

PRESS RELEASE

**OJK STIMULATES ACCELERATION IN FINANCIAL INCLUSION PROGRAMS
TO CREATE MORE INCLUSIVE FINANCIAL SYSTEM**

Jakarta, August 12, 2014: The Financial Services Authority (OJK) considers that financial inclusion programs must be continuously stimulated in order to accelerate expansion of access to financial services for disadvantaged society and micro and small enterprises.

Chairman of OJK Board of Commissioners Muliaman D. Hadad said that various micro credit programs launched within the last two decades appeared to be not optimum, as shown in the latest Indonesia's Financial Inclusion Index, which was still at 20%, a figure considered low in Asia.

OJK's existence is expected to become a solution to this problem, considering that OJK has the authority to regulate and supervise the whole financial sectors, and therefore OJK has two advantages to stimulate financial inclusion programs.

First, financial inclusion programs/strategy and monitoring of resulted achievements can be conducted more comprehensively and integrated in the matters of supply, demand and infrastructures. Second, with authority mandated to OJK to provide education and protection over financial consumers and society, it gives additional value to more acceleration in financial inclusion, especially in the matter of demand.

Previously during the 2014 Asia Microfinance Forum held in Shanghai, China, on August 6-8, Muliaman, who presented as one of speakers in the forum, explained that a shift of strategy from microfinance to financial inclusion in poverty alleviation requires a change of paradigm, not only a change of terms.

Indonesia, being one of the biggest economies in Asia and globally, with large number of population and broad geographic condition, provides big challenges to bank and non-bank institutions. Not all micro and small entrepreneurs, which cover about 99% of business practitioners in Indonesia, get financial services. Expansion of access to financial services for disadvantaged society and micro and small enterprises has become government's and OJK's concern, as contained in national strategy for inclusive finance.

Muliaman emphasized the importance of well-designed and well-coordinated program, since inclusive financial system is not only about how to provide credit for disadvantaged society and micro and small enterprises, but has more holistic goals, that are to reduce poverty, to conduct

income distribution in order to reach a more qualified and more sustainable economic growth without sacrificing, and even supporting, financial system stability.

Muliaman said that a shift of paradigm will open opportunities and challenges, such as:

- More various financial products/services. The coverage is not limited only for micro credit, but also other financial products, including savings, insurance and remittance system. OJK is currently preparing saving programs using branchless banking and stimulates micro insurance.
- New platform. Major opportunities to harness digital technology and telecommunication in order to reach inaccessible society.
- Emerging new market. The initiative is not only for disadvantaged society, but also for unbanked society in all levels of income.
- Involving new service providers or parties. The involving parties are not only banks or microfinance institutions, but it can also involve government through pro-disadvantaged society program and telecommunication companies.
- New challenges for regulator. How the regulator can issue policy and regulations to stimulate financial inclusion with a balance between social and commercial aspects and still without sacrificing prudential aspect.

Programs to create inclusive financial system are not only designed to stimulate one aspect, but must complement each other and form a synergy. From supply aspect, it requires industry that offers customer-centric financial products or services along with excellent financial infrastructures. This can be well-taken only if supported by programs that stimulate the demand aspect, such as financial capability, education and public trusts, and also qualified financial access. These two aspects may run well if they are facilitated with policy and regulations that are supportive to inclusive financial system.

The 2014 Asia Microfinance Forum event was attended by experts and practitioners from regulator and government institutions, microfinance institutions, donor institutions, consultants and technology providers, research institutions, insurance, and universities or educational institutions. The event discussed about latest issues and topics associated with inclusive financial system, presented by experts and practitioners in their respective fields. Among the presented subjects were the role of technology as delivery channels, microfinance for agriculture sector, digital financial services, economic behaviors in microfinance, related regulations and policy, and other topics.

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