



cutting through complexity

KPMG INDONESIA

New Indonesian 'Branchless Banking' and Microfinance Laws - a catalyst for microfinance growth?

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Foreword

In November 2014 the Indonesian Financial Services Authority issued 20 new and revised regulations. All of these regulations became effective on 1 January 2015.

In this publication we take a look at the new Branchless Banking (Laku Pandai) regulations and the introduction of a Microfinance Law, which are intended as a catalyst for domestic banks to provide basic banking and insurance services to a higher number of low-income Indonesians in remote places.

We consider the existing microfinance landscape, size of the opportunity and implications of the new regulations for existing and new players to the Indonesian market. We hope you find this publication helpful as you think about future opportunities and the shifting market dynamics in which we now operate.

“Only around 22% of Indonesians are connected to formal financial institutions. The inclusiveness of our financial sector needs to be improved... This is an important target for us; creating a sound and strong financial sector that is easily accessible. Accessible for people in remote areas and on small islands, not just people in the cities. This is why micro-finance, like micro-banking and micro-insurance, is becoming so important; so we can create access.”²²

Muliaman Hadad

The chairman of the Otoritas Jasa Keuangan (OJK),
the Indonesian Financial Services Authority



WHAT IS MICROFINANCE?

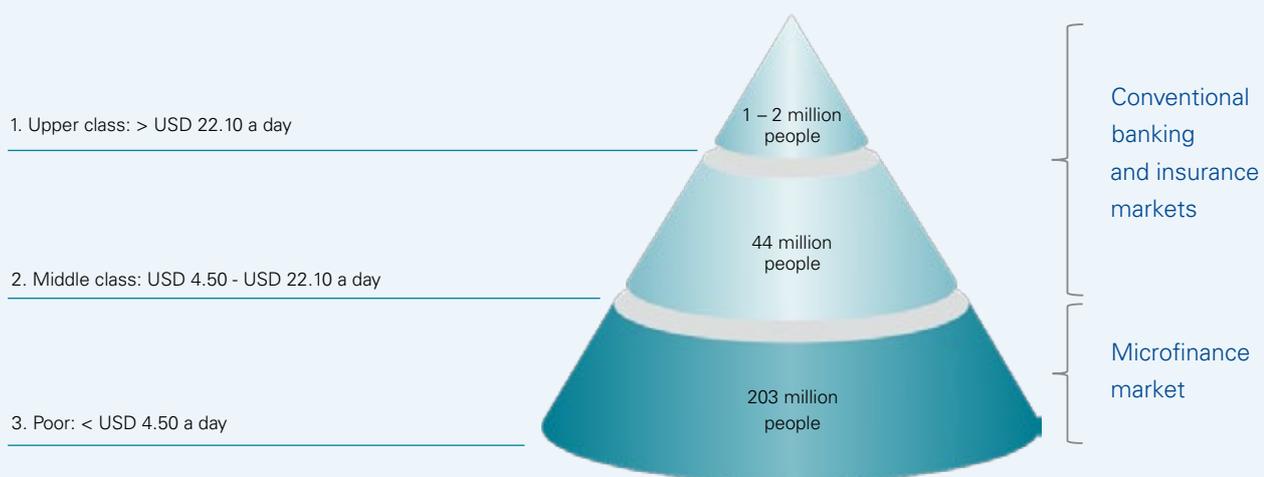


What is Microfinance?

Microfinance involves the supply of financial services to poor or low-income earning individuals and companies, which may include **micro-credit** (i.e. very small loans, in Indonesia less than IDR 20 million (USD 1,538)) with no collateral, often repayable within 6 to 12 months, **micro-savings** (i.e. very small deposits, in Indonesia less than IDR 20 million (USD 1,538)) and **micro-insurance** (in Indonesia, a premium of under IDR 50,000 (USD 3.80)).

Indonesia is renowned for its large scale microfinance sector, with a range of commercial banks. More than 56.5 million Micro Small Medium Enterprises¹ (MSME), contributed greater than 50%¹ of Gross Domestic Product (GDP) in 2014. However, many of them do not have adequate access to the bank financing they need to grow their businesses, particularly in rural areas.

Indonesia's Economic Pyramid

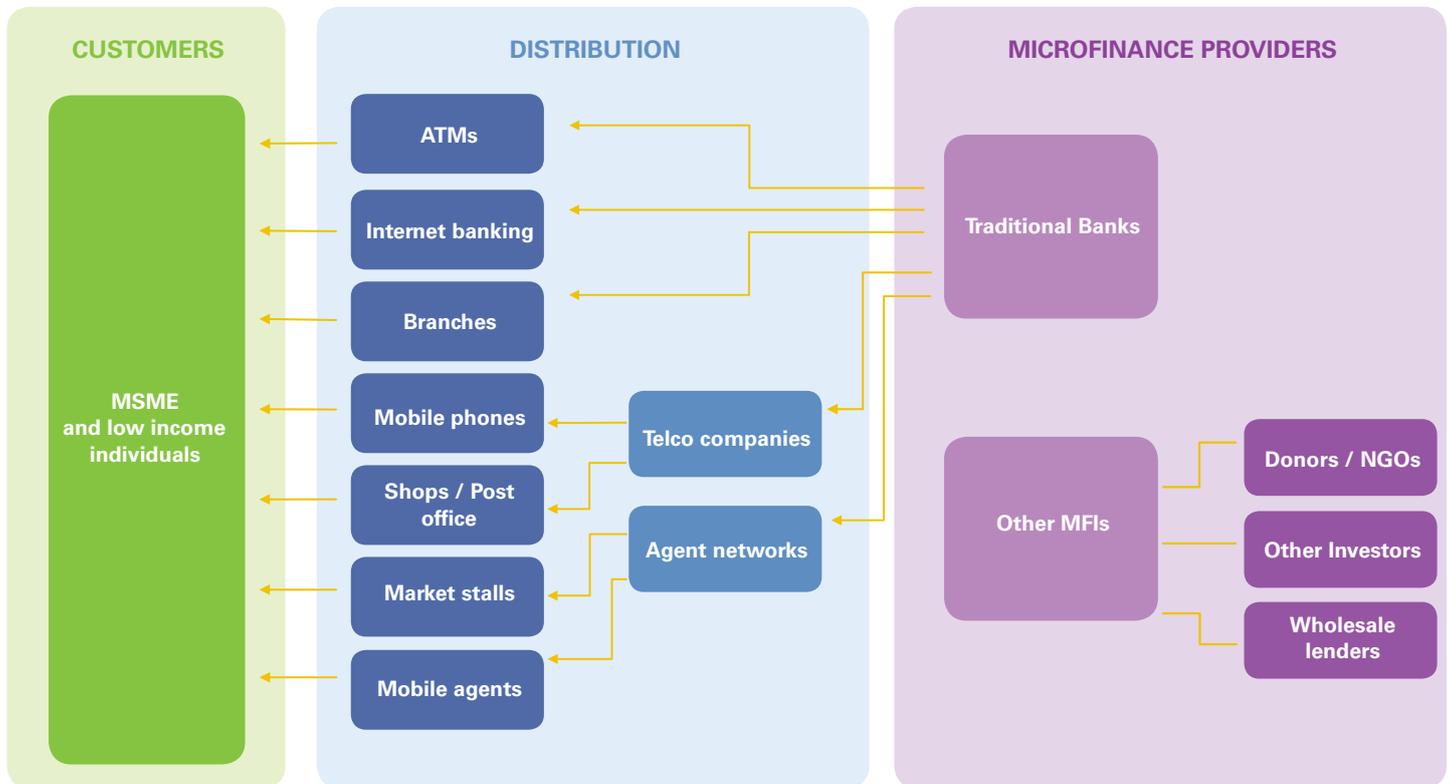


Source: World Bank estimates, Individual net income
<http://blogs.ft.com/beyond-brics/2014/04/15/indonesias-fragile-middle-close-to-the-edge/>
 Note: < USD1.90 a day, 96m people; USD 1.90 – USD 4.50, 107m people.

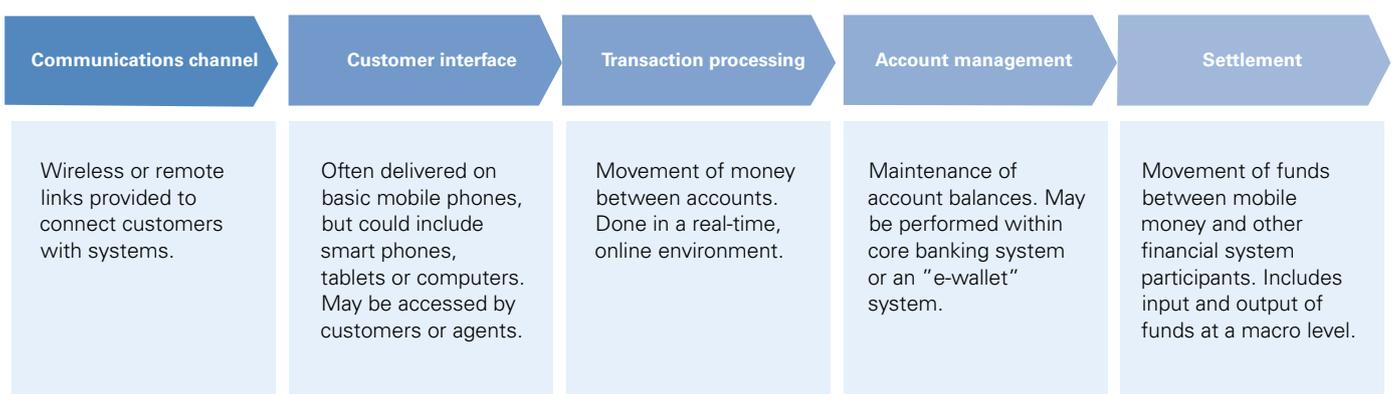
203 million, or **81.5%** of Indonesians are at the bottom of the economic pyramid. Like everyone else, those living in poverty need access to financial services in order to find opportunities to improve their lives and their communities. Without having salaries and sufficient collateral, the **96 million** Indonesians living on **less than USD 1.90 a day** are considered too risky for loans or live in locations too remote for formal financial services.

Routes to market and models

.... there is more than one road which leads to Rome



Models of microfinance



Telco-Led



Bank-Led



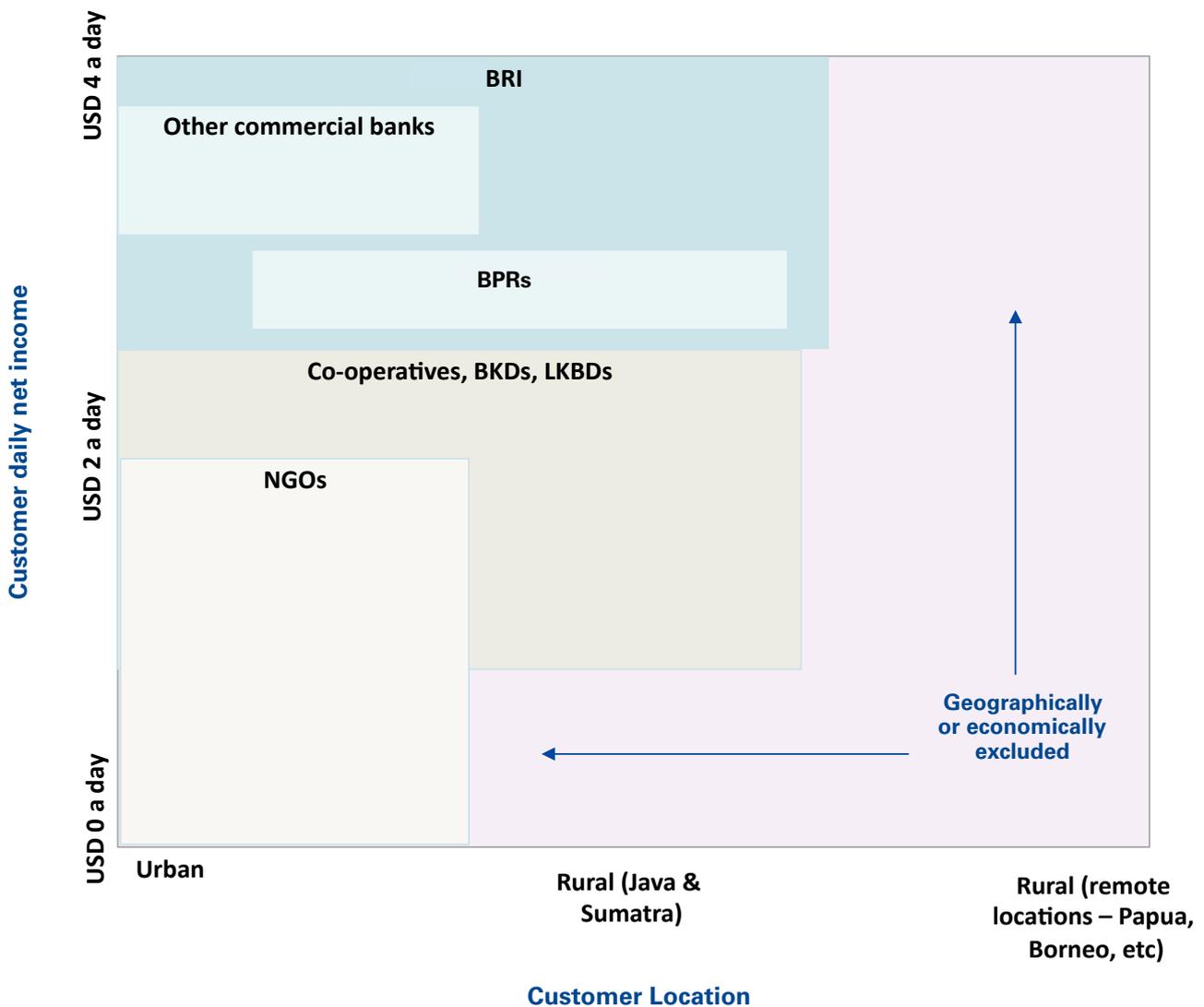
Hybrid models



Micro-credit coverage: geographical and economic

The regulated micro-finance providers (commercial banks and BPRs) tend to cover mostly upper levels of the micro-finance market in districts and sub-district towns.

NGOs, Co-operatives and village based institutions (BKDs, LKBDs) reach a lower end of the market but still have a limited reach to remote rural areas, outside the two main islands of Java and Sumatra.



Note: Diagram is a simplification, based on KPMG internal views and market knowledge.



HISTORY OF MICROFINANCE IN INDONESIA

Indonesia's mind boggling statistics

360³ ethnic groups
speaking 719³ languages
living on 6,000 of 17,504⁴ islands.



119⁵ commercial banks
1,643⁵ rural banks
Up to 600,000⁶ other Micro finance institutions (MFIs)

Despite the large numbers of MFIs, and long history of microfinance provision, there is a huge untapped market opportunity:

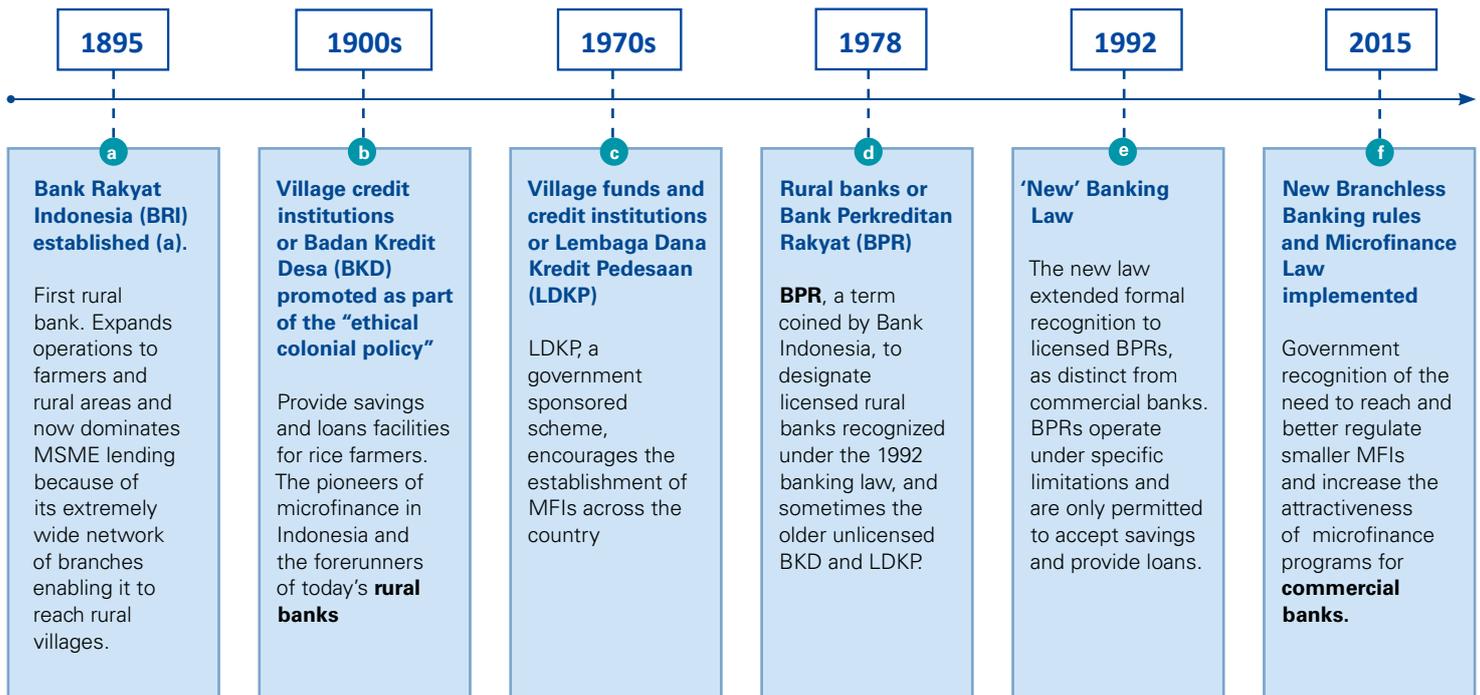
203 million people earning under \$4.50 a day, most of who don't have access to formal banks

56.5⁷ MSMEs, generating an estimated 57%⁷ of the nation's GDP.

79% of these MSMEs do not have access to any type of formal financial services

255⁸ million people or 80%⁹ of the population do not have formal bank accounts.

The history of microfinance institutions in Indonesia dates back more than 100 years.



Note: (a) Founded in 1895 as De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden. Over the years, the institution went through name changes until being named BRI after Indonesia's independence.

Formal micro-lending in Indonesia statistics

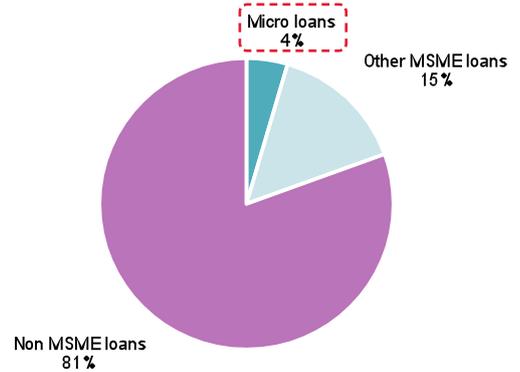
BRI dominates formal micro-lending. However, micro loans were only 4% of aggregate licensed bank loans at 31 December 2014

Licensed bank snapshot			
At December 2014	Number	# branches	Loans IDR Trillion
Commercial Banks	119	19,948	3,706
BPRs	1,643	4,895	68
Total	1,762	24,843	3,774

Source: Bank Indonesia, Bank Statistics
<http://www.bi.go.id/en/statistik/perbankan/indonesia/Default.aspx>

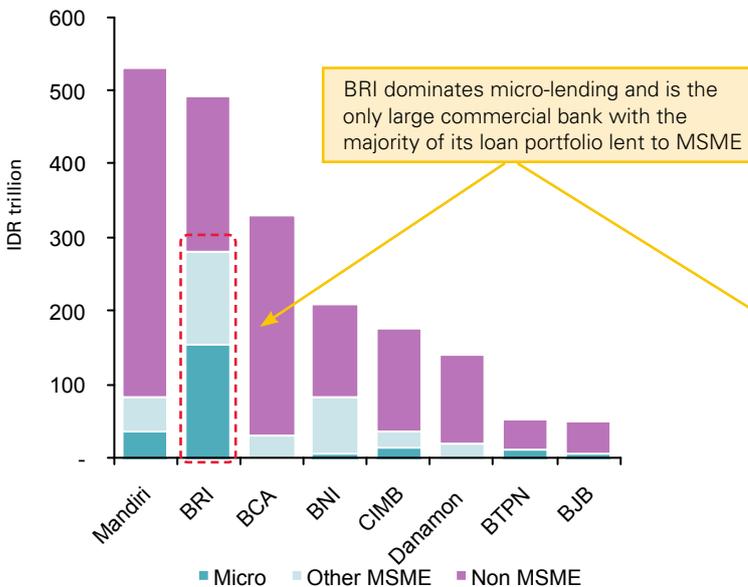
Despite the large number of BPRs they contribute less than 2% of total loans in the regulated banking space.

Total commercial lending at December 2014

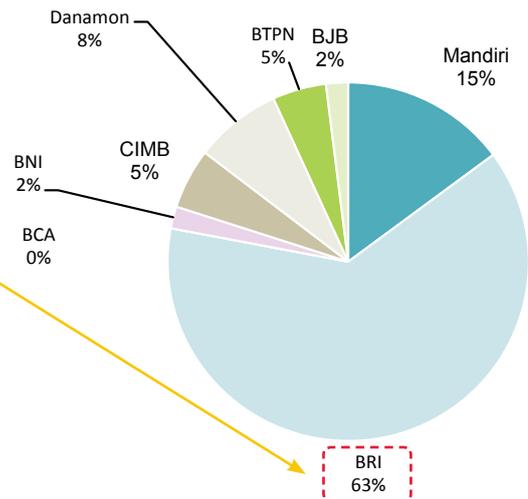


Source: Bank Indonesia, Monetary Sector statistics:
<http://www.bi.go.id/en/statistik/seki/terkini/moneter/Contents/Default.aspx#>

Loans by customers size at 31 December 2014 *
 – significant MSME lenders



Micro loans by bank at December 2014*
 – significant MSME lenders

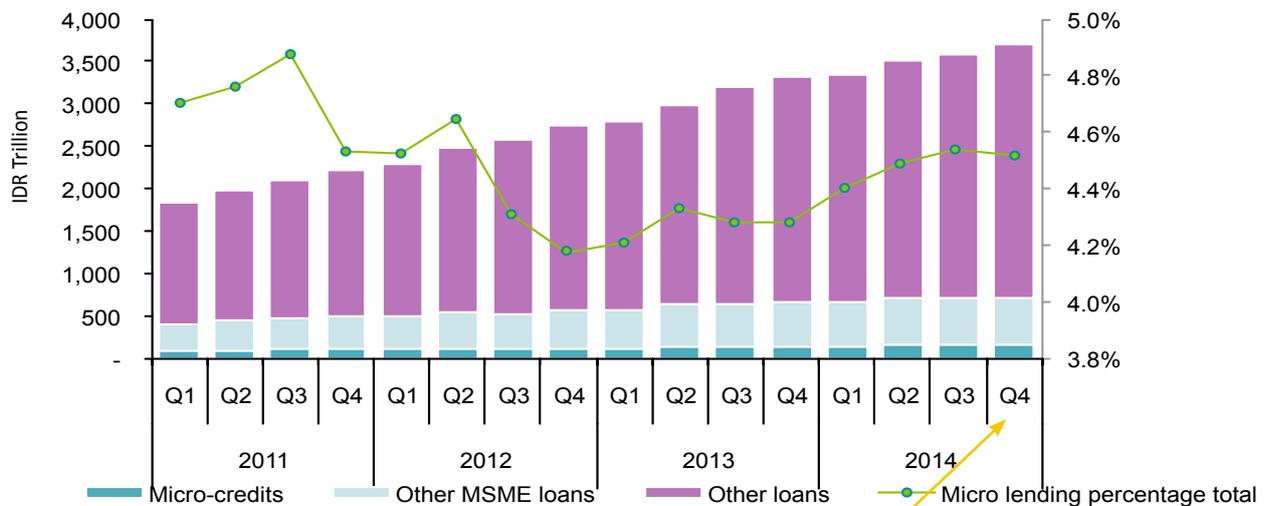


Note: (*)BCA, BJB and BTPN as at 30 September 2014
 Source: Company Investor Presentations.

Formal micro-lending in Indonesia statistics (cont.)

Despite initiatives to accelerate micro-lending, government statistics show micro-lending growth is just keeping pace with total lending. For this reason, a number of new initiatives, to accelerate growth of micro-lending were announced in 2015. The Indonesia government expects somewhere between 128,000 to 350,000 agents to be recruited by domestic banks in 2015, to serve the micro-segment.

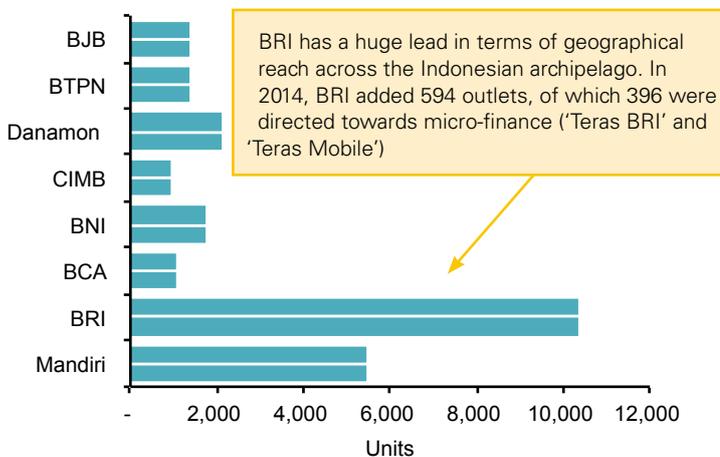
Commercial lending by loan segment



Source: Bank Indonesia, Monetary Sector statistics: <http://www.bi.go.id/en/statistik/seki/terkini/moneter/Contents/Default.aspx#>

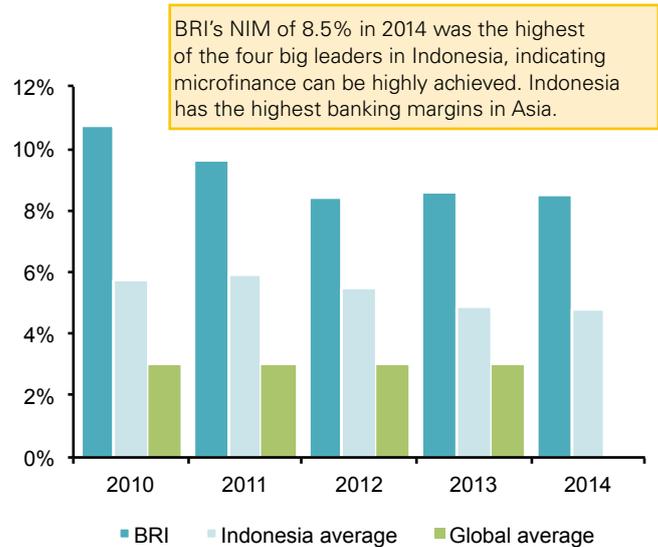
Aggregate MSME lending was 19.5% of total lending at December 2014. However, this MSME lending was disproportionately provided by a few lenders (i.e. BRI). Many non-state owned banks will struggle to reach the target 20% MSME lending by 2018.

Number of 'outlets' at December 2014



BRI has a huge lead in terms of geographical reach across the Indonesian archipelago. In 2014, BRI added 594 outlets, of which 396 were directed towards micro-finance ('Teras BRI' and 'Teras Mobile')

Average Net Interest Margin (NIM) - Formal lenders



BRI's NIM of 8.5% in 2014 was the highest of the four big leaders in Indonesia, indicating microfinance can be highly achieved. Indonesia has the highest banking margins in Asia.

Note: (*)BCA, BJB and BTPN as at 30 September 2014
 'Outlets' excludes ATMs and electronic channels.
 Source: Company Investor Presentations.

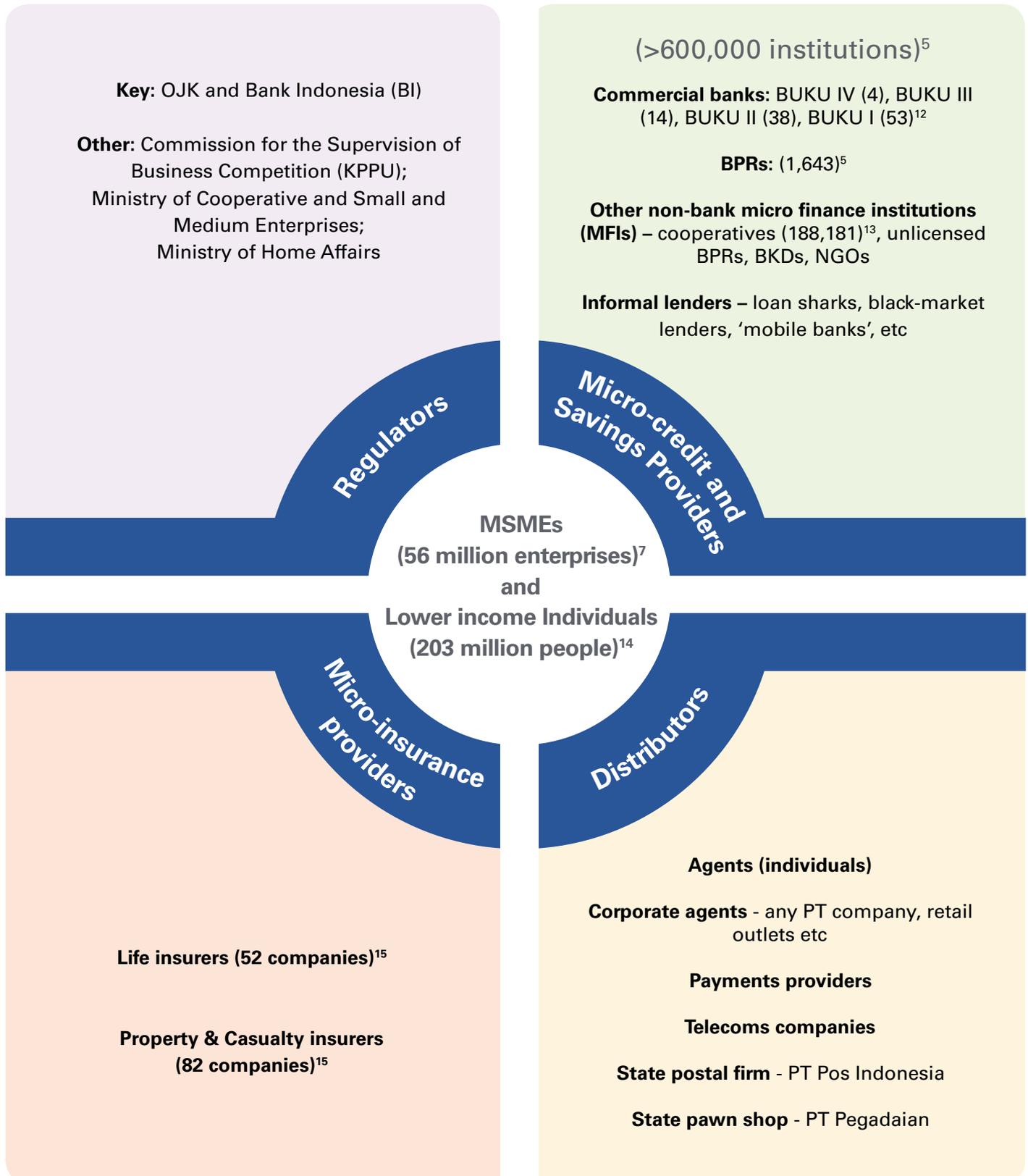


KEY STAKEHOLDERS IN INDONESIA



65%			
66%			
73%			
78%			
	2,193	851	40%
	2,217	905	44%
	1,958	629	52%
		607	32%
		656	29%
		623	28%
			30%
			25%

Key stakeholders



Observations on key stakeholders

Regulators

- **BI** and **OJK** together regulate banking in the country.
- As of January 2015, the OJK is the primary supervisor of **MFI** activities.
- Until now, the regulatory authorities do not have a firm understanding of the non-regulated **MFI** landscape, and estimates of the numbers of **MFIs** vary hugely (from 40,000 to 600,000) ²
- One of the first steps to be taken by OJK will be to document the number of **MFIs** in an effort to map the landscape and develop a legal framework for these institutions.

Micro-finance providers

- **Commercial lenders, BPRs** and other **MFIs** have tried to meet demand for micro-lending, but a combination of strict regulations and too-high thresholds have resulted in growth of **black-market lenders** and unscrupulous **loan sharks**, which don't require documentation (ID cards) and are more mobile.
- These lenders offer loans at high interest rates and often collect daily payments from customers. Experts have struggled to estimate the real size of the informal market, but from their best estimates it appears to be growing, as the lowest income population has little or no options when they borrow money.

MSMEs and low income individuals

- There is a **lack of financial literacy** among low-income groups, which can undermine gains made by widening the access to financial services, due to the propensity of lower tier lenders to push debt at excessive margins; many low-income individuals do not comprehend the notion of interest rates, and are sold based on weekly installment schedules. MSME and low income borrowers need access to both loans and education for Indonesia's microcredit industry to make a positive impact. An OJK 2014 survey found only 7% of MSMEs go to banks when they need to borrow.

Micro-Insurance providers

- Micro-insurance is in its very infancy.
- Firdaus Djaelani, a Chief Executive at the OJK, stated in October 2014, that of 134 insurance companies only 30 companies were selling micro-insurance products, with micro-insurance policyholders of just 5.8 million.
- The OJK commenced a pilot in 2014 to determine how best to expand coverage. Potential is high considering the cost lower income population, limited social security coverage and unpredictable environment.

Distribution

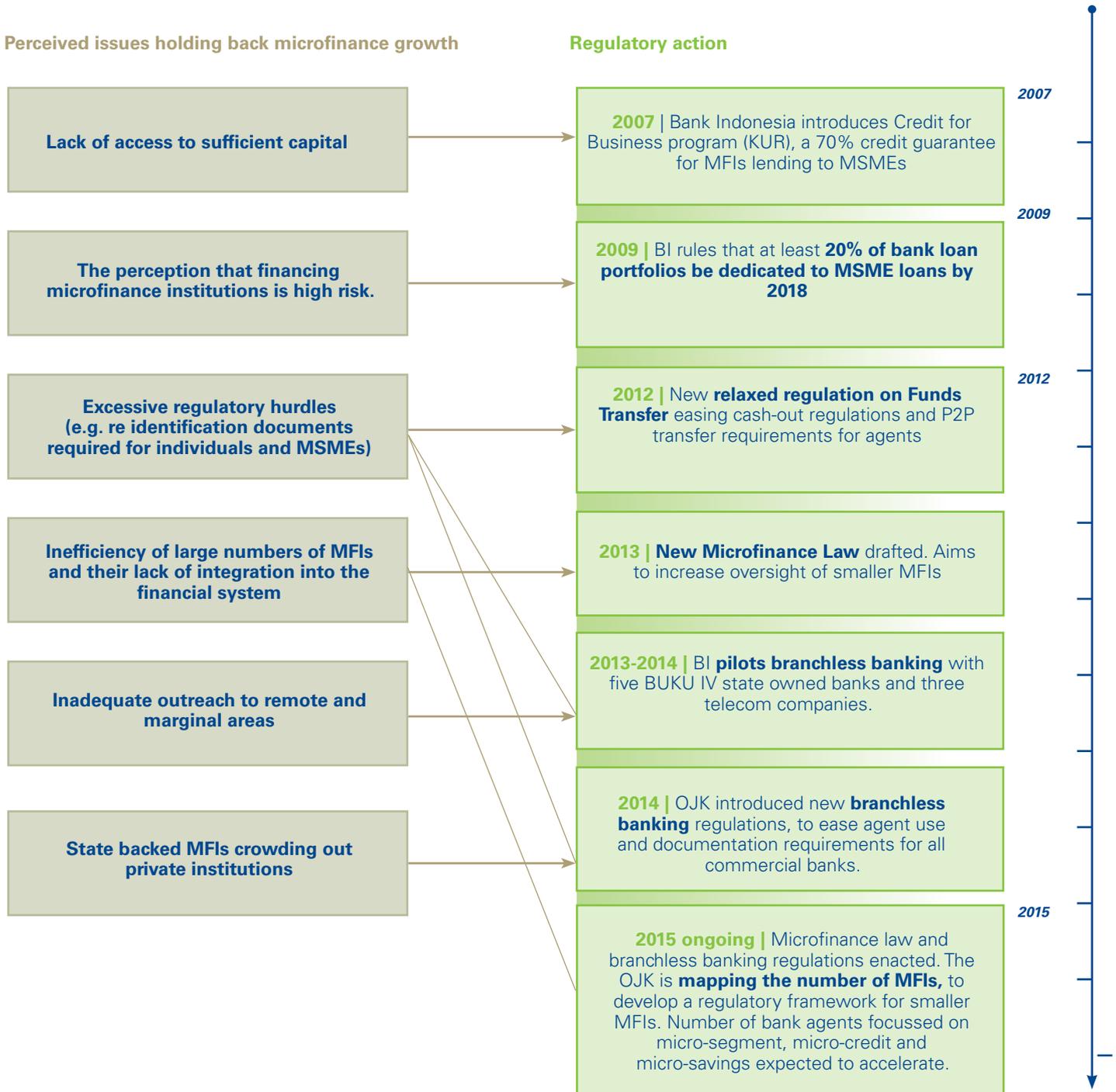
- In 2012, there were 143 million² unique mobile subscribers, more than double the number of bank account holders (62 million)¹⁶.
- Telecommunication operators have more than 300,000¹⁷ locations at which phone vouchers are sold.
- Most banks would like to have access to these distribution networks, which would enable them to access the poorest people requiring micro-finance

A photograph of a woman and a young child standing on a wooden structure, possibly a roof or a platform. The woman is on the right, wearing a patterned headscarf and a long, patterned skirt. She has her hand on the child's shoulder. The child is on the left, wearing a blue and white striped sweater and purple pants. They are both smiling. The background is a clear blue sky. A green semi-transparent banner is overlaid on the image, containing the text.

**REGULATORY CHANGE:
*NEW BRANCHLESS BANKING
AND MICROFINANCE LAW***

The need for change and new regulations

Since 2012, we have seen exciting regulatory change in Indonesia intended to deal with the perceived issues holding back financial inclusion



New Microfinance Law – a summary

Overall, the new micro-finance law is focussed on consolidating and adding greater regulatory oversight of MFIs.

New microfinance law (Law No. 1 of 2013) – in effect from 8 January 2015

MFIs are legally defined as : financial institutions that are not exclusively motivated by profit and that support community development by offering loans or financing to micro-enterprises, limited consumer banking (savings deposit management) and business development consultation services.

New licensing requirements

MFIs can be established as cooperatives or as limited liability companies (PTs) and must **meet applicable capitalization and licensing requirements**, which will be regulated by the OJK

MFIs must obtain prior approval from the OJK before merging or consolidating with other MFIs. If an MFI encounters liquidity or solvency problems, the OJK may order it to conduct necessary corporate actions, including selling property or assets, changing the board of commissioners or directors, raising capital, transferring liabilities, and merging or consolidating with another MFI, among others. The OJK has the authority to revoke an MFI's business license and dissolve the entity if such action does not resolve the liquidity or solvency problem. Revocation and liquidation will be further regulated by the OJK.

Institutions engaging in microfinance business prior to the issuance of the Microfinance Law **may continue to operate for up to one year** after the Microfinance Law came into effect, during which time they must obtain a new business license and OJK permit.

Limitations on ownership

An MFI may be owned by Indonesian citizens, village/sub-district Government-owned Enterprises (Badan Usaha Milik Desa/ Kelurahan –BUMDes/BUMK), local governments, or cooperatives. **Foreign ownership, direct or indirect, is prohibited.**

Limitations on share ownership and participation apply to MFIs in the form of PT: at least 60% of shares must be owned by the local government, while the remaining shares can be owned by Indonesian citizens and/or cooperatives. An Indonesian citizen can hold up to 20% of the shares.

Limitations on business activities

MFIs are **prohibited from receiving deposits in the form of giro and participating in payment flows, conducting foreign exchange, engaging in insurance business, acting as guarantor, or making loans to other MFIs**, other than to assist with liquidity problems of MFIs in the same regency/city. MFIs and local government agencies can form deposit insurance organizations to protect depositors' funds. Further elaboration on permitted business activities is expected to be outlined by the OJK or in a Government Regulation.

MFI operations are **limited to one village/sub-district, district, or regency/city** and will be adjusted to the MFI's business scale as set out in Government Regulation. In order to expand business outside the regency/municipality where the MFI is domiciled, the MFI must be converted into a Bank, meeting all relevant requirements determined by the OJK.

Financial reporting and information obligations

MFIs are obliged to maintain records in accordance with accepted financial accounting standards and to submit financial **reports to OJK every four months**, along with other reports as required by regulation. The Microfinance Law also contains provisions on consumer protection, confidentiality and information sharing among MFIs.

Capital requirements

The microfinance law also requires MFIs who serve villages and sub-districts to have minimum capital of IDR50 million (USD 3,846), while those in district and regency levels must have a minimum capital of IDR100 million (USD 7,623) and IDR500 million (USD 38,461), respectively¹⁸

Branchless banking pilot (2013 – 2014)

“I think we can see Rp 200 trillion (USD 15.4 billion) in basic savings accounts in the next five years”

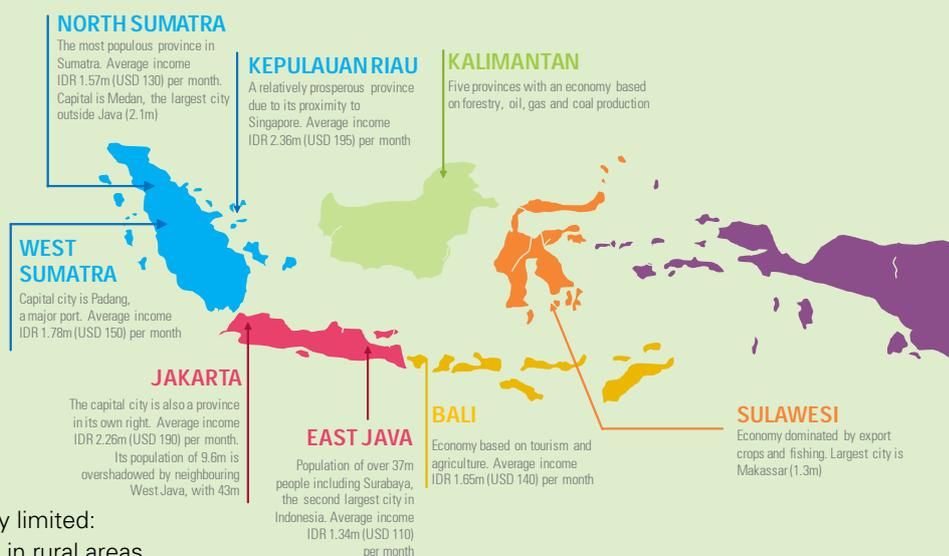
(Gandjar Mustika, Banking Research & Regulation Department Head of OJK)¹⁹

2013 Branchless Banking pilot

Background

In early May 2013, Bank Indonesia commenced a limited pilot, to test the outsourcing of some banking operations to agents prior to introduction of formal regulations. The scope of the pilot was:

- **five BUKU IV lenders:** Bank Rakyat Indonesia (BRI), Bank Mandiri, CIMB Niaga, Bank Tabungan Pensiunan Nasional (BTPN) and Bank Sinar Harapan Bali,
- **three largest mobile network operators** (Telkomsel, Indosat and XL Axiata),
- **eight provinces** (South Sumatra, North Sumatra, West Java, Central Java, East Java, Bali, East Kalimantan and South Sulawesi).



The guidelines were fairly limited:

1. required to implement in rural areas
2. allowed to use outsourced agents to provide cash in and cash out services, but still maintain full KYC requirements related to any related bank account opening
3. agents need to be exclusive to their partner bank
4. allowed any of three branchless banking models to be introduced:
 - a. Bank-Led
 - b. Telco-Led and
 - c. “Hybrid” models.nd

Findings

The limited nature of the pilot meant that banks did not commit significant marketing funds, hardware innovations or teams to the project. Many banks expected to see loosening of KYC requirements, which were not included.

As of October 2014, the lending amounted to IDR 50.4 trillion (USD 3.9 billions), lent to 12.1 million customers with an average loan of IDR 14.2 million (USD 1,092) per person. The average non-performing loan (NPL) ratio was 4.1%, close to the 5% benchmark set by the OJK.

The data also show that BRI contributed the most to the KUR disbursement, with more than 60% percent, followed by Bank Mandiri with 13%. **Bank-led models appear to dominate**, which is perhaps unsurprising given the Bank-Led network is very established, whereas Telco models are relative untested.

New Branchless Banking Rules – a summary

Overall, the branchless banks regulations are aiming to rapidly expand the reach of banks to the micro-segment.

New Branchless Banking (“Laku Pandai”) Rules – (in effect 1 January 2015 OJK Regulation No. 19/POJK.03/2014 dated 18 November 2014)

Who can provide?

The OJK stipulates that only banks with the following characteristics can participate in Laku Pandai: (i) Indonesian legal entities; (ii) having risk profile for operational risk and compliance of grading 1-3, (iii) having office networks in **the eastern part of Indonesia and / or East Nusa Tenggara** and (iv) already operating internet and short message service (SMS) / mobile banking services.

These lenders can extend their banking activities by **recruiting individuals and legal entities as agents**, who will provide micro-saving and loan services for unbanked and underbanked people.

BUKU I banks, whose core capital stands at below IDR 1 trillion (USD 76.9 million), that do not have an electronic banking platform, may join Laku Pandai, provided they acquire an electronic banking license first from Bank Indonesia (BI). BI is currently in charge of supervising payment systems.

BPR and Sharia Banks can also participate in Laku Pandai if they can satisfy the following requirements: (i) minimum core capital of IDR 100 billion (USD 7.7 million), (ii) maximum NPL rate of 5%, (iii) minimum CAR of 12% and (iv) not in net loss condition for the last 1 year

Customer due diligence (CDD)

Simplified CDD procedures may be applied. The Bank with the help of agents require at minimum:

- a. full name;
- b. residential address, and corresponding identity document and address of domicile, if any;
- c. place and date of birth; and
- d. work details.

Supporting documents include: an identity document or “other documents as replacement of identity documents that can provide confidence to the Bank of profiles of prospective customers and specimen signature.” (i.e. does not need to be a photo ID).

Agents

Allows individuals or legal entities in Indonesia to be an agent.

Individual and legal entity agents are required to: (i) be domiciled in the location where the Laku Pandai program is conducted, (ii) had a viable source of income for the last 2 years, (iii) not be an agent of another bank offering Laku Pandai and (iv) pass the banks’ due diligence process. In addition, legal entity agents are required to have retail outlets and IT infrastructure that can support the Laku Pandai program.

The regulation suggests banks consider limiting the scope of services agents can provide – e.g. savings only - however, the scope of service offerings will be determined by the bank, in accordance with their own policy

Branchless banking regulations (active from 2015)

Attracting agents is key to the success of Luku Pandai



New Branchless Banking Rules ("Laku Pandai") (cont.)

Products

Micro-savings ("Basic savings accounts" (BSA))

- No minimum balance and limits to transactions.
- Maximum balance of IDR 20 million (USD 1,538)
- Cumulative IDR 5 million (USD 384) transactions per month or IDR 60 million (USD 4,615) a year.
- If the balance or transactions are above the maximum amount, the account will be converted into a regular savings account.
- The bank may not charge for: monthly administration, account opening or closing, payment of cash transactions or transfers in.
- The bank may charge for: cash withdrawals, transfers out and payments through savings accounts, but these charges should be less than charges for regular savings accounts

Micro-credit

- A credit facility of up to IDR 20 million (USD 1,538) can only be granted to BSA account holders who have been a banks' customer for a minimum of 6 months or otherwise are considered having a good track record by the bank.
- The maximum tenor of the credit facility is 1 year or depending on BSA account holders' business cycle.

Micro-insurance

- The regulation is silent about the requirements and restrictions of the distribution of micro insurance within Laku Pandai.
- However an OJK October 2013 micro-insurance blueprint stipulates that a micro-insurance premium must not exceed IDR 50,000 (USD 4.4) and its benefits may not surpass IDR 50 million (USD 3,846) per customer. The OJK has defined four micro-insurance products: personal accident insurance, term life insurance, fire home insurance and business interruption insurance.

Reporting requirements

Bank participants are required to report the progress of its program on a quarterly basis (on the 15th of the following month – "Deadline reporting date") to the OJK. Failure to submit the report within the given timeframe will result in a penalty

Penalty/charges

The OJK imposes the following charges for bank participants which fail to comply with the regulation:

- (i) written notification, (ii) limitation on banks' scope of services and/or (iii) banks' risk profile downgrading

A penalty of IDR100,000 (USD 7.60) per day will be imposed on any bank which fails to submit its progress reports by the deadline reporting dates. The OJK will impose a penalty of IDR 5 million (USD 384) if the reports have not been submitted 30 days post the deadline reporting date

Branchless banking regulations – our view

We believe the new branchless banking regulations embed many positive changes as set out below:

Simpler CDD Requirements

A customer with any photo identity card issued by the government or a reference letter from local community leader can open a basic savings account.

This is the most progressive clause of the regulation. When Pakistan introduced simpler CDD requirements, the number of branchless banking accounts grew 63% in a year, from 1.8 million in September 2012 to 2.96 million in September 2013²⁰

Permitted products include micro savings, micro-loans, micro-credit, micro-insurance and transfers

The regulations permit providers to offer micro-savings, micro-loans, micro-credit, micro-insurance and transfers, thus providing a “one-stop shop”.

This will allow MSMEs and the poor to create “portfolios” using various financial products through informal and formal institutions to address their immediate and longer-term needs. A diverse product suite should also drive up transaction volumes, increasing business viability for service providers and agents.

Small banks and other financial institutions are eligible to become branchless financial service providers

Laku Pandai enables smaller banks and financial institutions (including microfinance, rural banks and venture finance institutions) with limited capital and geographical presence to offer financial services through low-cost technology enabled channels. The potentially provides a route to market to new entrants, which currently struggle to compete with the established branch networks of the established commercial banks, and the agency and bancassurance networks of the established insurance companies.

Limited thresholds for agent recruitment

Service providers are allowed to appoint any individuals and business entities (with legal status) as agents. This is a marked shift from existing electronic money regulations, issued by Bank Indonesia, which favour big Buku IV banks (banks with a minimum core capital of IDR 30 trillion (USD 2.3 billion))²¹ by allowing them to appoint individual agents.

Small retailers and stores have played a significant role in facilitating low value/high volume financial transactions in other geographies. In Indonesia, both the organized and unorganized retail sectors have significant presence. 75% to 80% of retail sales are through the unorganized sector, and reports also suggest that there are 2.56 million retailers in Indonesia²⁰. Clearly, these outlets can play a major role in reaching out to the unbanked and under-banked.

Branchless banking regulations – our view

However, we have a few concerns, mainly regarding agent provisions

Agent incentives

Regulations only allow for customers to be charged for withdrawals and transfers out. i.e. many transactions are free. Restrictions on charges may render the business unviable for both smaller service providers and agents. Agents will be responsible for carrying out key activities on behalf of the banks – account opening, admission applications for credit, liquidity management, etc.

Agent geographical restrictions

Regulations restrict agents from operating in provincial, regency or municipality capitals. Although providing services to remote areas is a key goal, a large proportion of urban dwellers do not have access to banking services, and should also be a target for financial inclusion focussed regulation. The proximity, convenient timing (early morning or late evening) and lower documentation would all be attractive to urban dwellers. Furthermore, those who have migrated to the cities for work need urban agents to remit money home to rural areas.

Agent exclusivity

The regulations mandate that agents may only partner with only one service provider. Agents should be given the option to partner with multiple service providers. Non-exclusive agents would allow customers to choose from the best product/services

IMPLICATIONS OF REGULATORY CHANGE: CORPORATE WINNERS AND LOSERS



Evolving micro-finance landscape. Potential winners and losers

While expanding banking services via branchless banking is positive, smaller MFIs with more experience in approaching people at the bottom of pyramid look set to lose out from the new regulations. There is a risk overall financial inclusion could reduce as a result.



Notes:

1. Already have extensive branch network and outlets. Should provide a good platform to recruit local agents under the new branchless banking rules
2. Conglomerates, with solid funding, captive banks and a ready-made agency network (e.g. Astra, with an automotive distribution business across the country), will have much lower barrier to entry for to expand micro-lending/
3. Many Buku 3 and below banks are facing tightening liquidity conditions and may not have the capital to investment in micro-finance expansion. Most foreign owned banks have a tendency to only distribute consumer-related loans (Citibank, HSBC, Standard Chartered) with very few loans going to SMEs and have limited networks outside urban areas, from which to expand SME lending.
4. Smaller MFIs will now be regulated. They will need to start the process of getting a license and becoming a legal corporation which will impose costs. Further the microfinance law also requires that those who serve villages and sub-districts to have minimum capital of IDR50 million (nearly US\$4,000), while those in district and regency levels should have a minimum of IDR100 million and IDR500 million, respectively. Many will not have sufficient funding.
5. These foreign JV banks have shown may have the technical prowess to push mobile banking services, and connect agents in rural areas

CONTACTS, ABBREVIATIONS, SOURCES



About KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. Clients include many of the world's leading multinational organizations, as well as emerging industrial players across Asia Pacific.

In increasingly complex markets, we are committed to turning risk into advantage for clients and their stakeholders through independent, credible and practical advice.

KPMG operates in 155 countries with 155,000 people working in member firms around the world. Our lengthy track record includes over six decades operating in Asia Pacific.

KPMG Indonesia dates back to 1957 and provides a broad range of high quality Audit, Tax and Advisory Services to many local Indonesian and foreign clients.

Now is a time of dramatic change for the financial services industry, characterized by the emergence of new players and go to market strategies. KPMG's global network of financial services professionals is engaged and committed to helping address these challenges. To discuss the issues raised in this report, please contact one of the KPMG Indonesia partners or directors:

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Abbreviations

BI	Bank Indonesia
BUKU	Bank Umum Kelompok Usaha, commercial bank business grouping, based on core capital held in Indonesia: <ul style="list-style-type: none"> • BUKU 1: Core capital < IDR 1 trillion • BUKU 2: Core capital IDR 1 trillion – IDR 5 trillion • BUKU 3: Core capital IDR 5 trillion – IDR 30 trillion • BUKU 4: Core capital > IDR 30 trillion
BKD	Badan Kredit Desa; village credit institutions
BPR	Bank Perkreditan Rakyat, rural banks
BRI	Bank Rakyat Indonesia
BCA	Bank Central Asia
BNI	Bank Negara Indonesia
BTPN	Bank Tabungan Pensiunan Nasional
BJB	Bank Pembangunan Daerah Jawa Barat dan Banten
BSA	Basic savings account
CAR	Capital adequacy ratio
CDD	Customer due diligence
GDP	Gross Domestic Product
IDR	Indonesian rupiah
KPPU	Komisi Pengawas Persaingan Usaha, commission for the supervision of business competition
KUR,	Kredit Usaha Rakyat,
LDKP	Lembaga Dana Kredit Pedesaan, village fund and credit Institutions
MFI	Micro finance institution
MSME	Micro small and medium enterprises
NGOs	Non-government organizations
NPL	Non-performing loan
OJK	Otoritas Jasa Keuangan, Indonesia's financial services authority
P2P	Peer to Peer
Telco	Telecommunications

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Note:

We have assumed a foreign exchange rate of USD 1: IDR 13,000 throughout this document.





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