

PRESS RELEASE

OJK AND MINISTRY TEAM UP TO DEVELOP MSMEs

Financial Services Authority, Jakarta, July 21, 2016. The Financial Services Authority (OJK) has been promoting various programs to develop Micro, Small and Medium Enterprises (MSMEs) by teaming with the Ministry of Cooperatives and Small and Medium Enterprises.

Chairman of the OJK Board of Commissioners Muliaman D. Hadad and Cooperatives and Small and Medium Enterprises Minister AAGN Puspayoga signed a memorandum of understanding between the OJK and the Cooperatives and Small and Medium Enterprises Ministry on the sidelines of the 69th National Cooperatives Day Celebration held on Thursday in Jambi, which was attended by Indonesian President Joko Widodo.

The memorandum of understanding covers activities to coordinate policies, for the purpose of building the capacity of MSMEs and providing them with financial access, cooperation between Financial Services Institutions and Cooperatives, human resources capacity and competence building, provision of data services and information exchange, research and development and awareness raising and education.

Chairman of the OJK Board of Commissioners Muliaman D. Hadad said that cooperation with the Cooperatives and Small and Medium Enterprises Ministry would reinforce the OJK's policies and programs aimed at promoting MSMEs as the backbone of the national economy.

"The financial services industry should always make MSMEs as its priority sector, so small enterprises can play a bigger role in supporting the national economy to move forward and grow stronger, and raising community welfare," Muliaman said.

He explained that the collaboration was also essential to build cooperatives capacity and prepare cooperatives to disburse people's business loans (KUR).

Data from the Cooperatives and Small and Medium Enterprises Ministry showed that there was a total of 57.9 million MSME business units, which represented around 23.2% of Indonesia's 250-million population. The number of MSMEs in Indonesia was one of the biggest in the world.

Micro, small and medium enterprises absorbed as much as 97.30% of total national workforce. In addition, those companies have made significant contribution to national economic growth, as their products and services made up 58.92% of Indonesia's Gross Domestic Product (GDP).

Given the sector's huge potential, the OJK has made development of MSMEs as its major agenda, in order to build and strengthen the stability of the contributory and inclusive national financial system.

However, a survey that the OJK conducted in 2013 on national financial literacy in Indonesia showed that the financial literacy and financial inclusion rates among MSMEs stood only at 15.7% and 53.3% respectively, lower than the national average rates of 21.8% on financial literacy and 59.7% concerning financial inclusion. Thus, the first step to promote MSMEs is ensuring they have better access to the financial services industry.

The OJK has several programs to boost MSMEs that include setting a Center for Education, Consumer Services and Financial Access for Micro, Small and Medium Enterprises (PELAKU), which has officially run at a number of OJK regional offices, and establishing the OJK Development Center for Micro Finance and Financial Inclusion (OJK-Proksi) to give MSMEs wider access to the financial services industry.

PELAKU functions as a study center at OJK regional offices and by 2016, PELAKU outlets have opened in five cities, namely Solo, Surabaya, Jambi, Banjarmasin, and Denpasar. At the outlets, the OJK actively provides information and various assistance, even gives access to loans.

On the other hand, OJK-Proksi conducts structural activities, from studies on the latest state of the financial industry to drafting the right financial regulations for building the capacity of the micro finance industry. It even implements various initiatives, from conducting specific research, establishing data centers, to developing information system for Micro Finance Institutions (LKMs).

The OJK has vigorously held many awareness raising events and financial education activities—order to raise financial literacy among MSMEs and give them wider financial access— that include preparing a special “trading board” for SMEs at the Indonesian Stock Exchange and appointing Teams for Acceleration of Regional Financial Access (TPAKDs) in all provinces, cities and regencies across Indonesia.

For non-banking financial institutions, the OJK has initiated financing consortiums for export-oriented and creative economy companies, MSMEs and cooperatives, in order to accelerate export-oriented financing. The OJK has also revitalized the national venture capital industry in a bid to grow funding for MSMEs, especially for start-ups in creative economy sectors.

For more information:

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