

**WELCOMING REMARKS
BY
DR. DARMIN NASUTION
GOVERNOR OF BANK INDONESIA
AT THE 2010 AFI GLOBAL POLICY FORUM**

BALI, 27 SEPTEMBER 2010

Bismillahirrahmanirrahim,

Assalamu'alaikum warahmatullahi wabarakatuh,

Peace be upon us,

His Excellency Bapak Susilo Bambang Yudhoyono, the President of Republic of Indonesia,

Cabinet Ministers here present,

Fellow Governors,

Heads of Regulatory Authorities,

Prof. Njuguna Ndung'u, Governor of Central Bank of Kenya and Chairman of the Alliance for Financial Inclusion Steering Committee,

Dr. Alfred Hannig, Executive Director, Alliance for Financial Inclusion,

Distinguished Guests, Ladies and Gentlemen,

I would like to welcome all of you to the 2010 AFI Global Policy Forum commencing today. It is a great honor for Bank Indonesia, along with the Alliance for Financial Inclusion, to host this important forum and have before us a group of distinguished speakers and guests for the several days to come.

It is personally very encouraging for me just to imagine the collective wealth of knowledge and experience on financial inclusion we have in this room. We have speakers

and participants coming from diverse regions of the world, from places such as Kenya to Korea, all adding great value to our discussions.

It is also no accident that we have chosen Bali as the venue for the Forum. It is our hope that Bali's unique culture, sights and sounds will play a part in relaxing us, while at the same time, stimulating our senses, thought processes, innovativeness, and creativity, the basic ingredients for a fruitful discussion. Of course we also want you to enjoy Bali and find this event as important as it is enjoyable.

Bapak Presiden, Distinguished Guests, Ladies and Gentlemen,

As you may know, the Forum today is in its second year; the first one was held in Nairobi a year ago this month. As such, this forum would serve well as an evaluation media on the achievements gained throughout the year. We hope to see that we have made significant progress on national, regional and even global levels.

It is also our expectation to see that we have made strides in pushing policy innovations and reforms; this will lead to greater access and increase use of financial services by the poor. We will be able to learn what activities proved to be successful and which ones continue to face challenges, and more importantly, we will be able to pick up lessons during this relatively early stage. With this invaluable lesson at hand, we will, no doubt, be able to—as this year's theme suggest—take financial inclusion to the next level.

As we are aware, poverty is a multidimensional phenomenon. It is not merely caused by economic challenges, but may also be related to lacks in the social, political, cultural, and security aspects of a community or nation. A simple analogy to this is the jigsaw puzzle. There are many interconnecting pieces that create a picture in a jigsaw puzzle. The picture in our case is poverty. We have to first understand each piece and how they connect to each other before we can “see” the whole picture on poverty. Only by seeing and understanding all the pieces that make poverty we can start to strategically attack the problem. It is critical that we all see the same whole picture.

Bapak Presiden, Distinguished Guests, Ladies and Gentlemen,

In general, the most efficient policy to alleviate poverty is through the promotion of high and sustainable economic growth. The acceleration of economic activities serves as the most fundamental strategic measure to improving the quality of people's lives. An important element in accelerating economic growth is optimizing the contribution of the financial sector through the widening of access to funding for micro, small and medium enterprises--the very essence of financial inclusion.

I think it is not an overstatement to say that without access to adequate funding, a wall is built around a person keeping him/her from escaping his/her plight. The renowned Prof. Mohammad Yunus of Bangladesh goes as far as saying that "access to funding is a fundamental human right." He then gracefully shows the world how serious efforts in providing people the right to escape from poverty can be in itself a profitable and sustainable business. The Grameen Bank stands to be one of the most important living proofs on this.

Bapak Presiden, Distinguished Guests, Ladies and Gentlemen,

The topic of providing access to funding cannot be discussed without the mention of the banking sector, especially in countries such as Indonesia. Indonesia is a country in which the banking industry continues to be a dominant source for the nation's funding. Other sub-sectors in the financial industry are growing; however, as of today approximately 80% of the financial industry's assets are of the banking industry. Therefore the role of the banking industry is expected to continue to be strong.

Indonesia's commitment to help the poor has actually dated back some forty-plus years ago when in 1965 Bank Indonesia held the Micro Credit Project program, with the goal of increasing income and work opportunities in villages, and strengthening rural financial institutions. Indeed, we have been blessed with a rather long experience in credit development for low-income people.

Long before our current successful People Business Credit (KUR-Kredit Usaha Rakyat) program was initiated, from 1989 to 1999 we managed a program that links banks with self-help group (PHBK-Proyek Hubungan Bank dengan Kelompok Swadaya Masyarakat). This program has the goal of establishing and nurturing a savings and lending commercial relationship between groups of micro-entrepreneurs and banks, helping the banking industry to prudently expand and deepen its penetration to the micro-segments of the market, and widening opportunities to establish businesses, increasing and improving distribution of the community's income in alleviating poverty and financial gaps. Between 1995 and 1999 we also administered a credit project specially designed for micro businesses (PKM-Proyek Kredit Mikro).

On the other hand, Indonesia has also Bank Rakyat Indonesia (BRI) with its village units. With BRI's 4,000 offices spread nationwide with their micro, small, and medium sized entrepreneurs (MSME) empowerment programs, we have been able to reach the poor to a certain extent.

However, we are nowhere close to being satisfied with ourselves. We need to continue and enhance our efforts in reaching the poor and helping them help themselves in attaining a better quality of life. As such, Bank Indonesia has established many programs that support the improvement of the poor. Recently introduced is the zero cost savings program. The program requires that commercial banks issue savings accounts which incur no administrative fee whatsoever. The beauty of these zero-cost accounts is that the account holders can keep very low balances on their accounts without having to worry about their savings being eroded by administrative fees which is higher than the interest it accrues. The program is aptly named "Tabunganku" or "My Savings" which, through the name itself, suggests that everyone can—and should—have a savings account.

Bank Indonesia is also working on the Financial Identity Number or better known as FIN. The program intends to give each person a unique identification number which allows banks and other financial service providers to access their credit history through a

centralized credit bureau system. For citizens of more advanced economies, a single financial identity number might appear to be redundant with the likes of a social security numbers. However, for countries such as Indonesia with more than 200 million in population spread across more than 13,000 island, the FIN is able to offer a great value-added to the increasing number of bankable persons.

Realizing that giving persons FINs without educating them on their personal finances and empowering them to be responsible for their own financial future will probably not yield the results we expect, Bank Indonesia has launched a massive banking educational agenda. The program consists of financial educational programs, banking product transparency standards, and banking mediation settlement mechanisms, all of which are aimed to educate people on the benefits and risks of the various bank products available.

In short, Bank Indonesia is helping to create savings products that are affordable to the poor, helping banks serve the poor through proper identification and documentation created by FIN, and helping to educate people on basic personal finance to help them make informed decisions which will actually make them set foot in the banks.

The three programs above are under the financial inclusion framework, and I must admit, they are huge undertakings on our part. However, we have committed ourselves to see this come together. This strong commitment we carry is born not only from our determination to see the poor improve their lives, but also due to the fact that financial inclusion will ultimately support an important goal that central banks and other financial authorities around the globe share, i.e., the perseverance of financial stability. Financial stability will, in turn, support economic growth and provide a favorable environment for micro and small businesses to strive. It is our hope that the “financial inclusion – financial stability wheels” will eventually start to move and gain momentum, but it is our task now to give it its first big push.

Bapak Presiden, Distinguished Guests, Ladies and Gentlemen,

I am happy to share that today's Forum has gathered participants from around 20 countries across the world. Being the Global Policy Forum the only one of its kind, I think it is safe to say that we have with us the best minds on this particular field. The Forum is one of the meetings in which policy makers will provide policy recommendations to be considered at the G-20 Summit meeting in Seoul this coming November. As such, the Forum is an undoubtedly important milestone on the road to Seoul.

Before closing, I would like to thank everyone who has made this event possible. The Alliance for Financial Inclusion who is co-hosting the Forum with Bank Indonesia, the Governor of Bali for his kindness and hospitality in playing host, the speakers and participants—some who have traveled from faraway places, and my staffs at Bank Indonesia. It is only from the hard work of each and every one of you that we are able to achieve what we have today. When working on such big programs like this, I think it is important to remember why we are conducting this event, and that is none other than to help those, near and far from our homes, who are less fortunate. The saying of "give a man a fish and you have helped him for a day, but give a man a fishing rod, then you have helped him for life" sums it all. Let us work hard together to create the best fishing rods for those who need them.

Finally, on behalf of all of us, I kindly request His Excellency Bapak Susilo Bambang Yudhoyono, the President of Republic of Indonesia to deliver his keynote speech and officially open the Forum. It is our hope that the words of His Excellency will provide guidance for us as to the direction of financial inclusion given the complexities of today's increasingly integrated economy.

Thank you. *Wassalamu'alaikum Wr. Wb.*

Dr. Darmin Nasution