“The National Strategy for Financial Inclusion in Indonesia”

DEPUTY FOR COORDINATION OF CREATIVE ECONOMY, ENTREPRENEURSHIP, COMPETITIVENESS OF COOPERATION AND SMEs

16th March 2016
BACKGROUND (1)

- 32% of adults do not have a savings account (2012)
- 20% adults have a deposit account at a formal financial institution (2011)

**The population of Indonesia reached 252.8 million (2014)**

- 13.33% of the population living below the poverty line (2010)
- Total GDP per capita amounted to USD 2,590.08 (2010)
- 64.25% population live in rural areas (2010)
- 35% the workforce is employed in the agricultural sector (2013)

[2] Bank Indonesia
[3] Bank Dunia
Social Issues:

Poverty

Income inequality

The most country and organization regional-multilateral (G20, OECD, the World Bank, IMF, ADB, and ASEAN)

Forum G20

In the Leaders Summit in Los Cabos Mexico on 18-19 June 2012, the G20 launched a Financial Peer Learning Program (FPLP) and Global Partnership on Financial Inclusion (GPFI).

- Act No. 10 of 1998 concerning Banking;
- Act No. 21 of 2008 concerning Islamic Banking.

Financial Inclusion System

President of the Republic of Indonesia will launch a national strategy of inclusive finance that will become a reference to synergize efforts to expand access to the public, especially the poor to the formal financial sector as a strategy to alleviate poverty in Indonesia.

Implement with the enactment of Act No. 1 of 2013 on Microfinance Institutions and supported by the Financial Services Authority Regulation No. 19 / POJK.03 / 2014 on the Financial Services Without Office in the Context of Inclusive Finance.

NATIONAL SYNERGY for FINANCIAL INCLUSION
The government and BI play an important role in expanding access to the formal financial sector, especially for low-income communities. Private sector takes opportunities, untapped bank market through innovative strategies.

Meaning of Financial Inclusion, wider:
- Social Inclusion
- Financial Inclusion
- Economic Inclusion

Strategy for Combating Poverty and Social Gaps

Public access to basic needs
Public access to the formal financial sector
Public access to the increase in revenue, through the empowerment of SMEs (entrepreneurial)
FINANCIAL INCLUSION FRAMEWORK

EXISTING CONDITION
- Unbanked
- Cash
- Manual
- Without Account

FUTURE CONDITION
- Banked
- Non-Cash
- Digital
- Sophisticated Product

DEMAND
- Grass Root
- Household
- TKI
- SME’s
- Sectoral (farmer, fisherman, etc.)

SUPPLY
- Banks
- Non-Bank (i.e. Telco, Posindo, Pegadaian)

ISSUES
- Low income & volatile
- Low saving
- Low financial literation
- Low financial management
- Nonconforming product
- Land is not certified

TECHNICAL
- Infrastructure i.e. network
- Technology i.e. mobile, internet
- Database e-KTP issues
- Sectoral i.e. land certification

COORDINATING MINISTRY FOR ECONOMIC AFFAIRS REPUBLIC OF INDONESIA

TECHNICAL

FINANCIAL INCLUSION FRAMEWORK
SCOPE OF FINANCIAL INCLUSION

**PROGRAM**

- **Financial Education**
- **Remittances**
- **Social Aid**
- **Online Lending (Micro)**
- **Online Insurance (Micro)**
- **Online ORI Reksadana, Sukuk Retail**

**Operator**: Banks and Non-Bank

**Synergy**:
- **Telco**
- **Banks**

**Interoperability**:
- **KTP Combo Card (identity and electronic money, ATM)**
- **KTP-KIA Combo Card (identity and electronic money, ATM)**

**Synergy**: Prepaid number is registered, the owner of the number gets:
1. Electronic Money
2. Saving

**FinTech**

**Data**: total 71,000 villages in Indonesia, there are 31,000 villages do not have a telecommunications connection. The program is currently running in the ministry of communications and information.
## Deregulation Package Recapitulation Phase I - X

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<td><strong>165</strong></td>
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**Percentage**

- **92%**
- **8%**
- **100%**
Deregulation Package IV: Jakarta, October 15, 2015

Purpose:
Encourage increased and more equitable access to micro, small, and medium-sized business sector, to finance production financial institutions

Ease of access to the financial institutions are also expected to push the number and quality of entrepreneurs that will ultimately support the growth of the national economy

Evaluation Policy Package

Enhancement Financial Inclusion and Economic Inclusion
1. Special Credit Guarantee System (KUR)
2. Certification Land Rights (SHAT)
3. Acceleration of Regional Financial Access (Team)
4. Partnership and Community Development Program (PKBL)
1. On December 28, 2015, the Policy Committee has conducted Coordination Meeting with the following conclusion:
   a. Interest rates Micro KUR, Retail KUR and KUR of TKI Placement effective at 9% per year. The interest rate applicable to credit / financing new credit agreement since the first working day of 2016.
   b. Target distribution of KUR in 2016 was IDR 100 trillion - IDR 120 trillion.
   c. Merging the former Credit program (KKPE) with a ceiling of up to Rp 25 million into the Micro KUR; ceiling above IDR 25 million - IDR 500 million into the KUR Retail; and the ceiling above IDR 500 million will be further regulated under a special scheme.
   d. The expansion of economic sectors, including the creative industry is the economic sector.
   e. Determination distributor and guarantor KUR conducted by the FSA (OJK), and by the Ministry of Finance (online system with SIKP).

2. As a follow-up meetings held, it has previously compiled Coordinating Minister of Economic Regulation No. 13 Year 2015 on the Amendment of Permenko 8/2015.
<table>
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<tr>
<th>No.</th>
<th>Type</th>
<th>Credit Ceiling</th>
<th>Interest rate</th>
<th>Interest subsidy</th>
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</table>
| 1.  | Micro KUR             | • Credit ceiling up to IDR 25 million per debtor;  
• Can provide additional, suppletion, restructuring up to IDR 75 million per debtor.                                                                 | 9% effective per year           | 10,0% (including guarantor fees)                                                 |
| 2.  | Retail KUR            | • Credit ceiling of up to IDR 500 million per debtor.                                                                                                                                                          | 9% effective per year           | 4,5% (including including guarantor fees)                                        |
| 3.  | KUR of TKI Placement  | • Credit ceiling of up to IDR 25 million per debtor;  
• The longest credit period equal to the period of the employment contract and does not exceed a period of 3 years.                                                                                 | 9% effective per year           | 12,0% (including including guarantor fees and Collection Fee)                    |

The magnitude of Payments Assurance Services and Fee Collection in accordance with the negotiations between the Agency and Guarantee Company.
KUR REALIZATION:
2007 – JANUARY 2016 (IDR Billion)
Efforts to reach the 2016 target of KUR IDR 100 T - IDR 120 T, among others:

1. Increasing the number of KUR participating banks (BPD and / or the National Private Bank / Bank Mixed / Foreign Bank);
2. Increasing the number of KUR guarantor (PT. Jamkrida in each province);
3. Involving non-bank financial institutions (NBFIs) such as finance companies (PP) and the Venture Capital Company (PMV) as the KUR dealer and / or as an institution linkage;
4. Integration of the credit scheme program into the special scheme.
Reorganize control, possession, use, and utilization of land based laws and regulations land.

The process of providing access for beneficiaries of the economic resources and political enable them to develop land as a source life.
1. Providing assurance / legal status of the property (assets) owned by the community program participants;

2. Provide assurance program participants to improve the quality of the social and economic environment that is viable, permanent and healthy;

3. Improving business assurance program participants through the ownership of land assets that can be used as collateral to access capital resources;

4. Increasing interest and confidence in financial institutions / banks to extend credit to MSEs, Farmers, Fishermen and Fish Farmers.