

**Comprehensive Study on
CONDITION AND PROSPECTS OF BANKING INDUSTRY IN INDONESIA
(Consumer and UMKM credits still have potential market)
May 2008**

For the first time after the devastating economic crisis of 1998/1999, Indonesia recorded an economic growth of more than 6% in 2007 with considerable surplus in foreign trade. The trade surplus and steady increase in foreign exchange reserve that reached US\$56.9 billion by the end of 2007 (enough to finance imports and service foreign debt for 5.7 months) contributed much to strengthening the rupiah stability.

Healthy growth has also been recorded in the country's banking industry notably since 2004 marked with leapfrogging increases in credits. The sharpest increase in growth rate was recorded for consumer credits from 9.51% in 2006 to 24.84% in 2007, followed by growth rate for working capital credits from 16.98% in 2006 to 28.57% in 2007 and for investment credit from 12.51% to 23.15%.

Consumer credits made up 28.2% of the total amount of banking credits -- much smaller than credits for small and medium scale enterprises (UMKM), which accounted for 50.18% in 2007. However, consumer credit was a major component making up 50.41% of UMKM credits that real productive credits provided by banks for small and medium enterprises that year were only 25.29% of the total bank credits. The amount was far from adequate for around 48.9 million units of UMKM in the country, therefore, only 39% or 19 million of the units have enjoyed bank credits.

In a bid to improve the condition, the government launched what is called People's Business Credits (KUR) toward the end of 2007. KURs are guaranteed by PT Askrido and Perum Sarana Pengembangan Usaha with credit ceiling of Rp500 million per unit. Until the end of February, 2008, bank already disbursed Rp1.7 trillion in KURs for 25,789 recipients.

The realization of KURs is still far from expectation with almost 30 million units of UMKM not having a share of bank credits, and the amount for each recipient averaged only Rp69 million or only slightly higher than the micro credit ceiling of Rp50 million.

PT Media Data Riset has published a comprehensive study on banking industry using data collected through studies in the country. The 300-page study report is priced at Rp5 million for an Indonesian copy and US\$750 for an English copy not including mailing cost. Orders could be addressed to PT Media Data Riset through telephone number 021-8093140, mobile phone: 085217061945 or through e-mail: info@mediadata.co.id / mediadatariset@yahoo.com.

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