distribution of Loan Disbursement for LPBBTI Sharia and Conventional Business Models



Source: (processed by) OJK, August 2023 Period

To stimulate an increase in LPBBTI loan disbursements to the productive sector and Micro, Small, and Medium Enterprises (MSMEs), both conventional and sharia, incentives are needed in the form of policy and regulatory adjustments. Some steps that can be taken include:

- Amendments to POJK 10/2022 are required to adjust the loan value limit and add an obligation for LPBBTI to provide education and training funds. This aims to improve the quality of human resources, particularly in the context of financing productive sectors and MSMEs.
- A policy of opening a special moratorium for LPBBTI that focuses on the productive sector and MSMEs is needed.

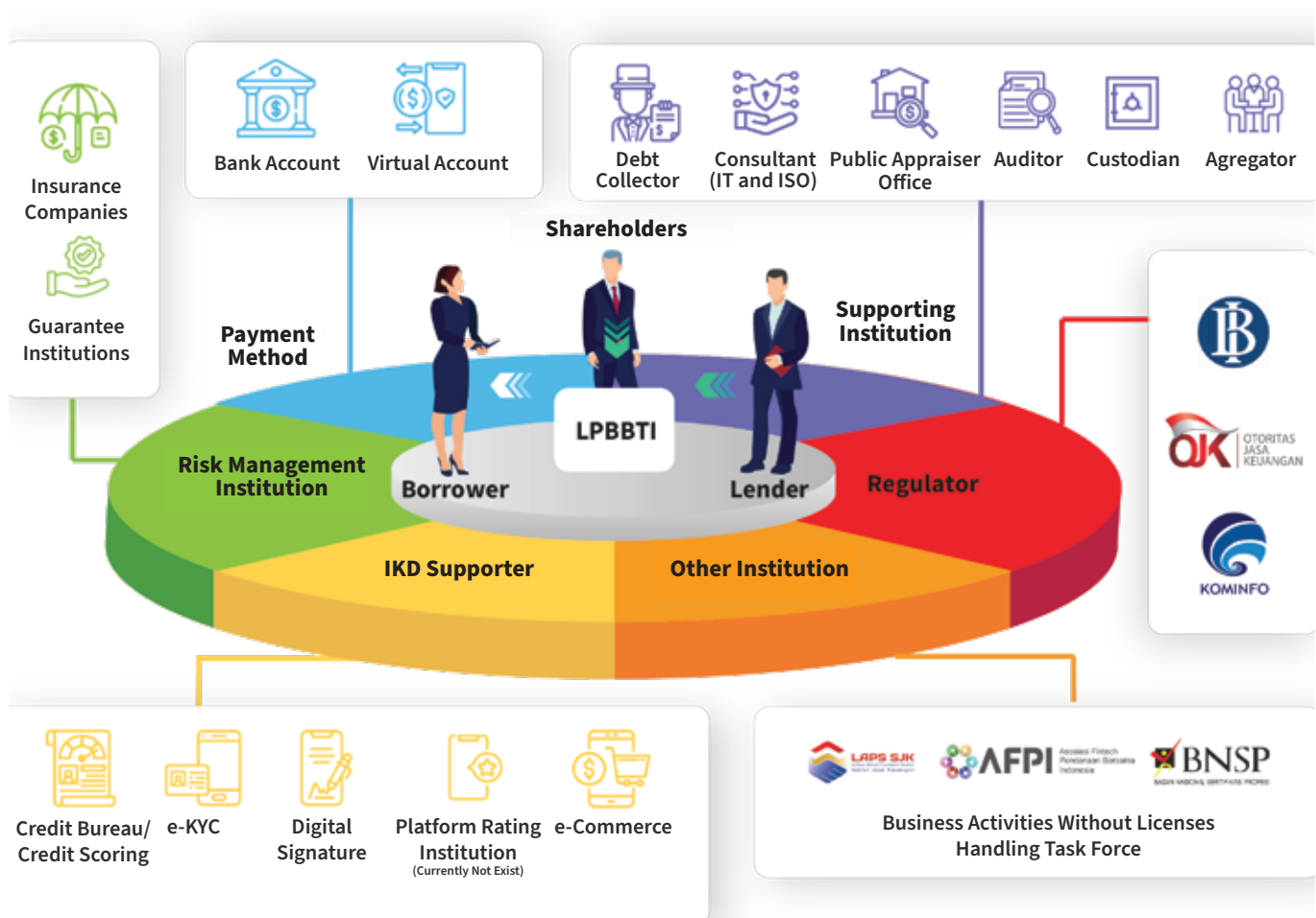


This moratorium can provide further incentives and support to LPBBTI that contribute to economic development through financing to sectors that have a positive impact on national economic growth.

With these measures, LPBBTI is expected to play a more active role in supporting the productive sector and MSMEs. Policy and regulatory adjustments are expected to support innovation and sustainable growth in the LPBBTI sector.

6.6 Ecosystem

Graphic 6.5 LPBBTI Ecosystem



Sumber: OJK



An effective ecosystem can support the performance and sustainability of the LPBBTI industry. Several cooperation schemes between LPBBTI organizers and various ecosystem components have been running well. For example, cooperation between LPBBTI organizers and banks in terms of the use of escrow and virtual accounts is useful to avoid embezzlement of lender funds by any party. Then the collaboration between LPBBTI organizers and TTE organizers is functioned to minimize the falsification of borrower data. In addition, LPBBTI organizers collaborate with credit rating agencies (credit scoring) to minimize the possibility of bad loans by analyzing the criteria and data of prospective borrowers.

Although collaboration has been ongoing within the LPBBTI industry ecosystem, there are still many potential future collaborations that can be optimized to improve the effectiveness and efficiency of the LPBBTI industry.

In an effort to enhance collaboration, there is an urgent need to organize and strengthen the role of associations. Business activities based on market discipline and awareness programs to increase public understanding of LPBBTI can be organized jointly. Coordination between the LPBBTI Association and the Indonesian Association of Billing Service Company also needs to be improved, while strengthening cyber security through collaboration with the National Cyber and Crypto Agency (Badan Siber dan Sandi Negara/'BSSN') is essential.

In maintaining high growth and anticipating various financing risks that may arise, increasing cooperation in the field of insurance and credit guarantee is a strategic step to strengthen the resilience of the LPBBTI industry.

By establishing synergy with the insurance and guarantee industry, it is expected to increase the appetite of lenders who channel loans through LPBBTI organizers, especially in financing the productive sector and MSMEs. Thus, LPBBTI organizers can feel more secure in increasing lending disbursement to sectors that are considered risky, such as the productive sector and MSMEs.

6.7 Service Quality

The service quality of LPBBTI organizer is influenced by the rate of transparency towards the offered products, the quality of credit loans, regulations compliance, data security, and protection, responsive services towards inquiries and issues from the lender and borrower, product diversification, and ease of access.

Based on 2023 AFPI data, there are several existing customers and public complaints towards the services given by LPBBTI organizers, with a total of complaint report as many as 2146 reports consisting of unethical behavior of the lending officer 69.3%, restructuring 20.4%, high rate of interest 1.1%, data violation 0.5%, and others 8.8%.

As an officially appointed association by OJK to supervise the implementation of LPBBTI organizers in Indonesia, AFPI already has the Guidelines of Behaviors on LPBBTI Organizers which regulates any mandatory regulations that must be complied by the organizers. The regulated aspects include product transparency, prevention of loans, and good faith principle (including responsibility towards mistakes/omission of the employees, personal data handling, and ethical loan billing within).



The development and improvement of quality services towards LPBBTI implementation must be conducted continuously thus, every party, either the lender or the borrower, shall receive an appropriate benefit. The improvement of the implementation of LPBBTI quality services is aimed at maintaining trust from the user and developing a healthy ecosystem. However, such improvement must always be balanced with good risk management to protect the lender as well as the borrower.

The aim of development in improving the quality services of LPBBTI implementation includes:

- a. Openness and transparency in ensuring that the information regarding fees, conditions, risks, and the performance of the loan is clearly available for all parties.
- b. The speed of services included in responding the complaint from the users and endeavors to repair issues or deficiency.
- c. Reliable anti-fraud system and data security which construed as the primary responsibility of LPBBTI organizers. It is expected that LPBBTI organizers can take proactive efforts and invest in advanced security technologies, to assist in the minimization of fraudulent risks and maintain the user's trust in their services.
- d. To maintain a good reputation, LPBBTI organizers must have ethical and professional billing policies. Proper training, supervision, and performance evaluation of the billing officers are important to ensure that their behavior is in accordance with the high standards and treating with fair and to respect the privacy rights of the borrower.

In managing the business process focused on quality services improvement, therefore the LPBBTI organizers is required to have an effective standard to improve the management and provision of services that include first-class quality services, information technology reliability, anti-fraud, and cyber security.

6.8 Consumer Protection and Public Education

With the significant improvement in the information technology sector, it is easier for the community to obtain access to digital platforms, both legal and illegal. With wide open access, the community can easily see online lending advertisements in the internet world. Unfortunately, their understanding of financial services is relatively limited, thus causing effect to many people trapped in illegal online lending, especially middle to lower-class citizens with limited education.

Many consumers using illegal online lending services may not fully realize the risks related to such practices. A number of LPBBTI that deemed illegal are often terrorize its customers to pay off the loan, with intimidation that it will disclose the customer's personal data. In addition, the consumer is required to understand the risks related to data privacy when apprehending the LPBBTI organizers. The consumers may be required to provide their personal data access, which can be misused by illegal online lending organizers. Therefore, education may assist the consumers in understanding how to protect personal data and understanding its financial, legal, and privacy risks which may arise during apprehension with LPBBTI especially with illegal online lending.



OJK and the Task Force for Eradication of Illegal Financial Activity (Pasti) are continuously conducting various efforts to eradicate the existence of illegal online lending. The enforcement of P2SK Law that regulates criminal sanctions towards the unlicensed party that conducted financing services (including LPBBTI) shall become the basis for OJK to implement firm criminal sanctions towards illegal online lending organizers.

As a measure for consumer protection, OJK is committed to continuously improving the education activity towards communities for the purpose of increasing their understanding of LPBBTI. A National Literacy Survey and Financial Inclusion (Survei Nasional Literasi dan Inklusi Keuangan/“SNLIK”) of 2022 shows an improving LPBBTI literacy rate of 10.90% and LPBBTI inclusion rate of 2.56%. The rate of financial literacy and inclusion of LPBTI is considerably lower compared to the national financial literacy and inclusion, each in the percentage of 49.68% and 85.10%.

Other than education towards the communities, for the purpose of providing protection to the consumers, OJK has implemented the following steps:

- a. Collaborations in connection with the management of consumer compliant and strengthening the function of Alternative Dispute Resolution Agency (Lembaga Alternatif Penyelesaian Sengketa/“LAPS”) in the financial sector.
- b. Improving the effectiveness of evaluation report towards the financial institution in accordance with the OJK Regulation regarding the Consumer Protection and Communities.

- a. Eradication of illegal online lending and illegal investments, OJK is actively collaborating with associations, the Ministry of Communication and Information, and other ministries or institutions.

- b. Maintaining communication with associations and stakeholders to ensure the implementation of OJK Regulation 10/POJK.05/2022 in LPBBTI industry, thus, it can effectively be implemented.

Besides, one of the measures taken by OJK to prevent the LPPBBTI issues in addressing the unethical billing behaviors is through the issuance of POJK 10/2022 which regulates the responsibility towards LPBBTI organizers to ensure that such billings are implemented according to the norms of the communities, among others, appropriateness, politeness, and decency. However, such norms may not answer the challenges of the unethical behavior of the billing office, thus there is an urgency to strengthen the regulation of the billing mechanism. In addition, AFPI shall actively participate in supporting the reparation of the billing mechanism through coordination with the Indonesian Association of Billing Service Company.

The high interest incurred by the LPBBTI organizer towards the consumers has become one of the complaints received by AFPI. Given that the financing business from LPBBTI is targeting unbanked and underserved segments, therefore, the value of the rate must be of common attention. The society expects that the emergence of LPBTTI shall assist the fulfillment of communities' financial needs through reasonable interest, thus it shall not hinder the consumers during the repayments.



To protect the consumer in the context of interest imposition, a regulation regarding the maximum interest limit is necessary to set the maximum limit of interests imposable by the LPBBTI organizers. Based on the empirical data provided by the World Bank, 108 world states in the world are found to impose a regulation on interest rates in the financial services sector. The practice of interest rate regulation imposed by the regulators in such states is aimed at consumer protection and providing access to affordable financial services to the community.

Other feasible measures to protect the consumers are through affirmation to prohibit misleading and excessive advertising regarding LPBBTI services. Therefore, it is mandatory to have strong supervisory and enforcement mechanisms to boost the LPBBTI organizers to provide clear and accurate information relating to the advertised products or services, including prices, features, benefits, and limits. In the Law concerning Development and Reinforcement of Financial Sector (P2SK), it is also has been regulated that the business actors of the financial sector (Pelaku Usaha Sektor Keuangan/ 'PUSK') are prohibited from providing products/services that are not in accordance with the information stated in the advertisement/marketing promotion of the relevant product/services. Furthermore, it is also prohibited to provide a product that is not in accordance with the agreement.

6.9 Cyber Security

The implementation of LPBBTI activities is an internet/application-based activity and its vulnerability may be misused by irresponsible parties. The management of application security and weakness scanning is an important step in protecting the LPBBTI Organizer.

The following matters are necessary to be observed in the implementation of LPBBTI, such as:

- a. LPBBTI involves various personal information such as financial records, identification numbers, and other personal information vulnerable to personal data theft, which can cause loss to the borrower and investor. To tackle this issue, the LPBBTI organizer must implement strong encryption applications and strict data security practices.
- b. The existence of a borrower using a false identity to obtain a loan. LPBBTI organizers must implement strong identity verification, such as document verifications and biometric technology.
- c. The existence of potential fraud involving dishonest borrowers or investors. LPBBTI organizers must have a mechanism to detect and prevent fraud, such as better risk analysis and careful transaction oversight.
- d. Phishing attacks to obtain login information or personal data.
- e. Malware attacks such as ransomware or other dangerous software. LPBBTI organizers must maintain their software securely by using the newest software antivirus and firewall.

To improve the cyber security of the LPBBTI organizer, in 2022, OJK issued POJK 10/2022 which obligates the organizer to have a cyber security management certificate namely the ISO 27001. However, based on the supervision from OJK, it is found that after owning the ISO 27001 certificate, the maintenance steps are ignored and tend to have not yet been implemented by the LPBBTI organizers.



Currently, there are still many cyber-attacks originating from malware activity. According to the findings of a cyber security global company, Kaspersky, in the first semester of 2023, there were 44.022 malware attacks, with an increase of 364%, compared to the previous periods. With the widespread malware activity, then, cyber security is an important issue that must be attended to by the LPBBTI organizers.

ISO Standard 27001 is aimed at protecting information from various threats and risks, including illegal access, damages, theft, and disturbance. This helps to protect confidentiality, integrity, and the availability of important information for the organization. However, the ownership of ISO 27001 certification is not sufficient considering that the business landscape keeps changing, likewise, the variation of cyber-attack, hacking, and other advanced technic. Therefore, a certification fulfillment towards information security is not a one-time implementation, however, it must be renewed continuously.

The maintenance of the applicability of ISO 27001 is a commitment to improve data and information security. This can assist the organization in maintaining competitiveness, fulfilling regulatory requirements, and protecting valuable information.

6.10 Law concerning Personal Data Protection

The fulfillment of the Law concerning Personal Data Protection (UU PDP) is one of the major obstacles faced by LPBBTI organizers. The following important matters for LPBBTI Organizers in the fulfillment of the relevant laws such as:

- a. LPBBTI organizers might required to handle various regulations concerning different personal data protection in various countries or the territory of their operating regions. This adjustment of operations to different regulations can be a complicated and demanding task.
- b. The personal data gathered by the LPBBTI organizers are very sensitive and require a very high rate of security. This data must be secured from illegal access and cyber-attacks.
- c. LPBBTI organizers must manage personal data from thousands, even millions of users which involves complex and various information. Organizing, storing, and managing these data in the right way requires good infrastructure and policy.
- d. For newly developed LPBBTI organizers, that are starting to develop, having limited resources (either in terms of financial or human resources) to comply with personal data regulation, may become a huge challenge.
- e. LPBBTI organizer might have various requests regarding their respective personal data, such as access requests, changes, or data removal. Responding to this request rapidly and efficiently is a challenge, particularly if the number of users of the LPBBTI organizer is substantial.
- f. LPBBTI organizer must ensure that the user understands the privacy policy and how their data is being used. Consistent training and education are required to ensure that the users understand their respective rights and obligations regarding personal data.



According to the data from the Ministry of Information and Technology, dozens of data leak cases were recorded in Indonesia. From 2019 until June 2023, 94 cases were found which consists of 62 cases related to private Electronic System Operator (Penyelenggara Sistem Elektronik “PSE”) and 32 governmental PSEs.

To solve these challenges, the LPBBTI organizer needs to invest in a strong information security system and carefully renew the privacy policy, and their operational procedure, according to the changes in law and technology. In addition, they must develop a strong security culture in their entire organization.

The Law of PDP is codified to protect the personal data of individuals from illegal processing and to ensure that the organization processes such data with precaution and responsibility. The matters that must be of attention by LPBBI organizers among others:

- a. Identify and audit all personal data gathered, stored, and processed to understand the type of data processed, its origin, how the data is processed, and where the data is stored.
- b. The necessity to appoint a protection data officer responsible for ensuring that the organization conforms with the Law concerning Personal Data Protection.
- c. The presence of operating standards and procedures on coherent and complete data protection including how personal data is managed, processed, and protected. Then ensure all employees understand and comply with this policy.

- d. Ensure that the personal data is only gathered under a valid legal basis and only used for legal purposes.
- e. Transparency in notifying the individuals who have their data gathered.
- f. Ensure that the personal data is protected from illegal access and damages. This involves the implementation of appropriate technical and organizational control.
- g. The presence of data incident handling.
- h. The presence of training for LPBBTI on the importance of personal data protection, as well as the procedures that must be followed to comply with the Law concerning Personal Data Protection.
- i. The presence of sustainable testing and evaluation to ensure that the system and practice of personal data protection of LPBBTI organizers are effective and comply with the Law concerning Personal Data Protection.
- j. Supervise the changes in the personal data risks and conduct regular risk assessments periodically.

6.11 Funding Source

in anti-money laundering (*Pencegahan Pencucian Uang/’APU’*) and terrorism financing prevention (*Pencegahan Pendanaan Terorisme/’PPT’*). It is often difficult to identify unclear or ambiguous sources of funding. Perpetrators attempting to commit money laundering or fund terrorism may use a complex series of financial transactions to disguise the trail of funds.



The development of digital financial technology has made it harder to track the source of funds.

The perpetrators often use financial services, such as from banks or payment processing companies, to commit money laundering or fund terrorism. They may try to exploit gaps in the verification and monitoring processes conducted by the financial institutions.

Forgery of documents is a method commonly used in validating the legitimacy of the source of illegal funds. This includes false documents used to open bank accounts or access financial services. Besides, the use of illegal investments, such as investment in closing businesses, represents an alternative method of money laundering. Perpetrators may attempt to use such businesses as a "front" to conceal their funds.

The efficacy of the APU PPT systems is considered crucial in mitigating the risk associated with money laundering and terrorism financing. LPBBTI organizers must regularly update APU and PPT strategies in line with changes in the business environment and regulations.

Regularly conduct compliance evaluations against APU and PPT regulations and enhance the ability to detect suspicious transactions through data analysis using technology that can help to identify suspicious patterns more effectively. Such use of technology among others includes the adoption of the latest advancements, such as data analytics, AI-based transaction monitoring, and artificial intelligence tools to automate APU and PPT processes, and consequently enhancing precision in detecting potential violations.

Ensuring compliance against APU and PPT regulations needs to be supported by regular ongoing training for employees and personnel engaged in their activities. Thus, the employees shall have a deep understanding of the signs of money laundering and terrorism financing and how to address them.

What is of similar importance is to conduct a regular risk assessment, and renew the APU and PPT strategies in response to the shifts in the business landscape, regulatory change, and possibly emerging risks.

6.12 LPBBTI Industry Supervision

To effectively support technology-driven supervision, then the development of competencies and skills of human resources in the field of supervision must also be in line with the industry requirements. Industries that are more reliant on information technology can be more effectively monitored if supervisory personnel are equipped with competencies in the field of information technology. In LPBBTI industries, supervisors are required to understand evolving issues and challenges in the rapidly growing information technology.

Competency development for supervisors can be achieved through certification training (especially in IT and finance), assignments (including secondments), or other methods, and may follow the development strategy that has been designed by the human resources development department.

In the context of comparing the number of supervisors and the number of non-bank financial industry actors that are being supervised, the LPBBTI industry has a



comparison of the lowest ratio between supervisor personnel in charge to service providers, followed by financing institutions, pension funds, and insurance. The low ratio between the supervisor personnel in charge to service providers shows that the load of supervisory work for a team in the LPBBTI industry is higher, rather than other non-bank financial industries. The high load of supervisory work for a team potentially affects the performance and the quality of supervision outcomes.

Furthermore, the huge load of supervisory work may hinder the development of supervision human resources, including training and certification. In the meantime, to face the continuously developing and rapidly changing LPBBTI industry, human resources in a supervision team are required to possess proficient skills, either in the field of supervision, financial analysis, or information technology.

With a policy to increase supervisory human resources, it is expected that the ratio of supervisory human resources to service providers in the LPBBTI industry will increase, thus, the supervisory workload shall be more manageable, resulting in enhanced quality of supervision outputs.

OJK is putting endeavors into the development of supervisory technology (suptech) and the corresponding information technology infrastructure in supporting the supervisors to run their tasks within the LPBBTI industry to be more effective and efficient. As for the development conducted, are:

a. Development of Fintech Lending Reporting Data Center System (Pengembangan Sistem Pelaporan Pusat Data Fintech Lending/ “Pusdafil”);

Development of Regular Reporting
b. System in the Information System Integrated Reporting (Sistem Pelaporan Berkala pada Sistem Informasi Laporan Terintegrasi /“SILARAS”) and APOLO; and

c. Development of LPBBTI Early Warning System.

Development and use of information technology are expected to assist the supervisory task thus, the data used as analysis materials for the supervision will become more updated and accurate.





CHAPTER. VII

ROADMAP OF DEVELOPMENT AND REINFORCEMENT OF INFORMATION TECHNOLOGY-BASED JOINT FUNDING SERVICES 2023-2028





Chapter. VII Roadmap of Development and Reinforcement of Information Technology-Based Joint Funding Services 2023-2028

After identifying various challenges faced by the LPBBTI industry, a roadmap has been formulated, outlining structured strategies and working programs for the development and reinforcement of the national LPBBTI industry. Such a roadmap outlines the efforts that OJK will collaboratively make with the industry, from 2023 to 2028, to manifest a common vision, namely a healthy LPBBTI industry, that has integrity, and putting orientation to financial inclusion and consumer protection, as well as contributes significantly to national economic growth. The main target that wishes to be achieved from such a vision is the increase of financing from the LPBBTI industry to the productive sector and MSMEs while maintaining good-quality standards. The period covered in the roadmap is divided into three phases, namely: Phase 1 (2023-2024): Reinforcement of Foundations, Phase 2 (2025-2026): Consolidation & Creating Momentum, and Phase 3 (2027-2028): Adjustment & Growth. Each phase includes specific targets for the share of financing in the productive sector and MSMEs. These intermediate targets become a milestones that must be achieved in each phase to reach the main target at the end of the roadmap period. As for the financing share for the productive sector and MSMEs in Phases 1, 2, and 3 are 30-40%, 40-50%, and 50-70%, consecutively.

In the roadmap of development and reinforcement of the LPBBTI industry, the foundation comprises four pillars that determine the strategies to be implemented. The four pillars are: 1) governance and institutional structure; 2) consumer protection; 3) development of ecosystem elements; and 4) regulation, supervision, and licensing. Several strategies will be implemented over the period of the next five years based on these four pillars, namely the reinforcement of governance, reinforcement of regulation, reinforcement of consumer protection, development of ecosystem, and development of infrastructure.

Through these diverse strategies, it is expected that by the conclusion of the of roadmap period (end-state), the LPBBTI industry will attain a condition characterized as follows:

1. The establishment of the LPBBTI industry with the capital in compliance with the provisions as well as reliable governance, risk management, and human resources.
2. Improved effectiveness of regulations, supervision, and licensing to support a healthy, integrity-driven, and inclusive LPBBTI.
3. Implementation of appropriate consumer protection for the LPBBTI.
4. Establishment of ecosystem elements supporting the development and reinforcement of the LPBBTI.
5. Availability of data and information system infrastructure supporting the development and reinforcement of LPBBTI.

Each strategy has its respective working plan as a concrete action plan to be executed by various relevant stakeholders in the LPBBTI industry. The working programs in the strategy of reinforcement of capital, governance, risk management, and human resources will be implemented by all industrial actors in LPBBTI. On the regulatory and supervisory front, OJK takes its role as a regulator, in reinforcing regulations, supervision, and licensing.

Consumer protection stands as an important strategy, through the structuring of debt collection mechanisms, education on informative LPBBTI advertising, and the enforcement of sanctions against illegal online loans that persist in society.



The development of the ecosystem is highly necessary to support the sustainable growth of LPBBTI businesses while prioritizing consumer interests. Working programs supporting this strategy among others, include the reinforcement of the role of industry associations to ensure that industry actors consistently implement business activities based on market discipline, and along with OJK, execute socialization and education agenda widely about LPBBTI to the public. Advanced information technology is a highlight of

the LPBBTI industry that should appear to set it apart from other financial service industries. Hence, with support from the industry, OJK is demanded to establish data infrastructure and information system development that facilitate the effective implementation of appropriate information technology. The following is a visualization of the roadmap of development and reinforcement of the LPBBTI industry for the period of 2023-2038 within an integrated framework:

Graph 7.1 Integrated Framework in the Roadmap of Development and Reinforcement of LPBBTI

Roadmap of Development and Enforcement of LPBBTI Period of 2023 -2028

REALIZATION OF HEALTHY, INTEGRITY-DRIVEN, AND FINANCIAL INCLUSION AND CONSUMER PROTECTION-ORIENTED LPBBTI
INDUSTRY AS WELL AS CONTRIBUTING TO NATIONAL ECONOMY GROWTH

Increase of Financing to Productive Sector and MSMEs with a Maintained Quality

Phase 1

Foundation Reinforcement 2023-2024

Phase 2

Consolidation & Creating Momentum 2025 - 2026

Phase 3

Adjustment & Growth 2027 -2028

Productive sector and MSMEs financing market 30-40%

Productive sector and MSMEs financing market 40-50%

Productive sector and MSMEs financing market 50-70%

No	Strategy	Working programs	End State
1.	Reinforcement of Capitalization, Governance, Risk Management, and HR	<ul style="list-style-type: none"> Fulfillment of Minimum Equity Provision Rp2.5 M (2023), Rp7.5M (2024), and Rp12.5 M (2025) Development and Reinforcement of Credit Scoring Obligation to Have Prime Service ISO, IT Reliability ISO, Anti-Fraud ISO, an Cyber ISO Controlled TWP 90 (<5%) Development and Reinforcement of HR, including Certification Programs 	Formation of LPBBTI Industry with Capital according to the regulations as well as reliable Governance, Risk Management, and HR
2.	Reinforcement of Regulation, Supervision and Licensing	<ul style="list-style-type: none"> Follow Up-Action of Law concerning PPJK (POJK and SEOK) Relaxation of Maximum Limit for Financing to Support Productive Sector Regulation on Economic Benefits (Interest Rate) Moratorium Openings for LPBBTI Specifically for the Productive Sector and MSMEs Optimization of Synergy Program to Boost Financing Outside Java Optimization of APU-PPT Implementation Risk-Based Supervision Implementation 	Increase of Effectivity in the Regulation, Supervision, and Licensing to support healthy, integrity-driven, and inclusive LPBBTI.
3.	Reinforcement of Consumer Protection	<ul style="list-style-type: none"> Administration of Debt Collecting Mechanism (Debt- Collector) Putting Order to Misleading Advertisement Eradication and Enforcement of Criminal Sanctions against Illegal LPBBTI 	Implementation of LPBBTI appropriate Consumer Protection
4.	Development of Ecosystem Element	<ul style="list-style-type: none"> Administration and Reinforcement of Association Role Reinforcement of Credit Insurance/ Guarantee Support Expansion of Distribution Channel of Financing to Productive Sectors and MSMEs 	Realization of Ecosystem Element supporting the development and reinforcement of LPBBTI
5.	Development of Data Infrastructure and IS	<ul style="list-style-type: none"> Development and Implementation of Early Warning System Online Reporting System Development of Pusdafi and SLIK 	Availability of Data Infrastructure and IS supporting development and reinforcement of LPBBTI

Governance and Institutions

Consumer Protection

Development of Ecosystem Element

Regulation, Supervision and Licensing

Pillar 1

Pillar 2

Pillar 3

Pillar 4





Strategy as well as its working program are further elaborated in detail based on the three phases as shown in Graphic 7.2.





The working programs that will be conducted are encompassed of both annual initiatives, that will be finished within a duration of 1-2 years, and continuous programs spanning for 5 (years), according to the duration of roadmap execution. For each working program, success indicators have been formulated to be achieved during the period of 2023 - 2028. Success indicators are necessary to measure the outcomes of the established strategies. The following provides an elucidation of the working programs along with their associated success indicators in each phase:

7.1 Phase 1 – Foundation Reinforcement (2023 – 2024)

In the first phase (2023-2024), the focus of the roadmap agenda is to strengthen the four pillars of the LPBBTI industry. This phase is construed as a crucial one since the performance in executing the working programs during this phase will determine the development in the subsequent two phases.

The working programs that must be executed by the LPBBTI industry are improvement and reinforcement of capital, governance, and risk management. Minimum equity must be met at Rp 2.5 billion in July 2023, then increased to Rp 7.5 billion in July 2024. The technical aspects of business management are also reinforced with the development of reliable and robust credit scoring, as well as the enhancement of human resource capacity for LPBBTI organizers through various certification programs. Regulation reinforcement by OJK is made to support the governance improvements and foster industrial business through the amendment of POJK and arrangement of SEOJK. Adjustments to loan value limits and the imposition of a licensing moratorium for LPBBTI will be carried out in phase 1 to further increase financing for the productive sector and MSMEs. Additionally, in phase 1, reinforcement to LPBBTI supervision shall be made through the augmentation of the capacity of supervisors and their auxiliaries, such as the Early Warning System (EWS).

The reinforcement of consumer protection is conducted through enhancing the debt collection mechanisms, putting order to LPBBTI advertisements more conducive to the public, and strengthening the eradication of illegal online loans. One of the indicators in the eradication of illegal online loan working programs is a firm written warning to unlicensed LPBBTI entities to promptly apply for permission to OJK before they were imposed as committing criminal action. The development of ecosystem elements is made through the reinforcement of the role of association in conducting market discipline-based business activities, as well as education and socialization to the public concerning the LPBBTI industry. Besides, in this phase, collaboration shall be established between insurance/guarantee companies and LPBBTI organizers in providing credit insurance/guarantees.

Development of data infrastructure, and information systems becomes an equally important focus in phase 1. The development of Fintech Lending Data Center (Pusat Data Fintech Lending/Pusdafil) 2.0 by OJK during this phase is very crucial in supporting a more comprehensive data integration in phase 2. The data integration is utterly necessary for the industry actors in constructing reliable and trustworthy credit scoring.



Table 7.1 Phase I LPBBTI Development Strategy

Working Programs	Success Indicator	Responsible Entities	2023	2024
Reinforcement of Capital, Governance, Risk Management, and HR				
1) Fulfillment of Minimum Equity Provision Rp. 2,5 M (2023) and Rp. 7,5M (2024)	Minimum equity fulfillment Rp 2.5 M per July 2023 and Rp 7.5 M per July 2024	Industry	V	V
2) Development of Credit Scoring	Controlling the rate of TWP90 LPBBTI (<5%)	OJK and Industry	V	V
3) Obligation to have Prime Service ISO, IT Reliability, Anti-Fraud ISO, and Cyber ISO	Increasing the number of organizers that has Prime Service ISO, IT Reliability, Anti-Fraud ISO, and Information Security ISO	OJK, Association and Industry		V
4) Controlled TWP 90 (<5%)	Controlled the Rate of TWP90 LPBBTI (<5%)	OJK and Industry	V	V
5) Development and Reinforcement of Human Resources, including Certification Programs	Holding capacity building for the human resources in LPBBTI organizers, among others certifications related to general regulations concerning basic fintech, risk management, introduction to financial reporting, presentation of financial reporting, customer services, and collection (desk & field)	OJK, Association and Industry		V
Reinforcement of Regulation, Supervision, and Licensing				
6) Development and Reinforcement of Human Resources, including Certification Programs	1. Issuance of the Amendment of POJK 10/2022 2. Issuance of SEOJK concerning GRC 3. Implementation of SEOJK supporting IT system reliability	OJK, Association and Industry	V	V
7) Relaxation of Maximum Limit for Financing Support to Productive Sector	Amendment of POJK 10/2022 including the adjustment of the increase of loan limit value and obligation to provide education and training funds to improve the HR quality particularly in productive sector and MSMEs financing.	OJK and Industry	V	V



Working Programs		Success Indicator	Responsible Entities	2023	2024
8)	Regulation on Economic Benefits (Interest Rate)	The issuance of SEOJK concerning the Implementation of LPBBTI Business including adjustment to loan interest rate (economic benefits)	OJK	V	V
9)	Moratorium Openings for LPBBTI Specifically for the Productive Sector and MSMEs	The increasing number of LPBBTI meeting the APU-PPT provisions	OJK, Association and Industry		V
10)	Optimalization of APU-PPT Implementation	Minimum equity fulfillment Rp 2.5 M per July 2023 and Rp 7.5 M per July 2024	OJK, Association and Industry	V	V
11)	Risk Based Supervision Development	1. Availability of IT Infrastructure for Supervision (EWS) 2. Effectiveness of cooperation in prudential supervision and market conduct 3. Increase of number and capacity of supervision	OJK, Industry, Association and K/L		V
Reinforcement of Consumer Protection					
12)	Reinforcement of Debt Collecting Mechanism (Debt Collector)	Issuance of SEOJK concerning the Implementation of LPBBTI Business including its Debt Collecting Mechanism	Industry	V	V
13)	Reinforcement of Prohibition against Misleading Advertisement	Increasing portion of educative LPBBTI advertisement (shop according to capacity and boosting productive behavior)	OJK and Industry		V
14)	Reinforcement of Eradication of Illegal online lending	1. Implementing education and socialization program for consumers as well as LPBBTI Organizers (including illegal online lending) implemented by OJK, association, and industry with satisfactory outcome.	OJK, Association and Industry	V	V



Working Programs	Success Indicator	Responsible Entities	2023	2024
	2. Submission of letter to illegal online lending to immediately apply for license in connection with the imposition of Law of P2SK 3. Decrease of complaints number and increase of complaint settlement related to illegal online loans 4. Realization of effective coordination with related institutions in the settlement of illegal online loans	OJK, Association and Industry	V	V
Pengembangan Elemen Ekosistem				
15) Administration and Reinforcement of Association Role	1. Implementation of business activity based on market discipline 2. Implementation of awareness development program concerning LPBBTI which involves OJK, association and industry 3. Realization of coordination between LPBBTI Association and Indonesian Debt Collecting Company Association 4. Increase of coordination between OJK and BSSN association for the purpose of reinforcing cyber security 5. Increase of number of LPBBTI organizer that have implemented the Law of PDP and POJK 2022 effectively	OJK, Association and Industry	V	V
16) Reinforcement of Credit Insurance/Guarantee	Increase of Insurance/Guarantee Companies which conduct cooperation with LPBBTI organizer	OJK and Industry	V	V



Working Programs	Success Indicator	Responsible Entities	2023	2024
17) Expansion of Distribution Channel of Financing for Productive Sector and MSMEs	Addition of organizer focused on productive sector and MSMEs financing	OJK		V
Development of Data Infrastructure and IS				
18) Early Warning System Development	Implementation of Early Warning System	OJK, Association and Industry		V
19) Online Reporting System	Implementation of Online Reporting System	OJK, Industry, Association and K/L		V
20) Pusdafil	Implementation of Pusdafil 2.0	OJK and Industry		V

Source: OJK



7.2 Phase 2 - Consolidation & Creating Momentum (2025 – 2026)

In the second phase (2025-2026), the LPBBTI industry focus was shifted to consolidation and creating momentum for higher growth, after reinforcing the foundations for governance, risk management, and compliance. After the reinforcement of regulation was made in the first phase, through the amendment of POJK and the issuance of SEOJK in the first phase, the implementation of these regulations started to be made in phase 2, hence, the result is expected to be visible in the observed achievement target indicators. In this phase, it is expected that all LPBBTI providers have met the minimum equity requirement of Rp 12.5 billion (as of July 2025). With a robust capital profile, adjusted loan value limits, and the existing moratorium openings made, it is expected that the LPBBTI financing share for the productive sector and MSMEs in phase 2 will increase to the range of 40-50%. The financing share target is also supported by the business matching working program in expanding the financing outside of Java. In supporting higher LPBBTI business growth in the second phase, the quality of supervision in this phase is expected to be more reliable with the implementation of the EWS system and the improved supervision quality from OJK.

In terms of consumer protection, OJK will impose strict criminal measures against LPBBTI entities that still have not obtained licenses. This step is expected to further reduce public complaints about illegal online loan phenomena. Then, concurrent with the eradication effort of illegal online loans, more effective education and socialization concerning the LPBBTI industry shall still be conducted consistently together with associations and industry stakeholders. All these efforts are expected to enhance the literacy and inclusion levels of the national LPBBTI industry.

The emergence of data infrastructure and information systems in phase 2 is shown by the integration of Pusdafil 2.0 and SLIK. Such data integration is expected to be able to assist the LPBBTI industry in improving the reliability of their credit scoring system as well as assisting in reducing costs in business implementation.



Table 7.2 Phase II LPBBTI Development Strategy

Working Programs		Success Indicator	Responsible Entities	2025	2026
Reinforcement of Capital, Governance, Risk Management, and HR					
1)	Regulation on Economic Benefits (Interest Rate)	Fulfillment of Minimum Equity Rp 12.5 M per July 2025	Industry	V	V
2)	Development of Credit Scoring Quality	Controlling the rate of TWP90 LPBBTI (<5%)	Industry	V	V
3)	Obligation to Maintain Prime Service ISO, IT Reliability ISO, Anti-Fraud ISO, and Cyber ISO	Increasing the number of organizers that have Prime Service ISO, IT Reliability ISO, Anti-Fraud ISO, and Information Security ISO	Industry	V	V
4)	Controlled TWP 90 (<5%)	Controlling the rate of TWP90 LPBBTI (<5%)	OJK, Association and Industry	V	V
5)	Development and Reinforcement of Human Resources, including Certification Programs	Holding capacity building for human resources in LPBBTI organizers, among others certifications related to general regulations concerning basic fintech, risk management, introduction to financial reporting, presentation of financial reporting, customer services, and collection (desk & field)	OJK, Association and Industry	V	V
Reinforcement of Regulation, Supervision, and Licensing					
6)	Law of PPSK Implementation (SEOJK)	<ol style="list-style-type: none"> 1. Issuance of the Amendment of POJK 10/2022 2. Issuance of SEOJK on GRC 3. Implementation of SEJOK supporting IT system reliability 	OJK, Association and Industry	V	V



Working Programs		Success Indicator	Responsible Entities	2025	2026
7)	Relaxation of Maximum Limit for Financing Support Productive Sector	Amendment of POJK 10/2022 including the adjustment of the increase of loan limit value and obligation to provide education and training funds to improve the HR quality particularly in productive sector and MSMEs financing.	Industry	V	V
8)	Regulation on Economic Benefits (Interest Rate)	The issuance of SEOJK concerning the Implementation of LPBBTI Business including adjustment to loan interest rate (economic benefits)	Industry	V	V
9)	Development of Financing for Productive Sectors and MSMEs	<ol style="list-style-type: none"> 1. Increase of distribution of financing for Productive Sector and MSMEs 2. Increase of numbers of LPBBTI cooperating with other IJK 	Industry	V	V
10)	Synergy Program to Boost Financing Outside Java	<ol style="list-style-type: none"> 1. Holding business matching program 2. Increase of financing outside Java (Conventional and Sharia) 	OJK, Industry and Association	V	V
11)	Optimization of APU-PPT Implementation	The increasing number of LPBBTI meeting the APU-PPT provisions	Industry	V	V
12)	Risk Based Supervision Implementation	<ol style="list-style-type: none"> 1. Availability of IT Infrastructure for Supervision (EWS) 2. Effectiveness of cooperation in prudential supervision and market conduct 3. Increase of number and capacity of supervision 	OJK	V	V



Working Programs	Success Indicator	Responsible Entities	2025	2026
Reinforcement of Consumer Protection				
13) Implementation of Regulation for Debt Collection Mechanism (Deb- Collector)	Decrease of complaint lodge on LPBBTI and increase of complaint settlement	Association and Industry	V	V
14) Implementation of Prohibition against Misleading Advertisement	Increasing LPBBTI advertisement portion for educational purposes (shop in accordance with capability and boosting productive behavior) compared to the previous phase	OJK and Industry	V	V
15) Imposition of Criminal Sanction to Illegal Online Lending	<ol style="list-style-type: none"> 1. Implementing education and socialization program for consumers as well as LPBBTI Organizers (including illegal online lending) implemented by OJK, association, and industry with satisfactory outcome. 2. Decrease of complaint numbers and increase of complaint settlement related to illegal online loans 3. Decrease of illegal online loans compared to previous phase 4. Implementation of criminal sanctions for illegal online lending 5. Realization of effective coordination with relevant institutions on the settlement of illegal online loan 	OJK, Association and Industry	V	V
Development of Ecosystem Elements				
16) Implementation of Association Role	<ol style="list-style-type: none"> 1. Implementation of business activity based on market discipline 	OJK, Association and Industry	V	V



Working Programs	Success Indicator	Responsible Entities	2025	2026
16) Implementation of Association Role	2. Implementation of public awareness development program concerning LPBBTI which involves OJK, association, and industry 3. Realization of coordination between LPBBTI Association and Indonesian Debt Collecting Company Association 4. Increase of coordination between OJK and BSSN association for the purpose of reinforcing cyber security 5. Increase of number of LPBBTI organizer that have implemented the Law of PDP and POJK 2022 effectively	OJK, Association and Industry	V	V
17) Implementation of Association Role	Increase of Insurance/Guarantee Companies which conduct cooperation with LPBBTI organizer	OJK and Industry	V	V
18) Implementation of Expansion of Distribution Channel of Financing for Productive Sector and MSMEs	Increase of LPBBTI organizer focusing on productive sector and MSMEs	OJK	V	V
Pengembangan Infrastruktur Data dan SI				
19) Implementation of Development of Early Warning System	Implementation of development of Early Warning System	OJK, Association and Industry	V	V
20) Implementation of Online Reporting System	Implementation of Online Reporting System by industry	OJK, Association, Industry and K/L	V	V
21) Implementation of Pusdafil	Implementation of integration between Pusdafil 2.0 and SLIK	OJK, Association and Industry	V	V

Source: OJK



7.3 Phase 3 – Adjustment and Growth (2027 – 2028)

During the third phase (2027-2028), the LPBBTI is focusing to trigger a higher business growth by keep paying attention to financing quality. In this phase, the share of LPBBTI financing to the productive sector and MSMEs is expected to reach 50-70%. The already robust capital profiles, governance, and risk management must be kept consistent, hence ensuring the sustainability and resilience of the industry. The good quality must at all times be also protected within the aspect of regulation, supervision, and licensing, to support the increase of industrial growth in the LPBBTI industry.

As public understanding of the LPBBTI industry continues to increase, reinforcement to consumer protection remains a focus. One of which is through the enhancement of proportion of a more educative advertisements, particularly the ones boosting productive financing. Furthermore, the ecosystem of LPBBTI industry is expected to operate more effectively in supporting the business of LPBBTI industry, with the completeness of ecosystem components and the proper functioning of each component. Besides, the refinement of data infrastructure and information systems are continuously carried out to support innovation and meet the growing demands of information technology in the LPBBTI sector.

Table 7.3 Phase III LPBBTI Development Strategy

Working Programs		Success Indicator	Responsible Entities	2027	2028
Capital, Management, Risk Management, and HR Strengthening					
1)	Monitoring and Evaluation on the Fulfillment of Minimum Equity	Maintaining the fulfillment of minimum equity Rp 12.5 M	Industry	V	
2)	Implementation of Reliable Credit Scoring	Controlling the rate of TWP90 LPBBTI (<5%)	OJK and Industry	V	V
3)	Obligation to Maintain Prime Service ISO, IT Reliability ISO, Anti-Fraud ISO, and Information Security ISO	Increasing the number of organizers that have Prime Service ISO, IT Reliability ISO, Anti-Fraud ISO, and Information Security ISO	OJK, Association and Industry	V	V
4)	Controlled TWP 90 (<5%)	Controlling the rate of TWP90 LPBBTI (<5%)	OJK and Industry	V	V
5)	Development and Reinforcement of Human Resources, including Certification Programs	Holding capacity building for human resources in LPBBTI organizers, among others certifications related to general regulations concerning basic fintech, risk management, introduction to financial reporting, presentation of financial reporting, customer services, and collection (desk & field)	OJK, Association and Industry	V	V



Working Programs	Success Indicator	Responsible Entities	2027	2028
Reinforcement of Regulation, Supervision, and Licensing				
6) Implementation of Law of PPSK	1. Issuance of the Amendment of POJK 10/2022 2. Issuance of SEOJK on GRC 3. Implementation of SEJOK supporting IT system reliability	Industry	V	V
7) Implementation of the Relaxation of Maximum Limit for Financing to support Productive Sector	Implementation of Amendment of POJK 10/2022 including adjustment of the increase of loan limit value and obligation to provide education and training funds to improve the HR quality particularly in productive sector and MSMEs financing.	Industry	V	V
8) Implementation of Regulation on Economic Benefits (Interest Rate)	Implementation of SEOJK concerning the Implementation of LPBBTI Business including adjustment to loan interest rate (economic benefits)	Industry	V	V
9) Development of Financing for Productive Sectors and MSMEs	1. Increase of distribution of financing for Productive Sector and MSMEs 2. Increase of numbers of LPBBTI cooperating with other IJK	Industry	V	V
10) Optimization of Synergy Program to Boost Financing Outside Java	1. Holding business matching program 2. Increase of financing outside Java (Conventional and Sharia)	OJK and Industry	V	V
11) Optimization of APU-PPT Implementation	The increasing number of LPBBTI meeting the APU-PPT provisions	Industry	V	V



Working Programs	Success Indicator	Responsible Entities	2027	2028
12) Implementation of Risk Based Supervision	<ol style="list-style-type: none"> 1. Availability of IT Infrastructure for Supervision (EWS) 2. Effectiveness of cooperation in prudential supervision and market conduct 3. Increase of number and capacity of supervision 	OJK	V	V
Reinforcement of Consumer Protection				
13) Implementation of Regulation for Debt Collection Mechanism (Debt-Collector)	Decrease of complaint lodge on LPBBTI and increase of complaint settlement	Association and Industry	V	V
14) Implementation of Prohibition against Misleading Advertisement	Increasing LPBBTI advertisement portion for educational purposes (shop in accordance with capability and boosting productive behavior) compared to the previous phase	OJK and Industry	V	V
15) Imposition of Criminal Sanction to Illegal Online Lending	<ol style="list-style-type: none"> 1. Implementing education and socialization program for consumers as well as LPBBTI Organizers (including illegal online lending) implemented by OJK, association, and industry with satisfactory outcome. 2. Decrease of complaint numbers and increase of complaint settlement related to illegal online loans 3. Decrease of illegal online loans compared to previous phase 4. Implementation of criminal sanctions for illegal online lending 5. Realization of effective coordination with relevant institutions on the settlement of illegal online loan 	Association and Industry	V	V



Working Programs	Success Indicator	Responsible Entities	2027	2028
Ecosystem Development Elements				
16) Implementation of Association Role	1. Implementation of business activity based on market discipline 2. Implementation of public awareness development program concerning LPBBTI which involves OJK, association and industry 3. Realization of coordination between LPBBTI Association and Indonesian Debt Collecting Company Association 4. Increase of coordination between OJK and BSSN association for the purpose of reinforcing cyber security	OJK, Association and Industry	V	V
17) Reinforcement of Credit Insurance/Guarantee	Increase of Insurance/Guarantee Companies which conduct cooperation with LPBBTI organizer	OJK and Industry	V	V
18) Implementation of Expansion of Distribution Channel of Financing to Productive Sector and MSMEs	Addition of LPBBTI focusing on productive sector and MSMEs	OJK	V	V
Development of Data Infrastructure and IS				
18) Development of Early Warning System	Implementation of development of Early Warning System	OJK, Association and Industry	V	V
18) Online Reporting System	Implementation of Online Reporting System by Industry	OJK, Association, Industry and K/L	V	V
18) Development of Integration between Pusdafil and SLIK	Implementation of integration between Pusdafil 2.0 and SLIK	OJK, Association and Industry	V	V

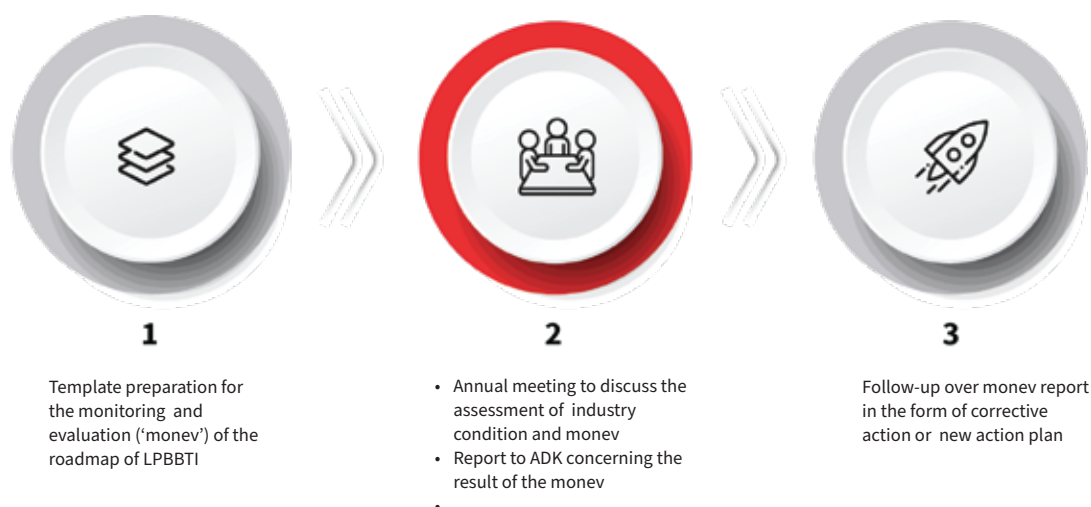
Sumber: OJK



7.4 Monitoring and Evaluation of the Roadmap of Development and Reinforcement of LPBBTI 2023-2028

As a form of joint commitment, then, the implementation of the roadmap must be escorted together by OJK and AFPI. The following is the mechanism of monitoring and evaluation of roadmap of development and reinforcement of LPBBTI 2023-2028:

Graph 7.3 Monitoring and evaluation mechanism in the roadmap of development and reinforcement of LPBBTI 2023-2028



Source: OJK



CLOSING REMARK

This Roadmap of Development and Reinforcement of LPBBTI 2023-2028 is made by OJK by involving association, industry, academics, and economic experts. We hope that this roadmap shall both take a role as a long-term guidance and answer how we can obtain opportunity and face the challenges in the LPBBTI industry for the next 5 years.

This Roadmap is expected to give clear direction for the development and reinforcement of LPBBTI in Indonesia. The joint agreement and commitment between OJK and the industry is required to escort the referred implementation of the roadmap. Through various strategies and working programs including Roadmap of Development and Reinforcement of LPBBTI 2023-2028, we aim to realize a healthy, integrity-driven, and financial inclusion and consumer protection-oriented LPBBTI Industry environment, as well as contribute to the national economy growth.

Last but not least, this roadmap is a living document that will continuously adjust to the economic dynamics of LPBBTI industry, hence, it is possible that in the future, the working programs in this roadmap will be adjusted. We will also continue to actively monitor and evaluate the development of working programs as composed in this Roadmap. We hope that this Roadmap of Development and Reinforcement of LPBBTI 2023-2028 can provide benefits, especially for stakeholders and the Indonesian community in general.





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GLOSSARY

AFPI	: Indonesian Joint Fintech Financing Association
AFTECH	: Indonesian Fintech Association
APOLO	: Online Reporting Application
APU	: Anti-Money Laundering
BNSP	: Profession Certification National Agency
BSSN	: Cyber and Encryption National Agency
Dukcapil	: Office of Population and Civil Registry
EWS	: Early Warning System
EY	: Ernst and Young
GCG	: Good Corporate Governance
GRC	: Governance, Risk, and Compliance
HCSTC	: High-cost short-term credit
IKNB	: Non-banking financial industry
IMF	: International Monetary Fund
LAPS SJK	: Alternative Dispute Resolution Institution for the Financial Services Sector
LPBBTI	: Technology-Based Joint Financing Services
LPBBTI	: Development of Technology-Based Joint Financing Services
P2PL	: Peer to Peer Lending
OJK	: Financial Services Authority
PDB	: Gross Domestic Product
POJK	: Regulation of Financial Services Authority
PPT	: Prevention of Terrorism Financing
PSE	: Electronic System Operator
PSN	: National Strategic Project
Pusdafil	: Fintech Lending Data Centre
PUSK	: Financial sector business actors
Satgas Pasti	: Task Force for the Eradication of Illegal Financial Activities
SDM	: Human Resources
SEOJK	: Circular Letter of Financial Services Authority
SILARAS	: Integrated Reporting Information System
SLIK	: Financial Information Services System
SNLIK	: Survey of Financial Literation and Inclusion



GLOSSARY

Suptech	: Supervisory technology
SWI	: Investment Alert Task Force
TTE	: Electronic signature
TWP90	: 90 days Default Rate
UMKM/MSME	: Micro, Small, and Medium Enterprises
UU/Law of P2SK	: Law concerning Development and Reinforcement of Financial Sector
YoY	: Year on Year





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