GUARANTEE SYSTEM IN INDONESIA

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Indonesian SMEs Potential

Workforce contribution: 97.2% of 114.1 million people

Covers all over Indonesia

57.6 million units

GDP Contribution: 56.5%

SMEs Characteristics

1. HR: Lack of education
2. Quality Control: un-standardize
3. Technology: Simple
4. Marketing coverage: Local
5. Capital: restricted

Source: Central Bank of Indonesia Survey, 2005
The SMEs credit outstanding on commercial banks as of Dec 2015 was IDR 830 T (USD 63.85 Billion)

Market share of SMEs credit is 19.5%

11.1 Million total debtor: 84.3% micro; 12.4% small; and 3.3% medium scale business

Based on economic sector: 50.5% of SMEs credit disbursed to trading sector, 10% processing industry and 7.9% agriculture and forestry
Basic Structure of Credit Guarantee

- **Status**: State Owned Enterprise, 100% Government Owned.
- **Establishment**: 1970
- **Asset**: IDR 11.6 Trillion (USD 859.3 million)
- **Govt' Shares**: IDR 7.1 Trillion (USD 525.9 million)
- **Outstanding Guarantee**: IDR 76 Trillion (USD 5.6 billion)
- **Number of guaranteed SMEs**: 12 million SMEs
- **Number of Employees**: 700 persons
- **Business network**: 1 Head office, 3 Regional HQs, 56 Branches

Credit Evaluation → CGS → Hurdles of financing → Banks

Guarantee (Reduce Credit Risk)
Objectives of Guarantee

For SMEs
- Ease access to formal finance (bank, non bank)
- SMEs business development
- Increasing welfare

For Financial Institution
- Provide assured collateral
- Introduce new loan markets
- Improve capital adequacy ratio

For Govt
- Higher competitiveness of SMEs
- Job creation & supplement social safety-net
- Financial market progress
Guarantee Procedure

Indirect Guarantee- Collective Approach (Conditional Automatic Cover/CAC)

**Determining Loan Guarantee Scheme & Analysis**
- Bank proposes loan scheme
- Analysis of the terms & condition of guarantee system

**Credit Guarantee Cooperation**
- ToC of Credit guarantee cooperation is documented.
- Signing between Bank & Guarantor

**Credit Guarantee Application**
- Bank apply for collective credit guarantee proposal
- Verification

**Issuance of Guarantee Letter**
- Contract & Paying fee
- Issueance of guarantee
Guarantee Procedure

Direct Guarantee Scheme/Individual Approach (Case by Case/CBC)

**Guarantee Application**
- SME’s application
- Eligibility check-up and Documents verification

**Credit Analysis & On-site Visit**
- Document submitted & reviewed
- Analyst’s on-site visit

**Evaluation & Approval**
- Credit rating & Evaluation
- Guarantee approval

**Issuance of Guarantee Letter**
- Contract & Paying fee
- Issue of guarantee
Milestones of Indonesian Guarantee System

1970 - 1980
Indonesia Cooperative & Finance Development Corporation (Perum PKK)

- Credit guarantee scheme for sugar cane, rice & other crops, fertilizer
- State Owned Banks as guarantee beneficiaries (sister banking)

1981 - 2000
Indonesia Cooperative & Finance Development Corporation (Perum PKK)

- Credit guarantee scheme for sugar cane, rice & other crops, fertilizer, dairy cows, motorboat, loan for farmers (KUT).
- State Owned & private banks.

2000 – 2008
Indonesia Business Development Corporation (Perum SPU)

- Guarantee for SMEs’ loan
- Direct financing for SMEs
- Sharia Guarantee Scheme (Kafalah)
- State Owned & private banks, non bank FI, distributors.

2008
INDONESIA CREDIT GUARANTE CORPORATION (JAMKRINDO)

- 2008
- Establishment of Asippindo
- Mandated by MoF Regulation No. 222/200

- Credit guarantee for SMEs: micro, commercial, counter bank guarantee, construction, multipurpose, goods distribution
- KUR Guarantee
- Other Govt Guarantee Program

2013
- Issuance of Law No. 1/2016 about Guarantee

- Widen market for guarantee services: SMEs access to finance (Banks, FIs & others)
- Guarantee for Warehouse Receipt
- SMEs Database & Rating system

President Reg: No. 2/2008 about Guarantee Institution
MoF Reg: No. 222/2008 about Guarantee and Re-guarantee Corporations
Guarantee Industry in Indonesia

- Supervised by Indonesia Financial Services Authority (OJK)

Since 13 December 2012, mandated by MoF Regulation No. 99/2011

Forum to increase & share knowledge, best practice and skill

22 Guarantee Corporations
(1 SOEs, 3 Private, 19 Provincial GC)

Unite, facilitate & strive for members’ common interest to improve professionalism & role of guarantee in the economy
Map of Guarantee Corporations in Indonesia

Jamkrindo:
1 HQ, 9 Regions, 56 Branches, 10 Service Units
(Total: 76 outlets)
## Operational Performance of Guarantee Industry

### In IDR Billion

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Jamkrindo 2015</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Assets</td>
<td>8,730</td>
<td>10,880</td>
<td>12,726</td>
<td>11,643</td>
<td>91,49</td>
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<tr>
<td>2</td>
<td>Outstanding Guarantee</td>
<td>40,440</td>
<td>36,620</td>
<td>43,291</td>
<td>40,843</td>
<td>94,35</td>
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<tr>
<td>3</td>
<td>Outstanding Guarantee (Multipurpose, Housing)</td>
<td>57,980</td>
<td>56,000</td>
<td>58,416</td>
<td>55,835</td>
<td>95,58</td>
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<tr>
<td>4</td>
<td>Guarantee Fee</td>
<td>1.616</td>
<td>1.504</td>
<td>1.302</td>
<td>1.277</td>
<td>98,07</td>
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<tr>
<td>5</td>
<td>Claims Payment</td>
<td>897</td>
<td>1.043</td>
<td>1.035</td>
<td>994</td>
<td>96,03</td>
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<tr>
<td>6</td>
<td>Number of Guaranteed (thousand People)</td>
<td>4.516</td>
<td>4.182</td>
<td>92,60</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 USD = IDR 13,300
Outs Guarantee/Total Outs SMEs Loan = 11,63% (year 2015)
Emerging NonBank FIs as SMEs loan lenders & suretyships (16% in 2015)
Guarantee Products

Guarantee for Commercial Loan
Guarantee for Micro Loan (incl super micro)
Guarantee for Construction Loan/Procurement
Counter Guarantee
Surety Bond
Guarantee for Distribution (Cement etc)
Guarantee for Invoice Financing
Guarantee for Cargo Agency
Customs Bond

KUR Guarantee Program (Loan for People)
Mortgage Guarantee Program

New Development Guarantee Products

Guarantee for Warehouse Receipt System
Mortgage Guarantee for Non Fixed Income
SMEs Rating & Management Consulting

Govt Program

Non Govt Program

GUARANTEE PRODUCTS
KUR GUARANTEE PROGRAM since 2007

SUCCESS STORY OF KUR

20,3 million workforce absorbed
KUR Micro IDR96.26T (53.8%)
KUR Retail IDR82.56T (46.17%)
Budget Efficiency Subsidy: IDR 5.02T

KUR (2007-2014 period) disbursed by 33 banks:
- Pro Jobs Creation
- Pro Poverty Eradication
- Pro Growth in economy
- Award on “Global Microcredit Summit Campaign” 2012

Total of KUR disbursed (2007-2014) IDR178,84T

NPL 3.3%

- KUR Loan be given to feasible but not bankable SMEs
- Govt Support by Additional Govt Shares to Guarantee Corporations (JAMKRINDO)
- Source of loan: banks
- Supervised by 9 Ministries, FSA & Central Bank
- Guarantee Fee as subsidy
KUR 2016 Features

To increase competitiveness of SMEs (bigger scale)
To encourage the economic growth
To increase SMEs and workforce contribution to economy

9% interest rate (incl Guarantee Fee)

KUR can be given to individual or legal entity and priority sectors (agriculture, fishery industry, trade & migrant workers/Indonesian workforce)

Targeted IDR 120 Trilion
Stated Owned, Private, Regionel Devp & Foreign Banks incl Finance Companies
10 guarantee corporations
KUR SCHEME FOR 2016

**KUR Micro**
- Up to IDR25 million per Debtor
- Can be added up, restricted up to IDR75 million per Debtor
- Interest rate subsidy 10% (Incl. Guarantee Fee & Collecting Fee)

**KUR Retail**
- IDR25- IDR500 million per Debtor
- Interest rate subsidy 4.5% (Incl. Guarantee Fee & Collecting Fee)
- Credit period as long as working contract and up to max. 3 years
- Interest rate subsidy 12% (Incl. Guarantee Fee & Collecting Fee)

**KUR for Indonesian Workforce**
- Up to IDR25 million per Debtor
- Credit period as long as working contract and up to max. 3 years
- Interest rate subsidy 12% (Incl. Guarantee Fee & Collecting Fee)

Guarantee Fee and Collection Fee based on the agreement between FIs and Guarantor
Total KUR disbursed per September 2016 = IDR 70.5T (USD 5.42 Billion)
### Opportunities

- Wide market to support SMEs to access to finance
  - Central Bank & FSA Regulation: 20% portfolio of loan for SMEs in 2018 (gradually 5% increased since 2015)
- Banks, NonBank Financial Institutions & Others (distributors, suretyships) future partners
  - Conventional & Sharia/Islamic Schemes

### Challenges

- Competition with the Insurance Industry
- HR & Competencies in Guarantee Industry
- Guarantee Awareness for the community
Muchas Gracias