

PRESS RELEASE

ANNOUNCEMENT: END OF COVID-19 STIMULUS ON FINANCING ASSET QUALITY ASSESSMENT IN FVMO

Jakarta, April 17, 2024. Indonesia Financial Services Authority (OJK) declared Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Financial Service Companies (FVMO) is set to end Covid-19 stimulus on financing asset quality assessment in April 17, 2024.

Provision of Covid-19 stimulus for non-bank financial services sector companies was stipulated in Decree of OJK Board of Commissioners Number 55/KDK.05/2022 on Determination of Policy Relaxation for Nonbank Financial Services Institutions (Special Treatment KDK), which regulated targeted debtors' financing stimulus under Covid-19 restructuring.

OJK set forth the Special Treatment Policy (KDK) serves as relaxation policy, in accordance with OJK Regulation (POJK) Number 19 Tahun 2022 on Special Treatment for Financial Services Institution in Regional and Specified Sectors in Indonesia Affected by Disasters.

The Special Treatment Policy (KDK) is a policy to extended Covid-19 stimulus until April 17, 2024, to support targeted segment, namely micro, small, and medium enterprises. The regulation also encouraged financial services institution players in the FVMO sector to establish reserves for impairment losses in anticipation of potential decline in the quality of restructured financing.

Chief Executive of Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Financial Service Companies Supervision of OJK Agusman explained that the OJK's initiation of financing restructuring in accordance with Covid-19 stimulus policy has become an essential regulation that supports debtors, FVMO sector, and overall Indonesia economic performance.

Furthermore, Agusman also clarified that OJK has comprehensively analysed and considered the macro and sectoral economy condition as well as FVMO sector's readiness, particularly regarding the rise of credit risk and projected FVMO sector's relatively good resilience.

The end of the stimulus policy related to the assessment of asset quality for debtors with micro, small, and medium-sized businesses has consistently taken into account the ongoing economic recovery, controlled inflation rates, increased investments, and the withdrawal of the Covid-19 pandemic status by the Indonesian Government through the issuance of Presidential Decree Number 17 of 2023 on June 21, 2023.

Based on the February 2024 financial health indicators assessment, the FVMO sector in Indonesia was in a good condition. The condition was due to the declining restructuring financing receivables in the outstanding, and due to the increasing value declination loss reserves by the FVMO sector.

The Covid-19 restructuring financing receivables outstanding value as of February 2024 reached Rp6.41 trillion, from 172,150 contracts. The number has significantly decreased from the highest Covid-19 restructuring financing receivables in October 2020, amounting to Rp78.82 trillion from 2.75 million contracts.

Allowance for impairment losses (CKPN) of Financing Companies continues to grow from June 2020 until February 2024, as shown by the rising ratio of CKPN to non-performing financing (CKPN/NPF) from 112.60 percent to 201.78 percent as well as the CKPN ratio to Financing at Risk (CPKN/FaR) from 33.32 percent to 50.11 percent.

The rising ratio proves that the FVMO sector is apt for a soft landing from Covid-19 stimulus period into normal circumstances. Afterwards, to ensure the normalization of this policy, the FVMO industry may proceed with the ongoing Covid-19 credit restructuring by using the prevailing asset quality terms in each FVMO industry type in anticipating the decline of asset quality.

OJK will consistently carry out supervisory action to ensure FVMO industry's preparedness in mitigating risks and fulfilling prudence principles in its business activities.

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