Multifinance Industry in Indonesia

31 August, 2015

By Suwandi Wiratno
History of Multifinance Industry in Indonesia

1974 along with the 3 Minister degree

1974, the first multifinance is PT. Pembangunan Armada Niaga Nasional

1982 Indonesian Leasing Association is established

1988 multifinance business activities includes leasing, factoring, credit card and consumer financing

2000 Indonesian Leasing Association merge with Indonesian Factoring Association into Indonesian Financial Services Association
Multifinance Industry Profile
<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Apr 2014</th>
<th>2014</th>
<th>Apr 2015</th>
<th>Growth (YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Asset</td>
<td>291,383</td>
<td>341,775</td>
<td>400,627</td>
<td>399,169</td>
<td>420,442</td>
<td>427,382</td>
<td>7.1%</td>
</tr>
<tr>
<td>Financing Asset</td>
<td>245,229</td>
<td>302,079</td>
<td>348,026</td>
<td>353,317</td>
<td>366,205</td>
<td>368,654</td>
<td>4.3%</td>
</tr>
<tr>
<td>Leasing</td>
<td>76,592</td>
<td>105,088</td>
<td>117,363</td>
<td>114,247</td>
<td>110,951</td>
<td>111,959</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Factoring</td>
<td>3,915</td>
<td>5,148</td>
<td>7,691</td>
<td>8,244</td>
<td>9,419</td>
<td>9,657</td>
<td>17.1%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>29</td>
<td>39</td>
<td>680.0%</td>
</tr>
<tr>
<td>Consumer Finance</td>
<td>164,791</td>
<td>191,841</td>
<td>222,968</td>
<td>230,820</td>
<td>245,805</td>
<td>246,999</td>
<td>7.0%</td>
</tr>
<tr>
<td>On Shore Loan</td>
<td>108,614</td>
<td>124,537</td>
<td>142,113</td>
<td>139,010</td>
<td>141,060</td>
<td>132,814</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Off Shore Loan</td>
<td>78,665</td>
<td>86,613</td>
<td>101,245</td>
<td>99,977</td>
<td>114,424</td>
<td>121,484</td>
<td>21.5%</td>
</tr>
<tr>
<td>Bond</td>
<td>3,029</td>
<td>43,765</td>
<td>53,211</td>
<td>51,180</td>
<td>53,160</td>
<td>57,599</td>
<td>12.5%</td>
</tr>
<tr>
<td>Equity</td>
<td>56,142</td>
<td>66,716</td>
<td>82,749</td>
<td>84,109</td>
<td>87,413</td>
<td>90,601</td>
<td>7.7%</td>
</tr>
<tr>
<td>Profit</td>
<td>9,145</td>
<td>12,160</td>
<td>14,469</td>
<td>4,614</td>
<td>12,224</td>
<td>3,952</td>
<td>-14.3%</td>
</tr>
<tr>
<td>Year</td>
<td>2011</td>
<td>2012</td>
<td>2013</td>
<td>Apr 2014</td>
<td>2014</td>
<td>Apr 2015</td>
<td>Growth (YoY)</td>
</tr>
<tr>
<td>Financing Ratio</td>
<td>84.2%</td>
<td>88.4%</td>
<td>86.9%</td>
<td>88.5%</td>
<td>87.1%</td>
<td>86.3%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>ROA</td>
<td>3.1%</td>
<td>3.56%</td>
<td>3.6%</td>
<td>1.2%</td>
<td>2.9%</td>
<td>0.9%</td>
<td>-20.0%</td>
</tr>
<tr>
<td>ROE</td>
<td>16.3%</td>
<td>18.2%</td>
<td>17.5%</td>
<td>5.5%</td>
<td>14.0%</td>
<td>4.4%</td>
<td>-20.5%</td>
</tr>
<tr>
<td>Gearing Ratio</td>
<td>3.39</td>
<td>3.82</td>
<td>3.58</td>
<td>3.45</td>
<td>3.53</td>
<td>3.44</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

Data source: OJK
There are 3,839 Financing Company branch offices scattered throughout the NKRI per April 2015. Multifinance have 53% in Java, Sumatra (23%), Kalimantan (10%) and the remaining 14% across the island of Sulawesi, Bali, Nusa Tenggara, Maluku and Papua.

Data source: OJK
### Non Performing Financing

<table>
<thead>
<tr>
<th></th>
<th>Desember 2014(%)</th>
<th>Februari 2015(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>98,59</td>
<td>98,47</td>
</tr>
<tr>
<td>Doubtful</td>
<td>0,87</td>
<td>0,89</td>
</tr>
<tr>
<td>Bad debt</td>
<td>0,54</td>
<td>0,64</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

- Doubtful category increased to 1.078 %
- the baddebt category rose to 0.585 % in April 2015,
- the NPF value per April 2015 amounted to 1.66 %. 31 PP with NPF above 5 % is 68% PP with minor criteria ( assets < 500 M )

#### Composition Non Performing Loans

- 152 cos in Normal zone (NPF <3%)
- 21 cos in cautious zone (NPF 3-5%)
- 27 cos in alert zone (NPF>5%)

Data source: OJK
REGULATION
Framework of Multi Finance Company Regulation

KYC
- PMK 30/PMK.010/2010
- PER-05/BL/2011

Customer Protection
- POJK 1/POJK.07/2013
- POJK 1/POJK.07/2014
- SEOJK 1/SEOJK.07/2014
- SEOJK 2/SEOJK.07/2014
- SEOJK 12/SEOJK.07/2014
- SEOJK 13/SEOJK.07/2014
- SEOJK 14/SEOJK.07/2014

Monthly Report
- POJK 3/POJK.05/2013
- SEOJK 6/SEOJK.05/2013

Tax Provisions related to FC

Fit & Proper
- POJK 4/POJK.05/2013
- SEOJK 3/SEOJK.05/2014

OJK Fee
- POJK 3/POJK.02/2014
- SEOJK 4/SEOJK.02/2014

Risk Assessment
- POJK 10/POJK.05/2014
- SEOJK 11/SEOJK.05/2014

Financial Conglomeration
- POJK 17/POJK.03/2013
- SEOJK 18/SEOJK.03/2013

Business
- POJK 28/POJK.05/2014
- POJK 29/POJK.05/2014
- POJK 30/POJK.05/2014
- POJK 31/POJK.05/2014
Business Activities Expansion

Before POJK

- LEASING
- FACTORING
- CREDIT CARD
- CONSUMER FINANCING

**Investment Financing (Productive, >2 th) Schemes:**

1. Finance Lease
2. Sale and Leaseback
3. Factoring With Recourse
4. Installment Financing
5. Project Financing, Infrastructure Financing, etc

**Working Capital Financing (Productive, >2 th) Schemes:**

1. Sale and Leaseback
2. With / Without Recourse
3. Working Capital Financing, etc

**Multipurpose Financing (consumptive) Schemes:**

1. Finance Lease
2. Installment Financing, etc

**Others financing activities which have been approved by OJK**
5 Principles of Customer Protection

- Transparency
- Fair Treatment
- Reliability
- Protection to Customer Data/Information
- Handling of customer complaint and dispute settlement
Based on financial literacy national survey 2013, Indonesia has low financial literacy and inclusion index.

OJK is committed to increase the level of national financial literacy and inclusion index.
INDONESIAN ECONOMICS
Maximizing opportunities: Indonesia’s remaining demographic dividend
Looking ahead within Indonesia

To a growing middle class...

Selected Economic Indicators (%) - Indonesia

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>5.5</td>
<td>6.0</td>
</tr>
<tr>
<td>Inflation</td>
<td>5.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Current Account Balance (share of GDP)</td>
<td>-2.8</td>
<td>-2.4</td>
</tr>
</tbody>
</table>

Source: ADB estimates.

Source: World Bank, June 2012
The rise and decline of Indonesian economy: GDP growth 1961-2014 (%)

* First quarter
Source: World Bank, World Development Indicators.
OTHER RELATED INDUSTRY
Motorcycle Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Motorcycle Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6,280,801</td>
</tr>
<tr>
<td>2009</td>
<td>5,881,777</td>
</tr>
<tr>
<td>2010</td>
<td>7,398,644</td>
</tr>
<tr>
<td>2011</td>
<td>8,043,535</td>
</tr>
<tr>
<td>2012</td>
<td>7,141,586</td>
</tr>
<tr>
<td>2013</td>
<td>7,771,014</td>
</tr>
<tr>
<td>2014</td>
<td>7,908,941</td>
</tr>
<tr>
<td>Jun-15</td>
<td>2,667,960</td>
</tr>
</tbody>
</table>

Car Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Car Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>603,774</td>
</tr>
<tr>
<td>2009</td>
<td>483,548</td>
</tr>
<tr>
<td>2010</td>
<td>764,710</td>
</tr>
<tr>
<td>2011</td>
<td>894,179</td>
</tr>
<tr>
<td>2012</td>
<td>1,116,230</td>
</tr>
<tr>
<td>2013</td>
<td>1,226,199</td>
</tr>
<tr>
<td>2014</td>
<td>1,208,109</td>
</tr>
<tr>
<td>Jun-15</td>
<td>527,424</td>
</tr>
</tbody>
</table>
Heavy Equipment Sales

Heavy Equipment Industry

Export of Heavy equipment

Component Industry

Export of Heavy equipment’s component

Major Activities
To increase competitiveness:
- Localization
- Capacity Increase
- Technology Transfer
- Human Resource Development

Import:
Raw material
Supply; Steel material, part & components etc

Incentive i.e: BMDTP

Domestic:
Raw material
Supply; Steel material, natural resource based industry

The Multiplier effect:
Growth of Heavy equipment industry pulls the components and its supporting industry

*Revision after global financial crisis which affect Indonesia in 4th Qtr 2008

10,000 units
2 Bill USD Component
0.5 Bill US (Domestic & Export)

Opportunity For Export Due to its Competitiveness

Increasing demand For Infrastructure development
Heavy Equipment Sales

![Graph showing sales of different types of heavy equipment from 1997 to 2014.](image)
THANK YOU