

Digitalization of Finance and Trade for MSMEs: Indonesia Perspective

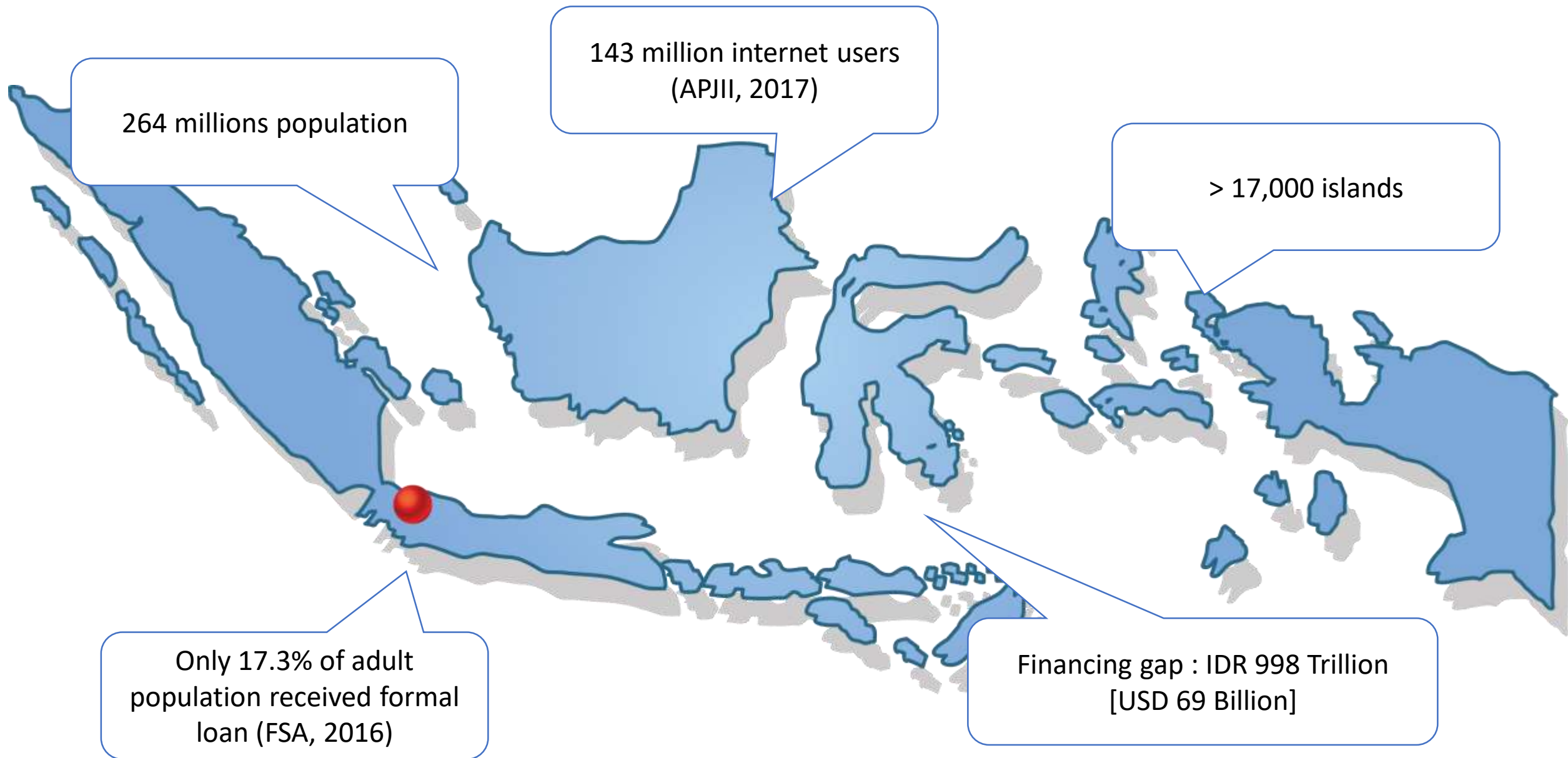
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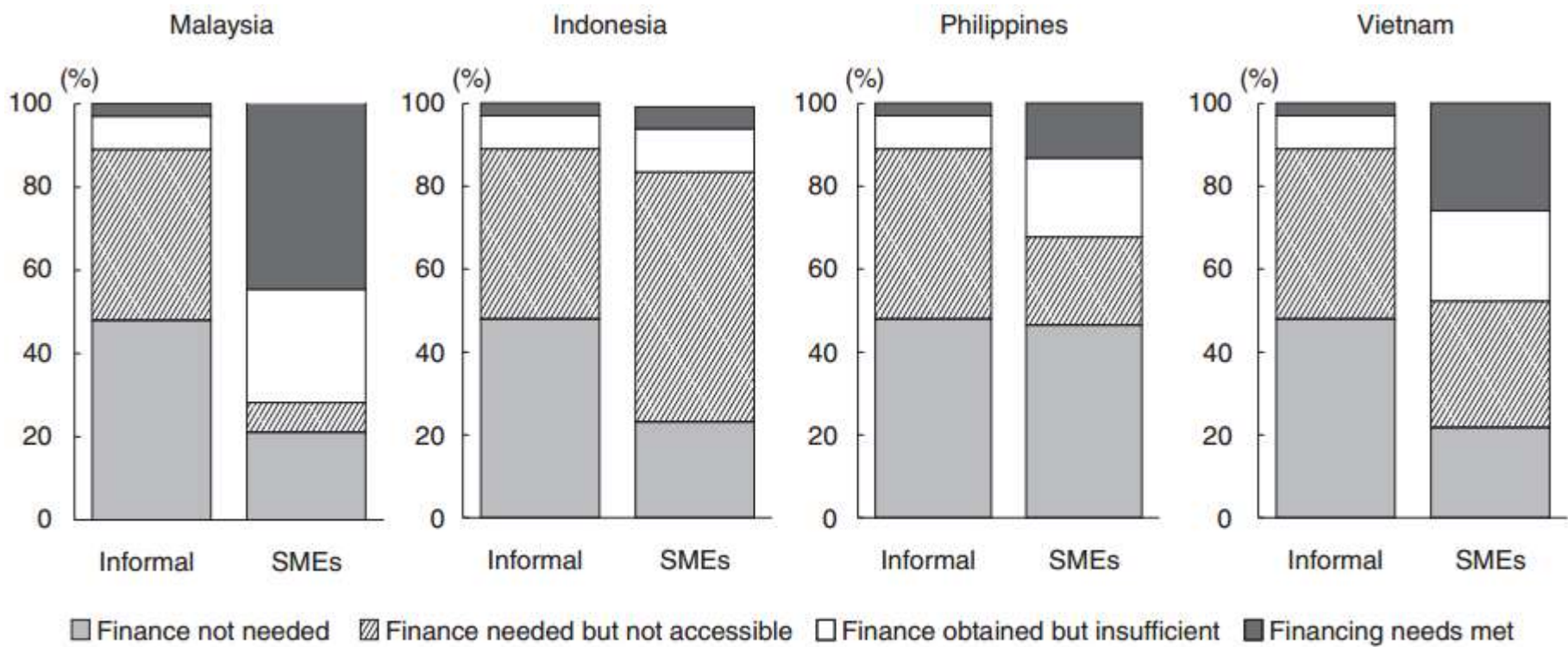


DIGITALIZATION OF FINANCE

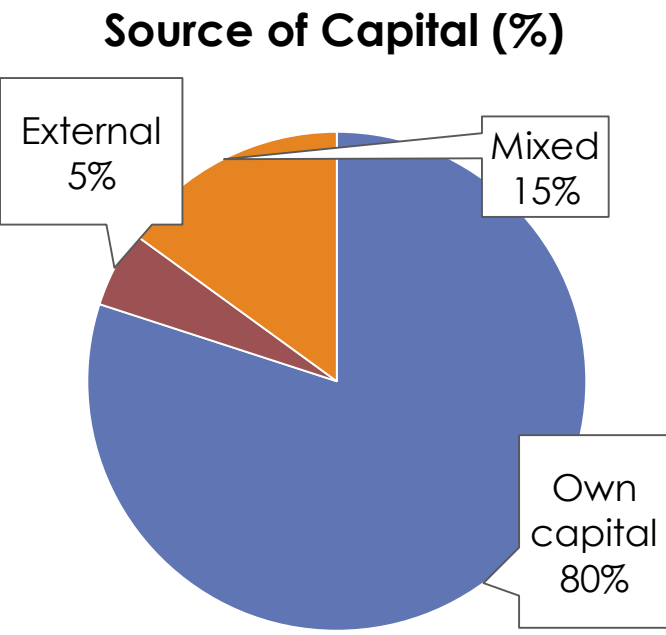
Introduction



SMEs Financing Gap in ASEAN

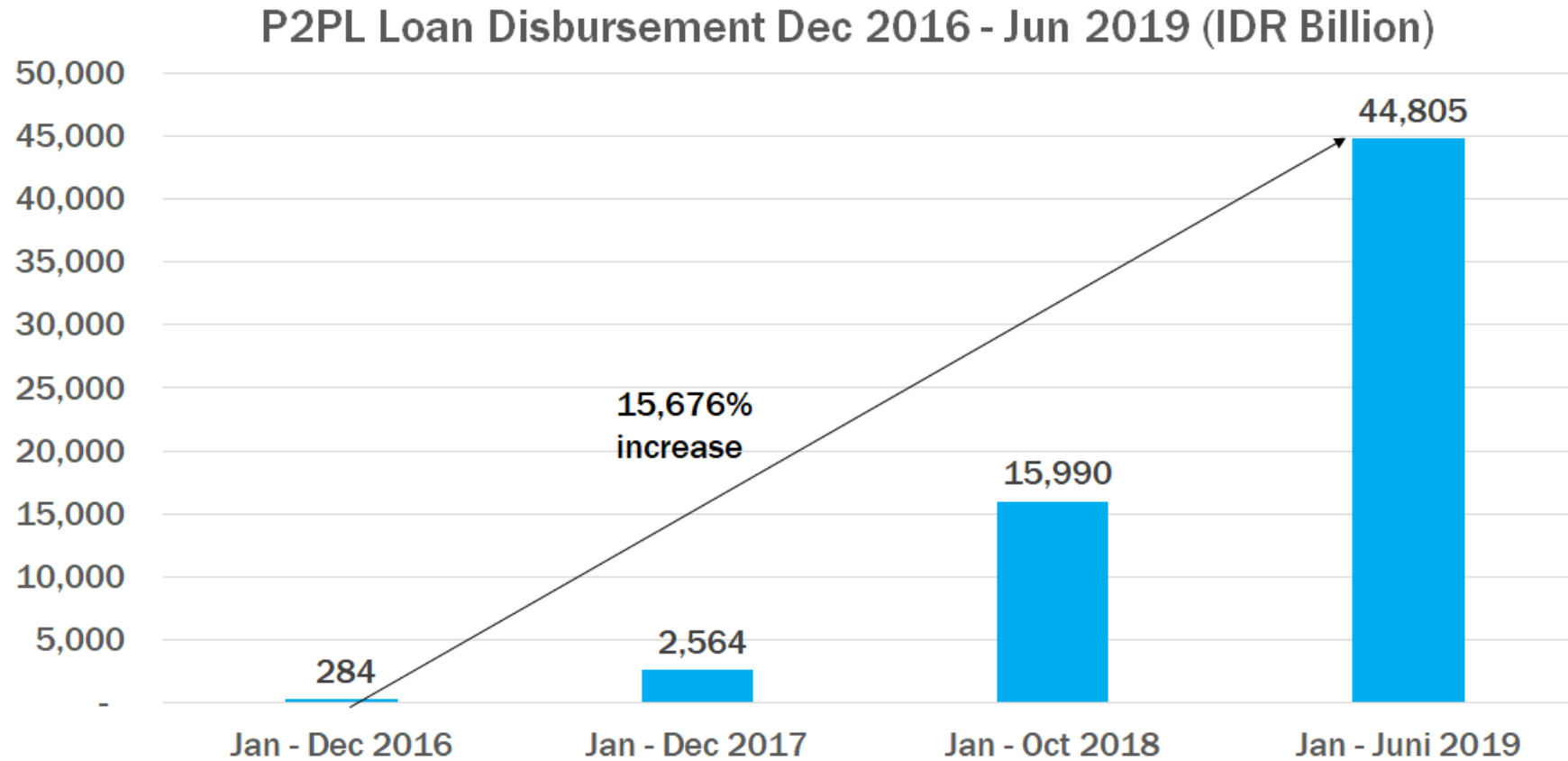


Notes: Informal enterprise: An enterprise not registered with a local government or tax department, or a self-employed person.
SME: Enterprises with 5-250 employees.
Source: IFC Enterprise Finance Gap Database (2011 data)



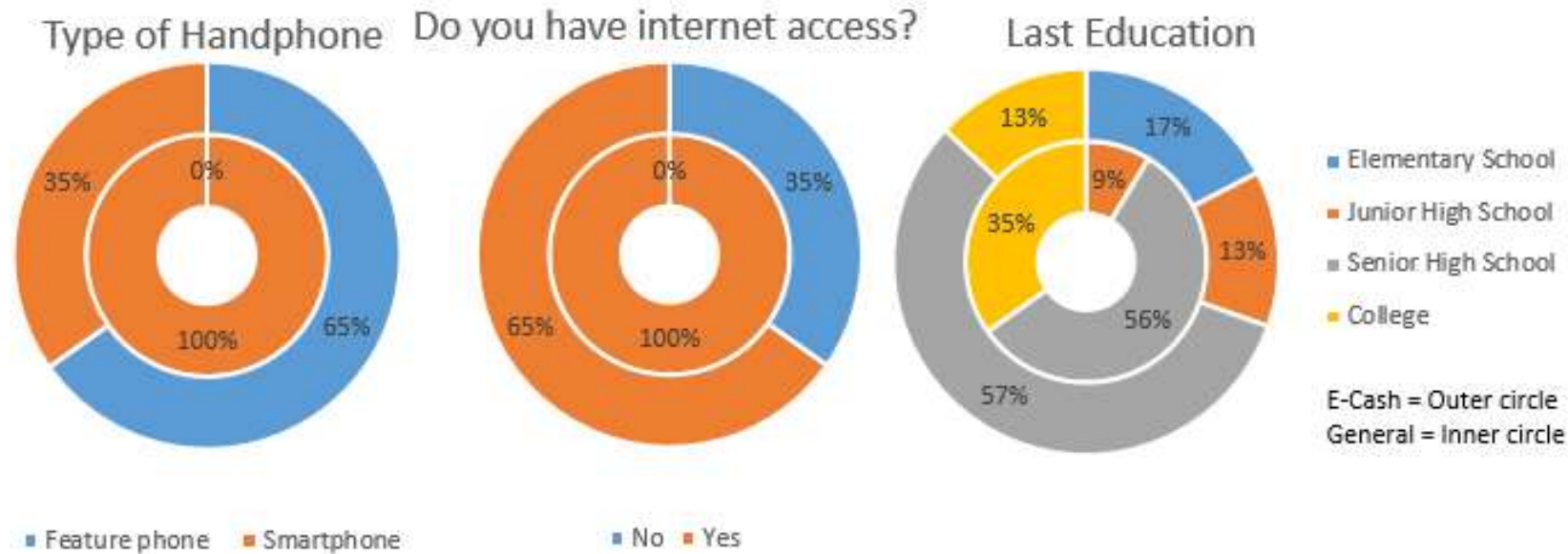
The Emergence of FinTech

Fintech Loan Disbursement Growth



Digital payment can be inclusive

Case of NTB: E-Cash Partnership with Wira Singa Cooperative



PROS

- No need of internet and smartphone: USSD *141#
- Faster and safer
- Multiple function
- Fee for cooperative, SHU for member

CONS

- SMS charge, doubt of security, network

Foreign e-wallet generates benefit for tourism

Case of Bali: Local merchant partnership with SMESS (Feature: WeChat Pay, QQ Wallet, and other Chinese e-Wallet)



WeChat Pay

- Attract Chinese customers
- Save more money for tourists, no need to exchange money
 - Offers and cashback for tourists
 - Fee from WeChat

Challenges

- Financial Literacy
- Data protection (privacy and cybersecurity)
- Cross-border payment

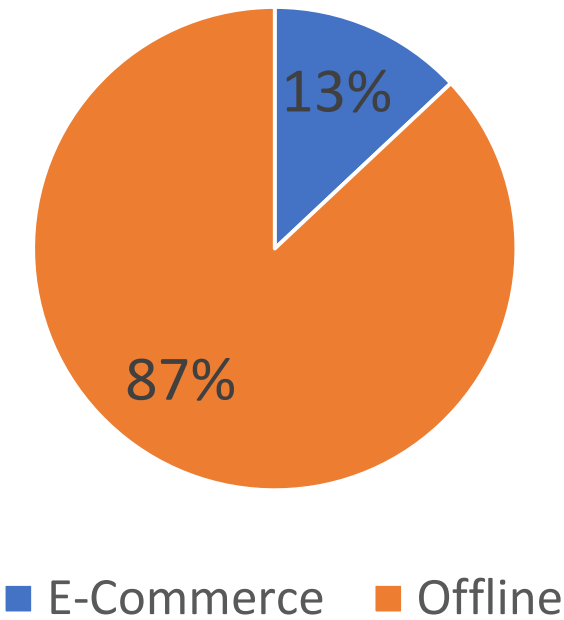




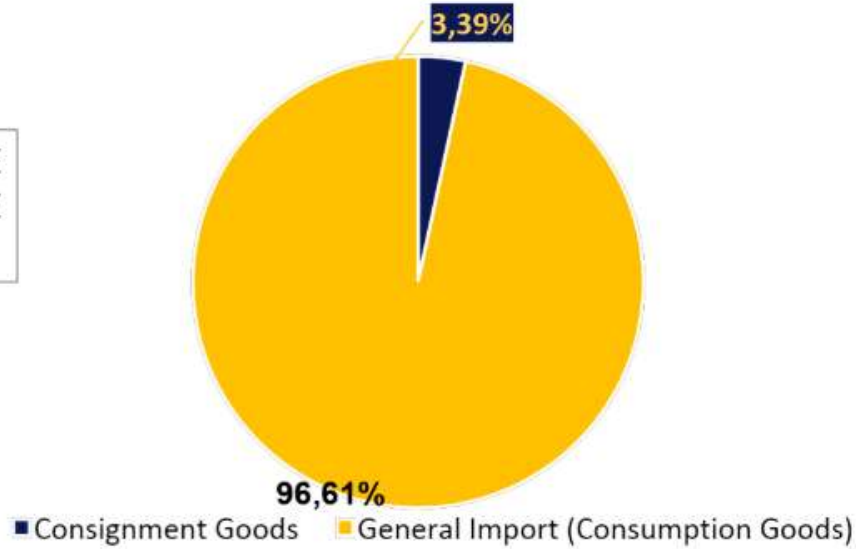
DIGITALIZATION OF TRADE

Introduction

MSMEs Channel



BASED ON DATA OF 2018, 90% OF THE TRANSACTION OF CONSIGNMENT GOODS ARE SELL THROUGH MARKETPLACE (ECOMMERCE)

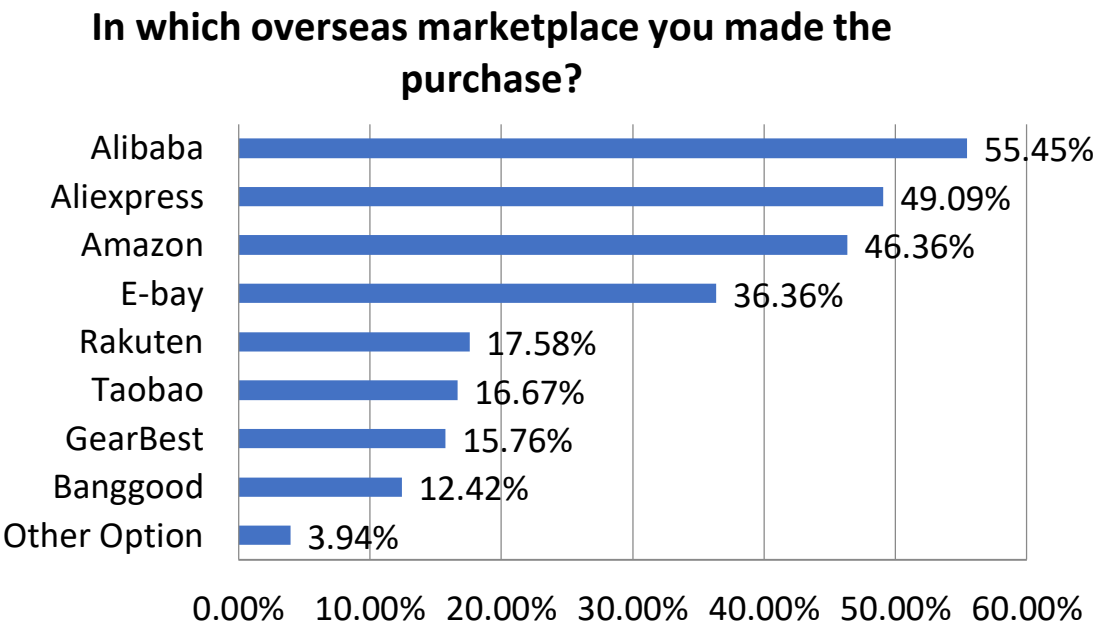
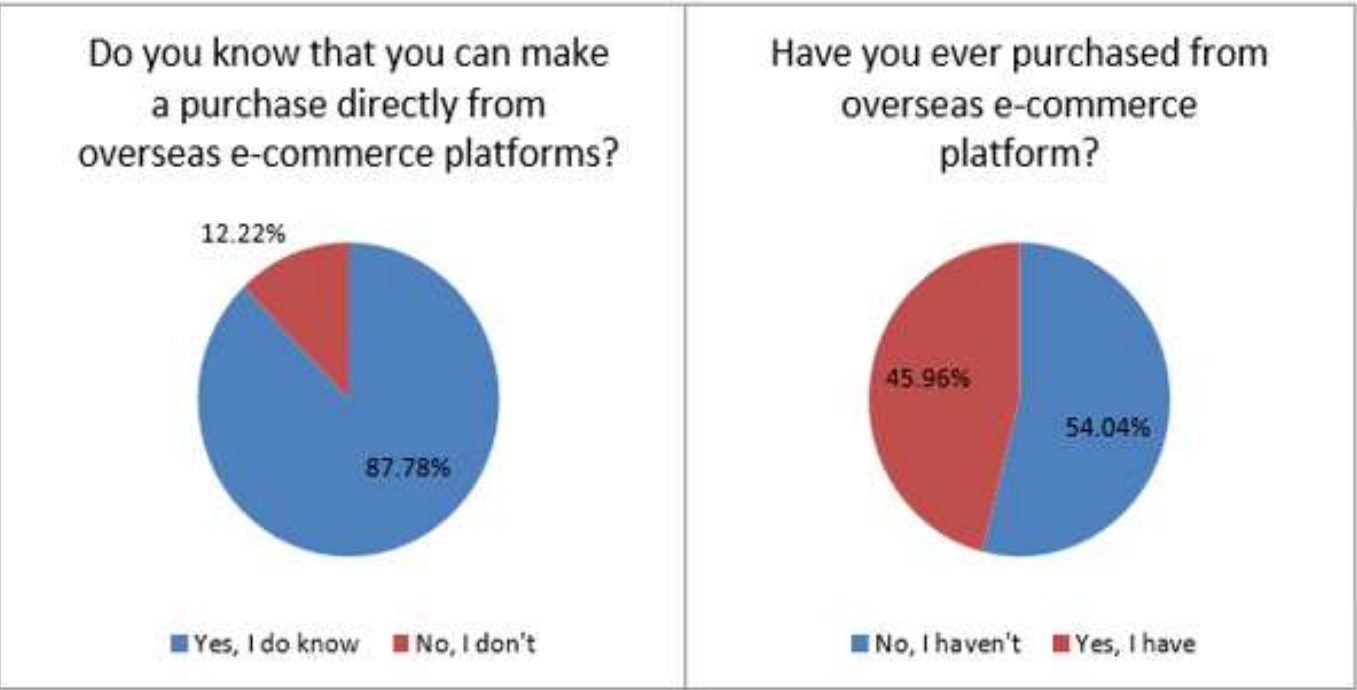


Number of Consignment Notes (CN) E-comm and Free On Board (FOB) E-comm Value Data (2018)

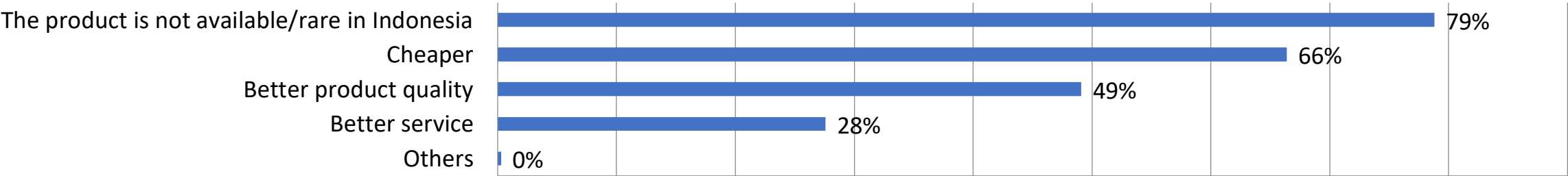
Average Growth : 10,49%/month



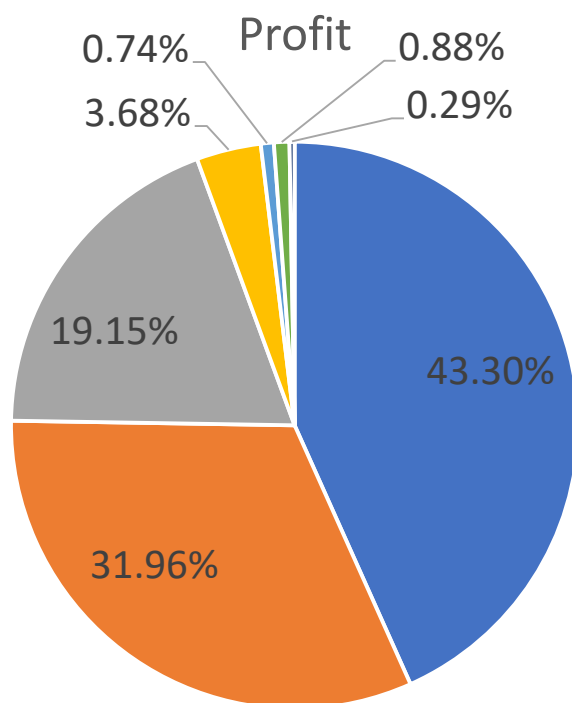
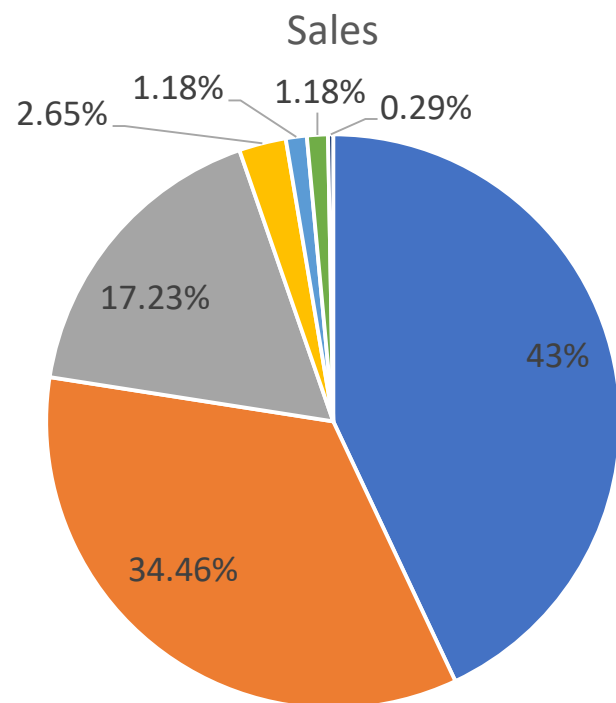
Cross-border trade through e-commerce



Why did you buy product from overseas marketplace?



Impact of Pandemic on MSMEs Businesses



More than 70% of MSMEs experienced more than 50% decline in sales and profits



There are 301,115 MSMEs switched to digital platforms during the pandemic (14 May to 9 June 2020)

E-grocery sales increased more than 400%

■ >75% decrease ■ 50-75% decrease ■ < 50% decrease ■ Remain the same
■ < 50% increase ■ 50-75% increase ■ >75% increase

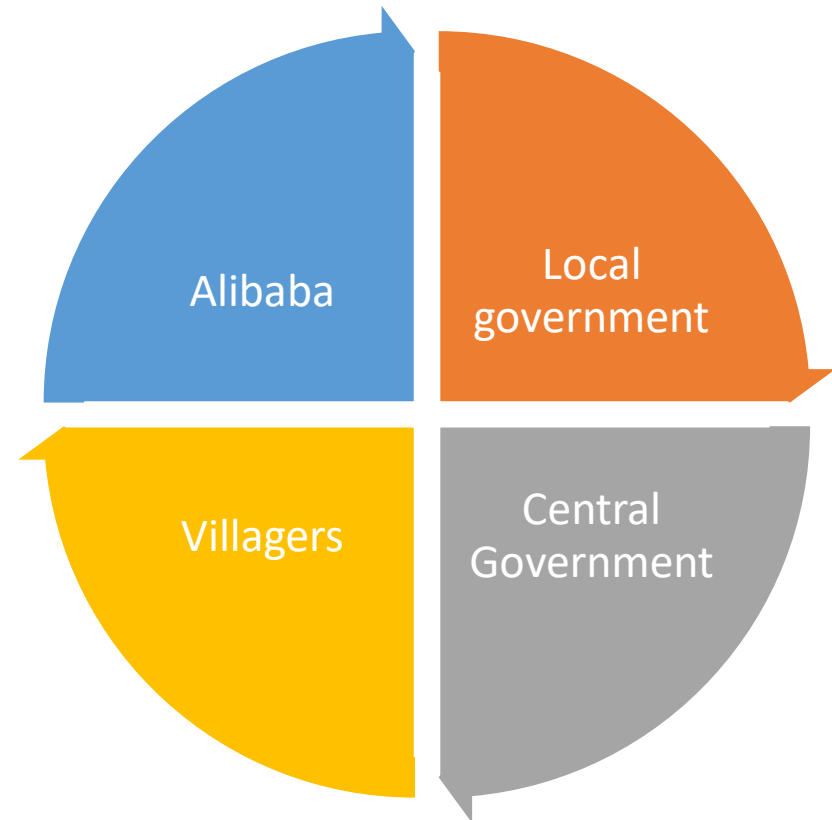
Source: Economic Research Center, LIPI (2020)
Ministry of Industry (2020)

Learning from China: Taobao Village

- Rural areas in China have enjoyed tremendous economic development growth as majority of the villagers are facilitated to buy and to run online shops in Alibaba group
- Those villages are called “Taobao Village”

Main Requirements:

- (i) Uses Taobao marketplace as the main platform for online selling/shopping,
- (ii) At minimum 10% of village residents actively engage in e-commerce or there are at least 100 villagers running online shops



Alibaba requires local govt to make investment commitment on infrastructure improvement

TRANSFORMATION



Taobao Village



Mega Taobao Village



Export

THANK YOU!