



# Developing a financial inclusion strategy: The case of Indonesia

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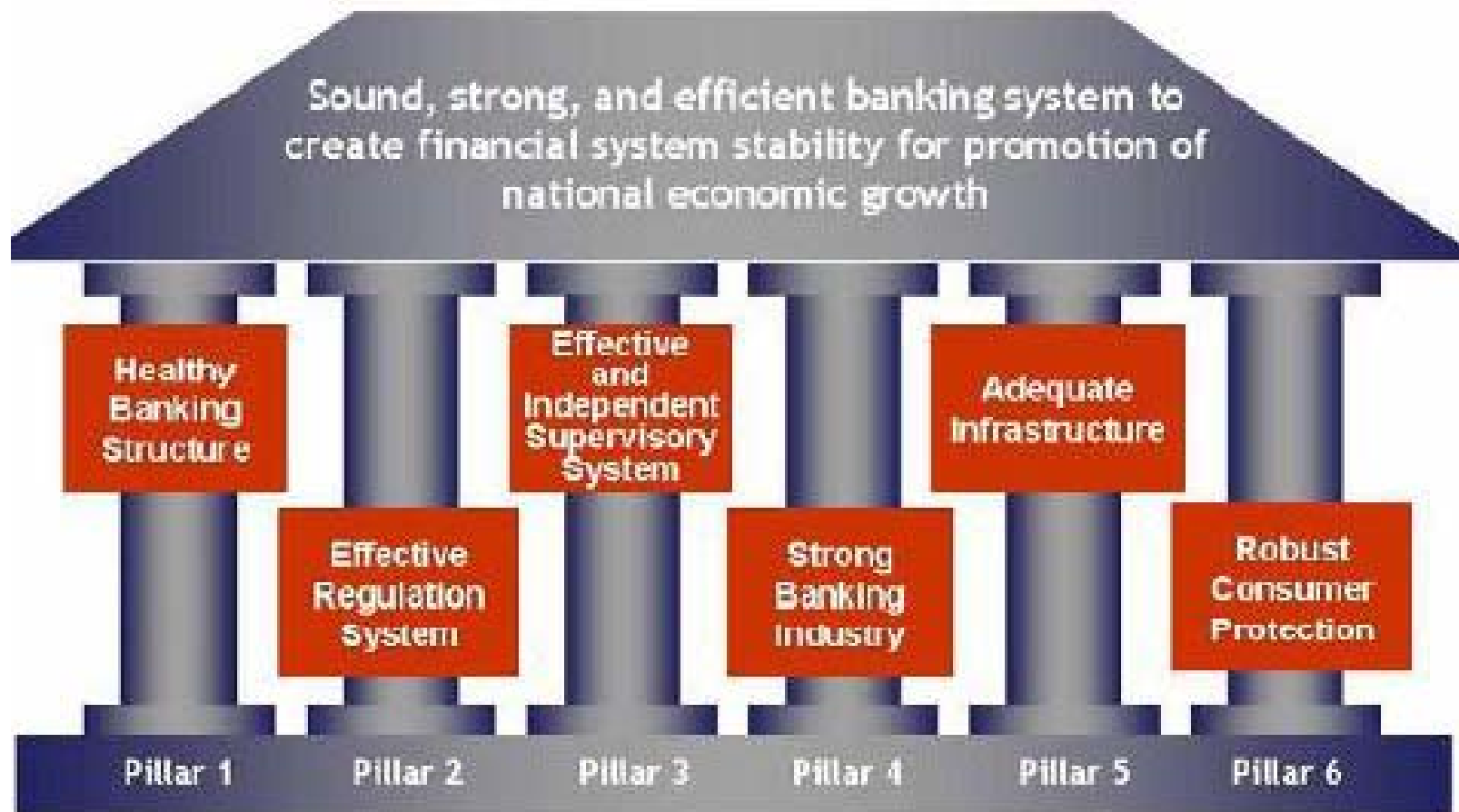
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# Indonesia

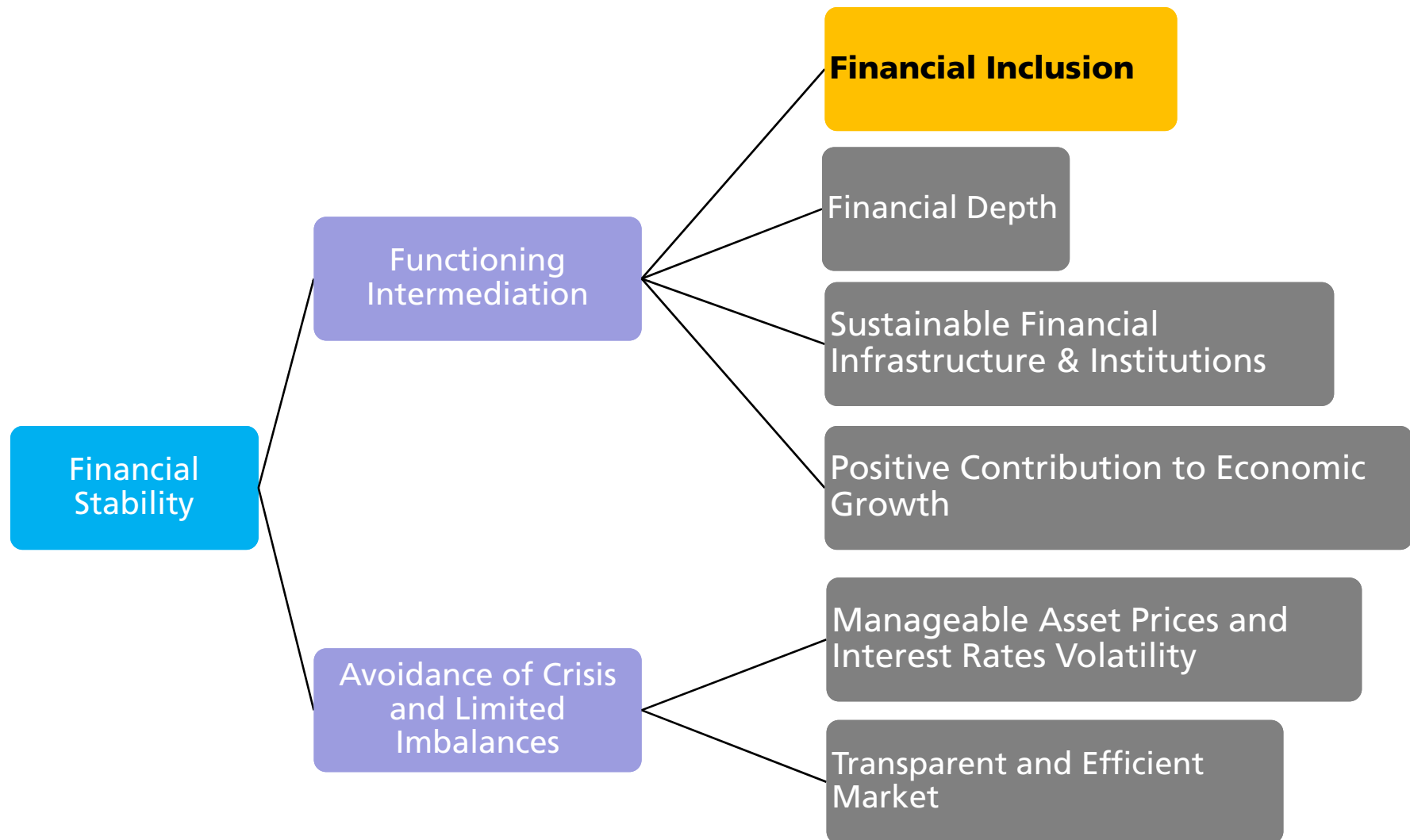
- Some key facts:
  - Population of Indonesia: 237.56 million (2010)
  - GDP per capita: USD 2,590.08
  - Around 60% of Indonesia population have no financial access\*
  - About 13.33% of population live below the poverty line, and 64,25% of them live in rural areas (2010)
  - Banking industry holds 79% of financial sector assets
  - Number of commercial banks: 122 (July 2010)
  - Number of rural banks: 1,716 (July 2010)
  - Number of microfinance institutions: 168,421
- Indonesia experienced severe financial crises of 1997/98 and was impacted by the global financial crisis of 2007/2008 that provided lessons that financial inclusion (which can take form as financial liberalization) may pose risks. Therefore, it is important to have sound and resilient financial inclusion.

\*Source: Finance for All, World Bank (2007)

# Indonesian Banking Architecture



# Financial Inclusion is one of the states of Financial Stability



# Financial Inclusion

- Financial inclusion, or broad access to financial services, implies an absence of price and non-price barriers in the use of financial services [“Finance for All?” World Bank 2008]
- Financial inclusion is usually linked to poverty alleviation. However, it has strong link to financial stability as well.
- Removing financial barriers to financial access and improving the usage of financial services to raise the people’s welfare

## Sound and Resilient Financial Inclusion

Financial Eligibility

Proportional Supportive Regulation

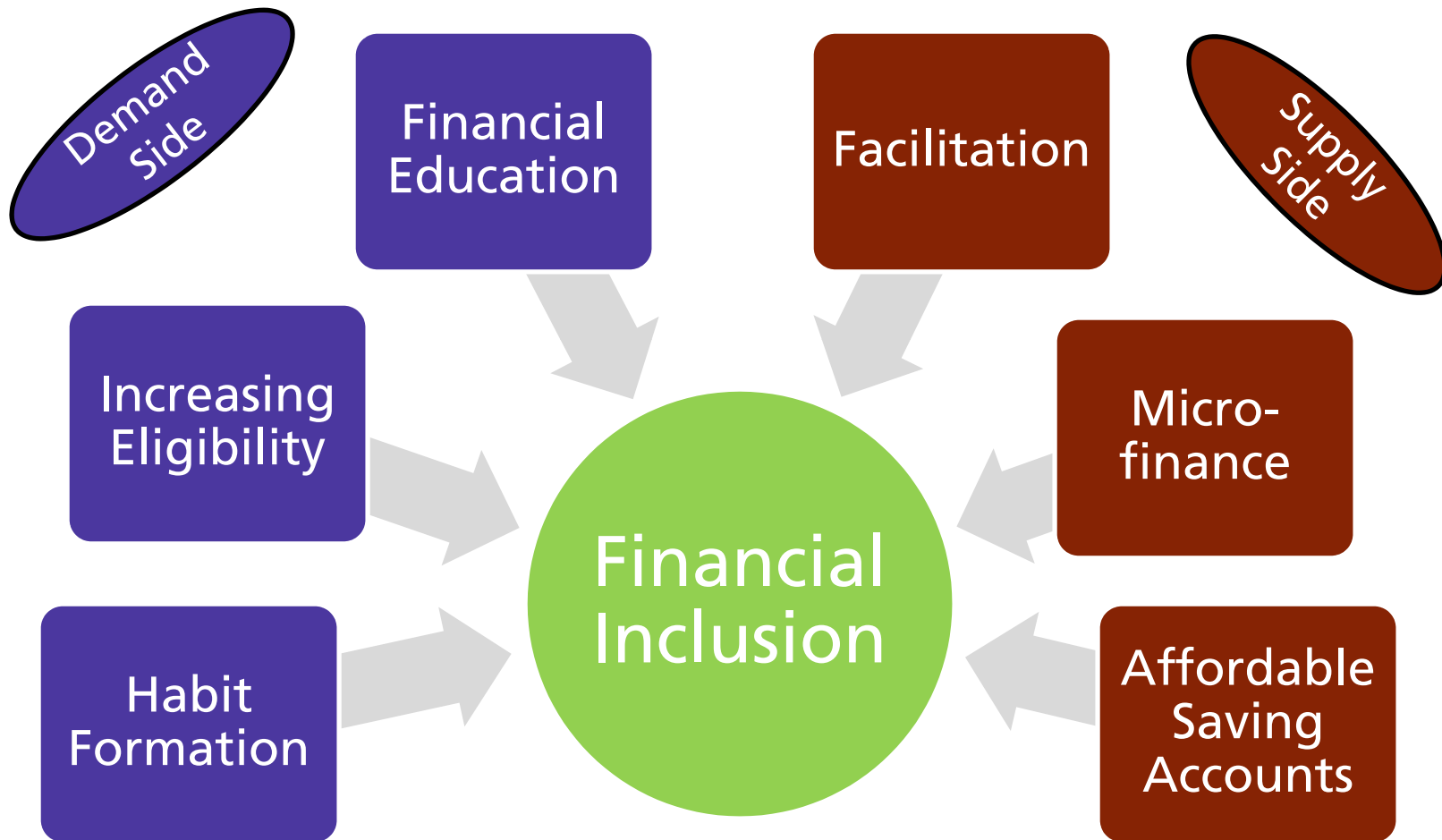
Facilitation

Financial Education

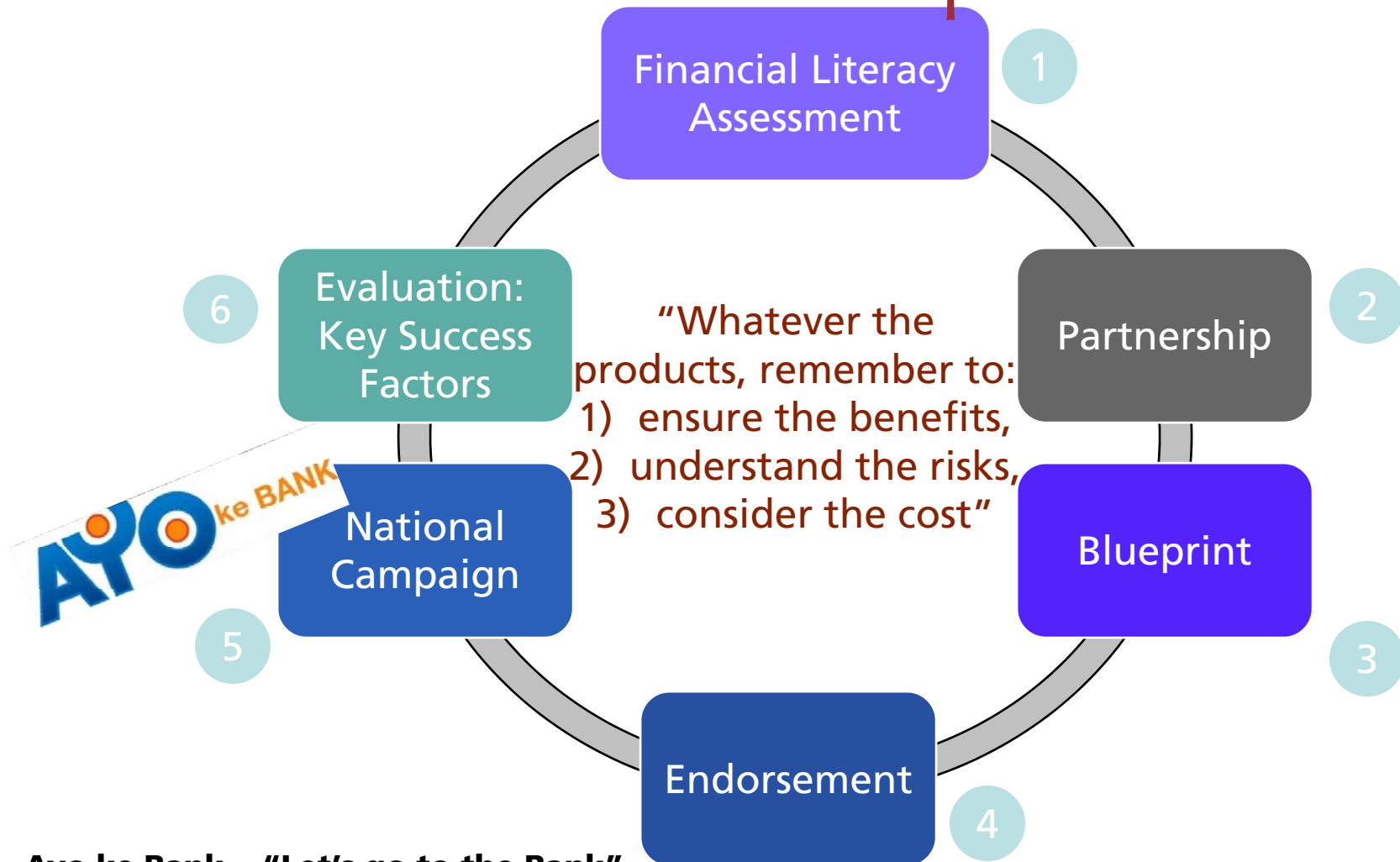
### INFRASTRUCTURE

(e.g. Financial Safety Net, Legal System, Credit Bureau)

# Strategies



# Financial Education : Public Private Partnership



**Ayo ke Bank = "Let's go to the Bank"**



# Increasing Eligibility

- Financial Identification Number (FIN)
- Debtor Information System (DIS - Credit Information Bureau)

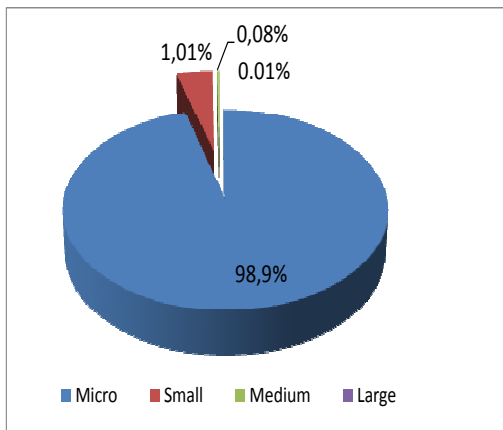
# TabunganKu

- TabunganKu (MySaving Program):
  - Small initial deposit
  - Small next deposit
  - No administrative fee
- TabunganKu was simultaneously launched in Jakarta and 41 big cities.
- Next step is to link the account to the requirements for government microfinance program: People's Business Credit or "Kredit Usaha Rakyat (KUR)".
- As of July 2010, 46 commercial banks (including 23 regional banks) have offered the accounts with a total of 549,696 accounts and a balance of Rp 524,52 B (average of Rp 954,194 per account)

# Microfinance

The number of MSMEs in Indonesia is 51.3 million units or 99,91% of the business unit total.<sup>1)</sup>

- ☑ MSMEs absorb 97.1% of total workers
- ☑ Contribution to GDP: 55.6%
- ☑ Investment value: 52,9% of total investment



| Size   | Number of Units    | Criteria   |
|--------|--------------------|--|
| Micro  | 50.70M<br>(98.9%)  | Asset up to Rp50M<br>Annual Revenue up to Rp300 M            |
| Small  | 0.52 M<br>(1.01%)  | Asset > Rp50 M-Rp500 M,<br>Annual Revenue> Rp300M – Rp2.5 B  |
| Medium | 0,04 M<br>(0.08%)  | Asset > Rp500 M-Rp10 B,<br>Annual Revenue > Rp2.5 B – Rp50 B |
| Large  | 0.004 M<br>(0.01%) | Asset > Rp10 B,<br>Annual Revenue > Rp50 B                   |

1) Source : Central Statistic Bureau 2008

# Microfinance

- Credit to MSMEs by commercial banks and non-bank financial institutions
- People's Business Loan (Kredit Usaha Rakyat / KUR)
- Linkage program

# Future Consideration

- G20:
  - Mitigating Global Risk
- Regulation and Supervision
- Capacity building