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THE PRESIDENT OF THE REPUBLIC OF INDONESIA

APPENDIX

PRESIDENTIAL REGULATION OF THE REPUBLIC OF INDONESIA

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CONCERNING

NATIONAL STRATEGY FOR INCLUSIVE FINANCE

NATIONAL STRATEGY FOR INCLUSIVE FINANCE

CHAPTER I

PREFACE

A. Background

Inclusive finance is an important component in the process of social and economic inclusion, in order to boost economic growth, create financial system stability, support poverty alleviation, and reduce the gaps among people and regions. Inclusive financial system is materialized through public access to the financial services to improve economic ability and ultimately pave the way out of poverty and reduce economic gap. Wider access to the financial services is vital in the efforts of increasing public participation in the economy. Current growth of the financial sector in Indonesia has not been followed by sufficient public access to financial services. Based on 2014 Global Findex data, only about 36% (thirty-six percent) of the adult population in Indonesia has access to formal financial institutions.

Expansion of financial access, deepening of the financial sector, and stability of the domestic financial system should be carried out to achieve the target of economic growth. In the 2015-2019 National Mid-Term Development Plan (RPJMN), the Government has set a target economic growth of 8% (eight per cent) for 2019. The expansion effort for public access to financial services in 2015-2019 RPJMN, which is the elaboration of Nawa Cita, aims to promote economic independence by developing domestic strategic sectors. The goal is to increase access of the public and micro, small, and medium enterprises (UMKM) to formal financial services within the framework of inclusive and equitable economic development.

In order to expand public access to financial services, it is required to establish National Strategy for Inclusive Finance in Indonesia. The strategy is intended as a guideline for ministries/institutions, provincial governments, regencies/municipalities, and other related agencies to improve public access to financial services through their respective collective and integrated efforts. The integrated implementation of National Strategy for Inclusive Finance is required to achieve target of inclusive finance, i.e. 75% (seventy-five percent) of the adult population shall have access to financial services at the formal financial institutions by the end of 2019.

B. Definition of Inclusive Finance

Inclusive finance is defined as a condition where all members of the society have access to quality formal financial services that are timely, smooth, and safe at affordable fees in accordance with the needs and abilities in order to improve public prosperity.

Financial services provided must be acceptable for the people, in accordance with the needs and easily accessible in terms of requirements and services. In addition, safe financial services are intended to safeguard the rights and obligations of the people from any risk that may arise.

C. Vision and Mission of Inclusive Finance

1. Vision

Improving public access to formal financial services through improving the understanding of financial system, products, and services, and availability of quality formal financial services that are timely, smooth, and safe at affordable fees in accordance with the needs and abilities in order to improve public prosperity.

2. Mission

a. Improving public opportunity and ability to access and benefit from financial services.

b. Providing financial products and services that can meet public requirements.

c. Improving public knowledge and safety in using financial services.

d. Strengthening the synergy among stakeholders.

e. Encouraging the development of inclusive finance to support the achievement of Sustainable Development Goals (SDGs) in Indonesia.

D. Approaches and Principles of Inclusive Finance

1. Approaches of Inclusive Finance

a. The corroborating combination of four main concepts, namely boosting economic growth, creating financial system stability, supporting poverty alleviation, and reducing the gaps among people and regions.

b. Identification of solutions to problems hindering the expansion of public access to financial services and opportunities of productive economic activities by taking into account the best practices and lesson learned from domestic and international sources.

c. Aligned and coordinated efforts involving all stakeholders in the public sectors, private sectors, and the communities.

2. Principles of Inclusive Finance

a. Leadership: growing commitment of the government and financial authorities to improve inclusive finance.

b. Diversity: encouraging the availability of a wide range of financial services by various financial service providers.

c. Innovation: encouraging institutional and technological innovations as means to expand access to and use of the financial system.

d. Protection: encouraging a comprehensive approach for consumer protection involving all stakeholders in the public sectors, private sectors, and the communities.

e. Empowerment: developing public financial literacy and ability.

f. Cooperation: strengthening the coordination and encouraging partnerships among all stakeholders in the public sectors, private sectors, and the communities.

g. Knowledge: using information and data in policy formulation and development, as well as success measurement of the implementation carried out by the regulators and financial service providers.

h. Proportionality: establishing policy framework and regulations that are proportionately taking into account the risks and benefits of financial services and product innovations.

i. Framework: considering the regulatory framework reflecting international standards, national conditions, and support for a competitive financial system.

E. Community Targets

Inclusive finance emphasizes on the provision of financial services based on different requirements of each community group. Although it includes all segments of the society, inclusive financial activities focused on groups unreachable by formal financial services, namely low-income, small and micro businesses, and cross-community groups.

Low-income communities are the lowest 40% (forty percent) of the community based on the Integrated Database, derived from Data Collection for Social Protection Program (PPLS) conducted by Statistics Indonesia. This group has limited or no access at all to all kinds of financial services, including recipients of social assistance, community empowerment program, and entrepreneurs with limited resources to expand their businesses. On the other hand, the micro and small businesses are businesses as referred to in Law Number 20 Year 2008 on Micro, Small and Medium Enterprises.

In addition to the aforementioned two groups, the targets for inclusive finance also include a cross-community group, which consists of:

1. Migrant Workers

This group has limited access to formal financial services to support the migration process.

2. Women

Based on 2014 Global Findex data, only about 37.5% (thirty-seven point five percent) of Indonesian women has an account at a formal financial institution.

3. Groups with Social Welfare Issues (PMKS)

This group consists of, among others, abandoned children, severely disabled persons, elderlies, ex-convicts, and the former prostitutes.

4. Communities in the disadvantaged areas, border areas, and the outlying islands

The communities are living in areas that are relatively less developed than other areas in terms of economy, human resources, infrastructures, local financial abilities, accessibility and regional characteristics.

5. Students, College Students, and Youth

The number of student, college students, and youth is estimated at 106.8 million or 41.87% (forty-one point eighty-seven percent) of Indonesia's population in 2015.

CHAPTER II

FINANCIAL SERVICES IN INDONESIA

Financial services, in particular the basic services, such as non-cash payment transaction, saving, credit/financing, remittance, and insurance are required in Indonesia. Current financial services are still dominated by banking institutions as payment and financial services provider. In improving inclusive finance, in addition to a relatively low financial literacy level, there are also challenges in terms of supply and demand of financial services. The conditions will be a consideration in the preparation of inclusive financial policies in Indonesia.

A. Access to Financial Services Products

In general, around 36.1% (thirty-six point one percent) of adult population in Indonesia has bank account, 35.9% (thirty-five point nine percent) at financial institutions and 0.4% (zero point four percent) electronic money account, accessible through mobile phone (mobile money). The percentage is increasing compared to 2011, where it was only 20% (twenty percent) of the Indonesian population had bank account.

Increase in number of population with bank account in 2014 shows the increasing widespread of inclusive finance in Indonesia, but the gap in terms of the ownership of fixed bank account is still great. Among adult population in the 40% (forty percent) of the lowest income group, only 22.2% (twenty-two point two percent) of the low-income adult has bank account, while the rest are still unreachable by financial services.

In addition, the gap of the proportions of men and women having bank account also remains a problem. Out of the total adult women population in Indonesia, only 37.5% (thirty-seven point five percent) has bank account.

Compared with some other countries, access to saving and loans from financial institutions in Indonesia is classified as moderate, but ownership of account at a financial institution is relatively low.

1. Access to Payment Transaction Instruments

Access to finance for low-income communities can be started from the use of electronic money to facilitate payment transactions and manage daily finance. It can be further developed to saving money at the bank, and then to other financial products and services.

2. Access to Saving

Based on 2014 Global Findex data, only about 69.3% (sixty-nine point three percent) of the adult population in Indonesia is covered by deposit services and has savings in various forms. However, only about 26.6% (twenty-six point six percent) has saving account at a formal financial institution. The rest has informal scheme of saving, such as group saving or entrusting it to others outside the family.

Out of 69.3% (sixty-nine point three percent) of saving population, 33.3% (thirty-three percent) is saving for education or school fees, 27.1% (twenty-seven point one percent) for retirement, 22.6% (twenty-two point six percent) for farming or business.

3. Access to Credit/Financing

Meanwhile, the use of formal credit or financing is lower compared to savings and is dominated by informal sources, such as friends, family, neighbors, employers, and 'loan sharks'. As much as 56.6% (fifty-six point six percent) of the adult population in Indonesia have access to credit from various sources, but the credit from formal financial institutions is only extended to 13.1% (thirteen point one percent) of the population. The remaining 43.4% (forty-three point four percent) of the population has not received any credit.

4. Access to Insurance

Based on 2013 National Survey on Financial Literacy carried out by the Financial Service Authority, it was discovered that literacy index of the Indonesian population on insurance industry is still relatively low at 17.84% (seventeen point eighty-four percent). It means that out of every 100 (one hundred) people in Indonesia, only 18 (eighteen) people understand about insurance.

Low Insurance Literacy index resulted in lack of insurance products and services utilization by the public, which is currently at only 11.81% (eleven point eighty-one percent). It means that out of every 100 (one hundred) people in Indonesia, only 12 (twelve) people utilize insurance products and services.

5. Access to Remittance Services

Remittance is an important part of the economy, particularly in the developing countries. About 17.9% (seventeen point nine percent) and 31% (thirty-one per cent) of the adult population in Indonesia has transmitted and received remittance. Out of the percentage, most of the sending and receiving of remittance is carried out through financial institutions, at 52.4% (fifty-two point four percent) and 36.3% (thirty-six point three percent) respectively. The rest uses remittance through money transfer operators and mobile phone.

According to 2014 World Bank data, overall annual remittance transfer is estimated at US$8,400,000,000.00 (eight billion four hundred million United States dollars), but this number is below other ASEAN countries, namely the Philippines and Vietnam.

B. Financial Institutions

A well-functioning financial system is a fundamental prerequisite in the process of economic and social development. Market and financial institutions hold an important role in funneling funds for the most productive use and allocate the risk to the party best able to manage it. Therefore, it can help mitigate the influence of asymmetric information and minimize transaction costs in order to spur economic growth, as well as encourage equal opportunities, income distribution, and accelerate poverty alleviation.

Formal financial institutions developed in Indonesia are conventional and sharia Banks, Capital Market Industry, Non-Bank Financial Industry (IKNB), Microfinance Institutions, and Loan Cooperatives.

C. Payment Service Providers

Payment service provider in Indonesia currently consists of banks and non-bank providers of Bank Indonesia System - Real Time Gross Settlement (BI-RTGS), Bank Indonesia's National Clearing System, ATM card/debit card (principal) networks, credit card (principal) network providers, electronic money issuers, and fund transfer providers, which are also remittance service provider. These various providers need to be encouraged to contribute in providing payment system services with the goal of expanding public access to financial services. Based on the potential range of services, non-bank institution, which can act to expand access to finance, is electronic money provider such as telecommunications companies.

CHAPTER III

INCLUSIVE FINANCIAL POLICIES

Inclusive finance policy covers the pillars and foundations of SNKI along with inclusive finance indicators supported by coordination between ministries/institutions or related agencies, as well as equipped with the Inclusive Financial Actions.

A. Pillars and Foundation of SNKI

1. Pillar of Financial Education

Financial education aims to increase knowledge and awareness about formal financial institutions, financial products and services, including features, benefits, costs and risks, rights and obligations, as well as to improve the skills of community in financial planning and management.

2. Pillar of Public Property Rights

Public property rights aim to improve community's access to credit at formal financial institutions.

3. Pillar of Financial Distribution Channels and Intermediary Facilities

Financial distribution channels and intermediary facilities aim to expand the range of financial services in meeting the needs of various groups of people.

4. Pillar of Financial Services at Government Sectors

Financial services at Government sectors aim to improve the governance and transparency of public services in channeling Government non-cash funds.

5. Pillars of Consumer Protection

Consumer protection aims to provide a sense of security to the community in interacting with the financial institutions, as well as having the principle of transparency, fair treatment, reliability, confidentiality and consumer data/information security, complaint handling, and consumer dispute resolution in a simple, fast manner at affordable fees.

Figure 3.1 Pillars and Foundation of SNKI

The five pillars of SNKI should be supported by the following three foundations:

1. Favorable policies and regulations

The implementation of an inclusive financial programs requires policies and regulations support from the Government and authorities/regulators.

2. Supportive financial information technology and infrastructure

The foundation is required to minimize the asymmetric information preventing access to financial services.

3. Effective implementation organization and mechanism

The diversity of inclusive financial actors requires organization and mechanism to encourage the collective and integrated implementation of various activities.

B. Targets and Indicators of Inclusive Finance

The main target of inclusive finance is to provide access to financial services at the formal financial institutions for the 75% (seventy-five percent) of the adult population by the end of 2019. This is aligned with the National Development Agenda contained in 2015-2019 RPJMN, which is the elaboration of point seven of Nawa Cita, namely 'promoting economic independence by developing domestic strategic sectors'.

To measure the achievement of the main targets of inclusive finance, inclusive financial indicators should be established as guidelines to:

1. Establish benchmarks for inclusive financial programs development;

2. Identify the obstacles in the implementation of inclusive finance programs; and

3. Monitor achievement of inclusive finance programs, at national and local levels.

Inclusive financial indicators grouped into three dimensions as follows:

1. Access, namely the ability to use formal financial services in terms of physical and cost affordability, as measured by these indicators:

a. Number of formal financial services offices per 100,000 (one hundred thousand) of the adult population.

b. Number of ATM/EDC/Mobile POS per 100,000 (one hundred thousand) of the adult population.

c. Number of financial services agents per 100,000 (one hundred thousand) of the adult population.

2. Use, namely the actual use of financial products and services, as measured by these indicators:

a. Number of saving accounts at formal financial institutions per 1,000 (one thousand) of the adult population.

b. Number of credit accounts at formal financial institutions per 1,000 (one thousand) of the adult population.

c. Number of registered electronic money account at the Digital Financial Services (LKD) agents.

d. Percentage of SMEs loan/financing to total loan/financing at the formal financial institutions.

e. Number of SMEs credit accounts at formal financial institutions per 1,000 (one thousand) of the adult population.

f. Percentage of increase in number of titled land; and

g. Number of non-cash social assistance recipients.

3. Quality, namely the level of fulfillment of public needs for financial products and services, as measured by these indicators:

a. Index of financial literacy;

b. Number of financial services complaints; and

c. Percentage of service complaints resolutions.

C. Ministerial/Institutional Coordination

Responsibility for efforts to reach the main targets of national inclusive finance are shared among all ministries/institutions, which are conducted in accordance with their respective authorities. With respect to such matters, high level coordination among related institutions is absolutely necessary. The establishment of the National Council of Inclusive Finance is the implementation of the Organization Foundation and the Effective Implementation Mechanism in SNKI. National Council is assisted by Working Groups and Secretariat.

D. Inclusive Finance Actions

1. Financial Education

In order to support SNKI, reinforcing financial education is required to enhance public knowledge and understanding of the financial products and services industry. Various forms of financial educational activities in order to promote the expansion of financial education, among others, are: (a) survey to measure the level of community's financial literacy, (b) preparation of financial education material, both in formally, which is tailored to the curriculum for certain educational level, and informally, which is based on target groups of the population, (c) financial education activities in accordance with community groups, and (d) national campaign in the framework of financial education.

Some of the financial education actions include:

a. National Survey of Financial Literacy that is carried out periodically.

b. Preparation of educational material in printed and electronic forms that aims to provide financial information and knowledge on conventional and sharia financial products and services.

c. Inclusive financial education for local governments that aims to provide knowledge on inclusive finance to local governments.

d. Information system development in the forms of website, mini-site and smartphone application that aims to provide financial information and knowledge on conventional and sharia financial products and services.

e. Gerakan Nasional Menabung (GNM/National Saving Movement) that aims to instill saving culture, control consumerism, and ability to spend money wisely.

f. Aku Cinta Keuangan Syariah (ACKS/I Love Sharia Finance), which is a program that aims to transform sharia finance as lifestyle and smart financial solution for the community.

g. Gerakan Nasional Cinta (Genta) Pasar Modal (National Movement for Love of Capital Market) that aims to improve public knowledge and understanding of investing in the capital market.

h. Yuk Nabung Saham (Let's Invest in Stock) is one of the campaign inviting the public, investors or prospective investors to invest regularly and periodically in the Indonesian capital market.

i. Gerakan Nasional NonTunai (GNNT/National Less Cash Movement) that aims to encourage the public to use non-cash payment systems and instruments in conducting payment transactions.

j. Gerakan Nasional Pencatatan Transaksi Keuangan (National Movement for the Recording of Financial Transactions) that aims to improve understanding the Small and Micro Enterprises (SMEs) on the administration and recording of financial transactions.

k. Training program to increase the capacity of MSMEs.

2. Public Property Rights

One form of financial inclusion is the ability to receive loan from formal financial institutions. In general, the loan requires collateral, such as property assets. However, there are various challenges in preparing property rights as collateral, such as Land Title (proof of ownership of a land and building) and Copyright/Patent Certificate (formal certification to protect the intellectual property in science, art, and literature).

The followings are some initiatives that have been and will be undertaken in order to support financial inclusion:

a. Acceleration of land titling. The main activity that will be undertaken to support this action is increasing the number of and developing of certified Surveyor and Assistant Surveyor. The activity is supported by increasing the number of certified firms preparing certified land surveying. The Government will start mass recording of land titling in Surabaya, Jakarta and Batam. Ongoing activities and still referred to by related Ministries and Institutions, namely the Proyek Operasi Nasional Agraria (PRONA/National Agrarian Operations Project) and Proyek Operasi Daerah Agraria (PRODA/Regional Operations Project Agrarian), will continue to be improved as well. Other activity is the free land titling fee for carrier of Kartu Keluarga Sejahtera (KKS/Social Security Card).

b. Improvement of formal right (patent) registration, especially for Micro, Small, Medium Enterprises and Cooperatives (MSMECs), and researchers/creators. Several related

Ministries and Institutions provide free patent clearance for MSMECs and various creative businesses. This effort is supported by the creation of an online patent registration system.

3. Financial Distribution Channels and Intermediary Facilities

Financial Distribution Channels and Intermediary Facilities utilize broader information and communication technologies. Several initiatives in this pillar include: (a) Exploration of various possible innovative products, services and distribution channels (digital financial services, agent banking, mobile/phone banking, car banking, mobile ATM, and their supporting infrastructures) while observing the prudential principle; (b) Provision of easy and safe financial products that will meet public needs and ability, such as establishment of saving account services at the post office with widespread network; (c) Establishment of credit guarantee companies at regional level; and (d) Development of value-chain financing mechanism by involving banks/financing companies, large-scale companies, saving and loan cooperatives, sharia saving and financing cooperatives, Baitul Maal wa Tamwil, and MSMEs.

Some of the initiatives being undertaken:

a. Simpanan Pelajar (SimPel/SimPel iB/Student Saving Account)

Saving account for students are published nationwide by banks with easy and simple requirements, as well as interesting features, for financial education and inclusion in order to promote early saving culture.

b. TabunganKu (My Saving)

Individual saving with easy and simple requirements published jointly by banks to promote saving culture and improve public prosperity. Since its launch in 2010, TabunganKu has transformed formerly unbanked communities into avid bank account users.

c. Microinsurance

Aiming to provide insurance for low-income communities as protection mechanism for financial risk. Microinsurance is tailored to meet the needs and abilities of low-income communities, which is Sederhana, Murah, Ekonomis, dan Segera (SMES/Simple, Cheap, Economical, and Instant).

d. Retail Mutual Fund

Mutual funds with affordable investment value, namely Rp100.000,00 (one hundred thousand rupiah) targeting lower middle income communities.

e. Layanan Keuangan Mikro (Laku Mikro/Micro Financial Services)

It is an integrated service with simple, quick, easy access, process at affordable price, comprising of Simpanan, Investasi, Pembiayaan dan Reksadana (SiPINTAR/Saving, Investment, Financing and Mutual Fund) service, microfinance products and services, and public educational and consulting services.

f. Jangkau, Sinergi dan Guideline (JARING/Reach, Synergy and Guideline)

It aims to meet stakeholders needs of information on Marine and Fisheries database, payment scheme, business risk mapping, and regulatory support from related authorities.

g. Layanan Keuangan Tanpa Kantor Dalam Rangka Inklusi Keuangan (Laku Pandai/Financial Services Without Office for Inclusive Finance)

The program provides banking and/or other financial services through cooperation with other parties (bank agent) and supported by means of information technology.

h. Layanan Keuangan Digital (LKD/Digital Financial Services).

It is the financial and payment system provided through cooperation with third party (agent) and using the means of technology, such as mobile based or web based device.

i. Perusahaan Penjaminan Kredit Daerah (PPKD/Regional Credit Guarantee Company)

The existence of PPKD and development of guarantee products are expected to improve guarantee distribution at central and regional levels, thus promoting MSME sectors.

j. Initiative of Saving Services Establishment through Post Offices

It is an attempt to bring closer the financial services to the community and encourage low-income communities to save. The Government can appoint PT Pos Indonesia, which already has extensive national network and facilities reaching to remote villages and suburbs, as one of the key players in promoting inclusive finance, namely through the establishment of postal saving service.

k. Development of Retail Surat Berharga Negara (SBN/Government Securities) Market

Retail SBN aims to provide opportunities to small investors to invest in the capital market instruments that are safe and profitable.

l. Optimization of Waqf Assets

The program aims to increase the role of total productive waqf assets in economic growth.

m. Improvement of Remittance Service

The program aims to facilitate remittance transactions and improve public access to financial services.

4. Financial Services at Government Sectors

a. Distribution of non-cash social assistance

Financial management strategies, and communities' interconnectedness with the banks are efforts to accelerate poverty alleviation. Currently, the strategy is being implemented through the distribution of non-cash social assistance programs to the recipients. The benefits, among others, include: First, recipients do not have to withdraw all the assistance at once. Therefore, incentive is provided to recipients to deposit, nurture assets, and manage their finances. Second, more control of the recipients on the assistance provided. Third, higher levels of transparency because electronic data is used to store all transactions. Fourth, better speed and time of distribution due to automation. Fifth, flexibility of withdrawal time for the recipient. Sixth, administration costs are more efficient collectively. Seventh, reconciliation process can take place in one day (online). Eighth, level of public financial inclusion will automatically increase with the system.

Implementation of integrated non-cash social assistance distribution requires technological innovation and support from various ministries/institutions. Commencement of non-cash social assistance distribution with various schemes is implemented on Program Kalanga Hardpan (PKH/Family Hope Program), Indonesia Pinter (PIP/Indonesia Smart Program), Indonesia Seat (PIS/Indonesia Healthy Program), and Bears Sejahtera (Rostra/Sufficient Rice).

One of the other actions supporting this pillar is the transformation of the food subsidy for low-income communities to non-cash food assistance. Food assistance through non-cash mechanism will be started for urban areas in 2017 and rural areas in 2018, which will be implemented gradually.

b. Transformation of non-cash subsidy

Transformation of non-cash subsidy to a more targeted and appropriate public subsidy reduces economic gap, improves economic quality, and help low-income groups in terms of economic needs. One of the Government programs for non-cash subsidy distribution, among others, is non-cash fertilizer subsidy.

c. Non-cash payment

Implementation of non-cash payment needs to be expanded for government financial services in the medium term. One of the centers of excellence is the Special Capital Region (DKI) of Jakarta, which has pioneered a pilot zone for non-cash movement. The Government of DKI Jakarta has issued Jakarta One Card, a multi-function smart card used by the resident as the identity card and the means of implementing government policies/programs, as well as to access public services in Jakarta in its way to create a smart city. Electronification of government transactions will be done gradually throughout the province in Indonesia. Other effort to be implemented by the Government is to develop electronic-based payment receipt (Person-to-Government/P2G program). With this initiative, the public will be encouraged to use financial products and services.

d. Development of Kredit Usaha Rakyat (KUR/Public Business Loan)

In order to improve MSMEs access to banking services, the Government developed KUR program for MSMEs. KUR is business and/or investment credit/financing provided to debtor with productive and eligible business that does not have additional or sufficient collateral. Ease of access to financing will encourage the growth and development of MSMEs as one of the pillars of economic growth.

In addition, the Government develops KUR program as pioneering effort to support startup growth and development in Indonesia, which is expected to drive the growth of the digital economy.

5. Consumer Protection

Various consumer protection programs have been carried out to improve public confidence in the financial services sector. Some of the initiatives in the pillar include: publication of consumer protection regulation for financial services, development of consumer complaints system based on information technology and consultancy services, and other activities carried out in support of the consumer protection aspects.

Some of the initiatives to improve consumer protection, among others, are:

a. Publication of Consumer Protection Regulations in the Payment System and Financial Services Sector.

b. Establishment of Lembaga Alternatif Penyelesaian Sengketa (LAPS/Alternative Dispute Resolution Institution) between consumer and financial services institutions in every sector meeting the principles of accessibility, independence, fairness, efficiency and effectiveness, as well as supervised by regulators.

c. Preparation of Internal Dispute Resolution (IDR) standard as one of the dispute resolution mechanisms carried out by the unit and/or special function for handling and settlement of complaints in financial services institutions (LJK), as well as a means of creating a balance between the interests of the LJK and consumers.

d. Development of Financial Customer Care (FCC) system, which is an integrated customer service system implementing trackable and traceable facilities to enhance consumer questions and complaint services more effectively, responsive and faster.

e. Provision of consulting services as well as facilitation of the payment system products, which is an attempt to provide legal certainty for the costumer of payment system services in the event of a dispute between consumer and payment system service provider indicating financial loss to the consumer.

f. Market Conduct activities, which are early detection efforts to identify Pelaku Usaha Jasa Keuangan (PUJK/Financial Service Business Provider) that could potentially harm consumers through thematic surveillance and market intelligence activities.

6. Favorable policies and regulations

Initiatives supporting this activity are: (a) review bank account opening regulations, including the Know Your Customers (KYC) requirements for small clients to improve public access to savings; (b) preparation of microinsurance product development regulations; (c) preparation and review of regulatory mechanism for government social assistance distribution; (d) preparation of regulations for MSMEs financing; and (e) analysis of the legislation supporting inclusive finance.

The availability of law required for various activities under the SNKI pillars.

7. Supportive financial information technology and infrastructure

A strong, secure, efficient financial and information and communication infrastructure with broad network will be very effective in providing more equitable financial services and products. Main payment system infrastructure should be built and updated to facilitate the effective use of financial services. Additional infrastructure should be designed to operate effectively to support the inclusive finance efforts through the provision of essential information to financial services providers to reduce asymmetric information. This includes identifying infrastructure (NIK), credit reporting system (SID, SLIK, SIKP) and various other data provisioning platforms.

Geographic scope of the ICT infrastructure and service quality provided should be adjusted to avoid being a factor in restricting the provision of financial services, especially in remote areas. Access interoperability and the use of infrastructure supporting payment system (such as ATM, EDC, electronic money, Mobile-POS) should be encourage to improve efficiency (reducing the provision cost) as well as the provision of physical access, in accordance with the applicable rules to maximize the positive benefits of financial services product ownership.

In the current digital era, infrastructure and technology have become the very foundation in supporting the process of accelerating financial inclusion. The increasing use of infrastructure and technology led to a shift in consumer behavior, from cash transaction to digital one.

Some of the initiatives undertaken in support of infrastructure and technologies, among others, are:

a. Encouraging the financial services industry (IJK) to improve the utilization of information technology in order to increase efficiency, productivity, client service, and governance;

b. Encouraging IJK to prepare and anticipate security threats to information and application of information technology;

c. Perfecting the regulations related to the use of information technology at IJK;

d. Improving coordination with the institutions, agencies, and companies related to cyber security reinforcement; and

e. Improving information technology infrastructure ensuring security and reliability of data/information and application services.
Initiatives for supporting activities include: (a) development of identity infrastructure (Citizen ID-NIK) (b) development of national financial identity information system; (c) development of credit rating service and database for the public, including MSMEs; (d) development of Sistem Layanan Informasi Keuangan (SLIK/Financial Information Service system); and (e) development of Sistem Informasi Kredit Program (SIKP/Credit Program Information System).

8. Effective implementation organization and mechanism

Inclusive Finance Working Groups to support customization of SNKI implementation. The Working Groups include;

a. Working group for financial education;

b. Working group for public property rights;

c. Working group for financial distribution channels and intermediary facilities;

d. Working group for financial services at government sectors;

e. Working group for consumer protection;

f. Working group for policies and regulations; and

g. Working group for financial information technology infrastructure;

CHAPTER IV

CLOSING

SNKI is a national strategy materialized in documents containing visions, missions, goals and inclusive financial policies in an effort to boost growth, accelerate efforts to alleviate poverty, widen gaps among people and regions, in order to bring prosperity for the Indonesian people. SNKI functions as a guideline for ministers and heads of institutions in formulating sectoral policies related to SNKI materialized in the documents of strategic plans in their own respective fields as part of the National Mid-Term Development Plan (RPJMN), guideline for governors and regents/mayors in formulating regional policies related to SNKI at the provincial and regency/municipality level, and reference for related stakeholders in developing inclusive finance.

In implementing SNKI, National Council of Inclusive Finance tasked to coordinate and synchronize the implementation, direct the steps and policies for problem solving in the implementation, as well as monitor and evaluate the implementation. In carrying out its duties, National Council of Inclusive Finance is assisted by Working Groups for various fields and Secretariat.

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed

JOKO WIDODO

This copy conforms to the original hereof

SECRETARIAT OF CABINET OF THE REPUBLIC OF INDONESIA

Deputy for the Economy

[Signed, sealed]

Agustina Murbaningsih