

Bank Indonesia Programs in Small and Medium Enterprises (SMEs) for Global Market

Keynote Remarks:

The 2021 International Summer Course on Jogja World Batik City

June 13th 2021



Perry Warjiyo
Governor



1# The Strategic Role of MSMEs in the Indonesian Economy

2

MSMEs are a source of Indonesia's economic growth, however, MSMEs face several challenges, including: access to financing, digital readiness, and access to marketing

THE STRATEGIC ROLE OF INDONESIAN MSMEs

65,5 Mio MSMEs

1

Contribution to GDP



57,14%

(Rp7.034,14 Trillion)*

Source : Ministry of Cooperatives and SMEs(2019), *) very temporary numbers

2

Contribution to employment and exports

Employment



96,92%

(119,56 Mio)*

Non-Oil and Gas Exports



15,65%

(Rp339.190,5 Bio)*

FINANCING ACCESS

MSME Credit Ratio

Apr, 2021

20,7%

Number of MSME Accounts

Apr, 2021

15,9 Mio

Source : LBU, processed

Potency



73,7%

Residents who use the internet

Data Jan 2021

5 Hours

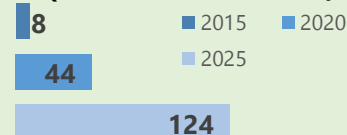
Average daily use of internet access via mobile phone



115 Mio → 222 Mio

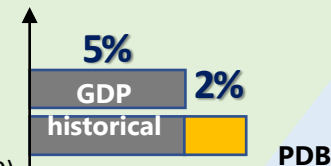
Potential increase in the number of MAC (middle-class and affluent consumers) 2017-2030

Indonesia's internet economy
(Gross Market Value, \$B)



Hootsuite/We Are Social (2021), Google Temasek (2020)

Go Digital MSMEs will increase GDP by 2% as a prerequisite for middle-income countries



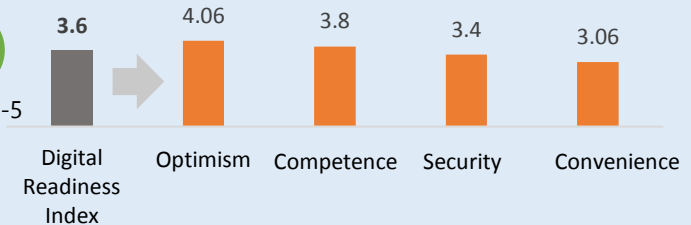
Challenges

13%

of 64.2 million MSMEs take advantage of the marketplace

1

Scale: 1-5



The digital readiness of SMEs is strongly influenced by, among other things, optimism and competence.

2

77,7%

MSMEs are experiencing problems on online marketing, due to lack of knowledge to run an online business, unprepared workforce, and limited infrastructure.

Katadata Insight Center (2020)

#2. Bank Indonesia's MSME Development Strategy

3

To Support Bank Indonesia Policy and National Goals of Economic & Financial Inclusion

MSME Development



Corporatization

- Mapping of regional potentials to determine **priorities for MSME development**
- The **synergy** of MSME policies which are currently still fragmented in 18 K/L (**One Gate Policy**)
- **Partnerships** to improve market access and financing

Capacity

- **Improving MSME skills and entrepreneurship**
- Strengthening the **competitiveness** and **productivity** of SMEs
- The use of **innovation** and **technology** by MSMEs.
- Improved **market access** through e-commerce and export facilitation

Financing

- Strengthening targeted **MSME financing** in accordance with business scale
- Utilization of **financial infrastructure** (e.g. credit scoring/rating, credit guarantee).
- Improving MSME **financial literacy**

Demand Side

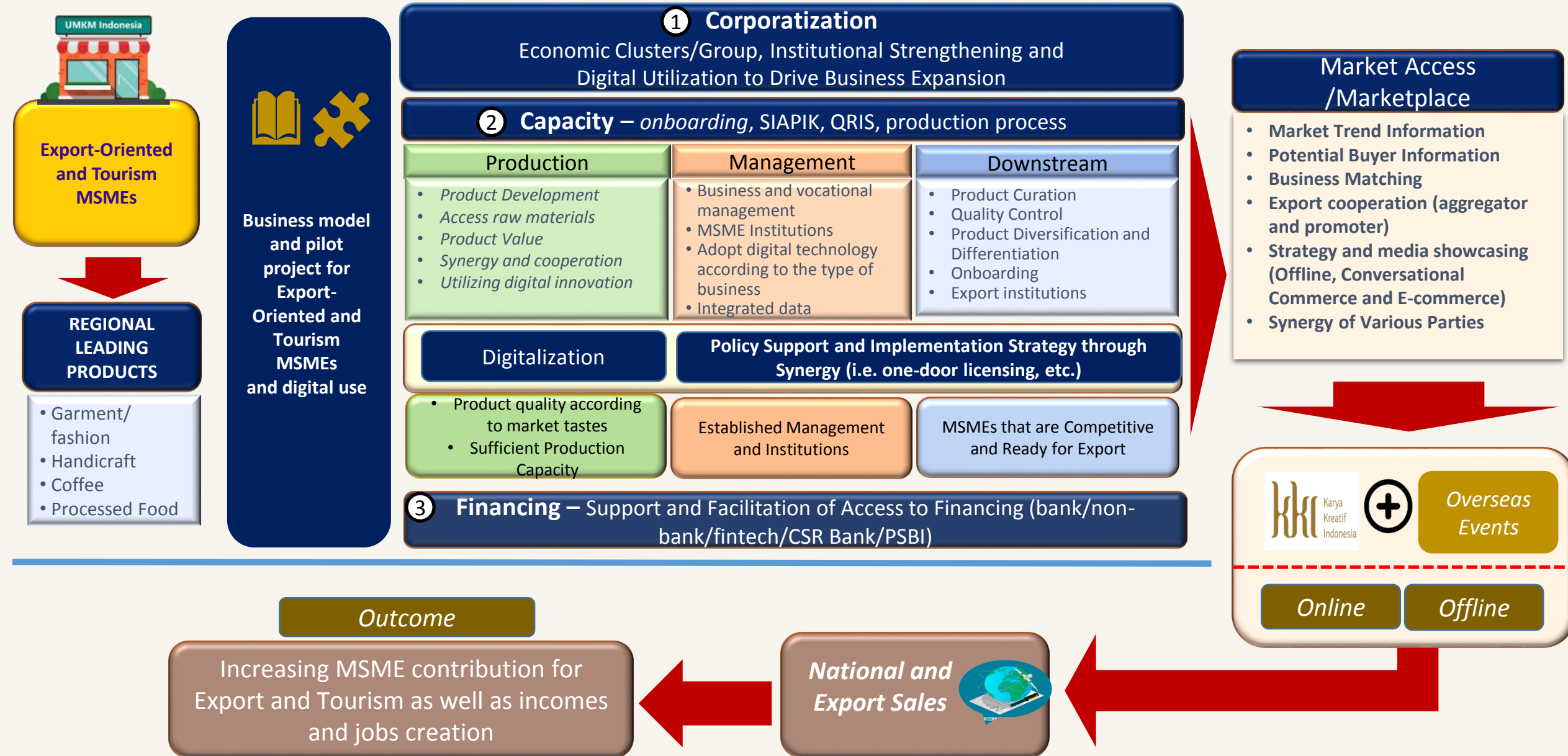
- HR capacity
- Production capacity
- Product quality
- Digital literacy
- Access to finance

Supply Side

- Access to information for MSMEs
- MSME business risk perception.
- Banking expertise
- Alternative financing options

#3.a. Key Strategy#1: Integrated MSMEs On-Boarding Program

4



Key Program #1: National Movement of Indonesian Product (GBBI) and National Movement of Indonesian Tourism Pride (GBWI)

5

1 MSME capacity building program

- **MSME onboarding program** with associations and marketplaces;
- **Curating MSME products** in collaboration with experts;

2

Expansion of the use of QRIS by 12 millions merchants/MSMEs in 2021 throughout the region, with collaboration with financial and business associations

3 Showcasing SMSEs products in various events:

- Monthly GBBI events;
- KKI 2021 and FESYAR 2021;
- Digital Economy and Finance Week;

4

Awards for Banks that Support MSMEs and Championship Clusters / MSMEs in the BI Award;

5

Kain Nusantara Book featuring prime MSME products fostered by BI



CHANNEL MEDIA	SCOPES	
	NATIONAL & INTERNATIONAL	
TELEVISION	TVRI, METRO TV, TRANS MEDIA, KOMPAS TV, Emtek	
PRINTED, ADVERTORIAL	KOMPAS, MEDIA INDONESIA, TEMPO, KORAN SINDO	
DIGITAL MEDIA	ANTARANEWS.com, KOMPAS.com, LIPUTAN 6, detik.com, CNBC INDONESIA	
RADIO	RRI, Gen FM, ELSHINTA	
BILLBOARD	Spot Strategies (Shopping Mall, Banks, Airports, etc)	
SOCIAL MEDIA	BI (HO&Branches), KOMINFO, Associations	

#3.b. Key Strategy #2: Integrated Digitalization of MSMEs

MSME 4.0

MSMEs that are able to take advantage of the advantages of technology 4.0 to increase production capacity, marketing, financing, and payments.

Why Digital, Why Now ?

- Requirement to Less Contact Economy
- Improved wider market access
- Improved access to finance
- Increasing the competitiveness of MSMEs (Price)
- Improved production efficiency and business processes

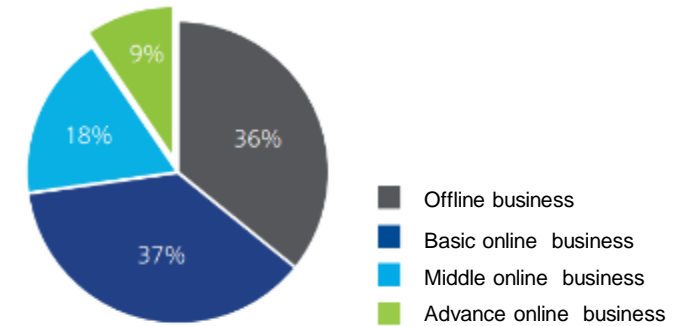
Source: National Development Planning Agency

Modality



- **Supporting ecosystem** : Availability of network infrastructure, logistics, payment services, and finance
- **MSMEs Capacity**: use of smartphones, digital entrepreneurial mindset, internet connection, digital skills, digitally active.

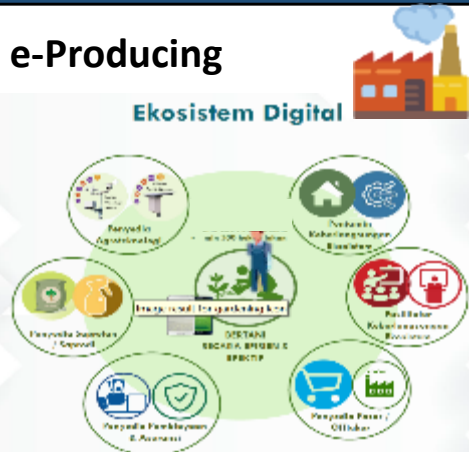
Indonesia's MSME Digitalization Position



Source: Stancombe Research & Planning, Deloitte Access Economics

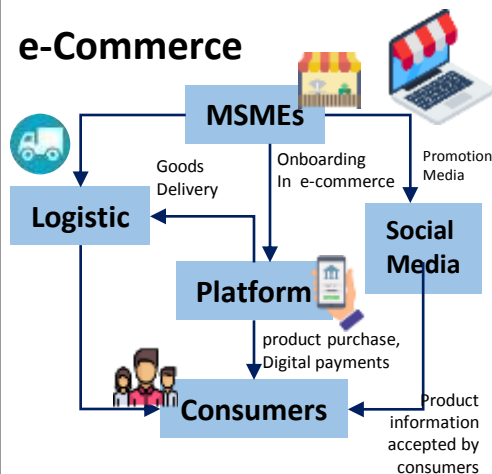
Generic Model of MSME Digitalization

e-Producing



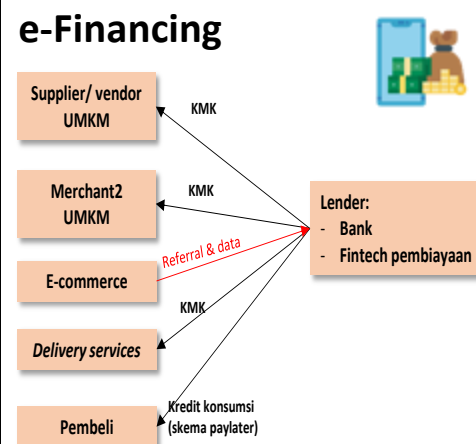
- 1) Mitra Sejahtera Membangun Bangsa (MSMB)
- 2) Habibie Garden
- 3) Ansa School

e-Commerce



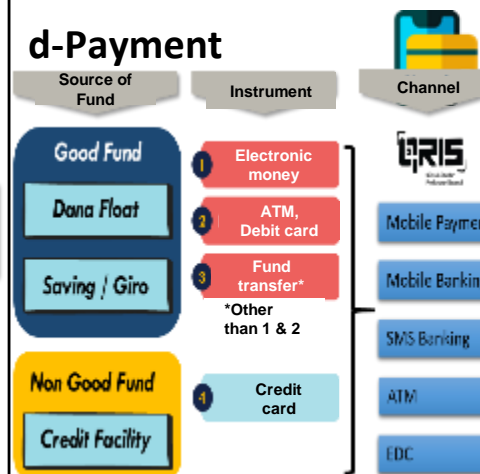
- 1) Shopee
- 2) Tokopedia
- 3) Blibli
- 4) Tokopedia
- 5) Tanihub
- 6) Sayurbox

e-Financing



- 1) I Grow
- 2) Awan Tunai
- 3) Alami
- 4) Tani Fund
- 5) Fintech Syariah
- 6) Ada Kami

d-Payment



- 1) OVO
- 2) Gopay
- 3) Shopee Pay
- 4) Dana
- 5) Link Aja
- 6) Mandiri Mobile

Policy Instrument



E – Financing,
Already has 15,462 users (January 2021)



e-Commerce



D - Payment,
Has been used by 6.2 million merchants (85% MSMEs)

Key Program #2: Digital Payments for Export and Tourism MSMEs

7

QRIS is a payment channel to accelerate the establishment of Digital Financial Economy Ecosystem, encouraging bank and fintech interlinks, and supporting the development of MSMEs

BANK INDONESIA DIGITAL PAYMENT SYSTEM POLICY FRAMEWORK FOR MSMEs

- 1 Encouraging MSME Transactions (Supply side)**
- 2 Encouraging Consumption through non-cash payment (Demand side)**
- 3 Accelerating payment system structural reform through BSPI 2025**

0% QRIS MDR POLICY
(for micro business)

RTGS PRICING POLICY
(Reducing Capping costs to customers)

CHIP-BASED ELECTRONIC MONEY MDR POLICY
(0,5%: regular, 0%: G2P/P2G)

SKNBI PRICING POLICY
(Reducing Capping costs to customers)

ELECTRONIFICATION & ONBOARDING
(ETP, GBBi, GBWi)

CREDIT CARD POLICY
(Interest rate, min. Payment, & fines reduction)

12 MIO MERCHANTS QRIS MOVEMENT

DISTRIBUTION OF NON-CASH SOCIAL ASSISTANCE FUND
(Bansos 4.0)



BANK INDONESIA ACTION TO SUPPORT MSMEs REGARDING TO DIGITAL PAYMENT

- 1. Installation and use of QRIS** on MSMEs
- 2. MSMEs product and non-cash payment campaign** at the *Karya Kreatif Indonesia (KKI)* exhibition
- 3. Onboarding webinar for MSMEs** in the "Pasar Seni" guided by BI and stakeholders in 3 regions of Java, Sumatra, and East Indonesia Region
- 4. Promoting QRIS in the GBBi and GBWi events** in each region

7.166.570

total QRIS registered merchants
Data as of May 21st 2021

QRIS QR Code Standar Pembayaran Nasional



Business Model – Utilization of QRIS

A Customers make face-to-face transactions with merchants



QRIS MPM
(Merchant Presented Mode)



QRIS CPM
(Customer Presented Mode)

B Customers don't need to make face-to-face transactions with merchants



QRIS TTM
(Without Face-to-Face)

C QRIS Cross-Border (under development)

Enabling cross-border (inbound and outbound) transaction via QRIS

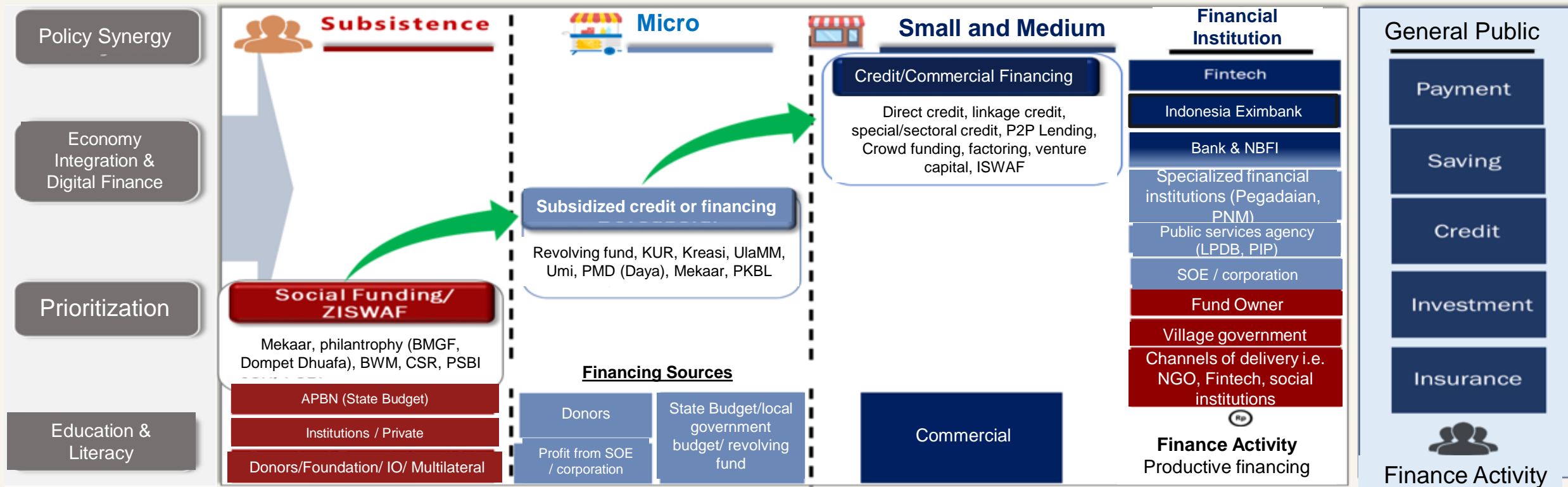
QRIS Merchant Presented Mode (Merchant Discount Rate) Transaction Processing Schemes and Fees - starting June 1, 2021

Merchant Type	Category	% MDR
Regular	Micro business	0% *)
	Small business, Middle business, and Big business	0,7%
Specific	Education	0,6%
	Gas station, Private Services Agencies, Public Service Obligation (PSO)	0,4%
	Government to People (G2P) i.e. Social Assistance Fund, People to Government (P2G) i.e. tax, passport, and social fund (non-profit)	0%

SK No 23/12/DpG-DKSP/Srt/B perihal Skema dan Biaya Pemrosesan Transaksi QRIS Merchant Presented Mode (Merchant Discount Rate) date April 26th 2021

#3.c. Key Strategy #3: Integrated Social and Commercial Financial Access

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Strategy for Increasing MSME Access to Financing

01 Supply

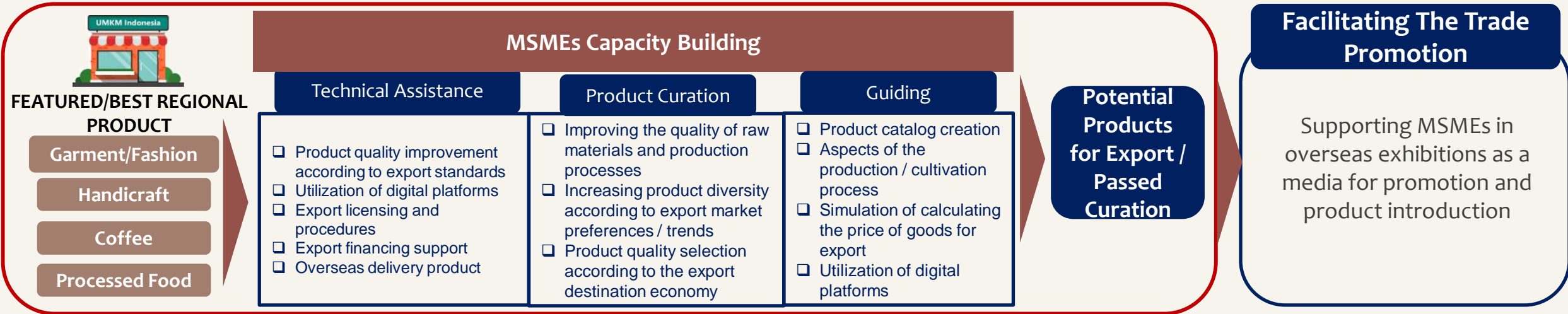
- Facilitating Business Matching between Financing Institutions and MSMEs according to business scale (2019 = Rp15.1 billion); (2020 = IDR 44.1 billion)
- Provision of a potential MSME database to be financed
- Macroprudential Inclusive Financing Ratio (RPIM) Policy

02 Demand

- Expansion of Financial Education and Literacy
- Expanding digital MSME lending collaboration with e-commerce/startup and Fintech
- MSME Assistance Facilitation
- Facilitating MSME Institutional Strengthening
- Synergize with related ministries or institutions and stakeholders in increasing demand for MSME products, e.g.:
 - Gernas Bangsa Buatan Indonesia
 - Gernas Bangsa Berwisata Indonesia

#3. d. Key Strategy #4: Synergy in Export & Trade Promotion

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“UMKM Gayeng” Suntec City Singapore
April 16th – May 23rd, 2021

Indonesia Goods Fair
Tsuruya Department Store Prefektur Kumamoto –
JAPAN (9th – 15th June 2021)



Cooperation Agreement

Potential Buyer Visits



Key Program #4: Export & Trade Promotion in Several Countries

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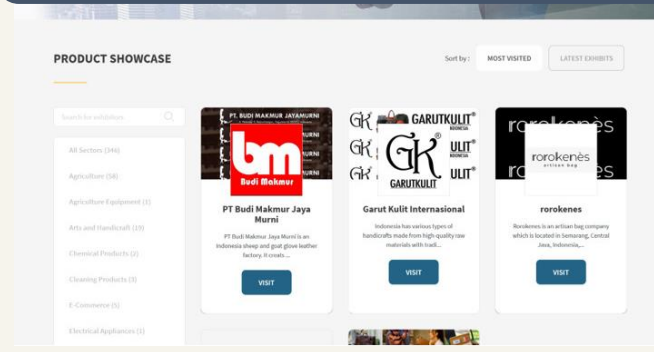
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Ceremonial Release of Kerinci Jambi Arabica coffee exports to Japan
July 28th, 2020



2

“Indonesia - Latin America & The Caribbean Business Forum”
Nov 9th – 11th, 2020



3

“Foodex Japan”
March 9th – 12th, 2021



4

“UMKM Gayeng” Suntec City Singapore
April 16th – May 23rd, 2021



5

“Indonesia Goods Fair”
Tsuruya Department Store Prefektur Kumamoto – JAPAN (9th – 15th June 2021)



6

“Singapore Specialty Coffee Micro Lot Auction” (July 13th, 2021)

SG SPECIALTY COFFEE 2021
Singapore Specialty Coffee (Micro Lot) Auction 2021

LOT 24: INDONESIA
Arabica Variety: PBG, Sigarawang, Dobor, Tim Tim

LOT 25: INDONESIA
Arabica Variety: PBG, Sigarawang, Dobor, Tim Tim

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Bank Indonesia is a state-owned bank and the central bank of Indonesia. It is the largest financial institution in the country and plays a key role in the development of the Indonesian economy.

ABOUT THE AUCTION
The auction is a unique opportunity for coffee producers to sell their micro lots of specialty coffee directly to the market. It is a platform for coffee producers to showcase their products and connect with buyers. The auction is held online and is open to all registered participants.

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