

PRESS RELEASE

ASBANDA PARTNERS WITH SPARKASSENSTIFTUNG FUER INTERNATIONALE KOOPERATION (SBFIC) TO DEVELOP MICROBUSINESS LOANS

Jakarta, June 15, 2017 – The Financial Services Authority (OJK) supported cooperation between Germany’s Sparkassenstiftung fuer Internationale Kooperation (SBFIC) and the Association of Regional Development Banks (Asbanda) to develop microbusiness loans, as part of the regional development bank (BPD) transformation programs. These programs marked an effort to increase BPD’s role as agent of local economic development.

The statement was made by Chairman of the OJK’s Board of Commissioners Muliaman D Hadad in his opening remarks upon witnessing the signing of the cooperation agreement between the SBFIC and the Asbanda at the OJK Office on Thursday (Jun. 15), in Jakarta.

The agreement was signed by Indonesia SBFIC Principal Advisor Michael Kuehl and Asbanda Chairman Kresno Sediarsi.

The technical assistance provided by Germany’s SBFIC was designed to promote the BPD transformation programs, particularly in relation to development of productive loan products, in an effort to make the BPD more competitive and boost its role as agent of local economic development.

The technical assistance is expected to build up the BPD’s competence in channeling their productive loans, and give those banks a larger role in empowering local, microbusinesses.

The project has been implemented in six regional development banks (BPD), to help them develop and distribute microbusiness loans and promote the BPD transformation programs. The project is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

As of March 2017, the microbusiness loans distributed by the six banks (BPD of North Sumatra, BPD of the Special Region of Yogyakarta, BPD of West Kalimantan, North Sulawesi BPD of Gorontalo, BPD of Central Java, and BPD of Papua) reached IDR1.5 trillion, which was channeled to 50,091 debtors. The banks collectively bore a non-performing-loan (NPL) rate of 1.48 percent for the total microbusiness loans they channeled.

The technical assistance cooperation is viewed as one that brings substantial benefits, such as:

1. Increasing the BPD’s role as agent of local economic development by providing productive loans to microbusinesses,
2. Promoting financial inclusion by giving opportunities to micro-scale enterprises to receive financing from the BPD,
3. Empowering local microbusinesses and helping alleviate poverty,

4. Building up the competence of BPD's human resources through transfer of knowledge and experience from Germany's SBFIC, which has considerable experience in developing microbusiness loans in Germany and Southeast Asian countries.
5. Revamping the culture and mindset of BPD employees in distributing productive loans, by stressing the credit analysis on debtors' cash flow than their collateral.

Having involved the six regional development banks, the project will continue by partnering with other similar banks to develop and distribute the microbusiness loans. In the future, the banks that have implemented this project are expected to transfer and pass on their knowledge and experience to other regional development banks.

The cooperation will spur transformation process in regional development banks, especially in terms of innovative product and services development, human resources' competence upgrade, and cultural and mindset revolution among BPD employees in distributing productive loans.

Since the BPD transformation programs were inaugurated in May 2015 at the State Palace, some of them have been launched, including information dissemination to BPD's shareholders and stakeholders, and programs to upgrade service quality, prepare information technology, improve human resources' quality, and develop fund as well as lending products.

The SBFIC was established in 1992 by *Sparkassen-Finanzgruppe*, the largest financial group in Germany, with a mission to share the *Sparkassen's* business experience to similar financial institutions in other developing countries.

For 200 years the *Sparkassen* has operated as regional banks in Germany and provided non-discriminating financial services to all of the country's citizens—regardless of their income levels or financial condition—as well as distributed loans to MSMEs in their areas. The *Sparkassen* has been promoting savings accounts in Germany since the beginning of its foundation. In Indonesian, the *Sparkassen* means savings banks.

The SBFIC has been involved in over 200 technical assistance projects for more than 80 countries. At the moment, it is carrying out 34 projects in 36 countries. The technical assistance project in Indonesia commenced in 2005, when the SBFIC provided such assistance to BPD of Aceh for channeling loans from Germany's *Sparkassen* group to MSMEs in the province who had suffered the tsunami impacts. Subsequent to the project, the bank successfully developed and run its new business line of distributing microbusiness loans.

For more information:

Boedi Armanto, OJK Deputy Commissioner of Banking Supervision IV
Tel: +62 21 2960 0000 E-mail: boediarmanto@ojk.go.id www.ojk.go.id