



KEY CHALLENGES MSME FACE IN OBTAINING ACCESS TO FINANCE IN INDONESIA

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Population : 245 Million

Archipelago of 17,508 islands (6,000 inhabited); straddles equator; strategic location astride or along major sea lanes from Indian Ocean to Pacific Ocean

Urban Population : 44 %



INDONESIA

GDP PERCAPITA 1960-2010

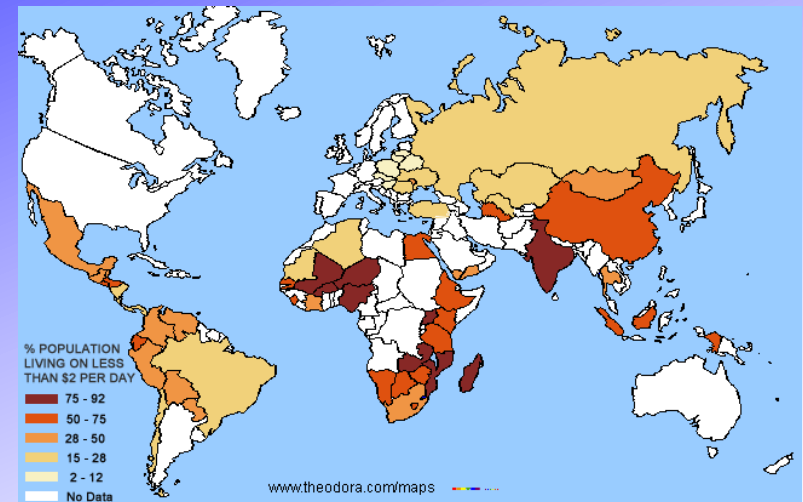




POVERTY RATE

There is 4 Poverty Level in Indonesia :

- Not Poor
- Almost Poor
- Poor
- Very poor/ Dead



The definition of poor according to the Government is people who had income below Rp 212,000 (approximately USD 25)/ month. This is below the International standards of USD 1/person/day.



POVERTY RATE

- * 32 Million people categorized as “Poor” in Indonesia

And..

- * Additional 32 Million people categorized as “Almost Poor”

- * At least, a total of 64 Million people are recorded below poverty level in Indonesia.



MICROFINANCE OVERVIEW IN INDONESIA

- ✓ **A total of 202,000 MFI's in Indonesia.**
- ✓ **Only 10 % of the MFI's is classified as good or sounds MFI's**
- ✓ **Most of the traditional MFI's located in the village**
- ✓ **Access to funding is the most common problem for the MFI's,**
- ✓ **Bank of Indonesia is the supervisory body of the Rural Bank and Commercial Bank ; While Ministry of Cooperatives is responsible for Cooperatives ; And Ministry of Finance responsible for Venture Capital ; While the Non-Bank-Non-Cooperatives is responsible to GOD, themselves and the local authority where they operated.**



CURRENT TRENDS

- More and more commercial bank decided not to lend money to MFI's ,but to open their microfinance operation by themselves instead, and pirated the existing MFI's staff.
- To date, there is more than 500 MFI's staff in Indonesia who had been “stolen” by the commercial Bank in 1 years.
- Some political party has open up their “Microfinance Operation Wing” as well, as preparation for the 2014 Presidential Election.



MAIN ISSUES

- ✓ **There is lack of coordination between Bank of Indonesia, Ministry of Cooperatives and Ministry of Finance ;**
- ✓ **There is no specific law for Microfinance in Indonesia ;**
- ✓ **MFI's is not allowed to take savings , while they didn't get access to finance from Banks.**
- ✓ **MFI's are requires to provide a physical collateral between 125-140 % if they would like to borrow from the Banks.**
- ✓ **Government provide guarantee for savings placed at the banks, but didn't provide any guarantee for savings placed at Cooperatives , Credit Union etc.**



PROPOSED SOLUTION :

- ✓ Microfinance Law which has been submitted to the parliament 8 years ago should be approved immediately ;
- ✓ Establishment of coordinating body / Ministry for Microfinance in Indonesia ;
- ✓ Establishment of performance and ethical standard for MFI's and Banks operates in Microfinance ;
- ✓ Government should provide guarantee to savings placed at Cooperatives/ other non-bank MFI's who passed the standard of requirement , not only Banks;
- ✓ Government should provide incentives and policies that encourage the Bank to provide financial access to MFI's without physical collateral.



THANK YOU !