

Halim Alamsyah: Bank Indonesia – improved efficiency through data collection

Speech by Dr Halim Alamsyah, Deputy Governor of Bank Indonesia, in the Signing of Cooperation Agreement between Bank Indonesia and the Ministry of Home Affairs of the Republic of Indonesia, Jakarta, 23 February 2015.

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The honorable,

- ***Directorate General of Population Affairs and Civil Registration Services of the Ministry of Home Affairs, Mr. H. Irman,***
- ***Heads/Officials in the Ministry of Home Affairs,***
- ***Heads/Officials in the state ministries and institutions,***
- ***Heads of Working Units in Bank Indonesia and Financial Services Authority (OJK),***
- ***Heads of financial institutions, association of financial institutions, and Indonesia Consumers Organization (YLKI),***
- ***Distinguished guests,***

Assalamu'alaikum Wr. Wb,

Good morning and may God bless us all,

1. On this great occasion, let us praise God the Almighty for the blessings bestowed upon us so that we can attend the ***“Signing of Cooperation Agreement on Utilization of National Identity Numbers, Population Data, and Electronic Resident’s Identity Cards within the Scope of Duties of Bank Indonesia”***.
2. This cooperation agreement signing is the follow-up to the Memorandum of Understanding on Utilization of National Identity Numbers, Population Data, and Electronic Resident’s Identity Cards within the Scope of Duties of Bank Indonesia signed by the Governor of Bank Indonesia and Minister of Home Affairs on 6 May 2013. This follow-up takes a relatively long time because in-depth reviews of many aspects are necessary, including infrastructure preparation and primarily the impacts of such utilization policy on Bank Indonesia and the financial industry broadly.
3. The duties of Bank Indonesia in the fields of monetary, macroprudential, and payment system require data and information as important elements in formulating appropriate policies and decisions to maintain financial system stability and ensure a reliable and smooth payment system. Such data and information are gathered by Bank Indonesia from various sources through reports and/or surveys of, among others, bank and non-bank financial institutions, government institutions, the capital market, exporters, companies with external debt exposure, and even households.
4. In relation thereto, Bank Indonesia strongly supports the application of National Identity Numbers and electronic Resident’s Identity Cards by the Ministry of Home Affairs because the fundamental issue of population registration in Indonesia is data singularity. The program conducted by the Ministry of Home Affairs to digitize population data by biometric verification technology in the

forms of fingerprint recording and retina scanning to ensure one's singularity is **a very progressive step** to address the issue.

5. In its development, the population data gathered and managed by the Ministry of Home Affairs may have wider benefits, including the implementation of duties of Bank Indonesia and even other relevant institutions. Some examples of the population data benefits in the implementation of duties of BI and financial institutions, particularly banks, are as follows:
 - a. First, **to increase efficiency and effectiveness of services provided to customers and the community in credit extension**. As we all know, Bank Indonesia is currently managing Debtor Information System (DIS) which has gathered around **82 million** debtors' data from bank and non-bank financial institutions with more than **180 million** credit facilities. The DIS data is utilized by bank and non-bank financial institutions as one of the main considerations in credit extension process to verify debtors' identities, credit facilities extended by other financial institutions, payment history, collateral, etc. Therefore, accuracy and singularity of debtors' data are very important factors.
 - b. Second, **to increase effectiveness of Bank Indonesia in conducting assessments and designing more efficacious credit policies**.
 - c. Third, **to support banks to better understand and recognize customer candidates as well as financial behavior in a more prompt and accurate manner**. Accordingly, banks are also expected to design cheap credit extension patterns without any collateral for individuals or households with sound financial behavior. We often call this financial inclusion program.

Ladies and gentlemen,

6. In many occasions, I often say that the Global Financial Inclusion Index data in 2011 recorded only around 20%¹ of adult population in Indonesia who have accounts with formal financial institutions; in other words, there are more than 135 million people with limited or no access to formal financial institutions (commonly called unbanked people). Poor access by the community to formal financial institutions becomes **a national strategic issue** considering the strong correlation between **expanded financial access and economic growth**. Therefore, financial inclusion has become the government's priority agenda as specified in the **National Financial Inclusion Strategy**.
7. One of the causes of poor access of unbanked people to formal financial institutions is asymmetric information. Generally, data of unbanked people is difficult to obtain as preliminary data for customer potential analysis. For that reason, information provision facilities are necessary, which allow adequate mapping of unbanked people potential, so that formal financial institutions may provide the required financial products and services. Starting from this identified information requirement, one of the financial inclusion programs promoted by Bank Indonesia is the **Financial Identity Number (FIN)**.
8. FIN is a unique, inherent, lifetime, simple, transparent, and interoperable number provided to the community, including unbanked people. The aim is **to reduce asymmetric information & risk premium, facilitate and increase financial access of the community, and facilitate financial institutions to obtain**

¹ World Bank report "Global Financial Inclusion Index".

information on customer candidates/customers. For Bank Indonesia, FIN is very useful to produce more structured database and information on people receiving services from formal financial institutions. However, more importantly, FIN will become one of the main data sources to make profiles (rating) of accurate individual or household finance to facilitate banks in extending cheap but quality credit package without any collateral.

9. BI has been developing FIN **since 2012** by collecting information through a baseline survey using secondary data and comprehensive survey by direct interviews with respondents. BI is consistently improving FIN business model, among others through information system development and database expansion by formulating **digital questionnaire** concept, which, at the initial phase, will be tried through **Digital Financial Services agents**. In this relation, the NIN (e-Resident's Identity Card) database will be used to establish FIN data to allow acceleration of data capturing process and **avoid FIN data duplication**, thereby ensuring FIN data singularity of each person.

Ladies and gentlemen,

10. We are pleased that Bank Indonesia's policies and work programs to increase public welfare, among others through electronification and financial inclusion, **may synergize** with the Program for Population Data, National Identity Numbers, and Electronic Resident's Identity Cards by the Ministry of Home Affairs, to give greater benefits for the financial system in particular and Indonesian people in general.
11. We believe this Cooperation Agreement signing is the first step for both institutions, and further technical steps are definitely necessary to realize the expected benefits.
12. To conclude, we would like to extend our highest appreciation and gratitude to the Ministry of Home Affairs and all parties supporting the realization of this Cooperation Agreement. May God the Almighty bless our sincere intention and steps and bestow us with smooth implementation thereof.

Thank you. **Wassalamualaikum wr. wb.**