SME CREDIT GUARANTEE SYSTEM IN INDONESIA

Prepared for APEC Workshop in Hangzhou, China
June 16-18, 2010
SME CREDIT GUARANTEE SYSTEM IN INDONESIA

National level

Askrindo

Jamkrindo

Provincial level

technical assistance

regional credit guarantee corporations such as: Jamkrida Jatim
# EXISTING CREDIT GUARANTEE

## Askindo

*Supporting the implementation of government policies and programs in general, particularly in promoting the development of MSMEs.*

<table>
<thead>
<tr>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>April 6, 1971</td>
</tr>
<tr>
<td>The Shareholders</td>
<td>100% Indonesian Government</td>
</tr>
<tr>
<td>Line of Business</td>
<td>Credit Guarantee and insurance for the MSMEs</td>
</tr>
<tr>
<td>Total Assets (as of Dec 31, 2008)</td>
<td>IDR 2,315 billion (USD 231.5 million)</td>
</tr>
<tr>
<td>Outlet of Service</td>
<td>33 offices/units in 20 provinces</td>
</tr>
<tr>
<td>Employee</td>
<td>300 people</td>
</tr>
</tbody>
</table>
ASKRINDO PRODUCTS

CREDIT GUARANTEE
- Bank and non bank credit guarantee
- Counter bank guarantee
- Regional credit guarantee

CREDIT INSURANCE
- Trade credit insurance
- Surety bond
- Customs bond
- Reinsurance
EXISTING CREDIT GUARANTEE

Jamkrindo

*Focusing to provide credit guarantee services to the MSMEs including government program and commercial credit.*

<table>
<thead>
<tr>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>December 23, 1981</td>
</tr>
<tr>
<td>Shareholders</td>
<td>100% Indonesian Government</td>
</tr>
<tr>
<td>Line of Business</td>
<td>Credit Guarantee for the MSMEs</td>
</tr>
<tr>
<td>Total Assets (as of Dec 31, 2009)</td>
<td>IDR 1,661 Billion (USD 166.1 million)</td>
</tr>
<tr>
<td>Outlet of Service</td>
<td>17 outlets (11 branch offices &amp; 6 sub-branch) in 11 provinces</td>
</tr>
<tr>
<td>Employee</td>
<td>300 people</td>
</tr>
</tbody>
</table>
JAMKRINDO CREDIT GUARANTEE PRODUCTS

- Guarantee for Micro Credit
- Guarantee for Construction & Procurement Loan
- Guarantee for Loan Program (KUR)
- Commercial Credit Guarantee
- Counter Bank Guarantee
- Guarantee for Distribution
- Multipurpose Credit Guarantee
- Kafalah (Islamic Financing Guarantee)
- MSMEs Guarantee Product

Credit Guarantee for Loan Program (KUR)
**EXISTING CREDIT GUARANTEE**

Jamkrida Jatim

*An example of regional credit guarantee company in East Java Province*

<table>
<thead>
<tr>
<th>Description</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>January 15, 2010</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Regional government of East Java Province and Employee cooperative of regional government of East Java Province</td>
</tr>
<tr>
<td>Line of Business</td>
<td>Credit Guarantee for MSMEs</td>
</tr>
<tr>
<td>Total Assets (as of Des 31, 2009)</td>
<td>IDR 50 billion (USD 5 million)</td>
</tr>
<tr>
<td>Outlet of Service</td>
<td>1 Headquarter</td>
</tr>
<tr>
<td>Employee</td>
<td>7 people</td>
</tr>
</tbody>
</table>
JAMKRIDA JATIM CREDIT GUARANTEE PRODUCTS

- micro, small credit guarantee
- multipurpose credit guarantee
- credit guarantee for construction, goods and service procurement
- contra bank guarantee
Framework Regulation for CGC

a. Business activity
   - To guarantee debtor financial liability

b. Legal entity
   - Limited company, cooperative, state-owned company

c. Capital requirement
   - IDR50 billion (USD 5 million) for provincial level
   - IDR100 billion (USD 10 million) for national level
Framework Regulation (cont)

d. Premium (credit guarantee fee)
   - depends on type of loan, risk analysis, guarantee coverage and period of loan

e. Gearing ratio
   - productive loan: 5-10 times
   - non productive loan: 50 times

f. Maximum guarantee limit
   - 10% of capital for group company
   - 5% of capital for individual
According to Anke Green, 2003:

*In most guarantee schemes, the fund is supplied by the national government or regional government.*
TRENDS IN BUSINESS VOLUME CREDIT GUARANTEE CORPORATIONS

(in million IDR)
TRENDS IN THE OUTSTANDING LOAN GUARANTEED (in million IDR)
THE CHALLENGES AHEAD

1. To achieve the minimum capital requirement
2. To get the approval from regional parliament for budget allocation
3. To convince the regional government and parliament that there is ‘social cost’
4. The absence of re-insurance company in the national level
5. The limited capacity of human resources in the credit guarantee business
THE FUTURE OF REGIONAL CREDIT GUARANTEE

1. Established in all provinces
2. Premium subsidy program for micro enterprises
3. Co-insured by Government financial institution
4. Strong capital back up to maintain the sustainability of the credit guarantee institution
5. Sharing capital by the banking industry
6. Regular capacity building program to improve the human resources competency
end of presentation
thank you