

## PRESS RELEASE

### **OJK ENCOURAGES BPDs TO ENHANCE CONTRIBUTION TO REGIONAL ECONOMY**

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**Financial Services Authority, Jakarta, May 23, 2016.** Financial Services Authority (OJK) keeps putting efforts into making sure that the implementation of BPD (regional development banks) Transformation program meets the expectation of realizing BPDs that have high level of competitiveness, strong and significantly contribute to the growth and equal distribution of sustainable regional economy.

In order to improve comprehension, commitment from BPD management and support from BPD stakeholders in implementing BPD Transformation program, OJK in cooperation with Association of Regional Development Banks (Asbanda) and Home Affairs Ministry held a seminar themed "Transforming BPDs to Enhance Regional Economic Development" in Jakarta.

OJK's Chief Executive for Banking Supervision Nelson Tampubolon said in his speech that BPDs' performance until first quarter of 2016 was considered reasonably well.

As of end of March 2016, BPD's total assets worth Rp 531.30 trillion or grew by 6.48 percent (yoy). Third-party funds were Rp 432.44 trillion or increased by 5.27 percent, while credit channeling reached Rp 328.19 trillion or increased by 8.12 percent (yoy).

BPDs' profit grew by 7.91 percent (yoy), whereas minimum capital adequacy requirement (KPMM) reached 20.61 percent. Gross non-performing loan (NPL) ratio as of March 2016 was relatively stable at 3.89 percent compared to previous figure of 3.83 percent.

However, BPDs' contribution to regional economy remained low, indicated by percentage of productive credit market, which was only around 30 percent of total channeled credit.

"For that reason, BPDs' performance and roles have to be improved so that the banks may truly carry out their mission as agent of development," said Nelson.

The seminar aimed to support the implementation of BPD Transformation program launched on May 26, 2016 by President of Indonesia at the presidential palace, with a vision to realize BPDs that have high level of competitiveness, strong and significantly contribute to the growth and equal distribution of sustainable regional economy.

The vision is to be actualized in three phases, namely: (i) Foundation building phase, (ii) Growth acceleration phase and (iii) Market leadership phase.

The BPD Transformation program is a strategic initiative that will not only enhance performance, resilience and competitiveness of BPDs, but will also give major impact on regional economy and strengthen the resilience of national banking industry.

OJK and Asbanda have also made cooperation with some international institutions, among others the Sparkassenstiftung für Internationale Kooperation (Savings Banks Foundation for International Cooperation) and World Bank in the framework of technical assistance for BPD Transformation program.

OJK expected support from related institutions, mainly international institutions including Asian Development Bank (ADB), Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and SECO to make BPD Transformation program successful.

The seminar was expected to give inspiration and motivation to participants, particularly BPDs, to transform themselves, and then be followed by actual measures to support the implementation of BPD Transformation program.

For that goal, the seminar presented Prof. Neo Boon Siong, an expert in dynamic governance from Nanyang Technological University of Singapore as the keynote speaker, who explained about the framework and case study of successful transformation programs for public and private institutions in Singapore.

Successful transformation that happened to a few national banks domestically could also be regarded as valuable lessons. For instance, lessons from the transformed BTPN. The bank was invited as the speaker in the seminar to share experience in developing micro banking business in Indonesia.

PT Semen Indonesia was also invited as it had a successful business transformation and established a holding company to develop synergy among its subsidiary companies. Such experiences were considered to be very relevant to Asbanda and BPDs for their learning and for them to develop in the future, in line with President's guidance to establish a holding company for state-owned enterprises (BUMN) and BPDs.

After a year since it was first launched, BPD Transformation program recorded some progress made by Asbanda and BPDs, among others the establishment of Project Management Office (PMO) of BPD Transformation program, which functions as the activator of the program.

Apart from that, BPD of East Kalimantan province has launched BPDNet Online platform and Laku Pandai branchless banking program in end of 2015, which will be followed by other BPDs in 2016. BPDs must make sure that the launched Laku Pandai program runs sustainably and give benefits to society, not halted after the launching instead.

Nelson Tampusolon said that implementation of BPD Transformation program have to be accelerated by Asbanda and BPD, with supports from shareholders and stakeholders, so that BPDs become able to lead and catalyze development in respective region.

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