

Private lenders expect solid loan growth

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Two major private lenders, Panin Bank and Standard Chartered Bank Indonesia, expect solid growth in their loan business this year.

Publicly listed Panin Bank sees growth in its loan segment at 8 to 9 percent, driven by the commercial segment.

"We are just being realistic, because investors tend to take a wait-and-see approach during political years," said president director Herwidayatmo in Jakarta recently, referring to the upcoming elections on April 17.

Panin Bank's loan growth target for 2019 is similar to last year's realization. The lender's outstand-

ing loans reached Rp 151.6 trillion (US\$10.61 billion) in 2018, up 8.06 percent year-on-year (yoy).

"We want every segment to contribute to our loan portfolio. However, so far, our biggest loan portfolio comes from the commercial segment, with a contribution of around 45 percent," he said.

This year, the bank plans to focus on a loan restructuring program and keeping the gross non-performing loan (NPL) ratio below 3 percent.

By the end of 2018, its gross NPL ratio stood at 3.04 percent, up from 2.84 percent in 2017.

Meanwhile, Standard Chartered Bank Indonesia (SCBI), a branch of British lender Standard Chartered, targets credit growth of 12 to 13 per-

cent, which is lower than its loan growth realization of 17 percent to Rp 32.2 trillion in 2018.

"Last year, our credit growth was 17 percent, but this year, it won't be that high anymore. Probably it will grow around the [average] target [in the industry] set by the Financial Services Authority [OJK]," said SCBI chief financial officer Anwar Harsono in a separate occasion.

Corporate loans were SCBI's main segment, accounting for almost 70 percent of the total, while the rest came from the retail segment, he said.

The bank would also continue to increase the loans it channels to small and medium enterprises (SMEs), he said.

In 2018, SCBI's loans to SMEs contributed 23 percent to its total loan portfolio, higher than 13 percent seen in the preceding year.

SCBI CEO Rino Donosepoto said global pressure might be milder this year, because the United States Federal Reserve had hinted at a lower number of interest rate hikes than last year.

At the same time, he said, Indonesia's economic fundamentals were also expected to improve in 2019.

SCBI's NPL ratio dropped to 2.2 percent at the end of 2018 from 3.9 percent in the previous year.

Both Panin Bank and SCBI posted surging net profit last year.

Panin Bank saw its net profit jump 59 percent to Rp 3.19 trillion in 2018, thanks to net interest in-

come which reached Rp 8.97 trillion. Its other operational income grew by 56.69 percent last year.

Meanwhile, SCBI's net profit skyrocketed by 371 percent to Rp 536 billion because of improvements in all financial aspects due to growth in corporate and institutional banking, known as the corporate segment.

Revenue from the corporate segment rose 36 percent and came primarily from financial markets and transaction banking that included trade finance, cash management, securities services and corporate loans.

"Our net profit achievement last year was the highest since 2014. This was one of the important milestones for us," Rino said.

Fintech group to help develop P2P lending

Norman Harsono

THE JAKARTA POST/JAKARTA

A group of financial technology (fintech) lenders wants to help develop a healthier lending industry and protect consumers by setting out a strict code of conduct for its members.

The Indonesian Fintech Lenders Association (AFPI) will help stimulate the industry, which only gained government recognition three years ago, by providing risk management certification, public education campaigns and a compulsory code of conduct, which should be uploaded to the AFPI website soon.

AFPI chairman Adrian Gunadi

New association to focus on lending-based fintech, providing customer protection

Association to assist OJK in supervising fintech: Official

said the association had been established to ease the Indonesian Fintech Association's (AFTECH) workload in dealing with fintech companies that provide lending services, including peer-to-peer (P2P) lending, crowdsourcing and digital credit cards.

Such lenders account for 30 percent of all licensed fintech

companies, whereas the remaining 70 percent are companies engaged in, among other things, e-payments, wealth management and insurance.

"We started this association because we wanted the fintech lending industry to get off to a good start," said Adrian, who is also the founder of P2P platform Investree.

The AFPI also helped protect consumers — thereby growing its user base — by maintaining an online list of registered lenders and a consumer complaint center named Jendela (window).

The center receives complaints either through its email pengaduan@affi.or.id or its toll-free hotline 150-505, which is active from Mon-

day-Friday from 8 a.m. to 5 p.m.

With regard to the code of conduct, AFPI deputy chairman Sunu Widyatmoko urged consumers to take note of Section BI, which stipulates that a fintech lender's interest rates cannot exceed a flat rate of 0.8 percent a day, while penalties cannot exceed 100 percent of the principal.

Lenders that defy these rules can be accused of practicing predatory lending.

"The AFPI is also building a database of problematic borrowers. If a borrower does not pay off a loan within 90 days, they will be blacklisted," Sunu said.

Meanwhile, Financial Services Authority (OJK) commissioner

Riswinandi said his organization supported the creation of the AFPI, because it would assist the OJK, whose tasks included overseeing fintech, in better regulating Indonesia's sprawling fintech scene without curbing financial inclusion.

"Fintech grows rapidly in Indonesia. We now have 99 licensed lenders, but there are 177 lenders waiting to be licensed," he said.

The OJK recorded total fintech disbursements of Rp 22.6 trillion (US\$1.57 billion) last year, exceeding its predicted Rp 20 trillion.

The rapid growth gave rise to unlicensed fintech companies, some of which resort to intimidation or cyberbullying to collect debt from customers.

A taxi driver committed suicide in South Jakarta last month after being unable to pay his online debt.

The OJK has so far released three fintech regulations to protect consumers: Regulation No. 77/2016 on P2P lenders, Regulation No. 34/2018 on equity crowdfunding and Regulation No. 13/2018 on fintech innovation, which serves as a legal umbrella for future laws.

However, the OJK also firmly believes that fintech can help push financial inclusion from 67 percent last year to 75 percent by the end of this year and is working closely with the two fintech associations to avoid over-regulating the industry.

Mass organizations

declare support for Jokowi

Karina M. Tehusijarana

THE JAKARTA POST/JAKARTA

President Joko "Jokowi" Widodo's already buoyant reelection bid has received a further boost in the past few weeks with major mass organizations declaring their support for his presidential ticket.

Volunteers from Pancasila Youth (PP) branches in Jakarta and Karanganyar and Surakarta in Central Java, including PP chairman Japto Soerjosoemarno, publicly announced their support for Jokowi on March 3.

On Sunday, meanwhile, the Jakarta-based Betawi Brotherhood Forum (FBR) also proclaimed their backing of the former Jakarta governor.

The move was an about-face for the FBR, which had previously backed Gerindra Party chairman Prabowo Subianto in the 2014 presidential election, as well as Anies Baswedan and now-vice presidential candidate Sandiaga

Uno in the 2017 Jakarta gubernatorial election.

FBR chairman Lutfi Hakim said that Jokowi's closeness with the Betawi people since his time as Jakarta governor was the main reason for the switch in allegiance.

"As one of the most basic examples, when he was governor, Pak Jokowi made traditional Betawi clothing the uniform of the provincial administration," he told *The Jakarta Post* on Tuesday. "He is also the only Indonesian president to ever attend *Lebaran Betawi* [a traditional post-Idul Fitri festival in Jakarta]."

Lutfi also mentioned the organization's disappointment with Anies' administration as a factor.

"We feel that Anies has been half-hearted in preserving Betawi culture," he said, citing the governor's failure to produce gubernatorial regulations to implement the Betawi culture preservation regional regulation that had been passed in 2015.

Lutfi added that the FBR hoped Jokowi would continue to listen to the aspirations of the Betawi people if he was reelected president.

"If a Betawi person gets a cabinet position, that would be a bonus," he said.

PP Jakarta secretary Embay Supriyantoro, who is also an executive in the PP Jakarta volunteer group, said that while the PP's national central executive board officially remained neutral in the election, volunteer groups in various regions had decided to support Jokowi because of his "closeness" to the PP and his achievements in developing infrastructure.

"Although our chairman Pak Japto is very close to Prabowo personally, Jokowi has been closer to the PP as an organization and has attended our birthday celebrations and invited us to the presidential palace," he told the *Post*.

Both Lutfi and Embay said that their organizations would use

their respective networks to help mobilize more votes for Jokowi and his running mate Ma'ruf Amin in the campaign period's final stretch.

"We will help fight against hoaxes and fake news because we are in direct contact with the people," Lutfi said. "We will talk to people in guard posts and coffee stalls and make sure that the people are not easily manipulated."

For his part, Jokowi has lavished praise on both organizations, saying that the PP was a stalwart guardian of the state ideology of Pancasila and calling Jakarta a miniature of Indonesia.

Meanwhile, the Prabowo-Sandiaga campaign sought to play down the importance of the two groups joining Jokowi's camp.

Prabowo campaign spokesperson and Prosperous Justice Party (PKS) executive Suhud Aliyudin shrugged off the FBR's disappointment with the Anies-Sandiaga administration, saying that

whatever the reason for supporting Jokowi, it was just "a normal thing in a presidential election".

"The FBR is just one of many ethnic Betawi mass organizations in Jakarta," he told the *Post*. "The PP is also just one of many mass organizations. We remain focused on the strategy that we designed by campaigning directly to the people like Pak Sandiaga has done all across Indonesia."

Prabowo himself has also received the support of several mass organizations, mainly religion-based ones such as the Islam Defenders Front (FPI) and the 212 Alumni Brotherhood.

Mass organizations have had significant political sway in Indonesia during and after former president Soeharto's New Order regime.

In his 2015 book *The Politics of Protection Rackets in Post-New Order Indonesia*, Murdoch University's Ian Wilson wrote that while organizations such as the

PP had become less openly violent, "the role of ormas and militias in electoral politics have far from diminished".

"For political parties and aspirants for seats in national and regional legislatures, the value of alliances with these organizations and networks lies in several key areas: their ability to mobilize the masses at critical junctures such as during campaign periods, the access provided to the 'grass-roots' public and the ability to shape populist discourse as representatives, claimed or actual, of particular constituencies," he wrote.

Indonesian Institute of Sciences political analyst Siti Zuhro said that the main strength of the mass organizations laid in their large followings spread across the country.

"Organizations such as the PP and FPI have regional infrastructure up to the district and subdistrict level that can have significant influence on the local populace," she said.

Jokowi woos voters with pre-employment card

Marchio Irfan Gorbiano

THE JAKARTA POST/JAKARTA

As part of his reelection campaign, President Joko "Jokowi" Widodo has promised to issue pre-employment cards with the primary aim of aiding job seekers by granting them access to training, a move that experts say might offer a solution to the country's long-standing problem of skilled worker scarcity in the job market.

Jokowi first rolled out his idea in a speech on Feb. 24, promising to issue the card for unemployed people and workers who wanted to receive vocational training.

Jokowi-Ma'ruf Amin campaign team spokesperson Mukhamad Misbakhun said the card would guarantee its holders access to vocational training and certification, which would better equip them with the skills demanded in the labor market, or provide them

with the necessary skills to build businesses.

As many as 2 million people would receive the card and two months of training starting next year, he said, adding that job seekers who are Indonesians and aged 15 or above would be eligible for the program.

He, however, stressed that the holders would receive limited financial benefits that would be cut off after they secure jobs.

"For job seekers, they will be given incentives until they can secure jobs; the incentives will be given for a maximum 12-month period," said Misbakhun. "For those looking for jobs after being terminated from their previous workplaces, there will be financial incentives during the training period, plus a maximum three-month period after finishing the training."

Meanwhile, existing workers

looking for vocational training through the program would also be given incentives as a substitute for their salaries, Misbakhun added.

Finance Minister Sri Mulyani Indrawati recently said the pre-employment card was one of the issues that the government would look into when arranging the draft 2020 state budget. She said her ministry would maintain the draft budget's overall framework so as to avoid unnecessary spending.

Ari Kuncoro, a professor of economics at the University of Indonesia, said the pre-employment cards offered a quick fix to the country's problem of an imbalance between supply and demand of skills in the job market, arguing it would take too much time for the government to reform vocational education institutions.

He supported the government's idea, saying that the pro-

gram might help raise Indonesia's competitiveness and act as a quick win for the country at a time when companies from China sought alternative production bases to circumvent ongoing trade tensions with the United States.

Ari said the program was slightly different when compared to the unemployment benefits offered in Scandinavian countries, where stipends were usually offered without a time limit for those who have yet to find jobs. In the US, meanwhile, unemployment benefits are given to unemployed people who were laid off. They receive back their paid taxes as temporary financial support.

Tadjuddin Noer Effendi, a professor at Gadjah Mada University, echoed Ari's opinion, saying that the program offered a solution to Indonesia's current problems, namely unemployment and a lack of productivity from its workforce.

As the younger generation was not equipped with the necessary skills to enter the job market, the card would pave the way for them to have skills while also receiving financial benefits, he said.

There were 7 million unemployed people in Indonesia as of August last year, data from Statistics Indonesia (BPS) show.

However, 25-year-old M. Faisal Asadi, a recent graduate of Syarif Hidayatullah Islamic State University, said the most important thing for a fresh graduate like him was an available job, not owning a card designed to help him find one.

Bhima Yudhistira Adhinegara, an economist with the Institute for Development of Economics and Finance (Indef), said the pre-employment card lacked in efficacy as it did not address the main issue in the country, namely the ineffective absorption of labor from the labor market.

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Regions not ready with OSS: Minister

JAKARTA: Even as the government boasts about the important role of the Online Single Submission (OSS) system for accelerating the issuance of investment licensing arrangements, most regencies and municipalities are not ready to implement it.

One of the problems is that most of the regions do not have the digitalized detailed spatial plans (RDTR) for quickly identifying the project locations that badly need to accelerate the process of licensing arrangements.

Coordinating Economic Minister Darmin Nasution said the availability of digitalized RDTR in each region was badly needed for the optimal operation of the OSS system.

"With the availability of digitalized RDTR, potential investors only need to point to the coordinates of their project locations and the OSS system could immediately identify the location," Darmin said as quoted by *kontan.co.id*.

The OSS system has been operated by the Investment Coordinating Board since early January after previously being operated by the Coordinating Economic Ministry since it was launched in July 2018.

Therefore, the minister proposed disincentives for regencies and municipalities that do not have the digitalized RDTR. He said out of the 514 regencies and municipalities in the country, only 50 already have RDTR and only 10 percent already have digitalized RDTR. — *Kontan*

Pertamina, Aramco not on same page

regarding Cilacap refinery upgrade

Stefanno Reinard Sulaiman

THE JAKARTA POST/JAKARTA

A plan to revitalize Pertamina's refinery in Cilacap, Central Java, is still full of uncertainty as the state-owned energy holding company has not sealed a partnership deal with Saudi Arabian oil giant Saudi Aramco.

Before getting to the final talk for a deal in June, the two companies have to settle a discussion regarding the valuation of the refinery, known as enterprise value (EV).

Pertamina director of refinery and petrochemical megaprojects Ignatius Tallulembang said talks on the valuation of the refinery would be concluded by the end of March.

"Once we [settle] the valuation [EV], which is carried out by a third party, we will report to our partner. And if the agreement with Aramco can't be completed by June, we will terminate it and look for other options," he said.

The valuation work is now being done by a global consulting firm PricewaterhouseCoopers

(PwC).

If no deal is reached, Ignatius said, Pertamina could either find a new partner or upgrade the refinery by itself.

"One thing is for sure, the project will still go on, either with us doing it alone or with another partner. If we continue [with Aramco], the next steps are the engineering phase and setting up the joint company," he said.

Previously, Aramco pledged to invest US\$6 billion in the revitalization of the Cilacap refinery. However, the company has set several conditions for the investment, including incentives from the government such as tax holidays and the handover of assets to its subsidiary in Indonesia.

A preliminary agreement, known as heads of agreement (HoA), between the two firms was signed in November 2015.

The revitalization is expected to increase the production capacity to 400,000 barrels per day of fuel meeting the Euro V standard.

However, one big problem concerns a difference in valuation of the facility between Pertamina

and Aramco, which has seen the project progress at snail's pace in the past four years.

In an official document of the Energy and Mineral Resources Ministry dated Feb. 14, Pertamina stated that the EV of the Cilacap refinery was \$5.66 billion, while Aramco values it at \$2.8 billion.

The difference in valuation prompted Pertamina to hire PwC to reassess the refinery.

"[The Cilacap refinery project] needs a boost from Saudi Crown Prince [Mohammed bin Salman] to approve Pertamina's valuation or the new valuation to be submitted by PwC," reads one of the statements in the document.

Cilacap is only one of Pertamina's six refinery projects — four for upgrades of existing refineries and two for new ones — completion of which is now targeted for date late 2026.

That date marks the second delay from the initial deadline of completing all projects in 2021.

The upgraded and new refineries reflect Pertamina's effort to double its refining capacity to

2 million barrels of oil per day (bopd) by 2025 from only 1 million bopd at present.

The existing refineries are located in: Cilacap, Central Java; Balongan, West Java; Dumai, Riau and Balikpapan, East Kalimantan. Meanwhile, the two new refineries are the Tuban and Bontang facilities in East Java and East Kalimantan, respectively.

The total investment for these projects is expected to reach \$45 billion or Rp 600 trillion. That marks a steep increase from only Rp 210 trillion in the initial plan.

When asked about progress on the other refineries, Ignatius said the company was in the stage of looking for a partner for the Balikpapan refinery and had set a September deadline to achieve this.

"Hopefully we will already have the partner for the Balikpapan refinery in September. Right now, there are a lot of potential partners, such as [Russian oil firm] Rosneft and [Azerbaijan's] Socar," he said, adding that there were a total of nine potential partners.

Rosneft is already a partner for Pertamina on the Tuban refinery

project, which will cost around \$16 billion.

Meanwhile, regarding the Tuban refinery, Ignatius said the land procurement issue had been settled following approval from the president.

The refinery projects have been criticized over delays and cancellations due to uncertainty in policies and a lack of funding, says global think tank BMI Research, a unit of the Fitch group.

"Indonesia's regulatory and bureaucratic landscape remains among the most complex in the region. We believe it will continue to stand in the way of meaningful projects in the coming years," BMI Research said in a 2018 report.

Commenting on the slow progress of Pertamina's refinery projects, Golkar lawmaker Ridwan Hisjam said the delay also delayed benefits for the small-business economy near the sites.

"The damage [of the project's slow progress] is born by the local people. They are waiting for the social and economic impacts of the projects. Unfortunately, they still haven't get those," he said.

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Sibolga blasts show JAD still threat

Apriadi Gunawan,
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THE JAKARTA POST/MEDAN/JAKARTA

An explosion rocked a neighborhood in Sibolga, North Sumatra, early Wednesday morning after the wife of a suspected terrorist detonated a bomb at their residence, killing herself and her 2-year-old son.

The blast occurred as the police were negotiating with the woman, identified as Solimah, encouraging her to surrender.

Her husband Husein, also known as Abu Hamzah, is suspected of being affiliated with the outlawed, homegrown pro-Islamic State (IS) terrorist group Jamaah Ansharut Daulah (JAD).

He was arrested after the National Police's Densus 88 counterterrorism squad received a tip from another terror suspect, identified as Ro, in Lampung last weekend. Another suspect was arrested after Ro and two additional suspected terrorists were detained in Sibolga.

The police had used Husein to persuade his wife to surrender by letting him talk to her through the loudspeaker of a mosque located across their home.

"Peace be unto you. It's me. I am okay here. Please give up. Love our children," he said.

But at around 1:30 a.m. lo-

Wife of suspected
terrorist blows herself,
young son up after
refusing to surrender

JAD cells still exist
despite govt ban

cal time, Solimah detonated the bomb. Police were still in the process of recovering her remains as well as her son's as of Wednesday evening while also looking into the possibility of more victims being killed in the explosion.

A police officer was injured on Tuesday after an explosion occurred during a raid on Husein's home. Densus 88 also secured a homemade bomb from the house and around 30 kilograms of explosives from the residence of Husein's parents-in-law.

National Police spokesperson Brig. Gen. Dedi Prasetyo said the explosives were similar to the ones secured from the terror suspects in Lampung. A further 300 kg of explosives was found underneath the house of one of the other terror suspects in Sibolga, identified as AK.

North Sumatra Police chief Insp. Gen. Agus Andrianto said the explosives had been planted in cement underneath the house and could have been detonated at any time using a remote control.

President Joko "Jokowi" Widodo applauded Densus 88's efforts in uncovering terror networks in Lampung and Sibolga, expressing hopes that authorities would continue to hunt down other terrorist cells, which remained a threat across the country.

"It's very dangerous for our national security if other terrorists who have similar bombs still exist somewhere in the country," Jokowi said.

Last year, JAD members were involved in a riot at the National Police's Mobile Brigade headquarters as well as subsequent attacks on churches and police stations in Surabaya, East Java and Pekanbaru, Riau. After the attacks, police launched a widespread crackdown and arrested dozens of terror suspects connected to the network across Java and Sumatra.

In June, JAD leader Aman Abdurrahman was sentenced to death for his role in inciting at least five terror attacks in Indonesia. The group was declared a "forbidden organization" by the South Jakarta District Court the following month.

According to Kumar Ramakrishna, a counterterrorism expert and head of policy studies at the S. Rajaratnam School of International Studies in Singapore, the incident in Sibolga showed that JAD remained a threat despite the crackdown.

"More than that, the incident shows the continued spread of violent extremist ideology, likely associated with [IS]," he told *The Jakarta Post* on Wednesday. "Although key JAD leaders have been arrested, the decentralized nature of the network means other leaders can emerge."

Kumar added that the National Police and National Counterterrorism Agency had done "a lot of work in counter and deradicalization efforts", and that the persistence of extremist cells was due to many factors, including a shared background of historical community grievances, participation in past conflicts and socioeconomic issues.

The explosion and arrests in Sibolga took place only days before Jokowi's scheduled visit to the city on Sunday to inaugurate a port and little over a month before the presidential and legislative elections.

However, the police have denied that the terror suspects had any plans to disrupt the elections.

Institute for Policy Analysis of Conflict director Sidney Jones said that it was too early to say whether the group was timing its plans to coincide with the elections.

"It's clear, however, that the police are being particularly vigilant to ensure that nothing disrupts that process," she said. (das)

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Walhi appeals Batang Toru dam verdict

JAKARTA: Environmental group Indonesian Forum for the Environment (Walhi) has appealed a court verdict rejecting their lawsuit challenging the issuance of a permit for a hydropower project in the Batang Toru ecosystem in North Sumatra.

On March 4, the Medan State Administrative Court rejected Walhi's lawsuit challenging the North Sumatra administration's decision to issue a permit for the Rp 22 trillion (US\$1.5 billion) project because of its potential impacts on the environment, especially on the critically endangered Tapanuli orangutans that live in and around the ecosystem.

The appeal petition was filed on Wednesday by Walhi's North Sumatra office director Dana Prima Tarigan, who was accompanied by a number of lawyers.

"This is our attempt to continue the fight for environmental justice for the sake of the ecosystem and the animals and humans living within it," Dana said on Wednesday in a statement.

He added that the organization would also use other legal methods to ensure the project was scrapped.

"This is also a way for the provincial administration to fix their permit issuance mechanism, so that information will be more transparent and accessible to the general public," Dana said.

Environmentalists and activists argue the project, which will produce 510 megawatts of electricity for North Sumatra and has been touted as "environmentally friendly", will threaten the rare Tapanuli orangutans. According to scientists, only 800 remain in the wild.

The power plant operator, PT North Sumatra Hydro Energy, has denied the allegations. — JP