Indonesia Blue Finance Landscape

June 2022
National blue finance landscape analysis follows this flow

<table>
<thead>
<tr>
<th>SOURCES AND INTERMEDIARIES</th>
<th>INSTRUMENTS</th>
<th>USES</th>
<th>SECTORS (BLUE)</th>
<th>RECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central government budget</td>
<td>Government Expenditure</td>
<td>Mitigation</td>
<td>Marine fisheries and aquaculture</td>
<td>Central government ministries</td>
</tr>
<tr>
<td>Local government budget</td>
<td>Equity</td>
<td>Adaptation</td>
<td>Marine plastics and waste management</td>
<td>Local government agencies</td>
</tr>
<tr>
<td>State-owned Enterprises</td>
<td>Grant</td>
<td></td>
<td>Marine tourism and conservation</td>
<td>State-owned Enterprises</td>
</tr>
<tr>
<td>Public service agencies</td>
<td></td>
<td></td>
<td></td>
<td>Corporate Actors</td>
</tr>
<tr>
<td>Foreign government</td>
<td></td>
<td></td>
<td></td>
<td>Civic society organizations</td>
</tr>
<tr>
<td>Private Foundations</td>
<td></td>
<td></td>
<td></td>
<td>Research institutions/universities</td>
</tr>
<tr>
<td>Corporate Actors</td>
<td></td>
<td></td>
<td></td>
<td>MSME e.g., Co-ops and community group</td>
</tr>
<tr>
<td>Commercial Financial Institutions</td>
<td>Loan</td>
<td>Dual benefits</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Public international finance dominates Indonesia’s blue finance, while commercial banks are the majority of private sources.
Tracked public finance mostly goes to support disaster risk management, water, and wastewater, while the Marine and Fisheries Capital Fund Agency (LPMUKP) improves access to capital for marine and fishery communities.
Tracked private finance dominated by commercial banks, both state-owned and private

2015-2019 data
In million USD

Bank Negara Indonesia (BNI) 133.1
Bank Mandiri 17.3
Bank Rakyat Indonesia (BRI) 8.2
Bank Tabungan Negara 1.1
Bank Central Asia (BCA) 152.8
Bank Artha Graha 10.2
Bank Muamalat 3.9
Bank CIMB Niaga 1.2

Bank Negara Indonesia (BNI)
Bank Mandiri
Bank Rakyat Indonesia (BRI)
Bank Tabungan Negara
Bank Central Asia (BCA)
Bank Artha Graha
Bank Muamalat
Bank CIMB Niaga

Marine fisheries and aquaculture
Marine plastics and waste management
Marine tourism and conservation
Commercial loan dominates blue finance instrument, targeting water and waste infrastructure projects

2015-2019 data
In million USD

Project-level market rate debt
Low-cost project debt
Balance sheet financing (debt)
Grant
Interest subsidy
Project-level equity
Unknown
Balance-sheet equity

Otherwise, the amount of grants, low-cost project debts (concessional loans), and equity are relatively similar
Government agencies are the highest recipient as most blue finance tracked are ODAs

Blue Finance Received

- Public: 1348 million USD
- Private: 579 million USD
- Public/private: 159 million USD

2015-2019 data
In million USD

- Government agencies
- Unknown
- State-owned enterprises
- Co-ops and/or community groups
- Universities/research institutions
- Corporate actors
- Co-ops and/or community groups
- Unknown
- Civic society organizations/Non-Government Organizations
- Multiple recipients

NATIONAL BLUE FINANCE LANDSCAPE
Blue MSMEs financing landscape
Micro enterprises makes up the most of Indonesia’s MSMEs

<table>
<thead>
<tr>
<th>Definition</th>
<th>2019 MSME Data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Asset (in IDR)*</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt;50 M</td>
</tr>
<tr>
<td>Small</td>
<td>50 M – 500 M</td>
</tr>
<tr>
<td>Medium</td>
<td>500 M – 10 B</td>
</tr>
</tbody>
</table>

Source: Law 20/2008; Indonesian Ministry of Cooperative and SME, *excluding land and building
MSMEs constitute the largest majority of enterprises category, while contributing 14-16% of total exports.

99.99% of enterprises in Indonesia are MSME.

Source: ADB SME Finance monitor, data in 2020
There is greater opportunity for non-bank institutions to mobilize more finance to MSMEs

Non-banks finance for MSME only at 7-8%

...with small proportion from microfinance*

*Data limitation: Data is sourced from OJK financing statistics of banks and non-bank institutions. For the microfinance category, OJK has listed 27 Microfinance Institutions (MFIs) in 2021. This is in stark contrast with information from MICRA, one of Indonesia’s non-governmental organizations specialized in empowering MFIs, that it has helped more than 2110 MFIs since they began their operation in 2006. Such difference indicates a significant gap between the number of MFIs operating in Indonesia versus OJK’s microfinance data. Moreover, most of the MFIs are also co-op, which is under the authority of the Ministry of Cooperative and SME, not OJK.

Source: MSMEs financing landscape from OJK data, ADB SME Finance monitor, data in 2020
Indonesia records high volume of loans for MSME, with one of the lowest non-performing loans compared to other ASEAN countries

### MSME Loan to Total Loan, 2019 (%)

- **TH**: 31%
- **ID**: 20%
- **PH**: 6%
- **SG**: 6%
- **MY**: 5%

*Considering 99.99% of enterprises in Indonesia are MSMEs, like Thailand, this % can go higher*

### MSME NPLs to total MSME loans, 2019 (%)

- **PH**: 5.8%
- **TH**: 4.7%
- **SG**: 4.2%
- **MY**: 3.7%
- **ID**: 3.6%

*2018 data

Source: ADB SME Finance monitor, data in 2020

But the amount of MSME loans is still lower than its potential, because …
... commercial banks still require physical collateral for MSME Loans, which hinders many MSMEs from accessing finance

<table>
<thead>
<tr>
<th>Loan name</th>
<th>Collateral required</th>
<th>Collateral amount</th>
<th>Credit history</th>
<th>Interest rates</th>
<th>Loan amount</th>
</tr>
</thead>
</table>
| Kredit Usaha Rakyat BRI, Kredit Mikro BRI | • The business receivable used as collateral, although other collaterals (land/building or kiosk/car or motorbikes/machinery) might be used  
• Guarantors are sometime needed (guarantors need to have collaterals themselves)  | Can be less than loan amount | Use BI checking\(^2\), expect perfect payment history for 2 years and minimum 6 months of profitable business | 12-14 % p.a. for micro credit, 6% for KUR\(^3\), | IDR 10 Mn – 500 M |
| Kredit Usaha Rakyat BNI |                                                                                      |                   |                                                                                 |                         | Max IDR 500 M    |
| Kredit usaha Rakyat Mandiri |                                                                                      |                   |                                                                                 |                         | Max IDR 500 M    |
| Kredit usaha Rakyat BCA   |                                                                                      |                   |                                                                                 |                         | IDR 10 M – 500 M |

1. <50 M no collateral  
2. BI Checking is credit information system by the central bank that track individual/group credit history for the past 24 months  
3. Max IDR 50M  
Source: BRI, BNI, Bank Mandiri, Bank BCA
Most of MSME loans are concentrated in Java, while the highest growth occurs in the Lesser Sunda Islands.

Around 59% of MSME loans are concentrated in Java.

While the average annual growth* of MSME loans are the highest in the Lesser Sunda Islands.

- Java: +4.0%
- Sumatera: +3.5%
- Kalimantan: +4.5%
- Sulawesi: +5.6%
- Lesser Sunda: +6.2%
- Papua & West Papua: -0.4%

*Based on the 5-year data period (2017-mid 2021)

Source: OJK Indonesia Banking Statistics, September 2021
Wholesale and retail dominate MSME, while fisheries are very small in proportion (IDR 6T – 11T in total loan).

Shares of MSME Bank Loans by Sector (%)

Source: OJK Indonesia Banking Statistics, September 2021
Yet, share of loans for fisheries sector, driven by MSMEs, has consistently shown an upward trend with potential for further growth.

Ratio of fishing licenses ownership in Indonesia

- Individual: 64.5%
- Business group: 25%
- Private company: 9.8%
- Cooperative: 0.4%
- Foreign investment: 0.8%

Share of fisheries MSME Loans (%)

- 2017: 0.67%
- 2018: 0.74%
- 2019: 0.83%
- 2020: 0.99%
- 2021: 1.06%

Categorized as MSME based on Law 20/2008.

Source: OJK Indonesia Banking Statistics, September 2021
Barriers and opportunities
General barriers of MSME financing could be addressed...

<table>
<thead>
<tr>
<th>Key barriers</th>
<th>Potential solutions</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to finance</td>
<td><strong>Enhance credit and risk assessment mechanism</strong></td>
<td>Domestic</td>
</tr>
<tr>
<td>Lack of credit history and no ownership of collateral, which limit MSMEs' access to bank credit</td>
<td><strong>Increase the coverage of MSME financing</strong></td>
<td>International</td>
</tr>
<tr>
<td>Lack of dataset to assess MSMEs' risk level</td>
<td><strong>Provide customized assistance for specific MSME sectors</strong></td>
<td></td>
</tr>
<tr>
<td>Lack of access to bank credit in specific region/geographies</td>
<td><strong>Technical assistance, capacity building for local MSMEs</strong></td>
<td></td>
</tr>
<tr>
<td>Lack of flexibility to cater to specific needs of MSME sectors</td>
<td><strong>Improve partnerships with local training institutions/schools</strong></td>
<td></td>
</tr>
<tr>
<td>Human capacity</td>
<td><strong>Combine technical assistance with wider recognition of MSMEs</strong></td>
<td></td>
</tr>
<tr>
<td>Suboptimal skills to grow business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shortage of skilled labor with business acumen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of innovative/entrepreneurial culture</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CPI, 2020; CPI analysis
... but there are also several location and blue sector-specific barriers

<table>
<thead>
<tr>
<th>Location-specific</th>
<th>Key barriers</th>
<th>Potential solutions</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Productivity</td>
<td>Lack of infrastructure, access to finance, and human capacity</td>
<td>Financing instruments – grant, debt</td>
<td>Domestic</td>
</tr>
<tr>
<td></td>
<td>Niche products with suboptimal marketing strategy</td>
<td>Risk-sharing financial instrument/investment platform to funding needs of fishery projects &amp; mobilize private capital</td>
<td>International</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector-specific</th>
<th>Lack of infrastructure</th>
<th>Boating/Fisheries Infrastructure Grant Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lack of integrated ports, road, and distribution channel</td>
<td>Sustainable fisheries management</td>
</tr>
<tr>
<td>High barriers to entry</td>
<td>Lack of basic infr., i.e., water, electricity, freezers, fuel (SPDN)</td>
<td>Capacity building program – Advisory support</td>
</tr>
<tr>
<td>Governance issues</td>
<td>Low boat ownership among fishers due to high cost</td>
<td>Insurance mechanism to mediate economic risk</td>
</tr>
<tr>
<td></td>
<td>Traditional fishers usually have low literacy and economic status</td>
<td></td>
</tr>
<tr>
<td>Inherent market bottleneck</td>
<td>Miscoordination on integrated management and plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lengthy consultation process for conservation areas (&gt;5 years)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low demand on fish protein, most consumed locally</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High uncertainty of harvest, leading to financial loss</td>
<td></td>
</tr>
</tbody>
</table>

Source: BAPPENAS, Mongabay, Trenlaut, ANTARA
SMEs in Java on average has higher productivity index...

...but are less competitive because islands SMEs usually have niche markets

Source: BAPPENAS (2014)
Case study
Microfinance Innovation Center for Resources and Alternatives (MICRA) Indonesia

The microfinance sector in Indonesia is one of the largest in the world with over 120,000 microfinance institutions (MFIs). Founded in 2006, MICRA is a foundation which offers supports for the growth of MFIs. MICRA operates in three key areas, namely financial portal, digital education, and sustainable livelihoods.

Context

Thematic Area

- Education
- Disaster-risk management
- Sustainable livelihoods

Services

- Technical Assistance
- MFI establishment
- Ratings and appraisals
- Interim management support
- Research and innovation
- Managing grant fund

Donors & partners

- syngenta
- Asia Affinity
- MERCY CORPS
- BSR
- Rabobank
- Bank Andara
- IFC
- Bank Indonesia

Results

- 117 Research and innovation projects delivered
- 603 Assessment programs carried out with UPK-PNPM Mandiri
- 574 Rating assessments performed to validate credit standing of MFIs in Indonesia
- 2110 MFI partners that participated in technical assistance programs

Source: MICRA website (Oct 2021)
Case study
People’s Credit Program (KUR) and Resilient Food and Energy Credit (KKPE)

Context
From 2007-2014, KUR worked by providing credit guarantee for co-ops and MSMEs. After 2014, KUR works by providing subsidies with commercial interest rates (up to 13%) for lending. Meanwhile, KKPE is slightly different from KUR in terms of interest rate and how it targets food farmers/fishers under a farmer groups and cooperative.

Action

**Government**

Interest rate subsidy

**Banks**

Loan

**Farmers/cooperatives**

No collateral required for ultra micro, micro, and small KUR credit amounting to IDR 100 M

**KKPE**

- Max IDR 25 M for individual and IDR 500 M for group
- Interest rate of 8% p.a
- May require collateral
- Government subsidizes the interest rate

**KUR**

- Max IDR 25 M for individual and IDR 500 M for group (clustered enterprises)
- Interest rate of 7% p.a.; tenor 3-5 years
- Often complemented by credit guarantee
- Government subsidizes the interest rate
- During COVID until Dec 2020, 0% interest rate

Results

**KUR intermediaries:** State-owned banks, private banks, regional banks, financing companies, and cooperatives

Increasing loans disbursed, despite COVID-19

<table>
<thead>
<tr>
<th>Year</th>
<th>KUR disbursement/commitment ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.76</td>
</tr>
<tr>
<td>2016</td>
<td>0.94</td>
</tr>
<tr>
<td>2017</td>
<td>0.88</td>
</tr>
<tr>
<td>2018</td>
<td>1.00</td>
</tr>
<tr>
<td>2019</td>
<td>1.00</td>
</tr>
<tr>
<td>2020</td>
<td>1.04</td>
</tr>
</tbody>
</table>

Source: Coordinating Ministry of Economic Affairs, BJBE kkpe
**Case study**

**Revolving Fund for Marine and Fisheries SMEs (LPMUKP)**

**Context**

Established by the Ministry of Marine Affairs and Fisheries in 2009 to improve access to capital for marine and fishery communities. LPMUKP became a Public Service Agency (BLU) in 2016 and since 2017, it has been receiving state fund allocations for BLU.

**Action**

Providing loan facilities to marine and fisheries businesses through:
- Direct loan to cooperatives
- Indirect loan through intermediaries such as bank, microfinance, cooperative, and rural banks (BPR)
- Secured loans (need collateral)

4–7% Maximum annual interest rate.

Beneficiaries must undergo training and provide proof of credibility.

Beneficiaries can be individual, MSMEs, and co-ops.

**Results**

IDR 1.35 T

Or USD 99M of loans has been channeled to beneficiaries in 2018

<table>
<thead>
<tr>
<th>% Loan channeled</th>
<th>Fishermen</th>
<th>Fish farming</th>
<th>Fish processing</th>
<th>Salt processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: LPSE and LPMUKP.
Case study
UKM Indonesia Platform

Hosted by the Faculty of Economic and Business, University of Indonesia (FEB UI), UKM Indonesia is Indonesia’s first web portal that aims to eliminate information asymmetry, especially on business licensing process as the website provides complete information on business licensing in Indonesia using a user-friendly design.

Context

Action

Real time training information

Results

8 Cities
Cities partners such as Bandung, Bekasi, Bogor, Denpasar, Depok, Sukabumi, Surabaya and Payakumbuh

150+
MSMEs within the platform, spread across 6 different sectors such as food industry, textile, food and beverage services, retail, and tourism

Source: UKM Indonesia website and report

600+
Of central government regulations, local regulations, and guidelines are documented
Regulatory environment is still unfavorable towards MSME

Indonesia ranks #140 on the ease of starting businesses, using the samples from its two largest cities

<table>
<thead>
<tr>
<th>Country</th>
<th>2020 Ease of starting a business score</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>94</td>
</tr>
<tr>
<td>Thailand</td>
<td>92.4</td>
</tr>
<tr>
<td>Malaysia</td>
<td>83.3</td>
</tr>
<tr>
<td>Indonesia (Jakarta)</td>
<td>82.2</td>
</tr>
<tr>
<td>Indonesia (Surabaya)</td>
<td>77.7</td>
</tr>
<tr>
<td>Philippines</td>
<td>71.3</td>
</tr>
</tbody>
</table>

Key challenges faced by MSME and startups

- **Starting a business**
  - 11 procedures on average, compared to 6.5 in Asia Pacific
  - Relatively quick time required, only 13 days (in major cities)

- **Registering property**
  - Require 31 days
  - High cost (cost 8.3% of property value, compared to 4.5% in East Asia and Pacific)

- **Getting credit**
  - World’s best on depth of credit information index (8/8) – high standards for MSME
  - But low in legal rights index (6/12)

- **Enforcing contracts**
  - Very high cost (70.3% of total claim value, compared to OECD at 21.5%)

- **Trading across borders**
  - 130-160 hours needed for exim documentary compliance, compared to 23.5 - 33.4 hours for OECD

Towards more favorable regulatory framework: Transforming MSME through corporatization, with fisheries as one of the prioritized sectors

Generic model for MSME corporatization

**MSMEs**

- Contract
- Commodity/product
- Payment

**Partnerships and market access**

- Contract
- Commodity/product
- Payment

- Social assistance recipients/MSME/Individuals
- • Subsistence group
  • MSME group

**Horizontal corporatization**

**Vertical corporatization**

**Top-priority sectors**

1. Agriculture
2. Manufacturing
3. Fisheries
4. Tourism

**Integrated business models**

1. Cluster formation
2. Halal value chain ecosystem
3. Capacity building and financing
4. Replication

Source: Central Bank of Indonesia, 2021
High interest lending rate is one of the major barriers for rural lending, exacerbated by the lack of access to formal lending.

Indonesia has a high lending interest rate in ASEAN

<table>
<thead>
<tr>
<th>Country</th>
<th>5-year average interest rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>11.2%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4.3%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>7.3%</td>
</tr>
<tr>
<td>Thailand</td>
<td>4.7%</td>
</tr>
<tr>
<td>Philippines</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Informal lending often has a significantly higher interest rate

<table>
<thead>
<tr>
<th>Lender</th>
<th>Max</th>
<th>Min</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan shark</td>
<td>360%</td>
<td>70%</td>
</tr>
<tr>
<td>Co-ops</td>
<td>35%</td>
<td>18%</td>
</tr>
<tr>
<td>Rural banks (BPR)</td>
<td>12%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Meanwhile, access to formal lending is still low

Account ownership at financial institutions**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of population over 15 years old, 2018 data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>97.9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>85.3%</td>
</tr>
<tr>
<td>Thailand</td>
<td>81.6%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>48.9%</td>
</tr>
<tr>
<td>Philippines</td>
<td>34.5%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>30.8%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

*for corporate lending, 2015 – 2019 data

**percentage of population over 15 years old, 2018 data

Source: CPI (2020), OECD, MICRA interview
Policy implementation: Indonesia has used several traditional approaches to mobilize MSME finance in addressing high lending rate

- **Block grant**: to purchase infrastructure (i.e., boat, fish seeds, etc.) but usually without concrete follow-up on who will manage the grant and how to build their capacity

- **Formal financing from state-owned/ regional/ rural banks**: normally in collaboration with local co-op groups to push a formal financing, or by just simply encouraging banks to have higher proportion of MSME loans

- **Low-cost loans**: using KUR/KKPE, to attract MSME borrowers that can pass the banks’ KYC, with low interest rate

“Government gave the communities some fish seedling and feed, but they did not equip them with the required skills to do so, hence the start-up we invest in must take the additional responsibility of training them.” - Venture Capital
Case study
Shrimp paste processing in Cirebon, West Java

In Cirebon’s coastal areas, shrimp paste MSMEs often have low productivity and are based on household business. There is also an issue of low human capacity, lack of access to finance, and lack of access to information. “Bank keliling” and sharia bank financing dominate the source of loan for Cirebon’s shrimp paste MSMEs.

“Bank Keliling” is an informal loan shark that is still popular among the low-middle income in Indonesia. They are not listed in the OJK. The interest rate may reach to double digit % per month. The lack of financial literacy and access to OJK-acknowledged institutions are the reasons why Bank Keliling still runs rampant.

Sharia Financing
Is considered a better option than Bank Keliling because it is registered in the OJK and has clear rules. It is also less likely to be predatory and more acceptable culturally.

17.1% IRR
Economically viable

IDR 114 Mn required
Investment capital of IDR 108.4 Mn + working capital of 5.9 Mn

11.8% IRR
Economically viable

IDR 120 Mn required
Investment capital of IDR 114 Mn + working capital of 6 Mn

2.2 yrs PBP
Attractive for banking finance since PBP <5 yrs

2.0 yrs PBP
Attractive for banking finance since PBP <5 yrs

Source: Central Bank of Indonesia
**Case study**
Captured gillnet-fisheries financing in Batam

**Context**
There are needs to expand gillnet fisheries in Batam, Riau Islands province. Gillnet fishers face difficulties on cashflows: during harvest time, they will have enough cash, so they do not need financial assistance. During low season, they need loans to finance their high-risk operations.

**Action**

- **Grant**
  - Boats & TA

- **Low-cost loan**
  - 14% p.a
  - 1-3 yrs tenor

- **Commercial loan**

**Nation-wide replicated blue financing model**

**Results**

- **28.04% IRR**
  - Economically viable
- **3.6 yrs PBP**
  - Attractive for banking finance since PBP <5 yrs
- **IDR 1.42 Bn required**
  - Investment capital of IDR 1.42 Bn + working capital of 75 Mn

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**Source:** Central Bank of Indonesia
Case study
Seaweed and milkfish polyculture in Bekasi, West Java

As seaweed and milkfish cultivators in, Muara Gembong, Bekasi, have never received financing from banks, they mainly obtain support from cooperation to fund their businesses.

**Context**

- **Source**: Central Bank of Indonesia

**Action**

1. **Commercial loan**
   - MSME Loan

2. **Community group**
   - Low-cost loan
   - Member ship loans

3. **Weekly/daily banks**
   - Fisher

**Results**

- **46% IRR**
  - Economically viable
- **4 yrs PBP**
  - Attractive for banking finance since PBP <5 yrs
- **IDR 104 Mn required**
  - Investment capital of IDR 99.1 Mn+
  - Working capital of 4.9 Mn

**Loan size**

<table>
<thead>
<tr>
<th>No</th>
<th>Source</th>
<th>Intermediary</th>
<th>Requirement level</th>
<th>Loan size (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank Bukopin</td>
<td>Swamitra Coop, Gembong Subdistrict</td>
<td>High, 16% p.a interest</td>
<td>2 - 5 Mn per individual, higher for group</td>
</tr>
<tr>
<td>2</td>
<td>Coastal community group</td>
<td>-</td>
<td>Low, 0% interest rate</td>
<td>1 - 1.5 Mn</td>
</tr>
<tr>
<td>3</td>
<td>Batak and Bugis “short-credit bank”</td>
<td>-</td>
<td>Low, 10% interest rate per transaction</td>
<td>&lt; 5 Mn</td>
</tr>
</tbody>
</table>

**Loan size (‘000 IDR)**

- 31,194
- 72,786

**In-kind (‘000 IDR)**

- 72,786

**Source**: Central Bank of Indonesia
Conclusion

• Public international finance flowing towards Indonesia’s blue economy program still dominates the public financing side

• **Banks are still major private sector players in blue financing**: Commercial banks contribute over USD 327 million dollars to blue finance in Indonesia, according to CPI's finance tracking

• **SMEs still face obstacles in accessing finance from banks**: Commercial banks in Indonesia require physical collateral for loans, which poses a barrier for MSMEs in Indonesia as many of them do not own physical assets

• **Meanwhile, the size of blue MSMEs is still relatively small and concentrated**: Historically, the wholesale and retail sectors dominate MSME loans portfolio in Indonesia, while fisheries are very small in proportion. Furthermore, most SME loans are concentrated in the most developed Java Island, although the highest growth is happening in the less-developed Lesser Sunda Islands.
Recommendation

Focus on reducing the barriers to entry to increase blue finance mobilization

The government could tackle barriers to accessing finance, e.g., physical collateral, appropriate credit history, and access to bank credit, by pursuing potential solutions such as:

- enhancing credit and risk assessment mechanisms for blue MSMEs
- increasing the coverage of MSMEs financing, and
- providing customized assistance for blue MSMEs in accessing loans

Invest public finance in building human capacity and increasing productivity

As blue MSMEs are still faced with the suboptimal skills to grow their businesses and are lacking the access to skilled labor, policies should be able to provide the necessary technical assistance, partnerships, and advisory services

Spur private investments by allocating public finance to improve infrastructure, incentive mechanisms, and market access services

Several potential solutions are:

- risk-sharing financial instrument / investment platforms
- concessional loans, and
- comprehensive natural disaster fisheries insurance