



SEKRETARIAT WAKIL PRESIDEN  
REPUBLIK INDONESIA



# Poverty Reduction Through Financial Inclusion

**Elan Satriawan**

Head of Policy Working Group

---

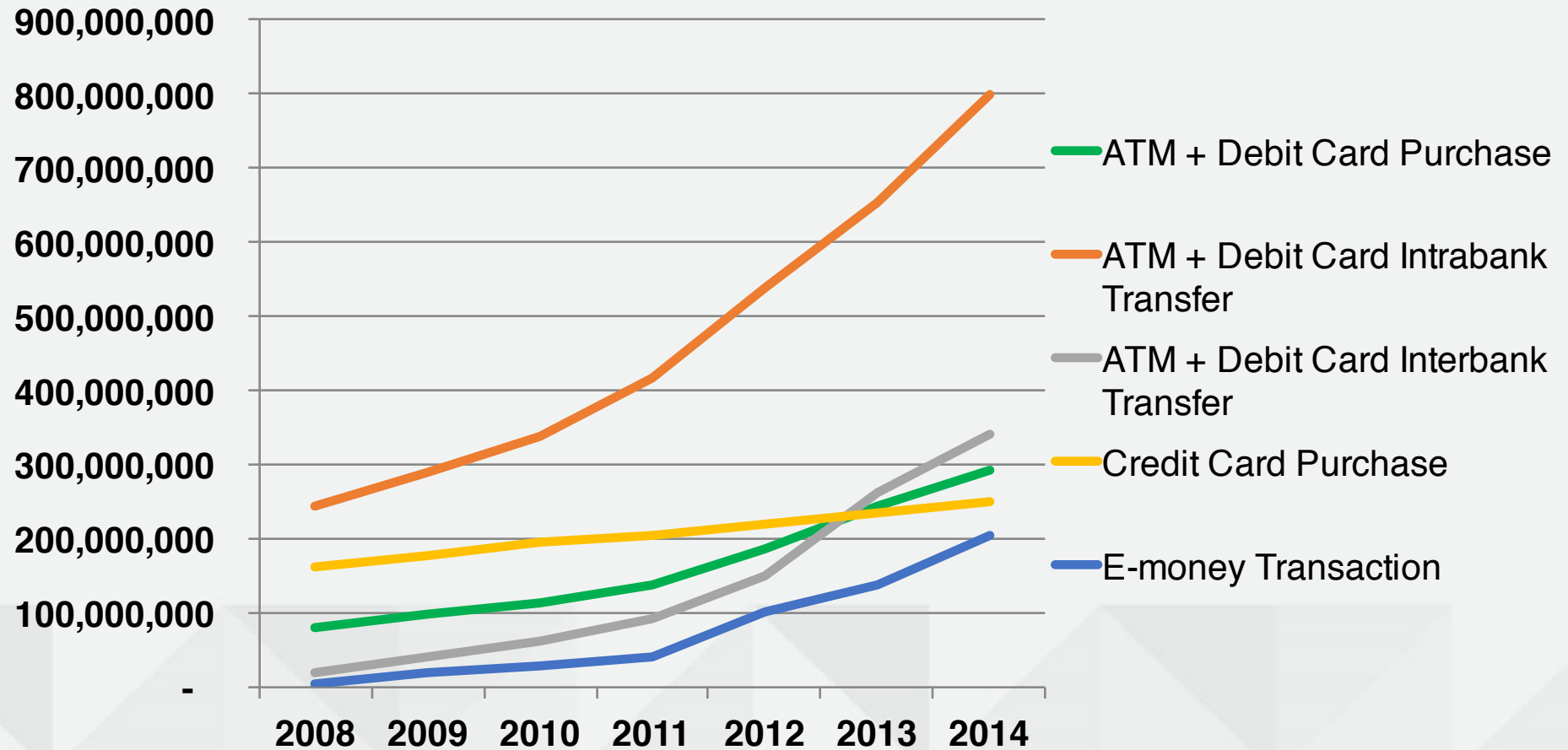
**National Team for Acceleration of Poverty Reduction (TNP2K)  
Office of Vice President, Republik Indonesia**

**MARCH 2016**

# Background

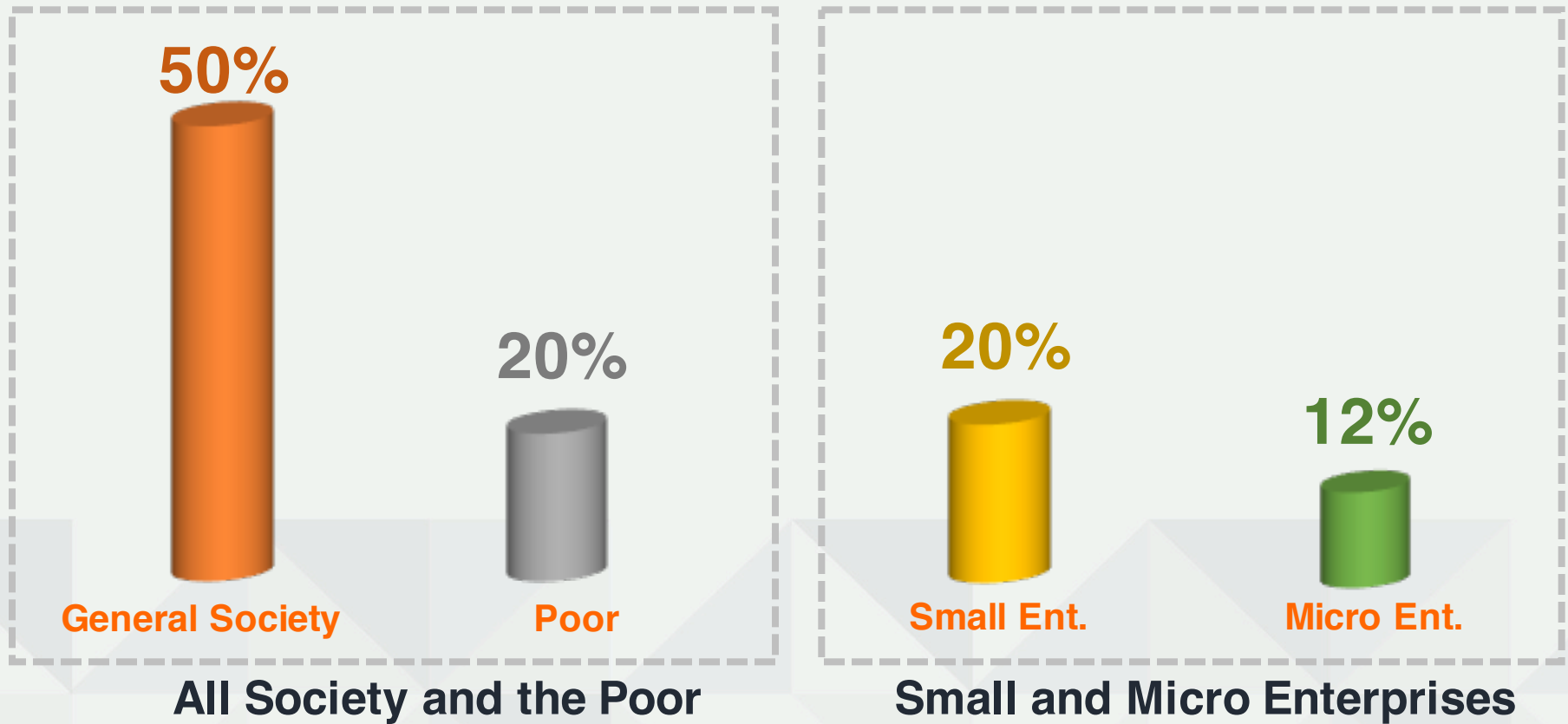
- Indonesia has famously known as one success story in poverty reduction: cut more than halved poverty during period 1976-1996.
- The crisis 1997/98 deviate the declining trend, but since early 2000, Indonesia was back on the trend until now
- Post 2000 trend in poverty reduction effort however has been characterized by slowing down of the reduction and increase in inequality
- While many ways can be done to address the two, financial inclusion is one of the main effort
  - Access to finance for the poor will arguably improve productivity
  - Financial inclusion targeting the poor and vulnerable associates with more inclusive growth and development
- This will explain the situation on access to finance among the poor and general society, what has been done, and what the remaining challenges.

# Trend in Electronic/Digital Transactions



Source: Bank Indonesia, 2015

# Access to Formal Financial Services Among the Poor, and Micro/Small Enterprises



# Using Cashless Services for Distribution of Social Assistance Benefits.

# Main Social Assistance Program and its Size

<b>Raskin</b>	15,5 mill HHs; Alocated budget IDR 21 T; under Kemenko PMK dan Kementerian Sosial
<b>Program Keluarga Harapan (PKH)</b>	3,5 mill families; Alocated budget IDR 12 T; under Kementerian Sosial
<b>Program Simpanan Keluarga Sejahtera (PSKS)</b>	15,5 mill HHs; Alocated budget IDR 9,3 T; under Kementerian Sosial
<b>Program Indonesia Pintar (PIP)</b>	20,3 school age children; Alocated budget IDR 12,8 T; under Kementerian Pendidikan & Kebudayaan, Kementerian Agama
<b>Program Indonesia Sehat (PIS)</b>	86,4 juta individuals; Alocated budget IDR 25,5 T; under Kementerian Kesehatan dan BPJS Kesehatan
<b>Kredit Usaha Rakyat (KUR)</b>	12,48 mill enterprises (11,4 Juta KUR Mikro); disbursed about 161,66 T; under Kemenko Ekonomi
<b>Lainnya</b>	Eletricity subsidy, LPG Subsidy, Fertilizer Subsidy

# Financial Services Network

<b>Telco</b>	Use of celuler services has reached 95%, 3 Telco have been granted permission to operate e-money
<b>Bank</b>	118 Banks, 39.770 branches, 90.683 ATM
<b>Industri Keuangan Non Bank (IKNB)</b>	979 Non-Bank Financial Institutions
<b>Lembaga Keuangan Syariah</b>	12 Bank Syariah, 22 konvensional banks that own Syariah unit, 2.501 branches, 49 IKNB syariah,

# INITIATIVES TO PUSH CASHLESS DISTRIBUTION OF SOCIAL ASSISTANCE

- *Branchless banking*
  - Pilot project on branchless banking with 5 banks dan 2 telcos during June-November 2013
- Gerakan Nasional Non Tunai (GNNT)
  - Officially launched on 14 Agustus 2014
- Layanan Keuangan Digital (LKD)/Digital Money Services
  - BI Regulation on LKD was released on April 2014
  - LKD agent has reached 54.817 (Februari 2016)
- Layanan Keuangan Tanpa Kantor dalam Rangka Keuangan Inklusif (Laku Pandai)/Branchless Banking
  - Regulation was released on November 2014
- Pre-Pilot Telko Operator
  - With Telkomsel pre-piloting NFC to channel 'unrestricted and restricted' cash to 1.989 beneficiaries of PSKS during Desember 2015 dan Januari 2016



# FINANCIAL INCLUSION RELATED INITIATIVES ON EXISTING PROGRAM

- Program Keluarga Harapan (PKH)
  - Pilot on distribution of PKH benefits using LKD through individual agents on Oktober 2014
  - 1.860 beneficiaries in Cirebon, Pasuruan, Jakarta, and Kupang
  - BRI and Bank Mandiri as implementing banks
- Program Simpanan Keluarga Sejahtera (PSKS)
  - Pilot on distribution of PSKS benefit using LKD through PT Pos Indonesia during November 2014-Maret 2015
  - 1.023.553 beneficiaries PSKS in 19 Kabupaten/Kota
  - Bank Mandiri as implementing bank
- Program Indonesia Pintar (PIP)
  - Pushing the use of virtual account, TabunganKu dan SimPel, as a way to distribute PIP benefits
  - BRI and BNI as implementing banks

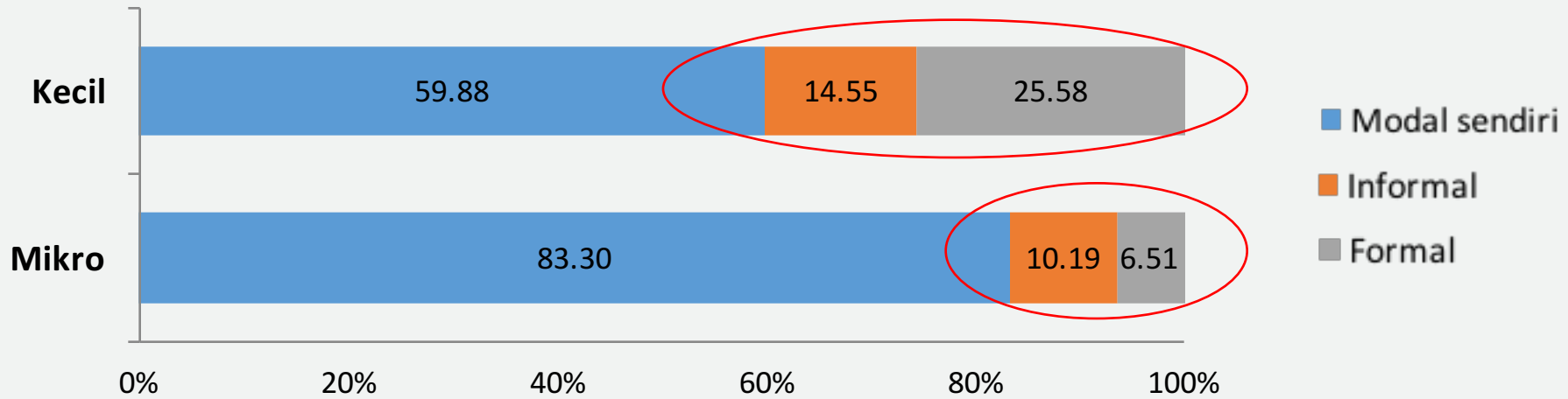
# Improving Access to Credit for Micro and Small Enterprises

# Potential of Micro and Small Enterprise

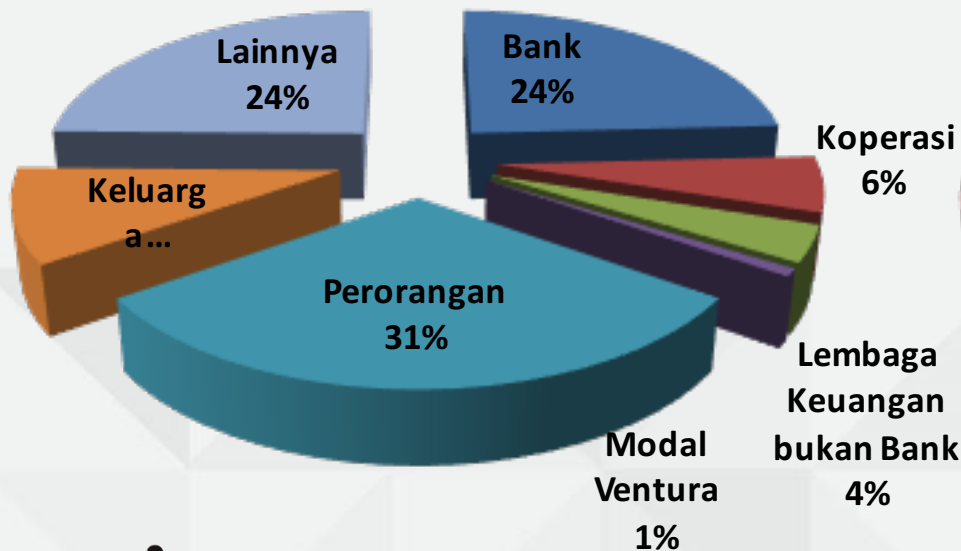
Category	Number of enterprises	% of enterprise	Number of employees	% of wokers employed
Micro and Small	22,515,794	99.03	41,656,198	83.87
Medium and Large	208,887	0.92	7,811,843	15.73
Not yet classified	12,107	0.05	202,126	0.41
TOTAL	22,736,788	100.00	49,670,167	100.00

Source: Economic Census 2006 (BPS)

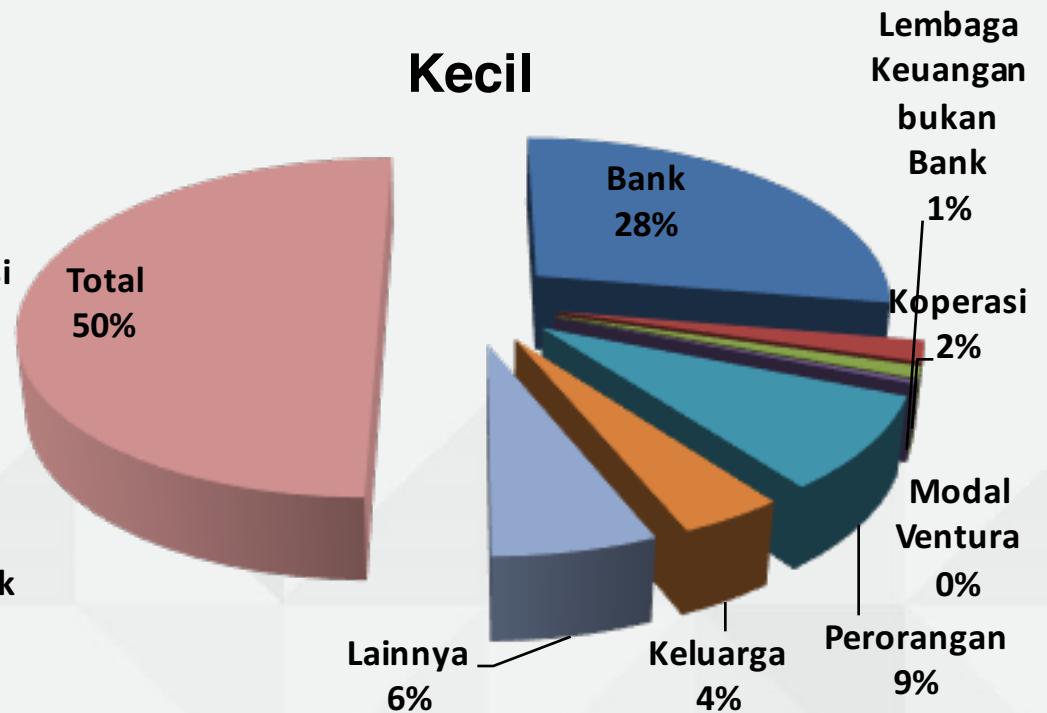
# SOURCE OF CAPITAL AMONG MICRO AND SMALL ENTERPRISES



**Mikro**



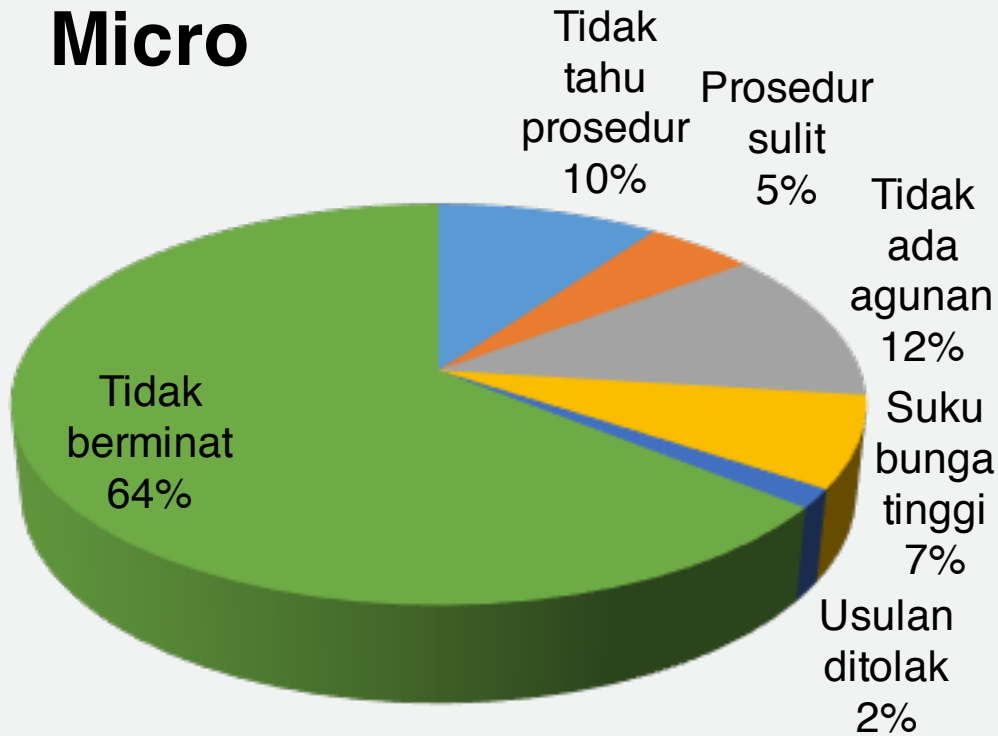
**Kecil**



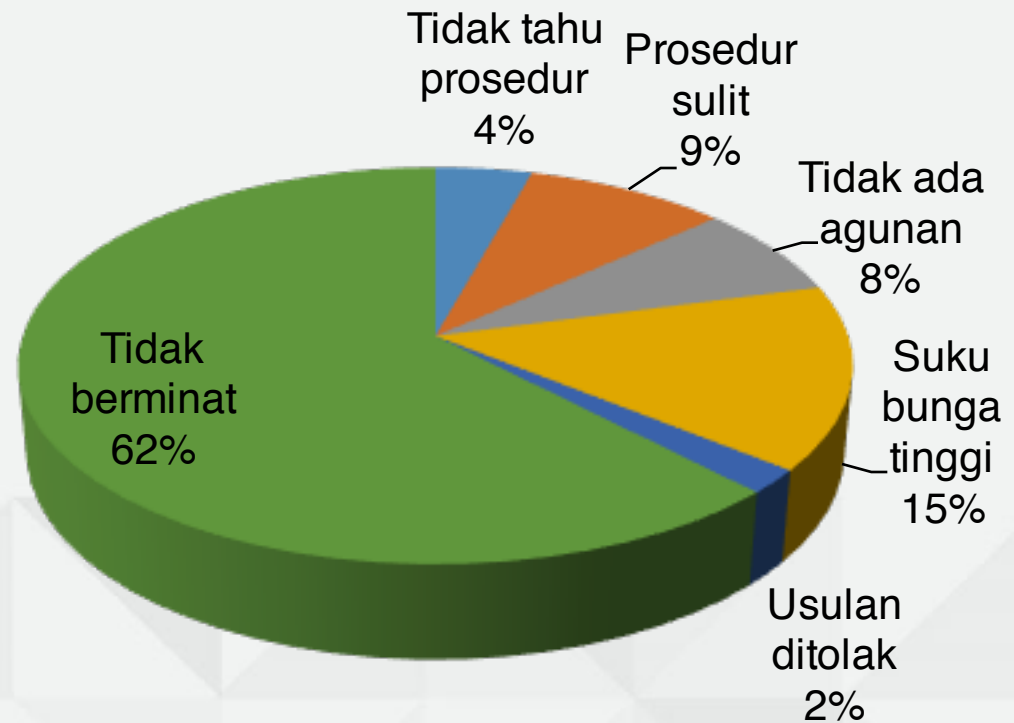
Sumber: BPS, Survei Industri Mikro dan Kecil (VIMK), 2014

# REASONS WHY MICRO AND SMALL ENTERPRISES DO NOT ACCESS CREDIT FROM BANKS

## Micro



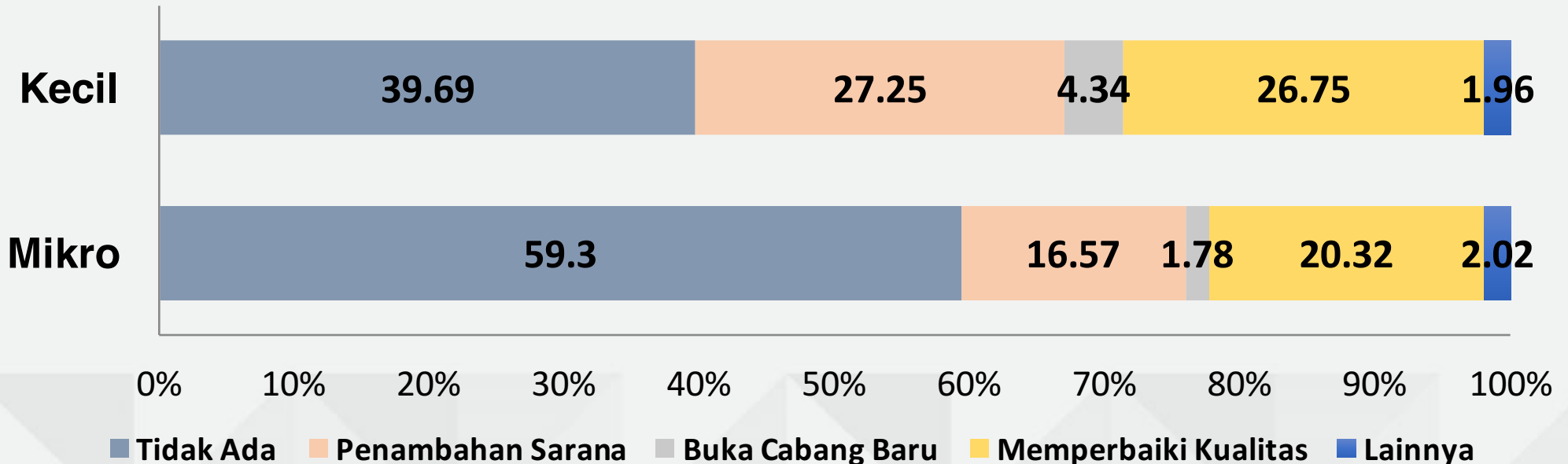
## Small



Sumber: BPS, Survei Industri Mikro dan Kecil (VIMK), 2014

# PLAN FOR DEVELOPMENT AMONG MICRO AND SMALL ENTERPRISES

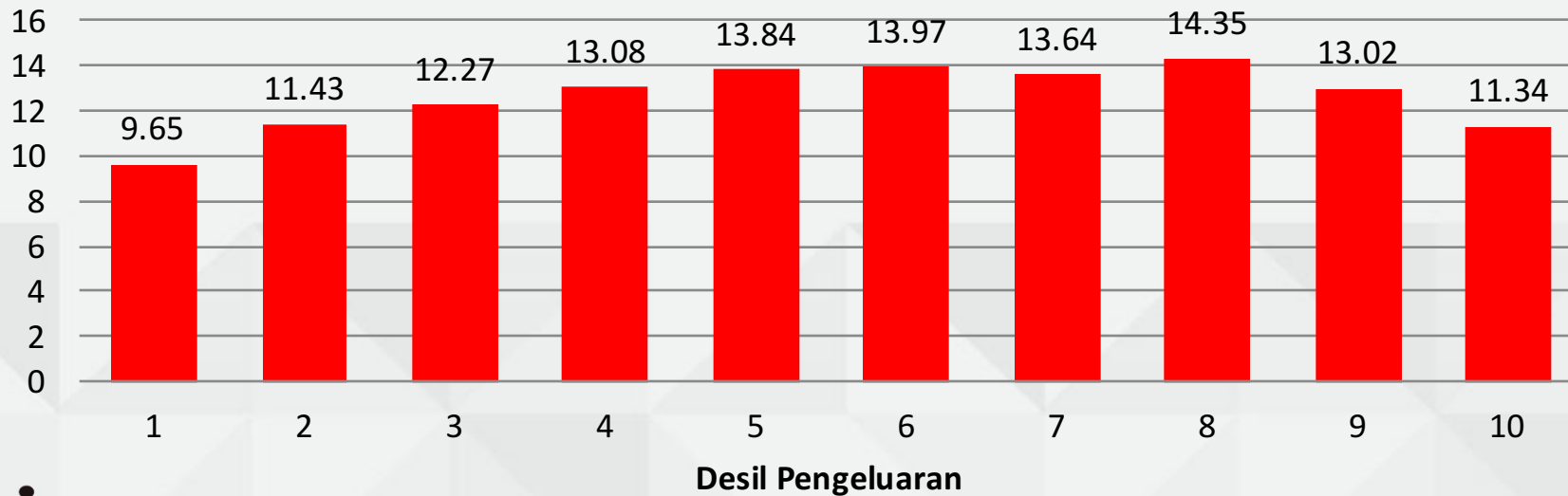
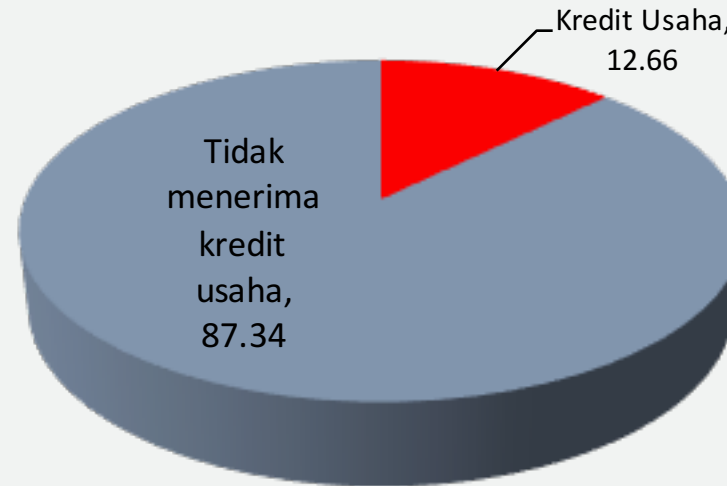
Almost 60% of micro enterprises and about 40% of small enterprises do not have business development plan



Sumber: BPS, Survei Industri Mikro dan Kecil (VIMK)

# % of HHs have Access to Credit

Source: Susenas 2015



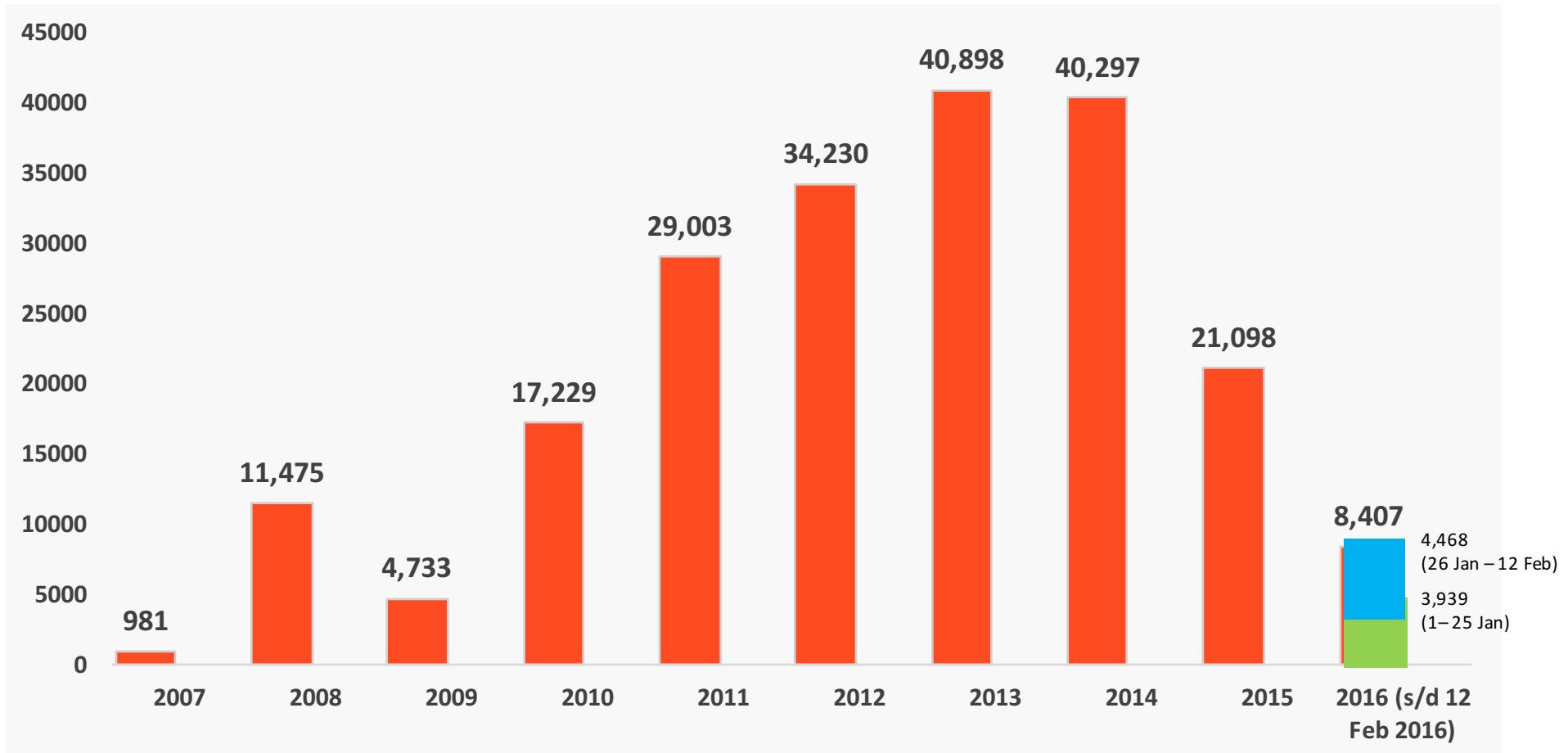
# INISIATIF YANG SUDAH DILAKUKAN KREDIT

- **Credit Rating**
  - Telah dilakukan Pilot Project, penelitian dan serangkaian sosialisasi terkait dengan pemeringkatan UKM.
- **Perusahaan Penjamin Kredit Daerah (PPKD)/Regional Credit Guarantee Agency**
  - Telah dilakukan fasilitasi dalam rangka pembentukan PPKD di beberapa daerah yang memungkinkan.
  - Terdapat 16 PPKD yang didirikan di beberapa daerah.
- **Kredit Usaha Rakyat (KUR)**
  - Penyaluran KUR dengan sasaran unbankable UMKM
  - 12,48 Juta Debitur (11,4 Juta KUR Mikro);
  - 178,838 Triliun sudah tersalurkan (2007 – 2014)
- **KUR TKI**
  - 2011 – 2014: Penyaluran sebesar 52,437 miliar rupiah, sebanyak 3.629 debitur



# PROGRAM KREDIT USAHA RAKYAT (KUR)

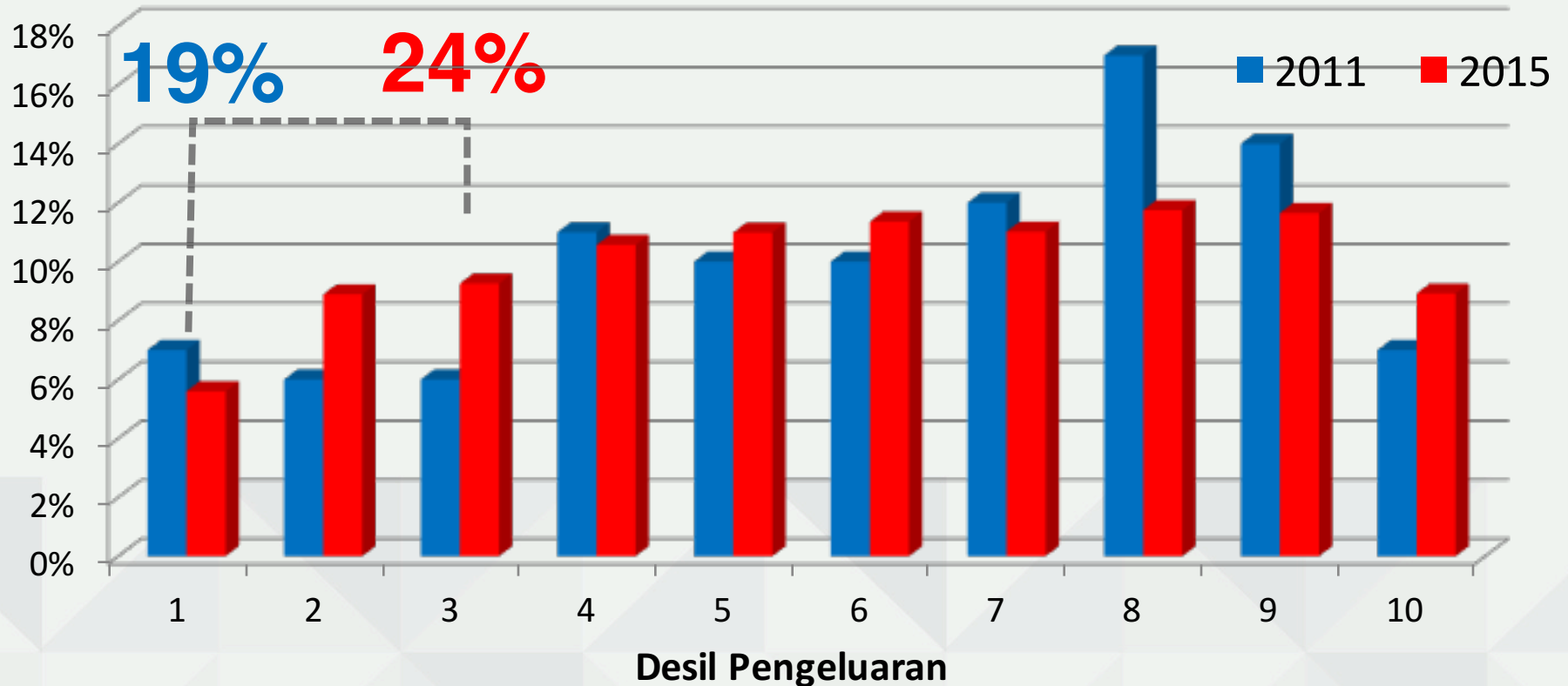
# Disbursement of KUR 2007 s/d 2016 (Rp Miliar)



Source: Kemenko Perekonomian, 2016

# KREDIT USAHA RAKYAT (KUR)

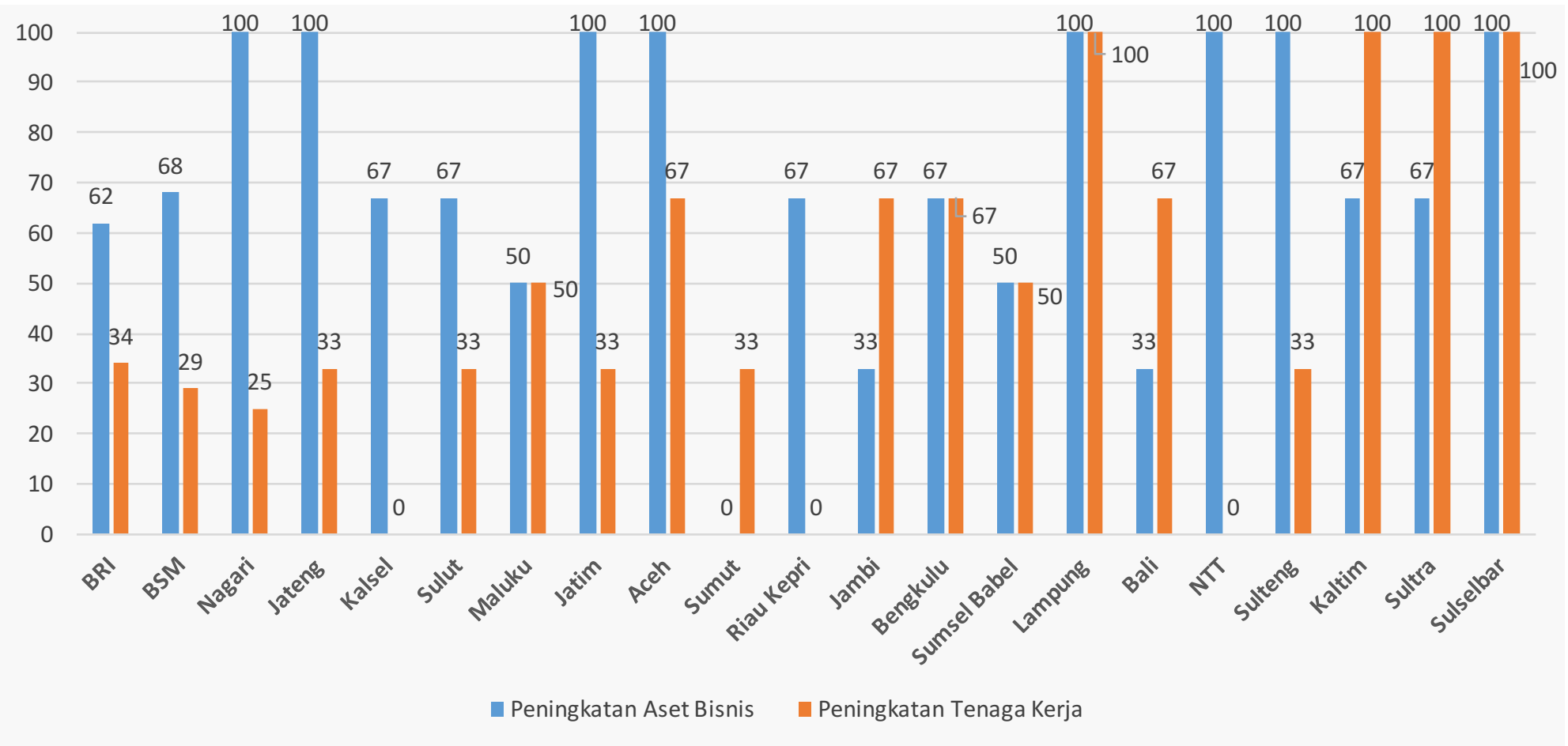
Access to KUR among the poor and vulnerable increased during period 2011-2015, but there are still big room to improve



Source: Susenas Q1 2011 dan Q1 2015

# Does KUR Help? A Survey of KUR Beneficiaries

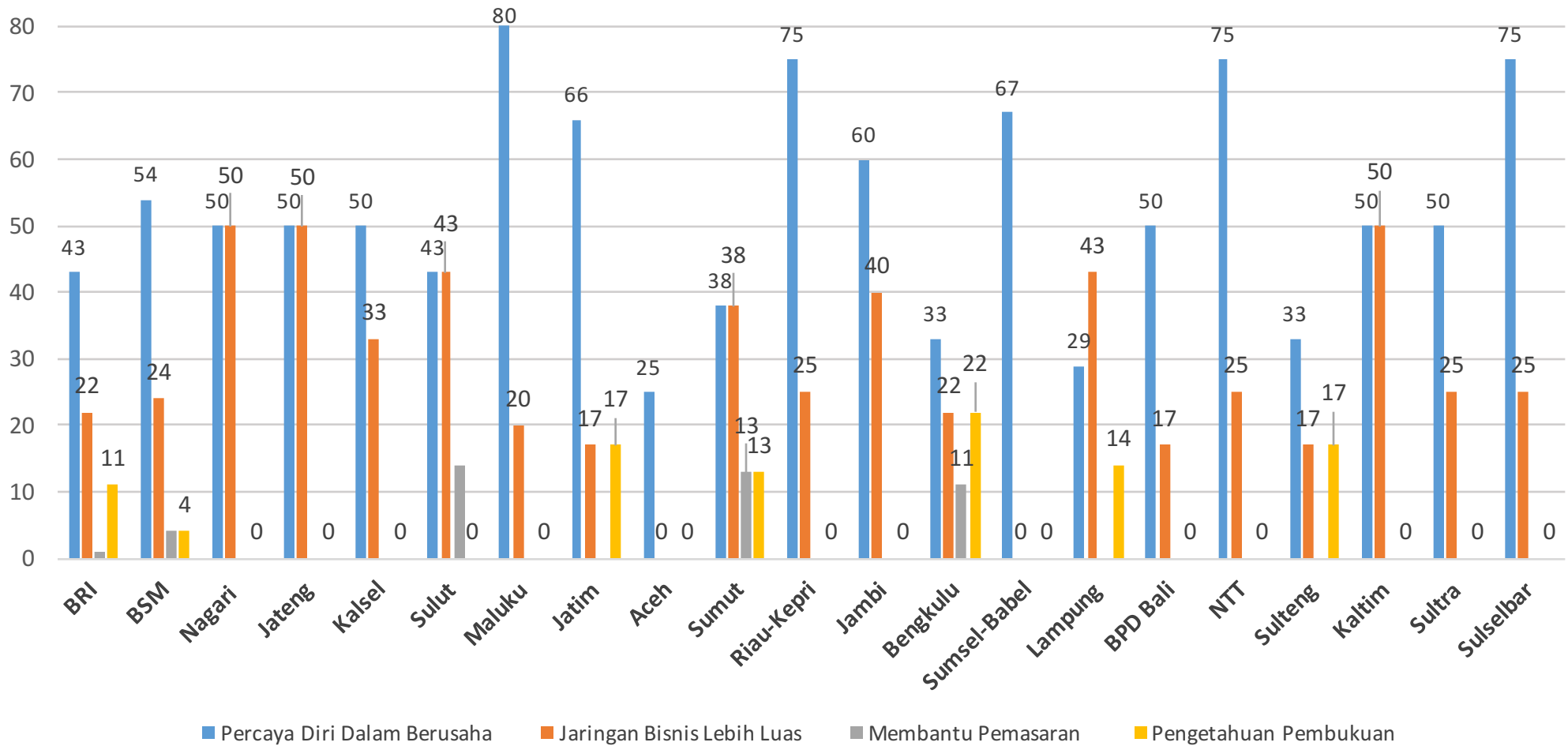
## % of KUR Beneficiaries Reporting in Assets and Employment Improvement



Sumber: Damayanti dan Adam (2015)

# Does KUR Help? A Survey of KUR Beneficiaries

## % of KUR Beneficiaries Reporting Additional Benefits of KUR

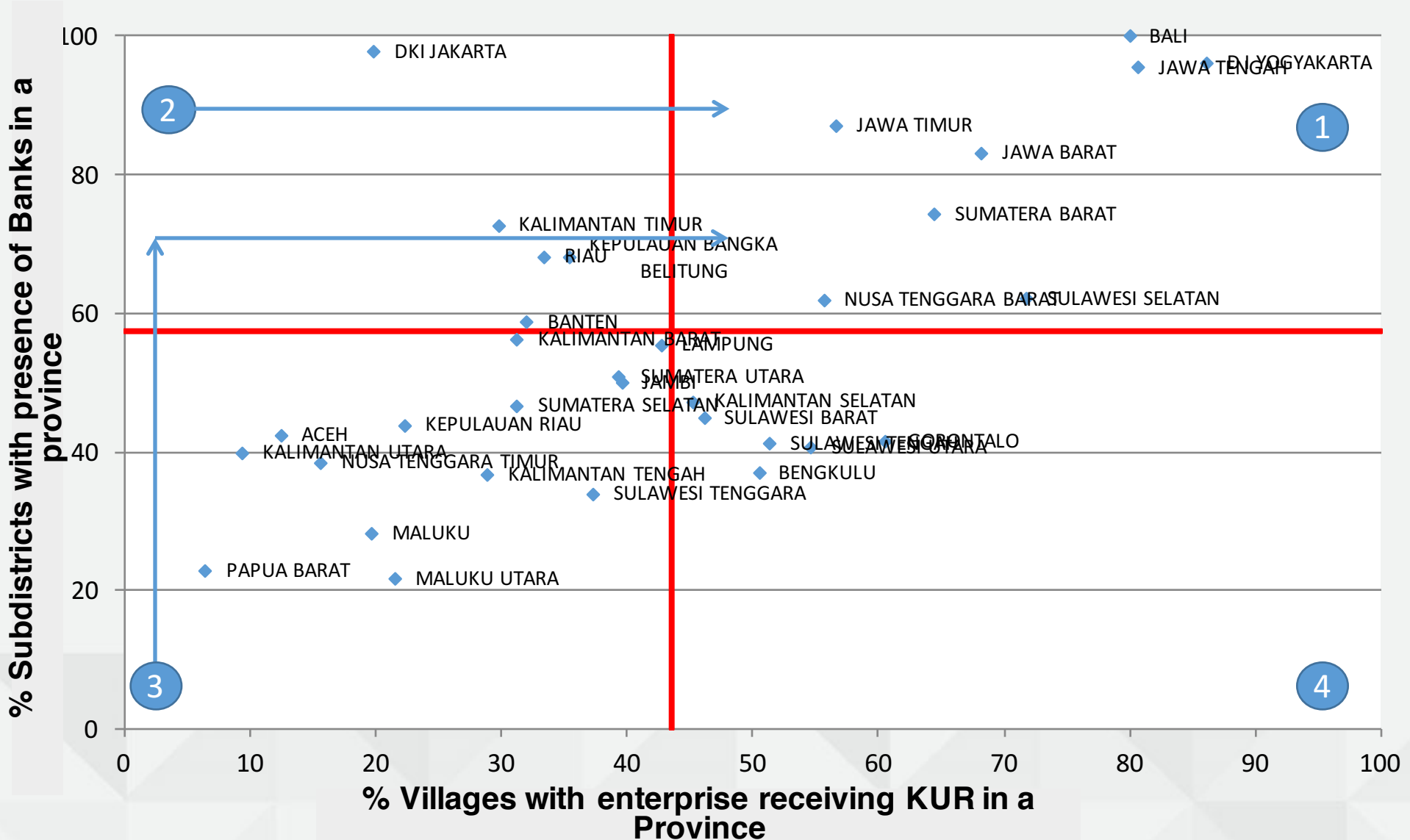


# In 2015 and 2016, Gol changed KUR scheme from credit guarantee to interest rate subsidy (with implicit guarantee)

	2007-2014	2015	2016 (s/d 12 Februari 2016)
Rata-rata plafon per nasabah			
- KUR MIKRO	Rp 8,4 juta	Rp 14,87 juta	Rp 15,63 juta
- KUR RETAIL	Rp 79,1 juta	Rp 146,29 juta	Rp 181,98 juta
<b>Rata-rata jumlah debitur / bulan</b>	<b>212.841 orang</b>	<b>205.426 orang</b>	<b>255.077 orang</b>

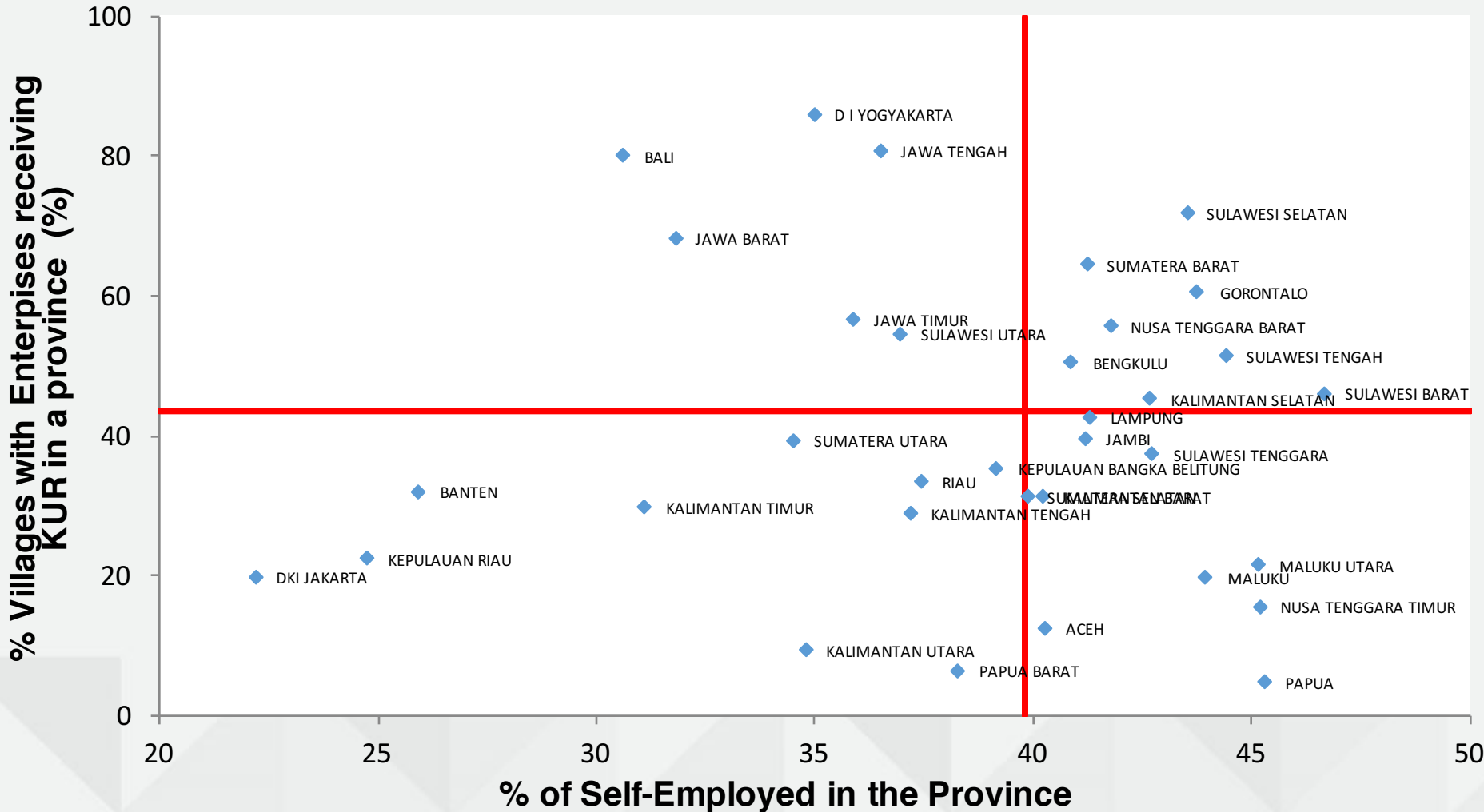
**Its immediate impact is that in 2016, we observe expanding access to KUR due to lower cost of fund**

# Challenges 1: Wider Expansion Access to KUR



Sources: Podes 2014, TNP2K Calculation

# Challenge 2: “Mismatched Demand and Supply” of KUR



Sources: Susenas 2014 and Podes 2014, TNP2K Calculation



# Some Remaining Questions to Explore

- Does new KUR policy help to wider access – toward outer islands and non-existing beneficiaries?
- Does involve non-bank as KUR participating agencies help to reach the poor and vulnerable?
- Does current policy lead to crowding out of non-KUR credits –both within the same implementing bank or inter-credit agencies?

# Terima Kasih