OJK INTERNATIONAL CENTER OF EXCELLENCE FOR MICROFINANCE AND INCLUSION

OJK - PUSAT KEUANGAN MIKRO DAN INKLUSI

(OJK-PROKSI)
Microfinance Sub Sectors in Indonesia

**Micro-Credit**
- Very small loan
- No Collateral
- Repayable within 6-12 months

**Micro-Saving**
- Very small deposit
- Less than IDR 20 Million / USD 1,449

**Micro Insurance**
- Premium under IDR 50,000/USD 3,62
Indonesia’s Economic Pyramid

Upper Class: >USD22.1 per day

Middle Class: USD4.5 - USD22.1 per day

Poor: < USD4.5 per day

Customer of Conventional Banking, Insurance and Capital Market Products

Potential Market of Microfinance

Source: World Bank estimates, Individual net income
Note: < USD1.90 a day, 96m people; USD 1.90 – USD 4.50, 107m people.
INDONESIA
Unity in Diversity

34 Provinces
CAPITAL: Jakarta

253 million Population
4th most populous country on earth

118 Commercial Banks
1,800 Rural Banks
600,000 Micro Finance Institutions

360 Ethnic Groups
Speaking 719 Languages
Living on 6000 of 17,504 islands
Microfinance is an important financial inclusion instrument that can address development issues such as unemployment, poverty and social gaps by generating employment, improving social income and access to finance.

Microfinance could also provide community’s basic economic needs and increase productivity while maintaining the cohesiveness of local society.

In terms of access to finance, microfinance is a suitable solution for the poor as it increases access by enabling micro-credits for the low-income households.
The History of Microfinance in Indonesia – More than 100 years

1895
Bank Rakyat Indonesia was established

1900s
Village Credit Institutions or Badan Kredit Desa established
Provide savings and loans facilities to rice farmers.

1978
Rural Banks (Badan Perkreditan Rakyat) was established

1992
New Banking Law formally recognizing licensed BPRs as distinct from commercial banks

2015
New Branchless Banking Rules and Microfinance Law Implemented
Financial Inclusion in Indonesia

CHALLENGES

1. **203 millions** of Indonesia citizens lacking of access to financial services, due to: disproportionate formal financial services institution network, a **dispersed population** and **geographic structure**, **lack of collateral** and **low financial literacy**.

2. Based on a financial literacy survey conducted in 2013:
   - **21.8%** of the population is categorized as **well literate** with financial services
   - product utilization level of **59.7%**.

SOLUTIONS

1. **Effective** and **efficient** financial inclusion program.

2. **Comprehensive financial literacy program** that can create a well literate public in terms of financial management.
OJK Statutory Mandate

- **Law No. 21 No. 2011 (OJK Law)** mandated OJK to perform supervision of financial institutions and protect the interests of financial consumers,

- **Law No. 1 of 2013 on Microfinance Institutions (Law on Microfinance)** mandated OJK to supervise microfinance institutions in Indonesia, OJK has statutory obligation to perform these duties effectively.

- OJK is mandated to nurture the financial industry (including microfinance institutions) to ensure a **sound performance**, as well as **prudent and financially responsible practice** of the microfinance institutions.
Microfinance Key Elements in Indonesia

**Regulators**
- OJK
- BI
- Central & Local Government

**Intermediaries**
- Corporate agents
- Payments providers
- Telecoms companies
- State postal firm - PT Pos Indonesia
- State pawn shop - PT Pegadaian

**Microfinance Providers**
- 118 Commercial Banks
- 1,800 Rural Banks
- 600,000 Micro Finance Institutions
- 52 Life insurers
  - 82 Property & Casualty insurers
  - Pawn Shops

**Experts / Practitioners**
- Universities and Other Higher Education Institutions
- Foreign Experts
- Research Institute
- Non-Government Institutions

**Lower Income Individuals:** 203 Million People
OJK-PROKSI: Vision and Mission

VISION

To become a reputable international microfinance center that supports global poverty alleviation programs—through amplification of microfinance contribution to the increased access to finance for the world’s poor.

MISSION

To support knowledge development and provide affordable learning platform on microfinance—

for policy/decision makers, business and financial practitioners, academics, global communities and other relevant stakeholders—

through learning and collaborations.
OJK-PROKSI: Objectives

- Strengthen **Coordination** among Government Agencies
- Provide **Learning Forum** for Stakeholders
- **Peer Learning Centre** and **Knowledge Sharing Forum** for Policy Discussion on Microfinance and Financial Inclusion
- Expose Policy Makers on **innovative approaches** in the financial inclusion policymaking
- To bring recognition to **outstanding policy champions** in increasing access to financial services for the poor
- Provide various resources of international experts and strategic partners to enrich discussion on policy and best practices
Why OJK?

- Indonesia: the world’s biggest laboratory of microfinance
- To carry out the mandates and perform statutory tasks successfully
- OJK’s access to all microfinance stakeholder (Bank and Non-Bank)
- The needs of a leader in microfinance development strategic initiatives
PROGRAMS AND ACTIVITIES

Survey and Research
Module Development
Publication
Pilot Project
Database Development
Seminar, Workshop, and Summit
Lecturer
Award
IT Development
Credit Guarantee System
Training
Exchange Visitation
Policy Review
Rating System
Technical Assistance
POLICY REVIEW

- BI Regulations
- OJK Regulations
- Ministry Regulations
- Local Government Regulations
- Government Regulations
- Laws
SURVEY AND RESEARCH

Survey

Research

MSEs

MFIs

Themes

Sectors

MSEs

MFIs
SEMINAR, WORKSHOP, AND SUMMIT

- International Summit for Policy Makers
- International and Domestic Seminars
- International and Domestic Workshops
- Focused Group Discussions (FGDs)
- International and Domestic Call for Papers
TRAINING

- Training of Trainers (ToT)
- MFI Supervisors (Local Government)
- MFI Managers
- MSE Operators

- MFI Regulation
- MFI Supervision
- MFI Business Process
- MFI Information and Reporting System

Domestic

International
MODULE DEVELOPMENT

Domestic

Training Modules for ToT
Training Modules for Supervisors
Training Modules for MFI Managers
Training Modules for MSE Operators

International

Training Modules for MFI Regulation
Training Modules for MFI Supervision
Training Modules for MFI Business Process
Training Modules for MFI Information and Reporting System
TECHNICAL ASSISTANCE

Local Governments

MFIs

SMEs
RATING SYSTEM

Rating System for Microfinance Institutions

Rating System for Micro and Small Enterprises
CREDIT GUARANTEE SYSTEM

- SOE/National Credit Guarantee Schemes
- Private Credit Guarantee Schemes
- Local Credit Guarantee Schemes
LECTURER

Domestic Guest Lecturers

International Guest Lecturers
AWARD

MFIs  MSEs  Managers  MF Schemes
IT DEVELOPMENT

- OJK-PROKSI Website
- MFI Information System
- SME Information System
EXCHANGE VISITATION

Africa

Asia

South America