



**SPEECH
COORDINATING MINISTER FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA**

**THE INTERNATIONAL GUARANTEE SEMINAR
“INDONESIA FINANCIAL INCLUSION AND ECONOMIC TRANSFORMATION”**

Nusa Dua Bali, 16 November 2015

Excelencies

Bapak Aagn Puspayoga, Minister Of Cooperatives And Smes

**Bapak Mulyaman D. Haddad, Chairman Of Board Of Commissioners Of The
Financial Services Authority**

Bapak I Made Mangku Pastika, Governor Of Bali

Bapak Diding S. Anwar, Chairman Of Asippindo

**Distinguished Acsic Delegates From Japan, South Korea, Malaysia, Nepal, Papua
New Guinea, Philipines, Srilanka, Taiwan, And Thailand**

Distinguished Guests, Ladies And Gentlemen,

Assalamu'alaikum Warahmatullahi Wabarakatuh

Om Swastiastu

Very good morning

Commencing our gathering today, I would like to invite all of you in extending
praise and gratitude to God Almighty who has blessed us so we can meet today
with a healthy and fresh mind.

In this appropriate time, allow me to express my gratitude and appreciation to the Chairman of Acsic, Chairman of Asippindo, and remarkable team for organizing this seminar and welcoming all of you in the 28th Asian Credit Supplementation Institution Confederation (ACSIC) conference.

To the Acsic member delegates, I hope in the next few days, you also have an opportunity to enjoy and explore the richness of culture and beautiful scenery of Bali, which is one of the major tourist destinations in the world. A package of serious meeting and leisure time in Bali this week will surely be an unforgettable moment for all of you.

In the next 15 minutes, I would deliver my speech in two parts. The first part, I would elaborate the importance of financial inclusion. This topic will then be followed by the economic transformation we have made so far, and lastly I will provide you a portrait of Indonesia effort to empower SMEs through financing and guarantee scheme.

Ladies and gentlemen,

1. The topic on financial inclusion is relevant to this seminar in two ways. First, the Financial Inclusion principle to enlarge financing access of economic entities can be supported by the development of Credit Guarantee Industry. Secondly, financial Inclusion condition of one nation could provide a clear path on the future credit guarantee development.

2. The recent World Bank report on global financial access has shown a positive state. The number of individuals owning a banking account has increased from 51% in 2011 to 62% in 2014 worldwide, which mostly contributed by the emerging countries.
3. In the country level, the report stated that Indonesia experienced a raise from 20% to 36% and the financial literacy level at 22%. Other observation, by Indonesia Financial Service Authority, in its latest surveys have shown more optimistic figures and even reach 59,7% for the financial Inclusion level.
4. However, this difference observations we should see it in the positive ways. The numbers reported implicitly provide us with sufficient space to increase the level through intensifying education, simplifying regulation and diversifying products.

Ladies and gentlemen,

5. The external turbulence has now become a challenge for many countries. The slowing growth in developed countries (G7) since 1990s takes a toll in the slowing global economy for the past few years, especially after China moved from investment-based to consumer-based economy. Moreover, the low commodity prices in the last four years and loosen monetary policy of developed countries (as part of their effort in pushing growth) have created more pressures. As a consequences, we predicted that economic

growth will be relatively remain stagnant in the next few years and the turbulence on the flow of capital is likely to continue.

6. Indonesia have chosen to respond those headwinds with structural transformation, from natural resource to manufacturing based economy. We realize that we need to conduct extra efforts in the middle of limitations we have in solving saving investment gap, investment climate and low number of manufacturing products to export.
7. In my opinion, financial inclusion could play an important part in dealing with those challenges in several efforts.
8. Firstly, we need to encourage people to save more by providing user friendly and low cost products. This step is essential to compensate the trend of declining saving balance in the middle of growing number of the account. To create more positive impact, the same effort in attracting fund should also be conducted in non-banking and capital market sectors
9. Secondly, the efforts taken to attract funds above should be followed by encouraging the Financial Institution to support Investment Financing. By an increased capacity, financial institutions should be more eager to finance business and SMEs. The huge number of Indonesia's SMEs that reached 56 million and its spread amongst sectors could provide more leverage in boosting growth, while at the same time creating jobs and increasing people purchasing power.

Ladies and gentlemen,

10. That large number of SMEs are needed to be improved its competitiveness in order to provide greater added value. So far the contribution of SMEs to GDP of about 59%, while large enterprises amounted less than 10 thousand contributed 41%. Weak competitiveness of SMEs is also reflected in its contribution to the value of non-oil exports, which reached about 16%, although it absorbs 97% of Indonesia workforce.
11. Improving the competitiveness of SMEs is one focus of the economic transformation programs. In addition to increasing the efforts that have been implemented so far, such as skills training, support of equipment production, and product promotion, the Government of Indonesia will encourage the development of business aggregator for SMEs products. The current pattern of business aggregator is limited on marketing the products of SMEs through e-commerce.
12. That developments need to be proceed with deepening the aggregation efforts such as standardization of product quality, product packaging, and product capacity. These three things can be done efficiently and sustainably through business aggregator strategy. This business pattern is developed successfully in Singapore. As we know Singapore do reexport products of surrounding countries with developing business aggregator companies.

Ladies and gentlemen,

10. Another GoI effort to develop and strengthen SMEs is running Kredit

Usaha Rakyat (KUR) Program. This program has been implemented since 2007 to increase the financial access of the SMEs. Up until now, there are many improvement are taken into account and many achievements are made.

11. Entering its 7th year, The KUR program has sucessfully distributing Rp178 trillion or around USD 13,5 billion to more than 12,5 million SMEs. Around 10% KUR recipients now can access commercial credit. I really can say that the accomplishment mentioned cannot be achieved without strong credit guarantee industries support.
12. Our President, Mr Joko Widodo put a huge attention on the development of SMEs by continuing KUR Program. In 2015, we are introducing significant change of KUR by providing interest subsidy scheme in the program. The interest rate of KR is reduced from 22% to 12% this year and 9% next year.
13. Moreover, the recent governement policy packages include KUR Program as one of the tool in turning the economy into fast track. In the policy package, The KUR Program is enhanced by expanding criteria for allowed recipients to include Indonesia migrant workers, family members of salaried workers, former migrant workers and workers wtih terminated contract who running micro business.

Ladies and gentlemen,

14. We all here agree that the role of guarantee companies is essential in increasing SMEs capacity. The Government of Indonesia is fully committed to support the development of this industry. For several years, the Government has provided capital injection to improve the capacity of Jamkrindo and Askrindo as KUR guarantor.
15. Considering the limited Government fiscal space and the sustainability of the industry, the support to Credit Guarantee company should not be unlimited in term of the amount and the period of time. This condition can create an opportunity to produce creative thinking on how the credit guarantee industry can still fully support the development of SMEs.
16. This seminar with theme “The Challenge of Borderless SMEs Market in the Developing Economies and the Role of Credit Guarantee Corporation”, I hope can be functioned as a media to produce new initiatives among ACSIC members by sharing and exchanging experiences, knowledge and the best practices. I also hope that by the end of this meeting, the seminar can formulate a concrete and applicable recommendations on the future role of guarantee companies in the spirit of entering ASEAN Economic Community.

Thank You Very Much. Wabillahi Taufik Wal Hidayah, Wasalamu’alaikum
Wr. Wb. Om Santi Santi Om

