

*Momentum for Accelerating National
Islamic Financial Growth in Response to
the Enactment of the Law on the
Development and Strengthening of
the Financial Sector (UU PPSK)*

Indonesian Islamic Finance Report

2023





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"Momentum for Accelerating National Islamic Financial Growth in Response to the Enactment of the Law on the Development and Strengthening of the Financial Sector (UU PPSK)"

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Indonesia Financial Services Authority**

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FOREWORD

CHAIRMAN OF OJK'S BOARD OF COMMISSIONERS



MAHENDRA SIREGAR

Chairman of the Financial Services Authority's (OJK) Board of Commissioners

The enactment of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU PPSK) marks a pivotal moment in the reform of Indonesia's financial sector and serves as a foundation for accelerating national economic development.

Praise be to God Almighty, for it is by His grace and blessings that Indonesia Financial Services Authority (OJK) has published the 2023 Indonesian Islamic Finance Report (LPKSI), with the theme of "Momentum for Accelerating National Islamic Financial Growth as a Follow-up to the Enactment of the PPSK Law." The enactment of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU PPSK) marks a pivotal moment in the reform of Indonesia's financial sector and serves as a foundation for accelerating national economic development. To face the current global challenges, including various geopolitical situations, potential recessions in numerous regions, and climate change, it is necessary to strengthen the stability of Indonesia's financial system, including the Islamic financial sector.

In line with the mandate of the PPSK Law, OJK has promoted various policies that have resulted in initiatives such as strengthening the governance of Islamic Commercial Banks and Islamic Windows of Conventional Banks, issuing the first social corporate sukuk in Indonesia, and restructuring the pension fund industry. OJK's support in

fostering the potential growth of national Islamic finance will continue. Indonesia's Islamic economy and finance, comprising Islamic banking, Islamic capital markets, insurance, pension funds, financing institutions, and other Islamic financial services institutions, have shown continuous development. In 2023, the assets of the Islamic financial industry (excluding Islamic stock capitalization) reached IDR2,582.25 trillion, growing positively by 9.04% (yoY). The resilience and positive performance of Indonesia's Islamic financial services institutions (FSI) are globally recognized and appreciated. Indonesia's position in the 2023 Islamic Finance Development Indicator (IFDI) remained 3rd, while in the Global Islamic Fintech Index 2023, Indonesia also ranked 3rd. Furthermore, due to its positive environmental impact, Indonesia's Green Sukuk has received 15 awards from various international institutions. The aforementioned policy measures and developments are comprehensively summarized in the 2023 Indonesian Islamic Finance Report (LPKSI).

Through collaboration with relevant stakeholders, Islamic economic and financial policies will always be directed to enhance the contribution of Islamic finance to national economic growth. This is carried out by continuing the development of the Islamic economic ecosystem and synergizing in various literacy and education programs to increase public awareness of Islamic finance. The publication of the LPKSI is a tangible manifestation of our collective commitment to developing and strengthening Islamic finance in Indonesia. In the 2023 LPKSI, OJK continues its collaboration and synergy with

Bank Indonesia, the Ministry of Finance of the Republic of Indonesia, and the National Committee for Islamic Economy and Finance (KNEKS) in presenting a portrait of Islamic financial services institutions (IJK) as well as various Islamic economic and financial policy initiatives to support the reform of Indonesia's financial sector.

In closing, on behalf of the OJK Board of Commissioners, we express our appreciation for the support of all stakeholders in efforts to promote the potential growth of national Islamic finance. We hope the 2023 LPKSI serves as a useful reference for the general public and enhances the spirit of collaboration among all parties in promoting the reform of Indonesia's financial sector as mandated by the PPSK Law through the development and strengthening of the Islamic economy and finance.

Peace be upon you and God's mercy and blessings.



MAHENDRA SIREGAR
Chairman of OJK's Board of Commissioners



BOARD OF COMMISSIONERS OF THE INDONESIA FINANCIAL SERVICES AUTHORITY (OJK)



PERIOD 2022-2027

- 1 MAHENDRA SIREGAR**
Chairman of the Board of Commissioners of the Financial Services Authority
- 2 MIRZA ADITYASWAR**
Vice Chairman of the Board of Commissioners of the Financial Services Authority, concurrently Chairman of Ethics Committee
- 3 DIAN EDIANA RAE**
Chief Executive of Banking Supervision concurrently Member of the Board of Commissioners of the Financial Services Authority
- 4 INARNO DJAJADI**
Chief Executive of Capital Market, Derivatives, and Carbon Exchange Supervision, concurrently Member of the Board of Commissioners of the Financial Services Authority
- 5 OGI PRASTOMIYONO**
Chief Executive of Insurance, Guarantee, and Pension Fund Supervision, concurrently Member of the Board of Commissioners of the Financial Services Authority
- 6 AGUSMAN**
Chief Executive of Supervision of Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Financial Services Institutions, concurrently Member of the Board of Commissioners of the Financial Services Authority
- 7 HASAN FAWZI**
Chief Executive of Financial Sector Technology Innovation, Digital Financial Assets, and Crypto Assets Supervision, concurrently Member of the Board of Commissioners of the Financial Services Authority
- 8 FRIDERICA WIDYASARI DEWI**
Chief Executive of Financial Services Business Conduct Supervision, Education, and Consumer Protection, concurrently Member of the Board of Commissioners of the Financial Services Authority
- 9 SOPHIA ISABELLA WATTIMENA**
Chairman of the Audit Committee concurrently Member of the Board of Commissioners of the Financial Services Authority
- 10 DONI PRIMANTO JOEWONO**
Senior Deputy Governor, Ex-Officio Member of OJK Board of Commissioners from Bank Indonesia
- 11 SUAHASIL NAZARA**
Vice Minister of Finance, Ex-Officio Member of OJK Board of Commissioners from Ministry of Finance

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01

ISLAMIC FINANCE



MACRO ECONOMY

The global economy in 2023 grew by 3.2%, driven by the continued normalization of the global economy post-pandemic and the war in Ukraine. The tightening of monetary policies by global central banks continued and began to impact inflation. However, the global economic recovery demonstrated divergent trends, particularly among the United States (US), Europe, and China.

Global inflation in 2023 followed a downward trend. In the United States (US), core inflation in December 2023 was recorded at 3.9% year-on-year (yoY), down from 5.7% (yoY) in the same period the previous year. Core inflation in the Eurozone was also relatively low, at 3.4% (yoY). However, these inflation rates were still above the central banks' targets*, prompting global central banks to maintain their policy interest rates at high levels for an extended period ("higher for longer").

Although this "higher for longer" policy helped reduce inflation, it resulted in higher borrowing costs and hindered economic recovery in 2023. Nevertheless, the US economy grew beyond expectations and avoided a recession. This was driven by a robust labor market and a rapid recovery in household consumption. The quick recovery in US household consumption was also supported by the accumulation of excess savings during the pandemic period.

In the Eurozone, the economic recovery was observed to be slower, mainly due to the deeper impact of the war in Ukraine and still-weak household consumption performance.

Meanwhile, in China, the economic recovery was hindered by pressures in the property sector, followed by weakening domestic demand and a decline in exports.

On the production side, manufacturing activity in major economies gradually recovered as the balance between global supply and demand improved. The **Manufacturing Purchasing Managers' Index (PMI)** for most countries showed improvement, although it still remained in the contraction zone.

Developments in each country were also reflected in consumer confidence indices, with consumers in the US showing greater optimism** about the economy compared to those in other major countries.

The global economy is projected to remain relatively stable in 2024, with stronger-than-expected economic resilience. Major **Advanced Economies (AEs)** are expected to avoid recession, while **Emerging Market Economies (EMs)** are anticipated to continue growing solidly, albeit at a slightly moderated pace. Global central banks are projected to begin easing interest rate policies.

* The inflation target of the US Federal Reserve and the ECB is 2.0%.

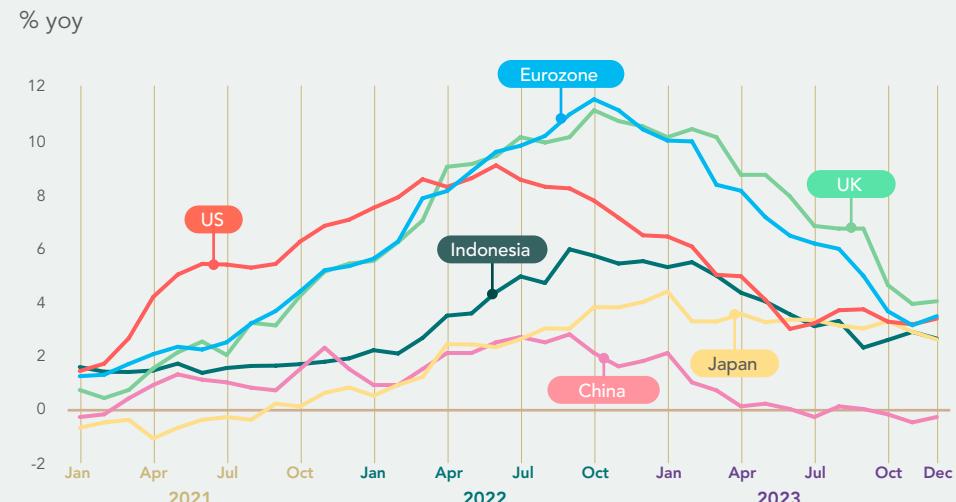
** An indicator above 100 reflects optimism

GLOBAL ECONOMIC OUTLOOK

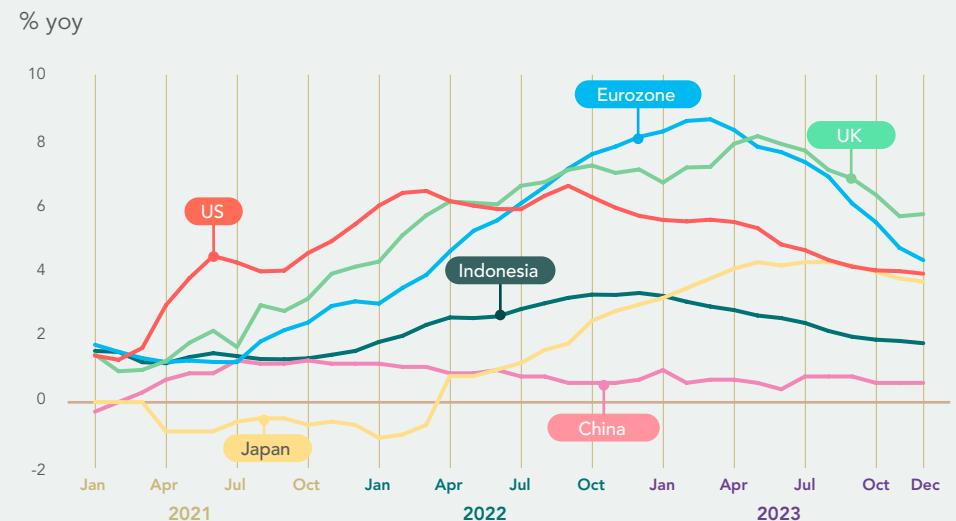
COUNTRY	2022	2023				PROJECTION		
		Annual	Q1	Q2	Q3	Q4	2023e	2023f
Global	3.5						3.1	3.1
Advanced Economies	2.6						1.6	1.5
United States	1.9	1.7	2.4	2.9	3.1	2.5	2.1	
Eurozone	3.4	1.3	0.6	0.0	0.1	0.5	0.9	
Japan	1.0	2.5	2.2	1.5		1.9	0.9	
United Kingdom		0.4	0.3	0.3		0.5	0.6	
Emerging Markets	4.1					4.1	4.1	
China	3.0	4.5	6.3	4.9	5.2	5.2	4.6	
India		6.1	7.8	7.6		6.7	6.5	
Brazil		4.2	3.5	2.0		3.1	1.7	
Indonesia	5.3	5.0	5.2	4.9	5.0	5.0	5.0	

Sources: Bloomberg, CEIC, IMF World Economic Outlook

GLOBAL INFLATION



GLOBAL CORE INFLATION



Sources: CEIC

GLOBAL CONSUMER CONFIDENCE INDEX



POLICIES OF GLOBAL CENTRAL BANKS



Sources: Bloomberg, CEIC

COUNTRY	2023 POLICY RATE		2024 PROJECTION
	%	Δ YTD	
US	5.50%	100 bps	4.25%
Eurozone	4.00%	200 bps	3.25%
United Kingdom	5.25%	175 bps	4.00%
Japan	-0.10%	0 bps	0.00%
South Korea	3.50%	25 bps	3.00%
Brazil	11.75%	-200 bps	9.00%
India	6.50%	25 bps	5.50%
China	2.50%	-25 bps	2.20%
South Africa	8.25%	125 bps	8.00%
Indonesia	6.00%	50 bps	4.75%

COMMODITY PRICES



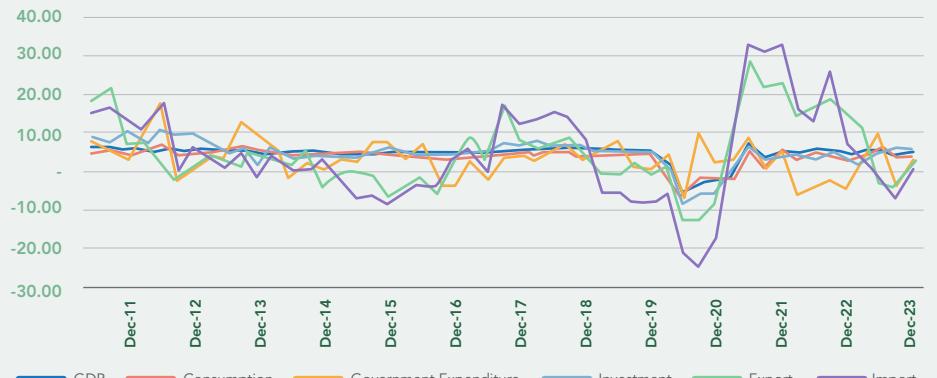
MANUFACTURING PMI



DOMESTIC ECONOMY

Throughout 2023, the Indonesian economy grew strongly and stably amidst a slowing global economy and increasing uncertainty. Domestic economic performance grew by 5.05%, driven by sustained domestic demand in line with preparations for the general elections.

INDONESIAN ECONOMIC GROWTH



From the expenditure side, consumer purchasing power remained strong, with household consumption as the main contributor to economic growth at 4.82%, supported by controlled inflation. In the lead-up to the 2024 general elections, there was a significant increase in consumption by Non-Profit Institutions Serving Households (LNPT), rising to 9.83% in 2023 (2022: 5.67%). When detailed, LNPT consumption peaked at 18.11% in Q4-23 (Q3-23: 6.18%). This increase was largely due to the massive escalation in logistics and operational needs for political party activities, which are part of LNPT.

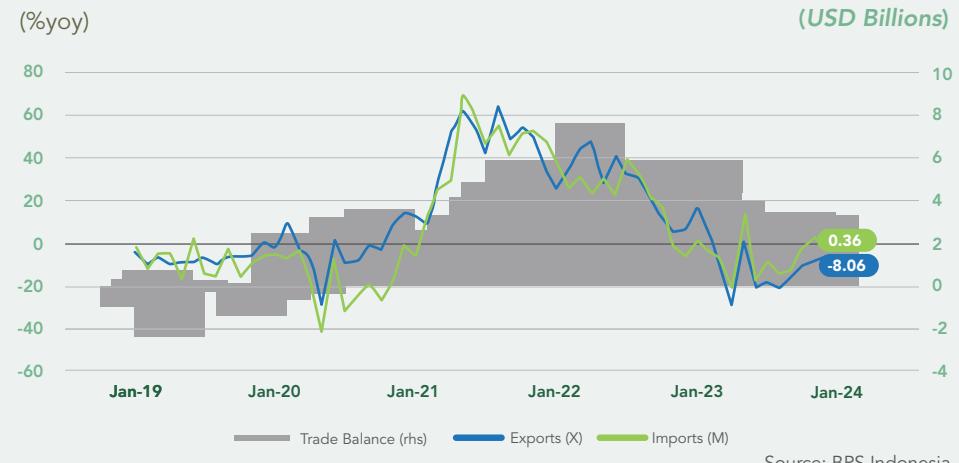
Inflation in 2023 was controlled at a level of 2.62% (yoY) amid adjustments in non-subsidized fuel prices and changes in weather patterns due to a moderate El Nino phenomenon previously predicted to last until mid-2024. Maintained purchasing power also bolstered stable domestic retail sales, particularly in vehicle-related categories. The stability in retail sales was further supported by consumer optimism, as reflected in the Consumer Confidence Index remaining in the optimistic zone (>100) throughout 2023.

Amid the decline in the prices of Indonesia's leading export commodities, export GDP in 2023 still recorded positive growth, supported by increases in oil and gas exports and export services. By the end of 2023, Indonesia's trade balance also marked a surplus for 44 consecutive months, reaching USD36.92 billion.

From the sectoral side, the domestic economy remained supported by the manufacturing and trade industries. Domestic manufacturing performance was observed to be in consistent expansion in 2023, as reflected in the Manufacturing PMI remaining above 50 throughout the year. This was supported by increased exports, particularly in basic metal products, metal goods, and transportation equipment. Increased public mobility and several international events also drove growth in the transportation and accommodation sectors.

In line with the performance of manufacturing, business activity increased throughout 2023, with the average Weighted Net Balance (SBT) Indicator of Business Activity in 2023 at 14.12, higher than the previous year's 11.86.

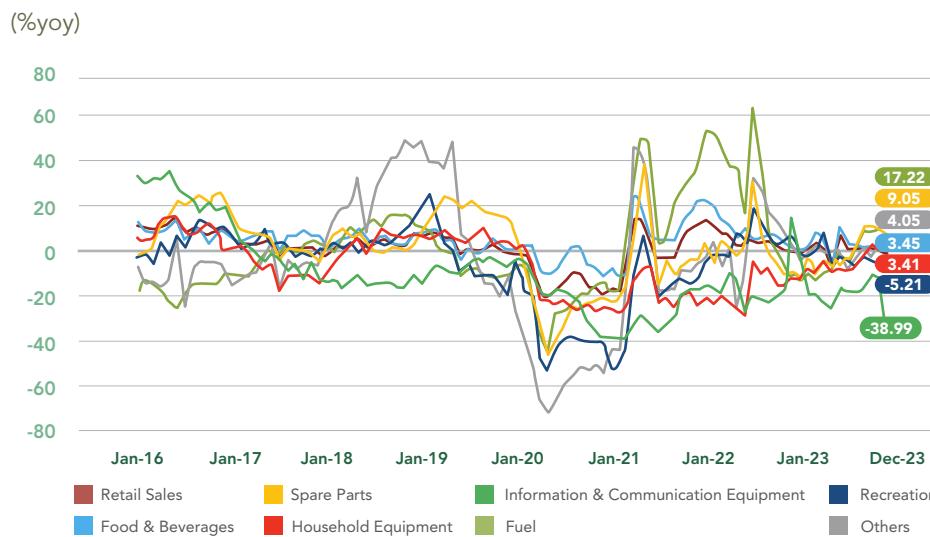
INDONESIAN TRADE BALANCE



INDONESIAN INFLATION

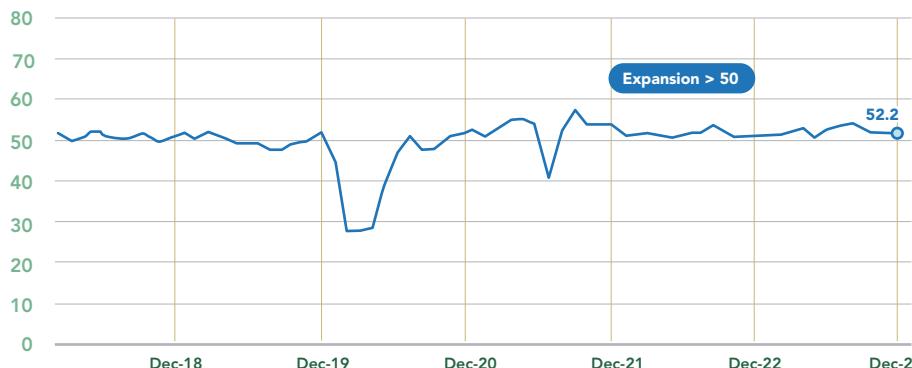


RETAIL SALES GROWTH



Source: Bank Indonesia

INDONESIAN MANUFACTURING PMI



Source: S&P Global

CONSUMER CONFIDENCE INDEX



BUSINESS ACTIVITIES



Source: Bank Indonesia

OVERVIEW OF ISLAMIC FINANCE IN INDONESIA



The global Islamic finance industry continued to show positive developments amid the global economic slowdown.

The global Islamic finance industry reached a total asset size of USD4.5 trillion in 2022, marking an 11% increase. Sectorally, the global Islamic finance industry showed positive growth overall, though the Islamic Funds sector experienced a slowdown. Despite this deceleration, the Islamic finance industry is expected to continue expanding, with a projected total asset size of USD6.7 trillion by 2027.

As one of the largest Islamic finance markets, Indonesia ranked 7th among countries with the largest Islamic finance industries in the world. Additionally, Indonesia achieved 3rd place in the Islamic Finance Development Indicator 2023, as published in the Islamic Finance Development Report 2023. Furthermore, Indonesia also secured 3rd place in the Global Islamic Economy Indicator Score, where Islamic finance is a key component.

To maintain the momentum of economic growth, Indonesia's Islamic financial services industry continued to show impressive expansion. By the end of December 2023, the total assets of the Islamic financial sector in Indonesia, excluding Sharia stocks, amounted to IDR2,582.25 trillion. This represents a 9.04% increase (yoy) from IDR2,368.24 trillion.

This growth was driven by strong performance across various sectors. Islamic banking assets grew by 11.21% (yoy), the Islamic capital market saw an increase of 7.43% (yoy), and the non-bank Islamic financial industry, which includes Islamic Insurance, Guarantee, and Pension Funds (PPDP) and Islamic Financing and Venture Capital (PVML), experienced a remarkable growth of 12.98% (yoy). These achievements reflect the increasing significance of the Islamic financial industry in contributing to national economic development. With the growth of the Islamic financial sector, its market share now stands at 10.95%.

PROFILE AND ACHIEVEMENTS OF INDONESIAN ISLAMIC FINANCE GLOBALLY

PROFILE OF THE GLOBAL ISLAMIC ECONOMY

The global Islamic economy has shown consistent growth over the past 10 years, increasing from an estimated USD1.62 trillion in consumer spending in 2012 to USD2.29 trillion in 2022. This figure represents a growth of 9.5% (yoy) compared to consumer spending in 2021, which was USD2 trillion.

Muslim consumer spending was highest for halal food, which increased by 9.6% in 2022 to USD1.4 trillion, up from USD1.28 trillion in 2021. Muslim consumer spending on halal food is also projected to continue rising, reaching USD1.89 trillion by 2027.

Investment in the Islamic economy continued to show an upward trend, with a 128% increase in investment value, rising from USD11.4 billion to USD25.9 billion in 2022/23. The number of transactions related to mergers and acquisitions, private equity, and venture capital increased from 199 transactions in 2021/22 to 220 transactions in 2022/23.

Halal product imports by OIC (Organization of Islamic Cooperation) member countries decreased slightly by 2.91%, from USD370 billion in 2021 to USD359 billion in 2022. Pharmaceuticals contributed the most to the decline in exports due to reduced demand for vaccine imports compared to the pandemic period. Halal product imports by OIC countries are projected to rebound to USD492 billion by 2027.

China, India, Brazil, and the United States, which are not OIC member countries, are major exporters of halal products to OIC member countries. This indicates the need for OIC member countries to optimize exports for them to fully realize the potential of the Islamic economy.

HALAL FOOD	2022 USD1.43 Trillion 2027 USD1.89 Trillion
MODEST FASHION	2022 USD318 Billions 2027 USD428 Billions
MEDIA & RECREATION	2022 USD247 Billions 2027 USD344 Billions
MUSLIM-FRIENDLY TRAVEL	2022 USD133 Billions 2027 USD174 Billions
HALAL PHARMA	2022 USD108 Billions 2027 USD142 Billions
HALAL COSMETICS	2022 USD84 Billions 2027 USD129 Billions

Source: State of Global Islamic Economy Report 2023/24

INDONESIA'S POSITION IN THE GLOBAL ISLAMIC ECONOMY



Indonesia's exports to OIC member countries amounted to USD13.38 billion in 2022. Indonesia is one of the two OIC member countries that ranks among the top 10 OIC exporters, the other being Turkey. Additionally, in terms of investment, Indonesia also received the highest amount of investment related to the Islamic economy for the 2022/23 period. Indonesia is the second highest recipient of Foreign Direct Investment (FDI) among OIC member countries and ranks 19th in terms of global FDI inflows.

The State of The Global Economy Report regularly publishes the Global Islamic Economy Indicator (GIEI) Score, which ranks countries based on their ecosystems for fostering the growth of the Islamic economy.

The GIEI covers several criteria, including Islamic Finance, Halal Food, Muslim-friendly Travel, Modest Fashion, Media & Recreation, and Halal Pharma & Cosmetics.

According to GIEI 2023/24 data, Indonesia ranked 3rd with a score of 80.1, improving 1 position from 4th place the previous year.

In terms of the specific criteria for the GIEI, Indonesia is among the top 10 in all categories except for Muslim-

friendly Travel. GIEI 2023/24 also saw Indonesia enter into the Top 10 for Media & Recreation, ranking 6th.

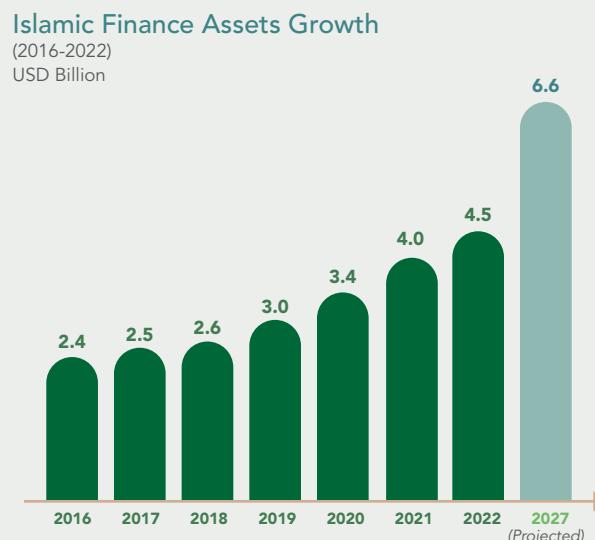
Indonesia also enjoyed a significant improvement in its position in the Halal Pharma & Cosmetics category, moving from 9th place to 5th place. This reflects an increase in the availability of halal medicines and a high potential for innovation in this sector.

- #2  Halal Food
- #3  Modest Fashion
- #5  Pharma & Cosmetics
- #6  Media & Recreation
- #7  Islamic Finance

Source: State of Global Islamic Economy Report 2023/24

GLOBAL ISLAMIC FINANCE PROFILE

Despite various global economic uncertainties due to commodity price fluctuations and the incomplete recovery of global supply chains leading to high inflation in several countries, global Islamic finance continued to record positive growth in 2022.



Source: Islamic Finance Development Report, 2023

	Islamic Banks	Sukuk	Other LKS (Islamic Finance Institutions)	Islamic Funds	Takaful
Total Assets (Billions USD)	3.2	788	167	220	90
Portion (%)	72%	17%	4%	5%	2%
Number of Institutions / Instruments	610	4.806	917	2.230	344

Despite a slowdown from the 17% growth seen in 2021, the 11% increase in global Islamic financial assets to USD4.5 billion in 2022 demonstrates the resilience of the global financial industry amid various economic challenges.

Sector-wise, the Islamic finance industry also showed positive growth, with the exception of the Islamic Funds sector, which endured a 10% decline from the previous year to USD220 billion.

The Islamic banking sector, which accounts for 72% of total Islamic financial assets, recorded a growth of 13% in 2022. Sukuk, holding the second-largest share in the global Islamic finance industry, grew by 11% in 2022. Meanwhile, Takaful, with the smallest share, registered the highest growth among Islamic finance sectors at 16% in 2022.

Geographically, 2022 saw Kuwait, Iraq, Kyrgyzstan, and Tajikistan as the countries with rapidly developing Islamic finance industries.

Despite the growth slowdown, the Islamic finance industry is projected to continue growing, reaching a value of USD6.7 billion by 2027, bolstered by economic growth improvements and increased government spending in countries with established Islamic finance systems.

INDONESIA'S POSITION IN GLOBAL ISLAMIC FINANCE

Indonesia's Position in Global Islamic Finance by Assets

TOTAL ASSETS (2022 USD, BILLIONS)		
Islamic Finance	 #07	US\$ 148
Islamic Banking	 #10	US\$ 46
Islamic Insurance	 #06	US\$ 3
Sukuk	 #03	US\$ 22
Islamic Funds	 #09	US\$ 3

In 2022, Indonesia's total Islamic financial assets increased from USD139 billion to USD148 billion. With this asset size, Indonesia ranks 10th among countries with the largest Islamic finance industries in the world.

In terms of sectors, Indonesia also ranks in the Top 10 for the largest assets in each sector. This underscores Indonesia's significance in the global Islamic finance landscape.

Qualitatively, Indonesia's Islamic finance continues to notch up notable accomplishments, ranking 3rd in the

Islamic Finance Development Indicator 2023, published by the Islamic Finance Development Report 2023.

Indonesia's ranking is boosted by various indicators such as Regulation, where Indonesia ranks first due to the established regulatory framework for each Islamic finance sector. Indonesia also leads in Education and Research, with the highest number of Islamic finance educational institutions which have produced numerous research papers on Islamic finance.

Indonesia's Position in the IFDI 2023

Sukuk #3	Number and volume of issued and outstanding sukuk, number of sukuk listed on the stock exchange, bid/ask spread	Education #1	Number of higher education institutions with departments related to Islamic finance
Regulation #1	Regulations related to Islamic banking, accounting, sharia governance, takaful, sukuk, Islamic funds, fintech sandbox	Research #1	Number of research papers and journals published related to Islamic finance
ESG #4	Number and value of outstanding ESG sukuk and Islamic funds, guidelines related to sustainable Islamic finance, ESG reporting index scores	Events #3	Number of seminars, conferences, and online events related to Islamic finance

2023 Global Rank



INDONESIAN ISLAMIC FINANCE



INDONESIAN TOTAL
ISLAMIC FINANCE ASSETS

2023
IDR2,582.25 trillion



MARKET SHARE



ASSET GROWTH



02

ISLAMIC BANKING



OVERVIEW

In the midst of a turbulent economic environment, the Islamic banking industry still demonstrated positive growth, with total assets rising by 11.21% (yoY) to IDR892.16 trillion.

This achievement means that the Islamic banking industry currently holds a market share of 7.44% of the national banking sector. This figure represents an increase of 35 basis points from the 7.09% market share recorded for Islamic banks in 2022. Other achievements include double-digit growth in financing and third-party funds (DPK) for Islamic banks. Islamic bank financing currently amounts to IDR585.46 trillion, growing 15.72%, while DPK stands at IDR684.52 trillion, reflecting a growth of 10.49% compared to 2022.

The capital adequacy of Islamic banks is strong, as evidenced by a Capital Adequacy Ratio (CAR) for Islamic Commercial Banks (BUS) of 25.41%. The quality of financing distribution also shows good performance, with a Non-Performing Financing (NPF) ratio for BUS and Islamic Windows (UUS) at 2.04%. Meanwhile, the Return on Assets (ROA) for BUS-UUS remains positive at 1.86%. The increase in the Financing to Deposit Ratio (FDR) for BUS-UUS to 84.94% indicates an improvement in the Islamic banking intermediation process amid the economic slowdown in 2023. The Operating Expense Ratio (BOPO) for BUS-UUS at 78.97% indicates efficient operational management among Islamic banks.

2023 also marked the issuance of various regulations by the Financial Services Authority (OJK) as part of the follow-up to the Financial Sector Development and Strengthening Law (UU PPSK) to promote the development of Islamic banking. POJK Number 12 of 2023 concerning Islamic Windows (UUS), issued on July 12, 2023, contains comprehensive regulations related to UUS, following up on the mandate of UU PPSK concerning the spin-off of UUS. Additionally, OJK issued POJK Number 2 of 2024 on February 16, 2024, concerning the Implementation of Sharia Governance for Islamic Commercial Banks and Islamic Windows, which is a follow-up to UU PPSK concerning the role of Sharia Supervisory Boards (DPS) in Islamic banks.

In line with UU PPSK, OJK published the 2023-2027 Indonesian Islamic Banking Development and Strengthening Roadmap (RP3SI), which includes the Pillar "Strengthening the Characteristics of Islamic Banking," with one of its strategies being the development of unique Sharia products. Consistent with this, OJK introduced the Cash Waqf Linked Deposit (CWLD) scheme, an integration of the commercial and social functions of Islamic banking through the provision of temporary cash wakaf at Islamic Banks serving as Cash Wakaf Recipient Islamic Finance Institutions (LKS-PWU).



STATISTICS AND DEVELOPMENT OF ISLAMIC BANKING

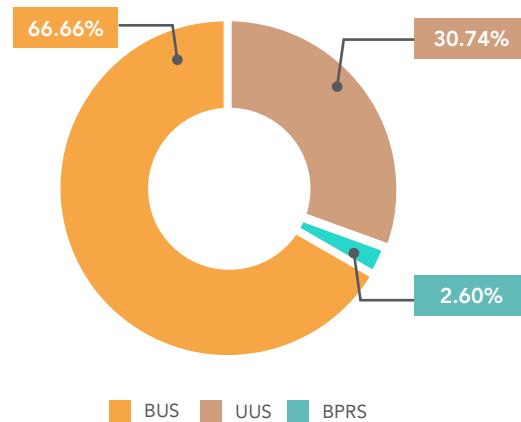
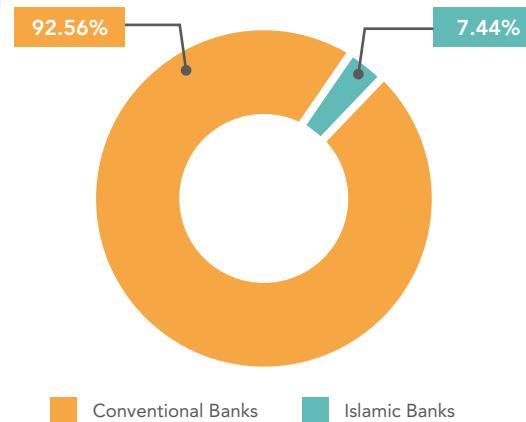
KEY INDICATORS OF ISLAMIC BANKING 2023					
BANKING INDUSTRY	NUMBER OF INSTITUTIONS	NUMBER OF OFFICES	ASSETS (IDR TRILLION)	DISBURSED FINANCING/PYD (IDR TRILLION)	THIRD PARTY FUNDS/DPK (IDR TRILLION)
BUS	13	1,967	594.71	368.38	465.93
UUS	20	426	274.28	200.06	203.32
BPRS	173	693	23.18	17.03	15.27
TOTAL	206	3,086	892.17	585.46	684.52

Growth of Islamic Banking





Market Share of Islamic Banking 2023



2023			
INDICATOR	BUS-UUS	BPRS	
Asset Quality	CAR	25.41%	23.21%
	NPF Gross	2.04%	6.49%
	NPF Net	0.68%	4.72%
Profitability	ROA	1.86%	2.05%
	BOPO	78.97%	85.79%
Efficiency	FDR	84.94%	111.50%
Liquidity			



DEVELOPMENT AND GROWTH OF ISLAMIC BANK ASSETS

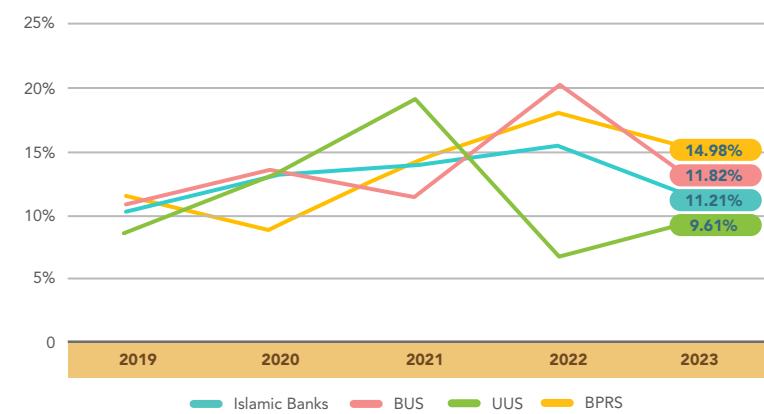
In 2023, the total assets of Islamic banking amounted to IDR892.17 trillion, reflecting an 11.21% growth compared to 2022. Over the past five years, the average asset growth for Islamic banking has remained strong, consistently achieving double-digit growth. Islamic commercial banks (BUS) recorded the largest rise in assets, of IDR62 trillion or 11.82%, followed by Islamic Windows (UUS) with an asset increase of IDR24 trillion or 9.61% compared to 2022.

Currently, the majority of BUS (8 out of 13) are subsidiaries/sister companies of conventional banks (BUK), and UUS are also part of BUK. Considering the share of BUS and UUS assets relative to their sister/parent BUKs, only 1 BUS and 2 UUS have an asset share of more than 15% of their sister/parent BUK's assets. Most BUS and UUS have assets within the range of 5-10% of their BUK's total assets. This situation highlights the need for OJK to encourage BUKs to remain committed to developing their BUS affiliates and Islamic Windows.

Development of Islamic Bank Assets



Growth of Islamic Bank Assets



Asset Share Relative to Conventional Commercial Banks (BUK)	BUS	UUS
<5%	1	2
5-10%	4	8
10-15%	2	8
>15%	1	2
No Conventional Commercial Banks Parent/Sister Company	5	0
Number of Banks	13	20

DEVELOPMENT AND GROWTH OF ISLAMIC BANK FINANCING

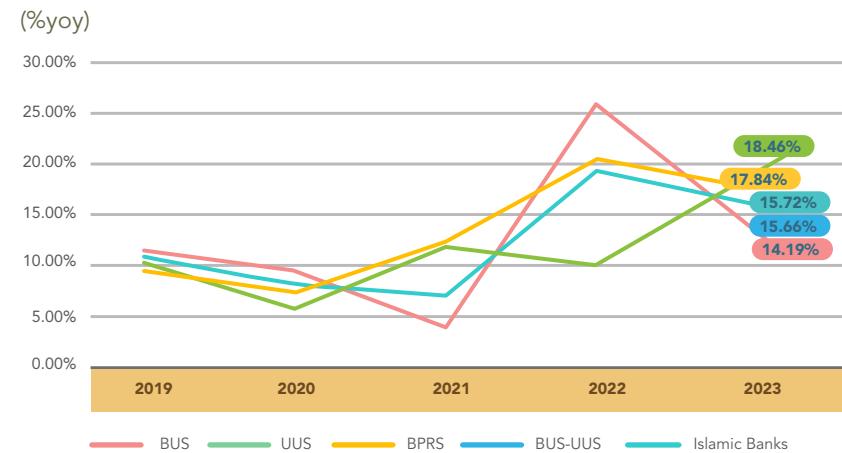


In 2023, Islamic banks disbursed financing amounting to IDR585.46 trillion. Despite a slowdown from the previous year, Islamic bank financing still enjoyed a strong growth rate of 15.72% (yoy).

In terms of how it was used, the distribution of financing for both productive and consumptive purposes was almost equal, with 50.87% for consumptive financing and 49.13% for productive financing.

Productive financing (working capital and investment) showed an upward trend with a growth rate of 17.73%, with investment financing growing the highest at 19.93%, followed by working capital financing at 16.48%. Consumptive financing, meanwhile, also grew in 2023, by 13.84%.

Financing Growth Trends



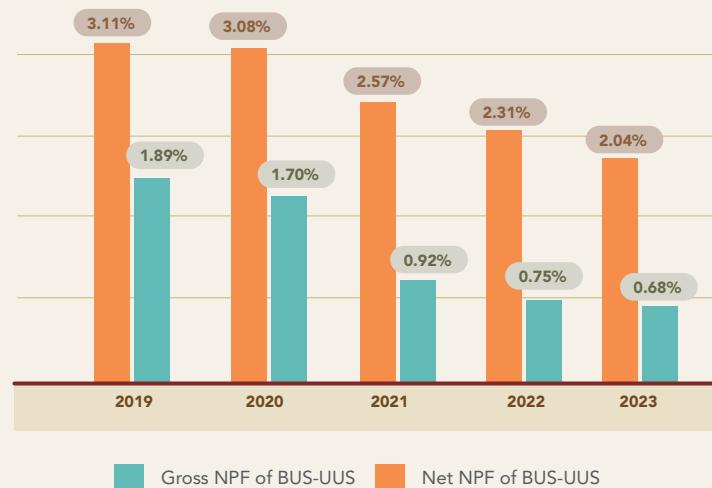
Financing by Usage Type

Usage Type	2022 Amount (Rp T)	2023 Amount (Rp T)	2022 Growth (yoy)	2023 Growth (yoy)
Consumption	261.62	297.83	23.35%	13.84%
Working Capital	131.28	152.92	11.28%	16.48%
Investment	113.04	134.72	23.15%	19.17%
TOTAL	505.94	585.46	19.93%	15.72%

Number of Financing Accounts

Year	2019	2020	2021	2022	2023
Number of Disbursed Financing (PYD) Accounts (In Millions)	6.16	6.25	7.17	8.20	7.73

NPF RATIO



Credit risk in Islamic bank financing improved in 2023, with the Gross NPF of BUS-UUS recorded at 2.04%, down 27 bps compared to the previous year's 2.31%. The trend of decreasing credit risk has been observed since 2019. This condition indicates the recovering performance of the Islamic banking industry after being hit by the Covid-19 pandemic.

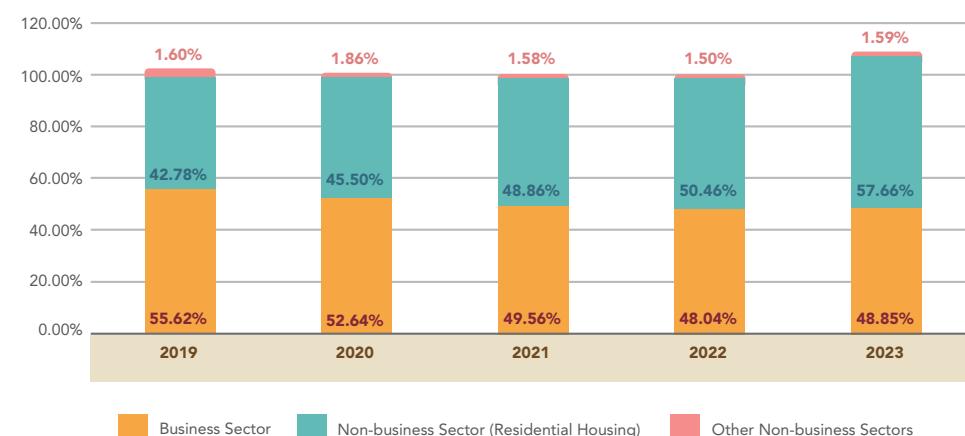
Based on types of contracts, Musyarakah and Murabahah remain the most widely used contracts for financing, accounting for 48% and 44% respectively, thus combining for 92% of the total financing. This indicates the need for Islamic banks to further utilize other unique Islamic banking contracts.

The composition of financing by industry sector over the past five years has shown an interesting trend. Financing, previously dominated by the business sector, has shifted since last year, with financing for the non-business sector (residential housing) surpassing that for the business sector.

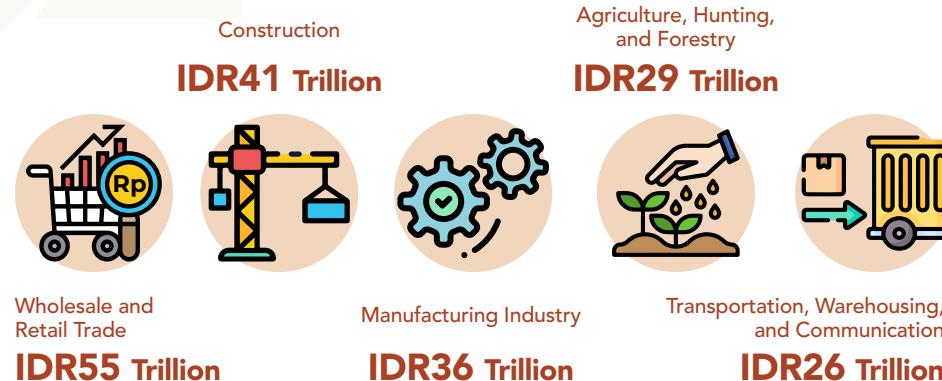
FINANCING BY CONTRACT TYPE

Contract	2022 Amount (Rp T)	2023 Amount (Rp T)	2022 Growth	2023 Growth
Murabahah	251.41	258.84	21.71%	2.95%
Musyarakah	229.85	282.51	19.54%	22.89%
Mudharabah	10.77	12.45	1.51%	15.64%
Qardh	14.31	16.35	13.94%	14.26%
Ijarah	8.33	9.85	15.92%	18.27%
Istishna	3.27	4.07	20.87%	24.54%
Multijasa	1.21	1.39	30.93%	15.46%
Salam	2.14	-	-	-
TOTAL	521.32	585.46	20.44%	

Financing Composition by Industry Sector



TOP 5 BUSINESS SECTORS

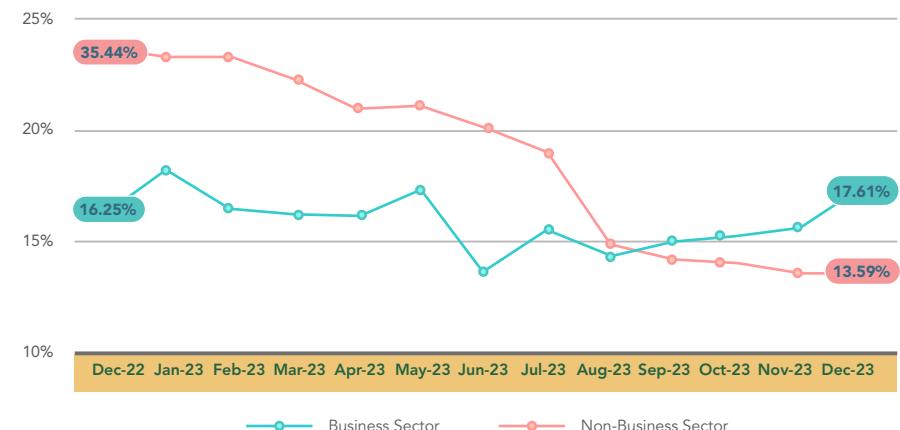


Although the non-business sector had a larger share of total financing, the business sector showed higher growth at the end of 2023.

Residential property financing dominated the non-business sector, accounting for 47% of total non-business financing, or IDR132 trillion. Multipurpose financing followed with a 44% share, or IDR125 trillion.

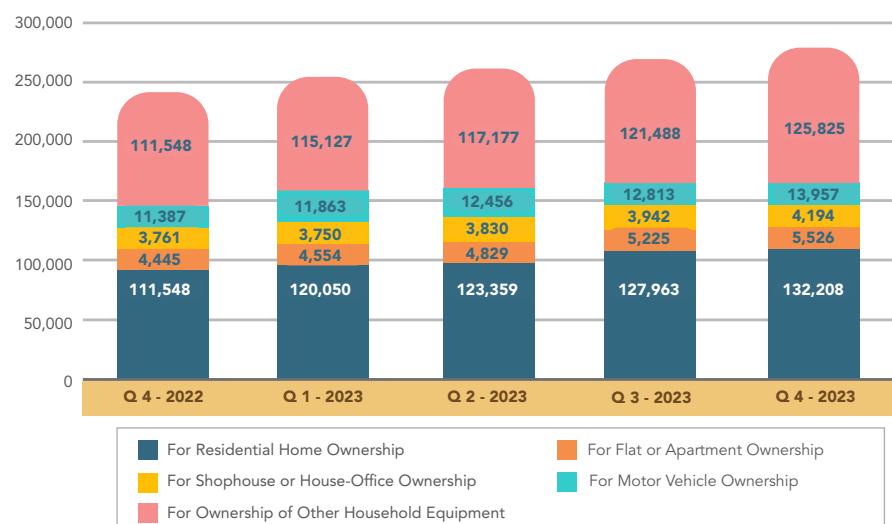
In the business sector, the Islamic banking industry provided financing across various industries. The wholesale and retail trade sector received the highest amount of financing, totaling IDR55 trillion.

Growth of BUS Financing in the Business Sector vs. Non-Business Sector



Growth of Non-Business Sector Financing

(Billions of IDR)

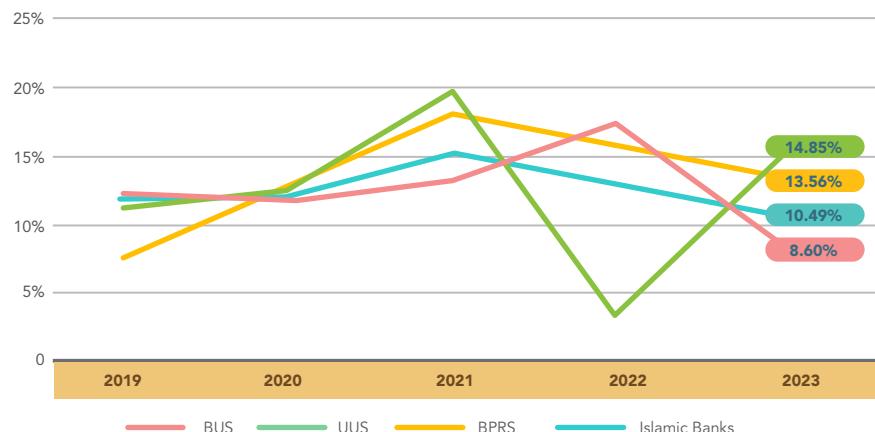


DEVELOPMENT AND GROWTH OF ISLAMIC BANKING THIRD-PARTY FUNDS

Third-Party Funds (DPK) in the Islamic Banking industry accumulated to IDR684.52 trillion in 2023, growing by 10.49% compared to the previous year. Despite a slowdown in expansion similar to that in financing, DPK in Islamic banking still achieved double-digit growth.

Among the instruments, Term Deposits held the largest share, accounting for 46.61% of total DPK or IDR322 trillion. Meanwhile, Savings instruments ranked second with a total value of IDR242 trillion or 35.44% of total DPK.

Third-Party Fund Growth



Number of DPK Bank Accounts

Year	2019	2020	2021	2022	2023
Number of DPK Accounts (In Millions)	33.79	38.21	44.26	53.99	59.42

Composition of DPK

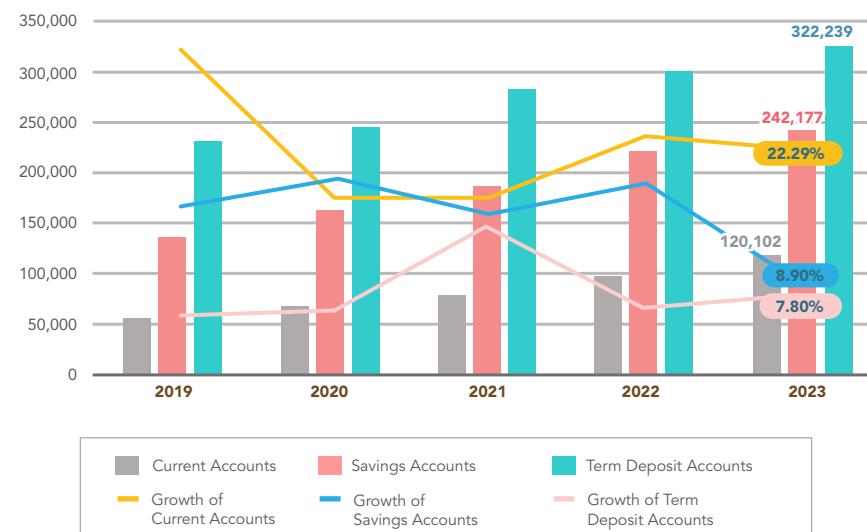


Based on the contracts used, Non-Profit Sharing Investment Funds using Mudharabah contracts were more prevalent than those with Wadiah contracts, constituting a significant 81% of total DPK. The extensive use of Mudharabah contracts is due to their application in Term Deposit instruments, which hold the largest share of total DPK. In contrast, Wadiah contracts are only used in Current Accounts and Savings instruments within DPK.

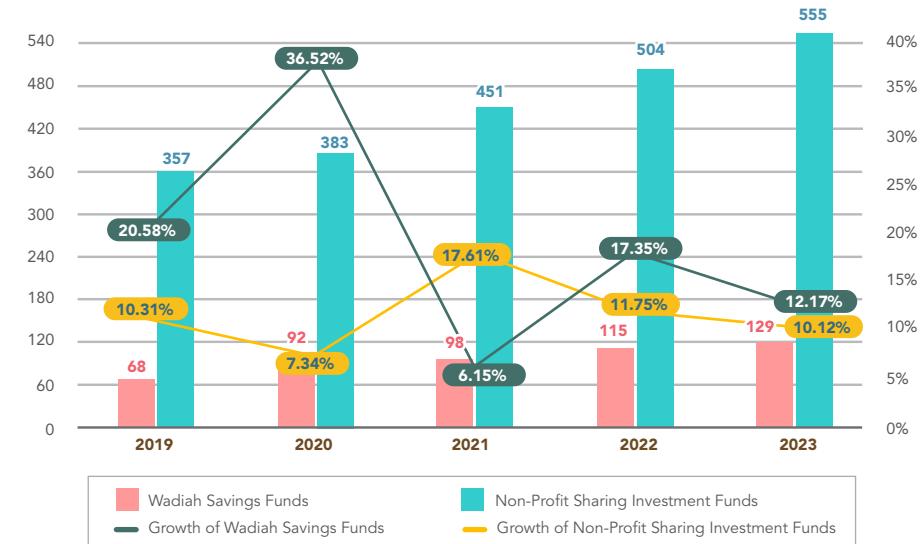
Regarding the cost of funds, the Current Account Savings Account (CASA) ratio has shown a continuous upward trend over the past five years. In 2023, the CASA ratio for the Islamic banking industry was 52.85%, indicating that more than half of Islamic banking's DPK has a low cost of funds. This is expected to enhance the operational efficiency of Islamic banks, making them more competitive in providing financing.

DPK Growth Trends by Instrument Type

(Billions of IDR)

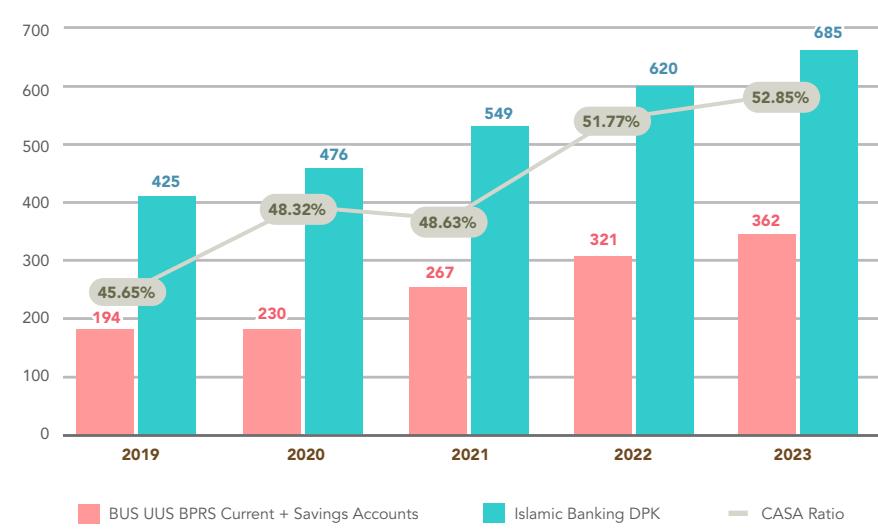


DPK Development by Contract



CASA Ratio

(Trillions of IDR)

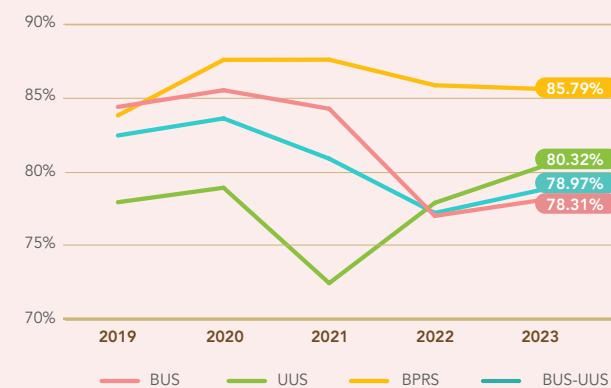


ISLAMIC BANKING PERFORMANCE

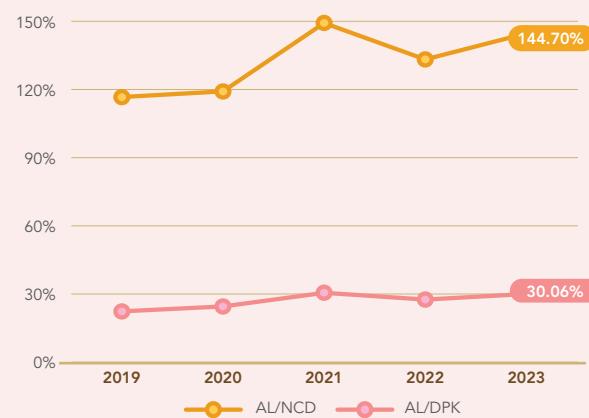
RETURN ON ASSETS (ROA) RATIO



OPERATING EXPENSE RATIO (BOPO)



AL/NCD AND AL/DPK RATIOS



FINANCING TO DEPOSIT RATIO (FDR)



PROFITABILITY AND EFFICIENCY

The profitability of Islamic banks remained positive, as indicated by the Return on Assets (ROA) ratio for BUS-UUS, which stayed stable at 1.86%. Additionally, the operational efficiency of Islamic banking was demonstrated by an Operating Expense (BOPO) ratio for BUS-UUS at 78.97% and a BOPO ratio for BPRS at 85.79%.

LIQUIDITY

In terms of liquidity, Islamic banking maintained adequate liquidity and has room for optimizing financing distribution. This was evident from the Financing-to-Deposit ratio (FDR) for BUS-UUS, which stood at 84.94% in 2023, reflecting an increase of 384 bps from the previous year's 81.10%. BUS, in particular, had very adequate liquidity with an FDR <80%.

Other indicators, such as the Liquid Assets to Non-Core Deposits (AL/NCD) ratio and the Liquid Assets to Third Party Funds (AL/DPK) ratio for Islamic banks, also showed very strong figures, demonstrating that Islamic banks are able to cover their operational needs. The AL/NCD ratio was recorded at 144.70%, well above the threshold of 50%. Meanwhile, the AL/DPK ratio stood at 30.06%, exceeding the 10% threshold.

CAPITAL ADEQUACY

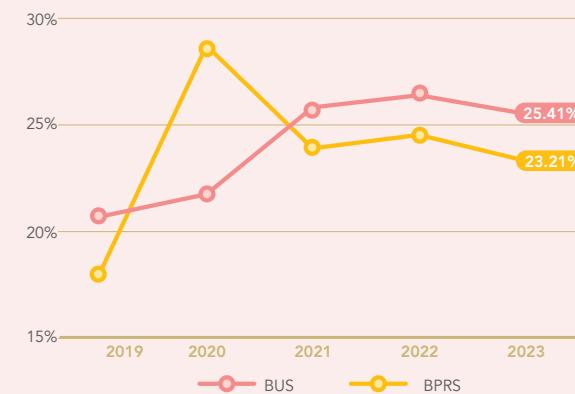
OJK remains committed to maintaining the stability of Islamic banking, including through capital adequacy levels. At the end of 2023, Islamic banking's capital adequacy was maintained with a Capital Adequacy Ratio (CAR) for BUS at 25.41% and CAR for BPRS at 23.21%.

From a capital perspective, the majority of BUS (11 BUS) were still classified under Bank Based on Core Capital (KBMI) category 1 with core capital of less than IDR6 trillion. There was one BUS each in KBMI 2 (IDR6-14 trillion) and KBMI 3 (IDR14-70 trillion), and no Islamic banks in KBMI 4 (>IDR70 trillion). This reflects the fact that Islamic banks need to scale up their operations to become more competitive in serving customers, for example, through banking consolidation.

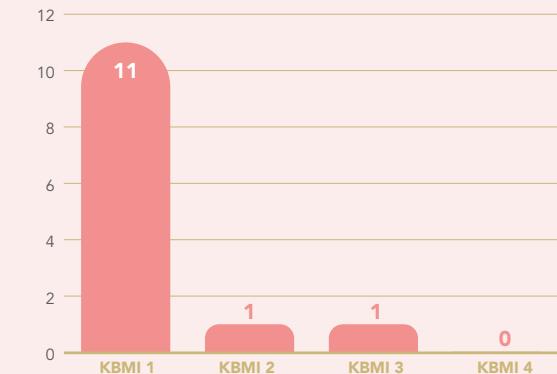
Meanwhile, 126 BPRS, or 73% of the total number, met the minimum capital requirements in accordance with POJK No. 66/POJK.03/2016 on the Obligation to Provide Minimum Capital and Minimum Core Capital Fulfillment for Islamic Rural Banks.



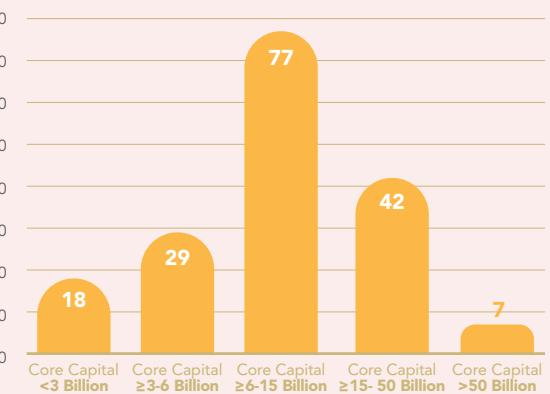
ISLAMIC BANKING CAPITAL CAPITAL ADEQUACY RATIO (CAR)



NUMBER OF BUS BY CORE CAPITAL

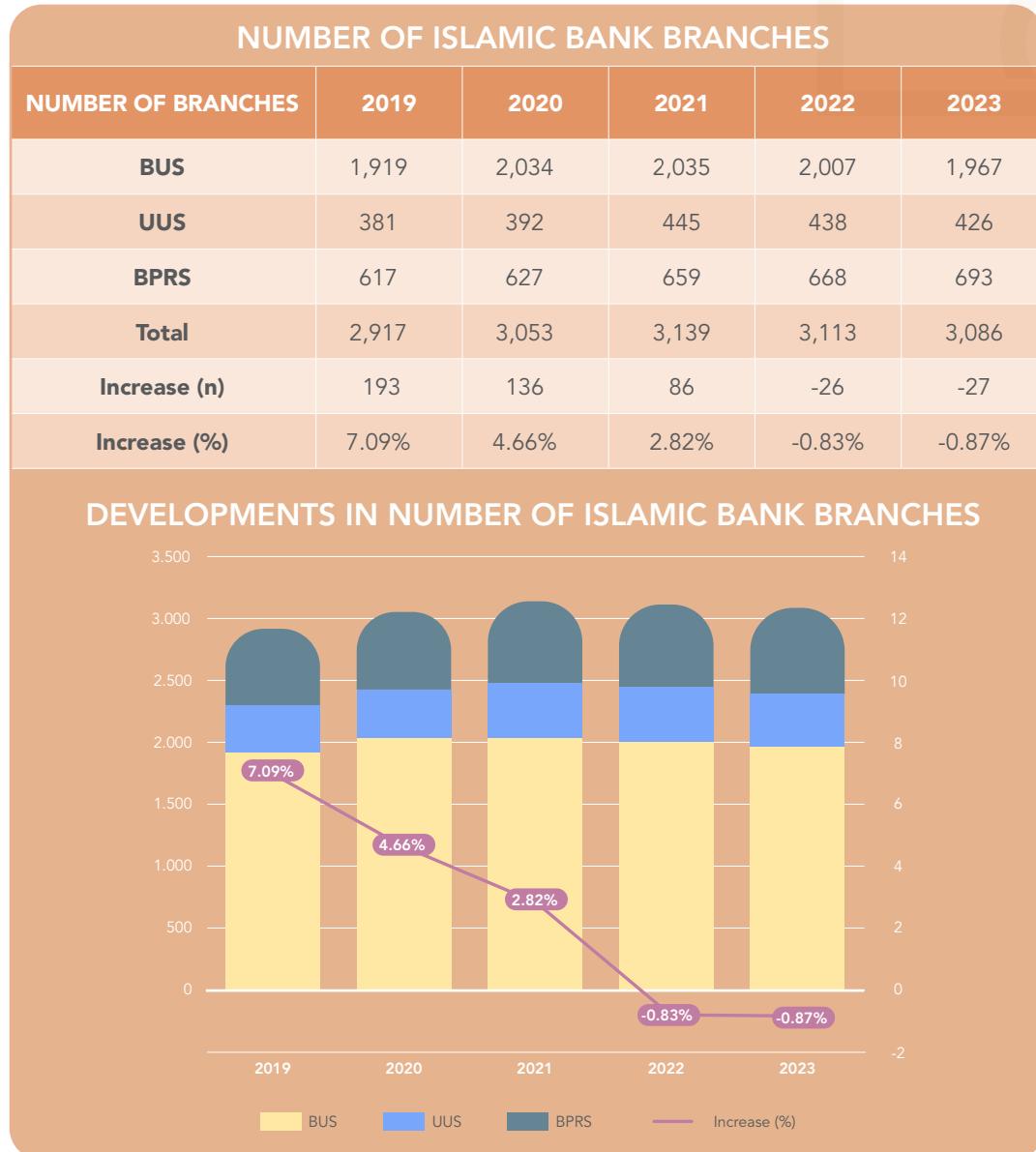


NUMBER OF BPRS BY CORE CAPITAL



ISLAMIC BANKING BRANCH NETWORK DEVELOPMENT

In 2023, the number of Islamic banking branches stood at 3,086, a decrease of 27 from 3,113 the previous year. This reduction, which began in 2021, was initiated by the COVID-19 pandemic, which led to fewer physical visits to bank branches. As a result, there has been a rapid shift toward digitalization in Islamic banking to better serve customers.



DEVELOPMENT AND PERFORMANCE OF ISLAMIC RURAL BANKS (BPRS) IN 2023

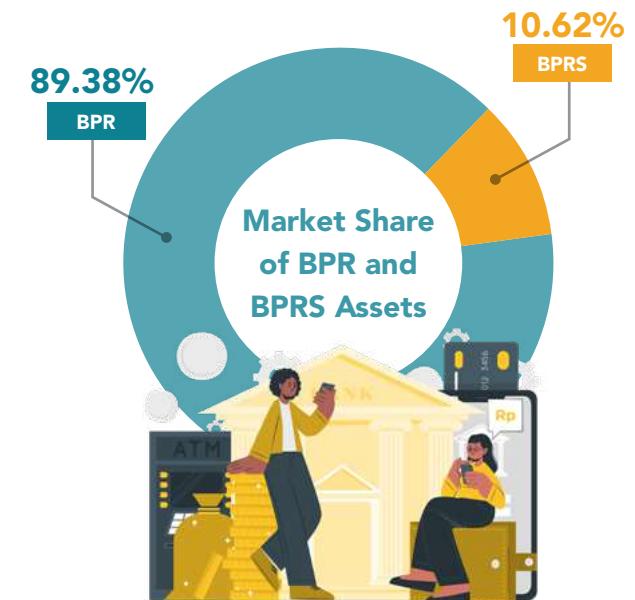
In 2023, the assets of Islamic Rural Banks (BPRS) amounted to IDR23.18 trillion, reflecting a 14.99% increase compared to 2022. Financing and Third-Party Funds (DPK) also showed positive growth, with respective values of IDR17.03 trillion and IDR15.27 trillion. Financing grew by 17.83%, while DPK increased by 13.56% compared to the previous year.

In terms of fund collection, Term Deposits remain the largest component in BPRS's DPK totaling IDR10.28 trillion, or 67% of total DPK.

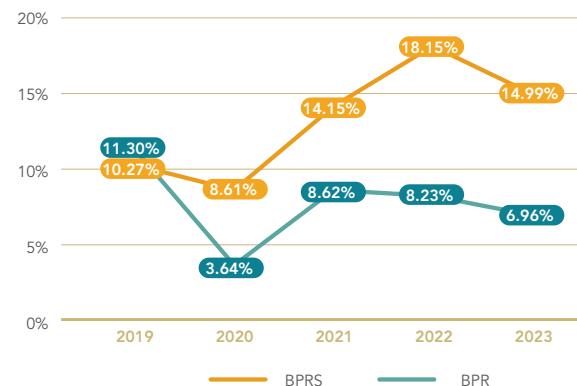
On the other hand, in financing distribution, BPRS allocated 58% of their financing for productive purposes

(working capital and investment), amounting to IDR9.94 trillion. Productive financing also grew well, with working capital financing up by 25.27% in 2023.

Islamic Rural Banks are also closely linked to the MSME sector, with 57% of their financing directed to this sector, totaling IDR9.77 trillion. This value represents an 18.42% rise from the previous year. As is the case with BUS-UUS, Murabahah and Musyarakah contracts are the most commonly used by BPRS, with respective shares of 60% and 26% of total financing.



ASSET GROWTH

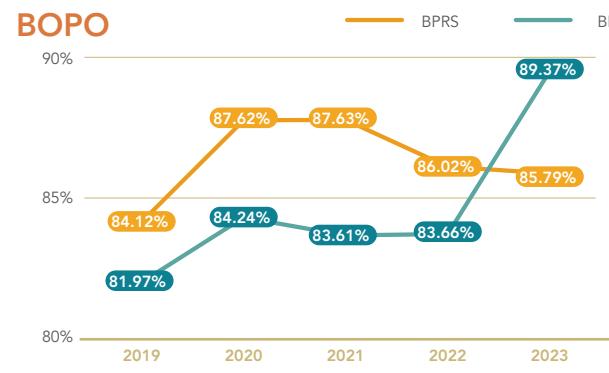
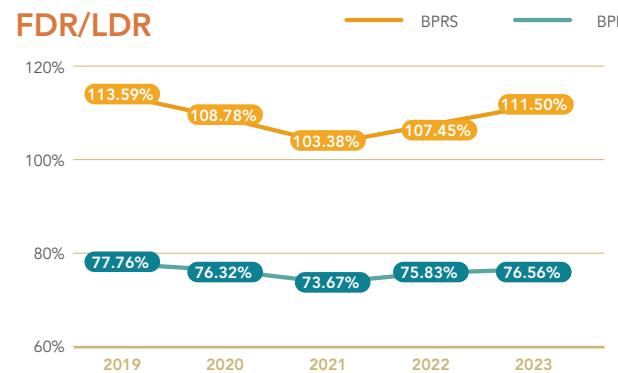
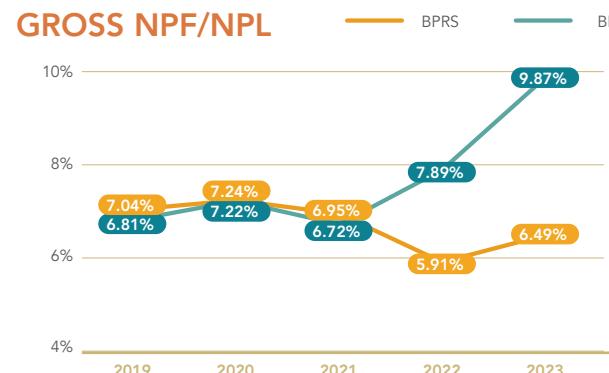
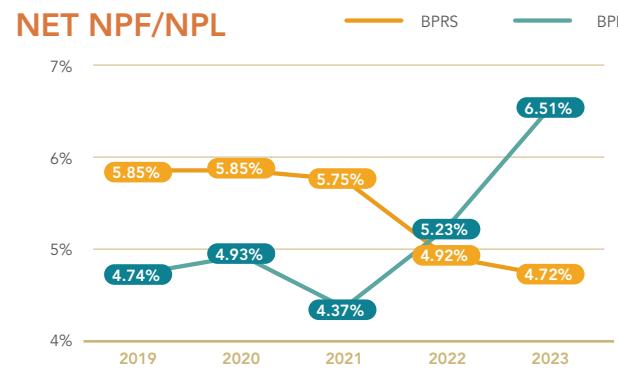
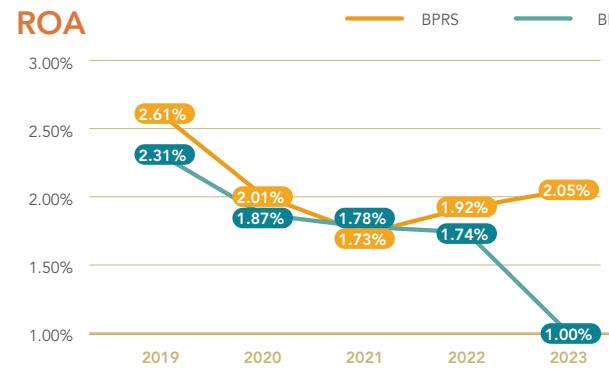
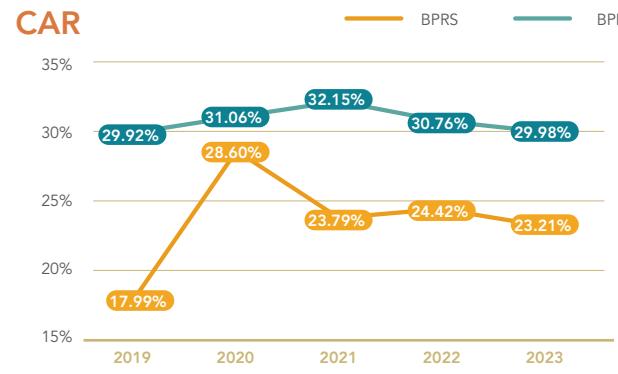


FINANCING/CREDIT GROWTH



THIRD PARTY FUND GROWTH





In 2023, Islamic Rural Banks put in a strong performance with adequate capitalization, stable profitability, and efficient operations. Their CAR stood at 23.21%, providing a solid buffer for future operational challenges. Profitability remained stable at 2.05%, a 13 bps increase from the previous year's 1.92%. Operational efficiency was consistent with the previous year, with a BOPO ratio of 85.79%, down 23 bps from 86.02% in 2022.

Credit risk was well-managed, though there remains room for improvement, as evidenced by a Gross NPF of 6.49%. Additionally, BPRS needs to enhance their financing planning to manage liquidity and meet short-term obligations, as indicated by an FDR exceeding 100% at 111.50%.

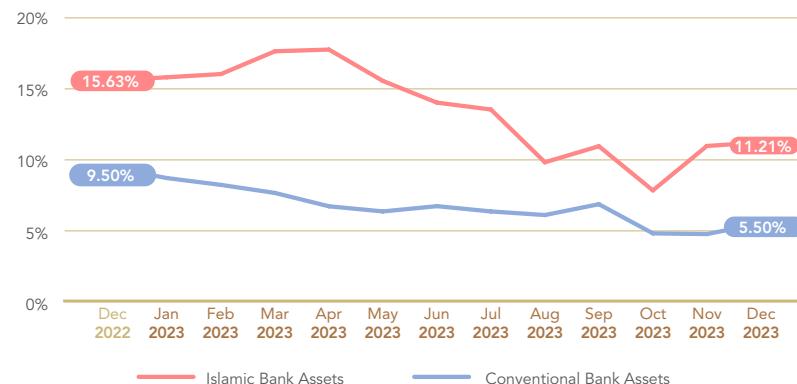
Overall, in 2023 BPRS outperformed BPR, with higher asset growth, financing, and Third-Party Funds, as well as better results in profitability, credit risk management, and efficiency.

DEVELOPMENT OF ISLAMIC BANKING AND CONVENTIONAL BANKING

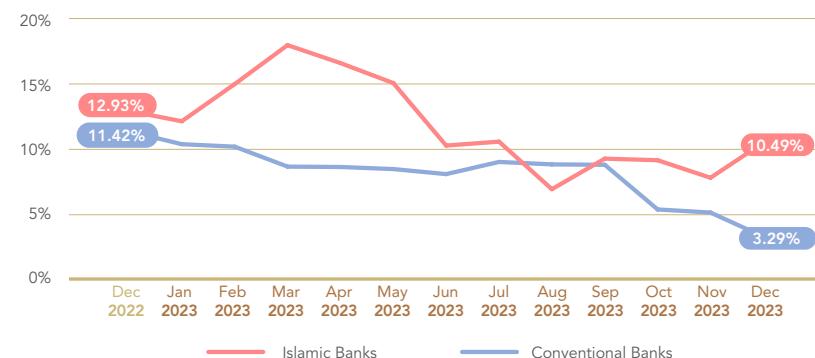
Islamic banking, consisting of BUS, UUS, and BPRS, showed stronger development compared to conventional banking.

Although conventional banks have a significantly larger asset value scale due to their longer establishment compared to Islamic banks, the latter have managed to achieve higher growth in assets, financing, and Third-Party Funds. This trend is expected to continue, with the hope that Islamic banks will eventually achieve an asset scale competitive with that of conventional banking.

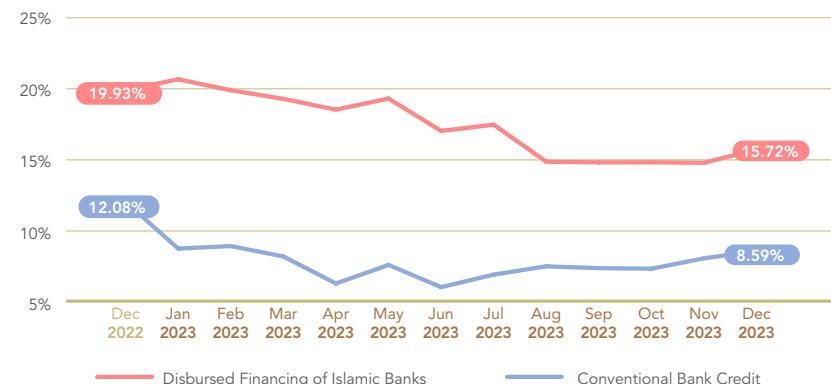
ASSET GROWTH



THIRD PARTY FUND GROWTH



FINANCING/CREDIT GROWTH



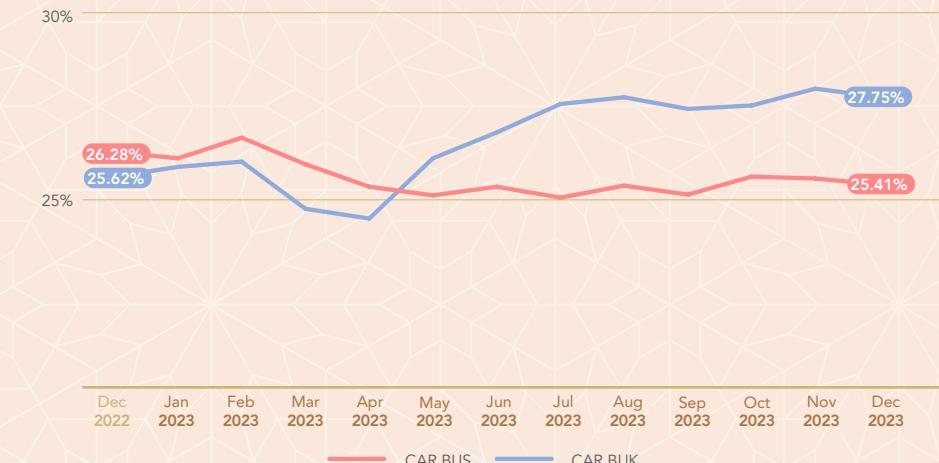
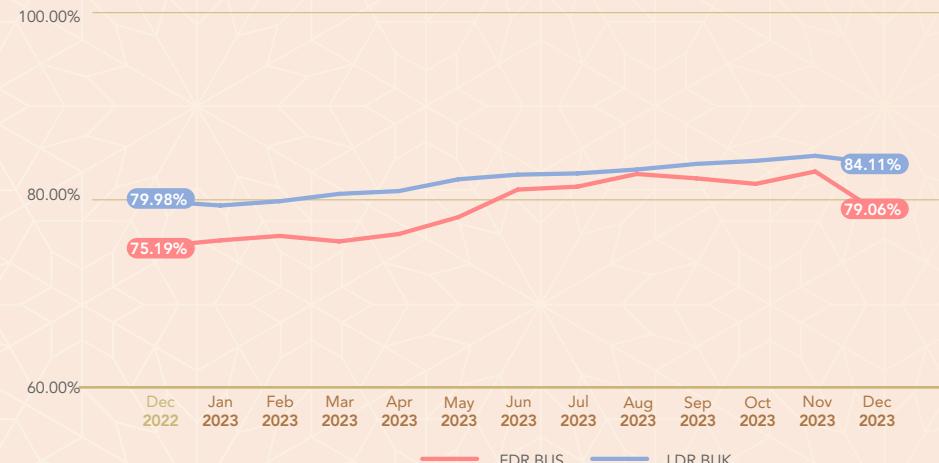
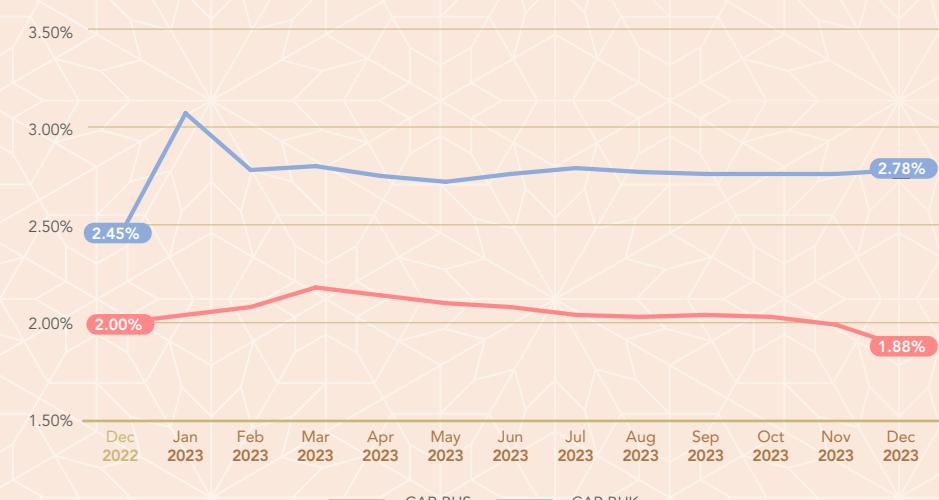


PERFORMANCE OF ISLAMIC COMMERCIAL BANKS AND CONVENTIONAL COMMERCIAL BANKS

The performance of Islamic banking reflects the industry's strong standing, marked by adequate capitalization, room for short-term liquidity fulfillment, stable profitability, and efficient operations.

In terms of liquidity, Islamic banks have more capacity for short-term liquidity needs compared to conventional banks, as evidenced by an FDR for BUS of 79.06% compared to an LDR for BUK of 84.11%.

As for efficiency, Islamic banks are almost as efficient as their conventional counterparts, with a BOPO for BUS and BUK of 78.31% and 78.94% respectively.

CAPITAL**LIQUIDITY****PROFITABILITY****EFFICIENCY**

MANDATES OF LAW NO. 4 OF 2023 ON THE DEVELOPMENT AND STRENGTHENING OF THE FINANCIAL SECTOR (UU PPSK) RELATED TO ISLAMIC BANKING

The issuance of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (UU PPSK) has created significant dynamics that require follow-up actions in the form of regulations and policies from all regulators, including those overseeing Islamic banking. This new legal framework necessitates concrete steps to develop relevant regulations and policies to ensure that the financial sector, including Islamic banking, can adapt and operate within it. As such, Islamic banking is expected to keep pace with developments and play a significant role in supporting national economic growth and maintaining overall financial system stability.

As the authority responsible for regulating and supervising financial service institutions, OJK has undertaken various preparations in response to UU PPSK. This includes developing strategic work programs and policy responses to effectively carry out its duties and responsibilities under the new law.

The policy responses and regulations stemming from UU PPSK are implemented through the review, discussion and planning of adjustments to existing regulations affected by UU PPSK's mandates, or by issuing new regulations. This process includes active participation in the development of legal provisions outside OJK, such as government regulations, while maintaining open dialogue with the financial services industry and all stakeholders.

POSITION OF SHARIA SUPERVISORY BOARDS (DPS) IN ISLAMIC BANKS

Mandates of UU PPSK	Affected Regulations	Adjustments
<ul style="list-style-type: none"> Article 1, Number 21, Point a: The Sharia Supervisory Board (DPS) is an affiliated party within the bank 	<ul style="list-style-type: none"> POJK on Institutional Regulations for BUS, UUS, and BPRS POJK on the Fit and Proper Test (PKK) for Main Parties POJK on the Reassessment of Main Parties (PKPU) POJK on the Maximum Limit on Fund Distribution (BMPD) for BUS, UUS, and BPRS 	<ul style="list-style-type: none"> Issuance of OJK Regulation No. 2 of 2024 on the Implementation of Sharia Governance for Islamic Commercial Banks and Islamic Windows. Draft POJK on Sharia Governance for Islamic Rural Banks.

IMPLEMENTATION OF ISLAMIC BANKING PRODUCTS

Mandates of UU PPSK	Affected Regulations	Adjustments
<ul style="list-style-type: none"> Article 1, Number 25, and Article 19, Paragraph (1), Point b: Recognition of investment products in Islamic banks using the mudharabah contract Article 4: Islamic Banks as Nazhir Article 19: Updating the products, services, and contracts that Islamic banks can offer 	<ul style="list-style-type: none"> POJK on the Implementation of Commercial Bank Products 	<ul style="list-style-type: none"> Business Activities of Islamic Banks and UUS, including adjustments to the definitions of Savings and Investment products as well as Sharia Principles. Affirmation of Islamic Banks and UUS as Nazhir of wakaf



Adjustments to the regulations issued in response to the mandates of UU PPSK, specifically for Islamic banking, include OJK Regulation No. 12 of 2023 on Islamic Windows and OJK Regulation No. 2 of 2024 on the Implementation of Sharia Governance for Islamic Commercial Banks and Islamic Windows. Other adjustments are still in the preparation and discussion stages with various parties.

OJK continues to make efforts to ensure the smooth implementation of its POJK as mandated by UU PPSK, providing guidelines for Islamic banking to remain resilient in addressing problems and challenges in the financial sector.

ISLAMIC BANK COMMITTEES		
Mandates of UU PPSK	Affected Regulations	Adjustments
• Article 26, Paragraph (5): Islamic Bank Committees	N/A	<ul style="list-style-type: none"> Plan to establish Islamic Banking Committees with duties, functions, and authorities, including the implementation of fatwas based on Sharia Principles in OJK regulations, resolving disputes related to fatwa interpretation, recommending and proposing necessary fatwas, and carrying out advisory functions for OJK internally. Membership from both within and outside of OJK.

SPIN-OFFS OF ISLAMIC WINDOWS		
Mandates of UU PPSK	Affected Regulations	Adjustments
• Article 5, Paragraph (9) and Article 68, Paragraph (4): Spin-Offs of UUS	<ul style="list-style-type: none"> Bank Indonesia Regulation (PBI) on UUS POJK on the Requirements and Procedures for Spin-Offs of UUS 	<ul style="list-style-type: none"> Issuance of OJK Regulation No. 12 of 2023 on Islamic Windows

BPRS BUSINESS ACTIVITIES		
Mandates of UU PPSK	Affected Regulations	Adjustments
• Article 21: BPRS may conduct fund transfer activities	<ul style="list-style-type: none"> POJK on the Implementation of BPR/BPRS Products POJK on BPRS 	<ul style="list-style-type: none"> Definitions and changes in the nomenclature of BPR/BPRS Public Offerings for BPR/BPRS
• Article 21 A: BPRS may engage in capital participation activities	<ul style="list-style-type: none"> POJK on the Merger, Consolidation, and Acquisition of BPR/BPRS 	<ul style="list-style-type: none"> Establishment and Ownership of BPR/BPRS Mechanisms for the Merger of BPR/BPRS with Microfinance Institutions (LKM)
• Article 25, Point f: BPRS are allowed to purchase securities from BI, the Government, or Local Governments	POJK on BPRS Governance	<ul style="list-style-type: none"> Forms of BPR/BPRS legal entities Strengthening and expanding the scope of BPRS governance, including aspects related to shareholders, boards of directors, and boards of commissioners

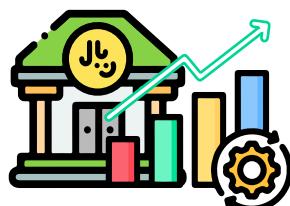
ISLAMIC BANKING DEVELOPMENT



Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (UU PPSK) is expected to strengthen the policies for the development and reinforcement of the national Islamic banking sector. In line with UU PPSK, OJK has issued the 2023-2027 Indonesian Islamic Banking Development and Strengthening Roadmap (RP3SI), which includes the Pillar of "Strengthening the Characteristics of Islamic Banking." One of its strategies is the development of unique Sharia-based products

- ○
The flagship product of Islamic banking in the RP3SI is the Cash Waqf Linked Deposit (CWLD), which integrates the commercial and social functions of Islamic banks through their provision of temporary cash wakaf in their capacity as Cash Wakaf Recipient Islamic Finance Institutions (LKS-PWU).
- ○

Background

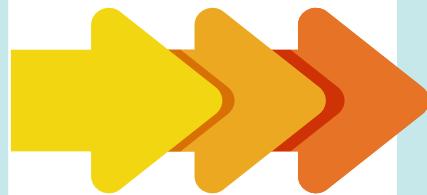


Since 2021 there has been an increase in the number of LKS-PWU by 2023, reaching 48:

- 10 Islamic Commercial Banks (BUS)
- 15 Islamic Windows (UUS)
- 23 Islamic Rural Banks (BPRS)

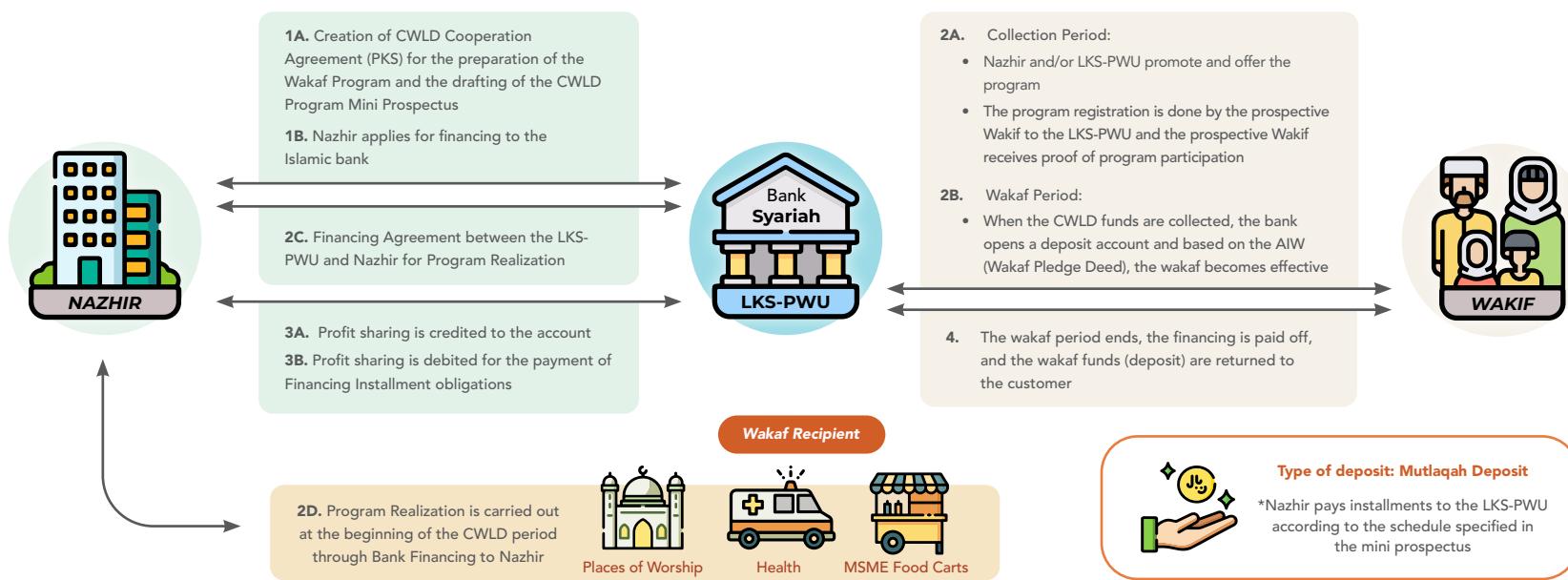
Despite the rise in the number of LKS-PWU, the realization of national cash wakaf collection has lagged, totaling only about ± IDR2.2 trillion by 2023, which is just 1.2 percent of the potential IDR180 trillion.

A CWLD is a deposit product based on temporary cash wakaf, where the Wakif (person who donates the wakaf) hands over a sum of money to be utilized/managed for a specific period according to the wakaf program concerned (minimum of 1 year).



Islamic Banks, in their capacity as LKS-PWU, can provide financing facilities to Nazhir for the development or enhancement of wakaf assets. The installment payments for the financing facilities provided by the Islamic Bank can be made using the profit-sharing received from the managed wakaf funds through the CWLD, which is also collected by the Islamic Bank as the LKS-PWU.

CASH WAQF LINKED DEPOSIT (CWLD) WITH FINANCING SCHEME



Explanation of the CWLD with Financing Scheme

1A Creation of a Cooperation Agreement (PKS) between the LKS-PWU and Nazhir covering the scope, rights and obligations, cooperation mechanisms, and the provision of the detailed CWLD program information. The mini prospectus is created by the Nazhir with the LKS-PWU, and includes the program name, program description, CWLD funds, collection period and duration, and wakaf period and duration.

1B Nazhir applies for financing to the Islamic bank for program realization, and the bank conducts a financing analysis of the Nazhir's application.

2A During the fund collection period, the Nazhir and/or LKS-PWU promote and offer the CWLD program to prospective Wakif. Interested prospective Wakif register for the program with LKS-PWU.

There are three types of prospective Wakif:

- 1. Not yet a bank customer:**
 - Open an account at the Islamic bank
 - Fill out the participation form
 - Provide authorization for blocking and unblocking funds equal to the committed amount
 - Provide a Standing Instruction for deposit opening to the bank
 - Fill out a conditionally valid Akta Ikrar Wakaf/Wakaf Pledge Deed
 - Receive a conditionally valid Cash Wakaf Certificate



Explanation of the CWLD with Financing Scheme

2. Existing customer with a savings or current account:

- a. Fill out the participation form
- b. Provide authorization for blocking and unblocking funds equal to the committed amount
- c. Provide a Standing Instruction for deposit opening to the bank
- d. Fill out a conditionally valid Akta Ikrar Wakaf/Wakaf Pledge Deed
- e. Receive a conditionally valid Cash Wakaf Certificate

3. Existing customer with a term deposit account:

- a. Fill out the participation form
- b. Provide a Standing Instruction and authorization to withdraw the customer's deposit
- c. Provide a standing instruction and authorization to open a deposit equal to the wakaf commitment
- d. Any remaining deposit value can either be returned to the customer's

account or re-deposited, depending on the customer's agreement. This process is carried out based on the customer's instruction (Letter of Instruction) and authorization

- e. Fill out a conditionally valid Akta Ikrar Wakaf/Wakaf Pledge Deed
- f. Receive a conditionally valid Cash Wakaf Certificate

2B When the CWLD fund target has been reached, at the same time:

- The establishment of deposits for each prospective wakif is done concurrently and based on the Instruction Letter
- A Temporary deposit wakaf is carried out based on the Wakaf Pledge Deed (AIW), the wakaf period begins, and the original deposit certificate is handed over to the nazhir as per the Cooperation Agreement (PKS)
- The LKS-PWU acts as the authorized representative to receive the deposit certificate or proof of deposit ownership (copy of the certificate, copy of the letter of advice, or copy of other documents equivalent to proof of ownership)
- The Cash Wakaf Certificate held by the customer becomes effective

- The bank must inform the wakif that the program has officially started by contacting the wakif through the contact information provided on the participation form (via email blast, SMS blast, or other agreed-upon media).
- The bank provides a copy of the deposit ownership proof (copy of the deposit certificate, copy of the letter of advice, or copy of other documents equivalent to proof of ownership) as evidence that the bank has executed the customer's instructions and authorization for opening the deposit.

2C

Simultaneously with the initiation of the CWLD, a Financing Contract is made between the LKS-PWU and the nazhir for the realization of the CWLD program.

2D

The Program Realization takes place at the beginning of the CWLD period for the mauquf' alaih (beneficiary) through Islamic Bank financing to the nazhir.

3A

Profit sharing is credited to the nazhir's program account.

3B

Based on the financing and authorization from the nazhir, the bank deducts the profit sharing from the nazhir's program account for the payment of financing obligations.

4

At the end of the wakaf period, once the financing is settled, the LKS-PWU acts on behalf of the nazhir to return the deposit to the customer.

HIGHLIGHTED ISSUE: FOLLOW-UP ON THE MANDATES OF THE PPSK LAW



ISSUANCE OF POJK NUMBER 12 OF 2023 REGARDING ISLAMIC WINDOWS

In accordance with the mandates of Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (PPSK Law), and in line with the direction of Islamic banking policies outlined in the Roadmap for the Development and Strengthening of Islamic Banking in Indonesia (RP3SI) 2023-2027, OJK issued POJK Number 12 of 2023 regarding Islamic Windows (UUS).

In addition to regulating the spin-off of UUS, this POJK also contains comprehensive regulations on UUS, covering aspects such as licensing for opening UUS, their administration and office networks, the revocation of UUS business licenses, as well as other relevant licensing and reporting requirements.

STRENGTHENING OF UUS

Capital

- Increase in Islamic Windows' business funds from IDR100 billion to IDR1 trillion.
- Business funds must be set aside in the form of cash.

Administration

All Directors and Board of Commissioners of BUK with Islamic Windows are required to be responsible for their development (must be stated in the BUK's articles of association).

Other

- BUK with Islamic Windows must have a long-term strategy for the development of their business, outlined in BUK's Corporate Plan.
- Short-term implementation of the long-term strategy for the development of Islamic Windows must be included in the BUK Bank's Business Plan and the UUS Business Plan.
- Encourage the optimization of BUK's resources by Islamic Windows to improve efficiency for both BUK and UUS, including but not limited to office networks, IT, customer services, HR support, etc.

SEPARATION AND CONSOLIDATION OF UUS

UUS Spin-off Obligations

A BUK which owns an Islamic Window (UUS) whose share of assets exceeds 50% and/or whose total assets stand at over IDR50 trillion (based on a quarterly publication report) is required to perform a spin-off of the UUS in specified stages.

A BUK obligated to spin-off its UUS must obtain spin-off approval no later than 2 years after the deadline for submitting the quarterly publication report.

OJK may request the spin-off of Islamic Windows as part of Islamic banking consolidation, for the development and strengthening of Islamic banking, taking the following into consideration:

- The Islamic Window is not experiencing significant growth;
- The BUK with the UUS is adjudged to lack the capability for developing it;
- Strategic needs for Islamic banking development; and/or
- Other relevant factors.

SPIN-OFF OF UUS - PT BANK NANO SYARIAH

As a follow-up to the mandate of Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (PPSK Law) and POJK Number 12 of 2023 regarding Islamic Windows (POJK UUS), an Islamic Window was spun off into an Islamic Commercial Bank. This process involved the spin-off of Bank Sinarmas' Islamic Window into PT Bank Nano Syariah.

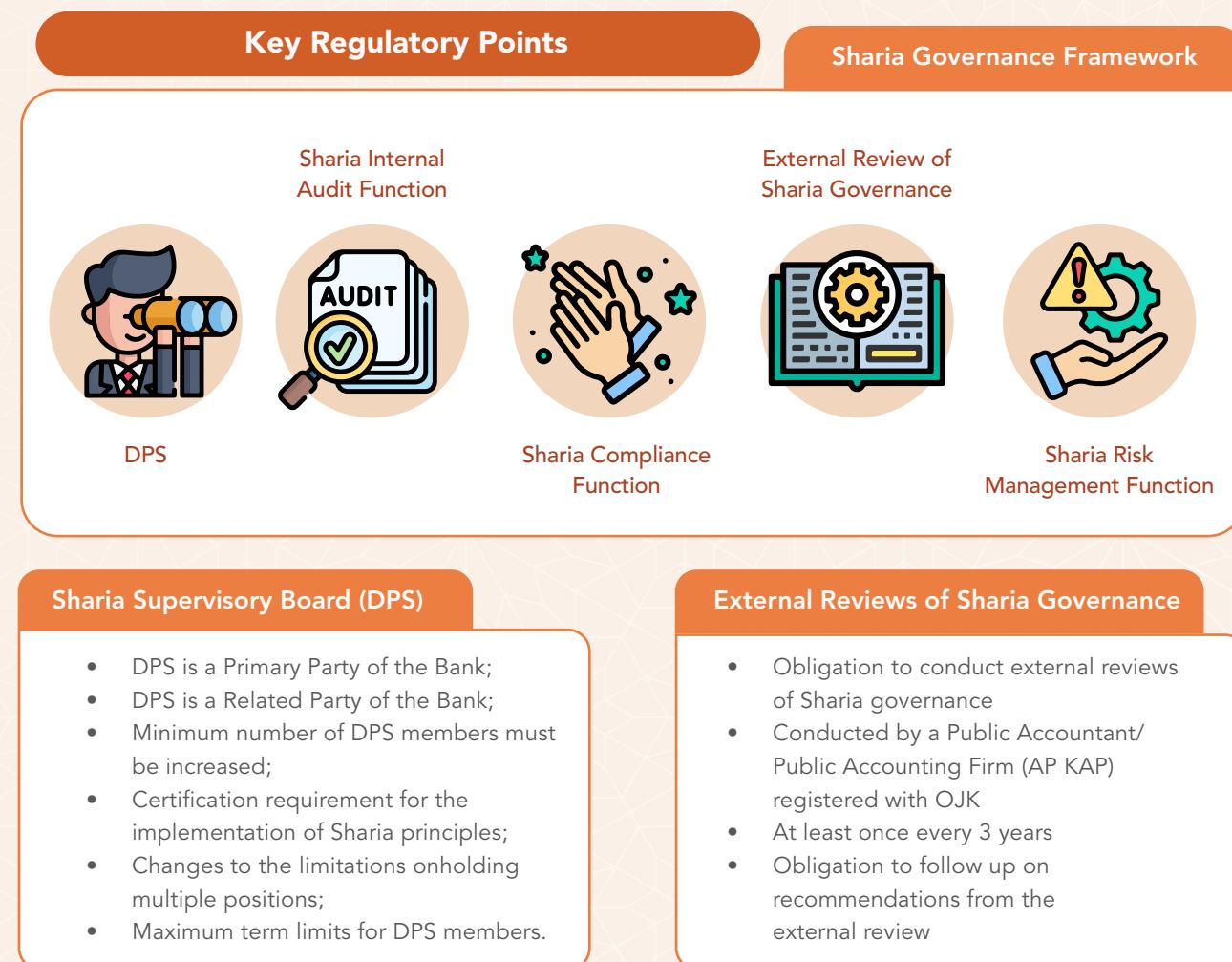
OJK issued the operating license for PT Bank Nano Syariah on August 23, 2023, and it officially began operations on January 1, 2024. Through this corporate action plan, the goal is to foster a healthier, more efficient, and competitive Islamic banking sector with greater integrity which makes a significant contribution to the national economy and social development, while also playing a greater role in the development of the Islamic economic ecosystem in Indonesia.



ISSUANCE OF POJK NUMBER 2 OF 2023 CONCERNING THE IMPLEMENTATION OF SHARIA GOVERNANCE FOR ISLAMIC COMMERCIAL BANKS AND ISLAMIC WINDOWS

POJK Number 2 of 2023 on the Implementation of Sharia Governance for Islamic Commercial Banks and Islamic Windows, also referred to as POJK Sharia Governance for BUS-UUS, regulates fundamental and strategic aspects of Sharia governance to ensure the fulfillment of Sharia principles in the business activities and operations of BUS and UUS. This includes strengthening the authority, structure, and functions of Sharia Supervisory Boards (DPS), the implementation of Sharia compliance functions, Sharia risk management functions, internal Sharia audit functions, and the obligation to conduct external reviews of Sharia governance implementation.

The issuance of POJK Sharia Governance for BUS-UUS follows up on the PPSK Law, which places a DPS in the same category as a Board of Commissioners and Board of Directors. This strengthening of the DPS's position underscores the importance of its role and functions in overseeing the conduct of banking activities to ensure they adhere to Sharia principles, which is crucial for the Islamic banking industry.



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03

ISLAMIC CAPITAL MARKET



OVERVIEW

Amid increasing turmoil in the global economy and despite the high volatility of global financial markets, Indonesia's economic conditions remained relatively stable and resilient.

In 2023, after the pandemic ended and the economy faced new challenges, societal trends began to return to normal daily activities. Given these conditions, the Islamic Capital Market was able to record positive growth. This can be seen from the growth in both the products and values of Sharia stocks, corporate sukuk, and state sukuk. The market capitalization of the Indonesia Sharia Stock Index (ISSI) rose by 28.41%, from IDR4,786.02 trillion to IDR6,145.96 trillion. The percentage increase in the ISSI's market capitalization was greater than the rise in the market capitalization of the Indonesia Stock Exchange (IHSG) during the same period. Additionally, the number of stocks listed on the Sharia Securities List (DES) reached 637, up 15.40% yoy. The market share of Sharia stocks by number was 67.41% of the total number of stocks, and the market share of the capitalization of Sharia stocks on the ISSI accounted for 52.68% of the total stock market capitalization on the Indonesia Stock Exchange.

In addition to Sharia stocks, the value of outstanding corporate sukuk through public offerings went up by 6.52% (oy) to IDR45.27 trillion from IDR42.50 trillion in 2022. Meanwhile, in terms of issuance, the cumulative



value of corporate sukuk issuance grew by 17.52% (oy) to IDR99.86 trillion from IDR84.97 trillion.

In line with the increase in outstanding corporate sukuk, the value of outstanding state sukuk also rose by 7.59% (oy) to IDR1,446.40 trillion by the end of 2023.

Furthermore, the net asset value of Sharia mutual funds, as of December 29, 2023, reached IDR42.78 trillion, a 5.34% uptick compared to 2022. In terms of funding for SMEs through Securities Crowdfunding (SCF), by the end of 2023, there were 106 issuers, comprised of small and medium enterprises, that issued Islamic securities in the form of stocks or sukuk through the SCF scheme, with a total value of IDR434.63 billion.

Despite these developments, the performance of Sharia indices in 2023 faced pressures due to the influence of both global and domestic market conditions. This is reflected in the index and market capitalization values of the ISSI index, Jakarta Islamic Index (JII), JII70, IDX-MES BUMN 17, and IDX Sharia Growth index. Year-on-year, although all indices endured a decline in index values, they saw an increase in market capitalization. At the end of 2023, the Indonesia Sharia Stock Index (ISSI) closed at 212.64 points, down 2.33% from the corresponding figure of 217.73 at the end of 2022.

STATISTICS AND DEVELOPMENT OF THE ISLAMIC CAPITAL MARKET

ISLAMIC CAPITAL MARKET PRODUCTS

PRODUCT	NUMBER	VALUE OF SHARIA SECURITIES (IDR Trillion)	SECURITIES VALUE MARKET SHARE %
Stocks	637	6,145.96	52.68%
Corporate Sukuk through Public Offerings	234	45.37	9.79%
Mutual Funds	273	42.78	8.53%
Government securities*	82	1,446.40	20.15%

*Government Securities, Source: DJPPR, Ministry of Finance of the Republic of Indonesia

As the capital market sector normalizes following the COVID-19 pandemic, the demand for capital and financing by market participants through the capital market continues to show an upward trend.

In 2023, the performance of the Islamic capital market demonstrated positive growth. This is evident from the increase in the number of Islamic products, including Sharia stocks, corporate sukuk, and state sukuk. By the end of 2023, there were 637 Sharia stocks. The outstanding value of corporate sukuk through public offerings rose by 6.52% compared to the previous year. Similarly, the outstanding value of state sukuk increased by 7.53% (yoY). Meanwhile, the number of active Sharia mutual funds in 2023 totaled 273, a slight decrease of 0.36% compared to the previous year, which was offset by an increase in the net asset value of these mutual funds.

ISLAMIC CAPITAL MARKET DEVELOPMENT

DEVELOPMENTS IN THE NUMBER OF ISLAMIC CAPITAL MARKET PRODUCTS

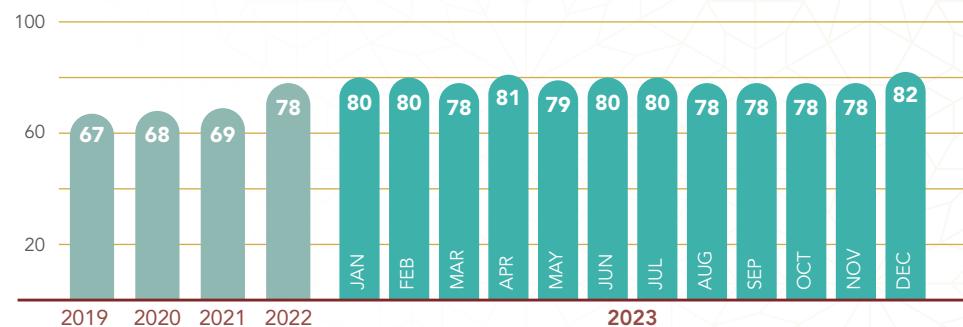
SHARIA STOCKS



OUTSTANDING CORPORATE SUKUK



OUTSTANDING STATE SUKUK



SHARIA MUTUAL FUNDS



DEVELOPMENT OF CAPITALIZATION VALUE OF THE INDONESIA SHARIA STOCK INDEX



Source: Indonesia Stock Exchange, 2023

DEVELOPMENT OF CORPORATE SUKUK THROUGH PUBLIC OFFERINGS



Source: Financial Services Authority

There was not only an upswing in the number of products - the value of Sharia stocks, corporate sukuk, and state sukuk also experienced positive growth.

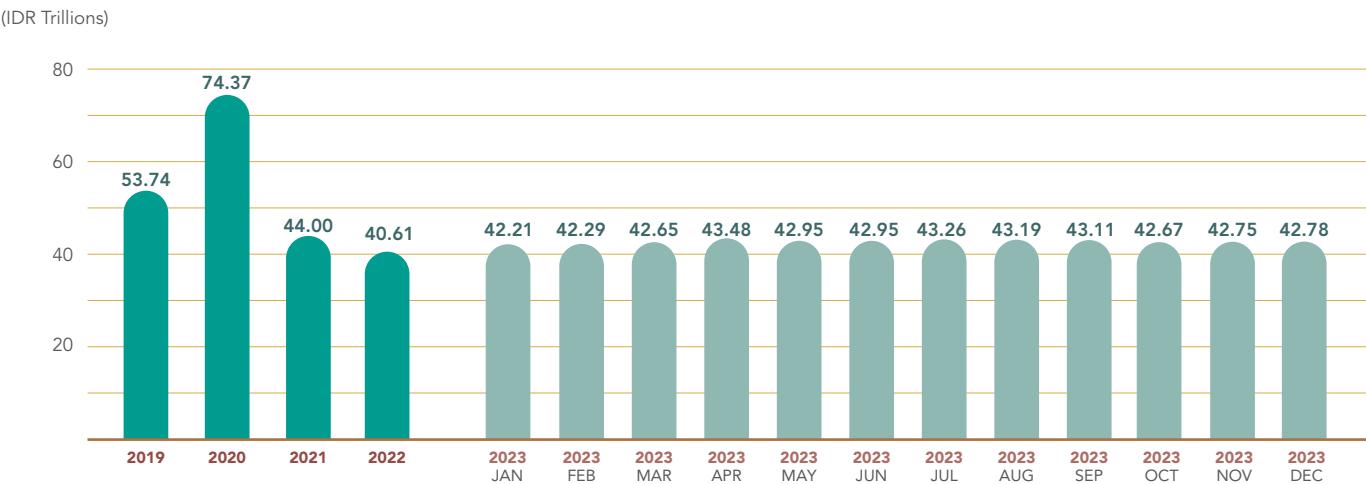
The market capitalization of ISSI increased by 28.41% (yoy) in 2023, reaching IDR6,145.96 trillion. The value of outstanding corporate sukuk through public offerings rose by 6.75% compared to the end of 2022, while the value of outstanding state sukuk went up by 7.59%, from IDR1,344.35 trillion to IDR1,446.40 trillion at the end of 2023. Meanwhile, the net asset value (NAV) of Sharia mutual funds had increased by 5.34% at the end of 2023, amounting to IDR42.78 trillion.

DEVELOPMENT OF OUTSTANDING STATE SUKUK VALUE



Source: Directorate General of Financing and Risk, Ministry of Finance of the Republic of Indonesia, (Data as of 29 Desember, 2023)

DEVELOPMENT OF SHARIA MUTUAL FUNDS NET ASSET VALUE

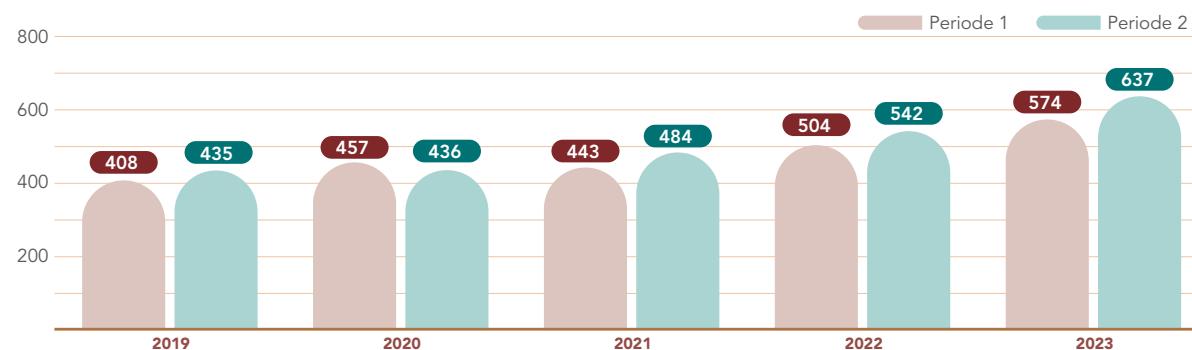


Source: Financial Services Authority, 2023



DEVELOPMENT OF SHARIA STOCKS

OJK publishes the Sharia Securities List (DES) periodically twice a year and issues the DES incidentally when there is a corporate action, most notably an initial public offering.

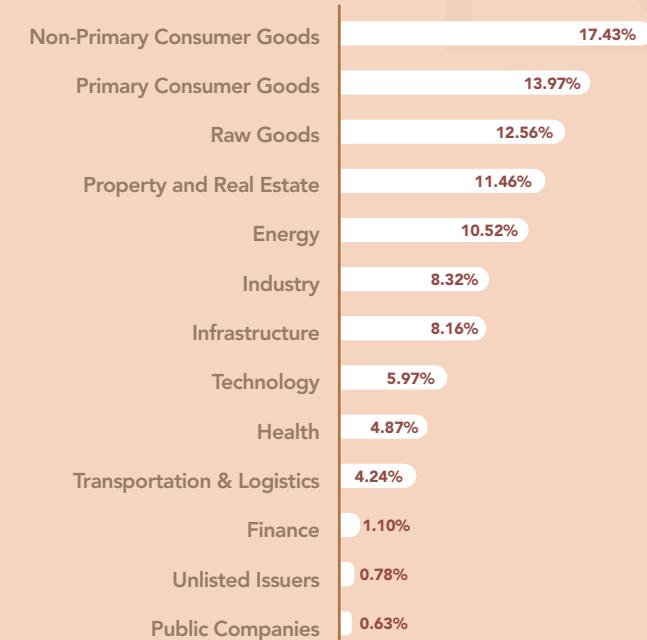


In 2023, the first DES was issued through the OJK Board of Commissioners Decree Number Kep-52/D.04/2023 on May 24, 2023, effective from June 1, 2023, to November 30, 2023. The Sharia Securities included in the DES for the first period comprised 574 stocks of Issuers and Public Companies, as well as other sharia Securities.

Subsequently, the second DES was issued through the OJK Board of Commissioners Decree Number KEP-92/D.04/2023 regarding the Sharia Securities List on November 24, 2023, effective from December 1, 2023, until the issuance of the next DES. The

Sharia Securities included in the DES for the second period comprised 629 stocks of Issuers and Public Companies, as well as other Sharia Securities.

From the issuance of the second DES on November 24, 2023, until the end of 2023, an additional 8 stocks were included in the DES, bringing the total number of DES stocks to 637 by the end of the year.



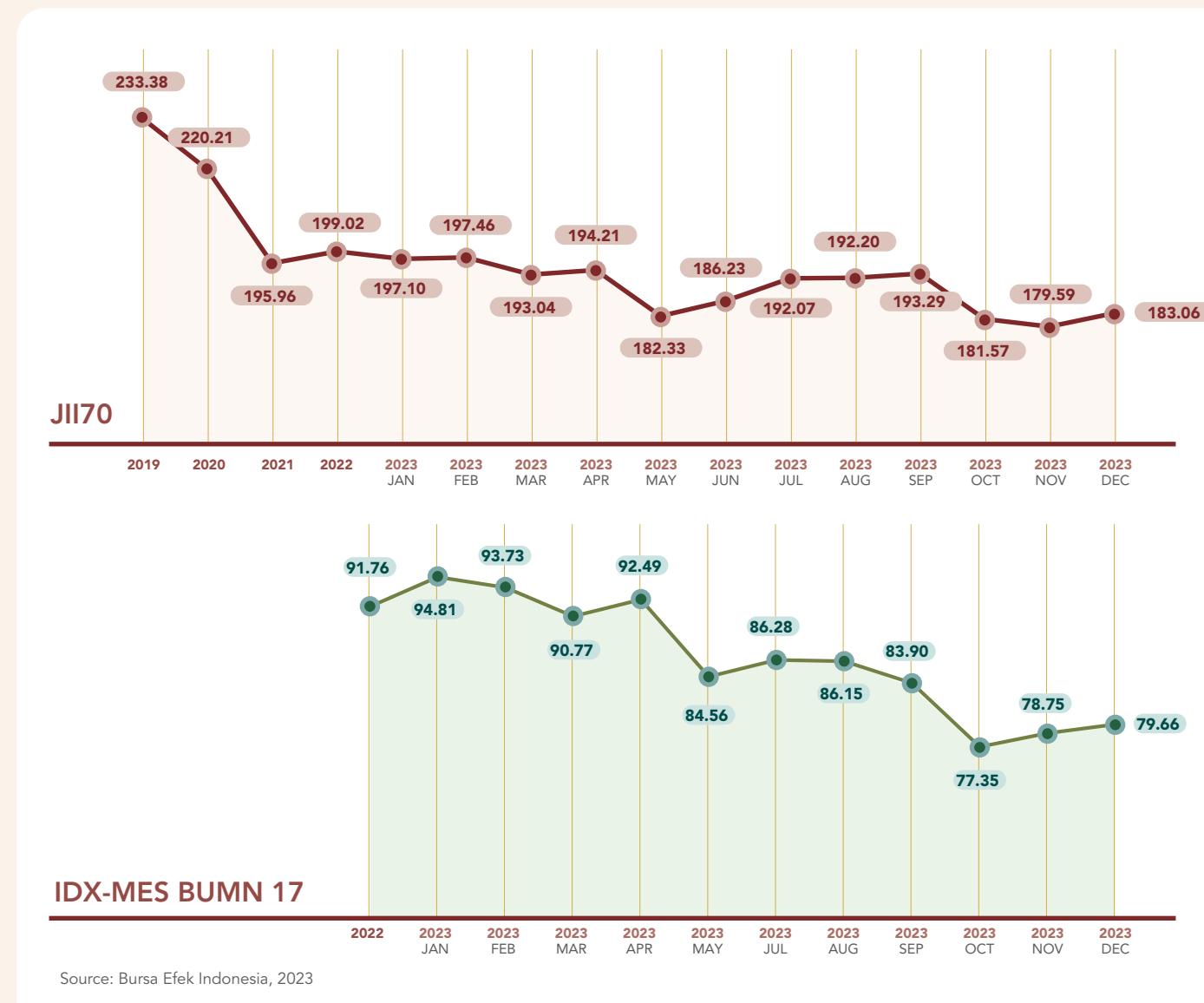
Source: Financial Services Authority, 2023

The majority of DES issuers come from the non-primary consumer goods sector (17.43%), followed by the primary consumer goods sector (13.97%), the basic materials sector (12.56%), the property and real estate sector (11.46%), the energy sector (10.52%), and other sectors, each accounting for less than 10%.

DEVELOPMENT OF SHARIA STOCK INDICES



SHARIA STOCK INDICES



IDX-SHARIA GROWTH

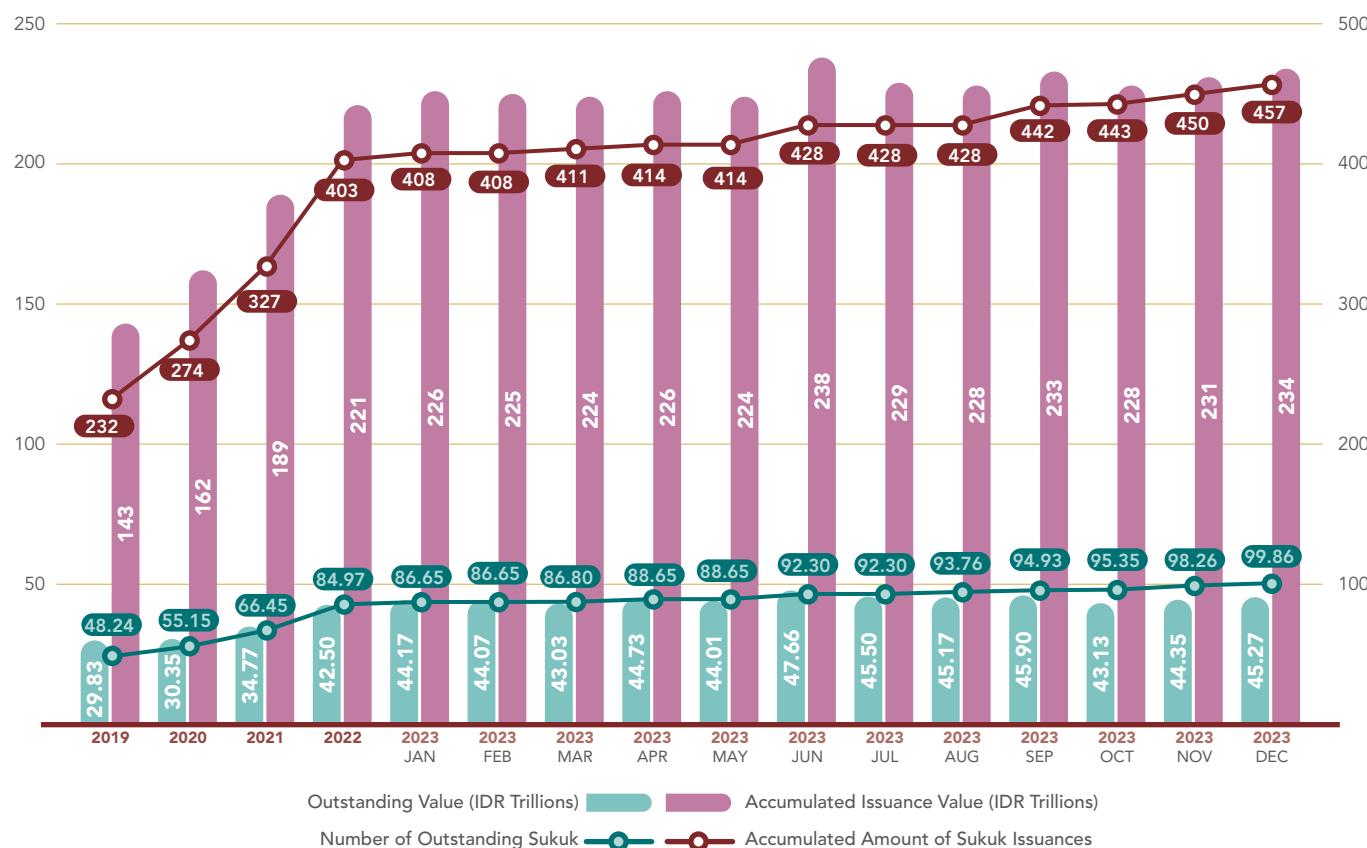


As depicted in the charts, all the Islamic stock indices experienced a decline compared to the end of the previous year. The ISSI index closed at 212.64, a decrease of 2.33% compared to the end of 2022.

In the same period, the JII index fell by 8.90%, from 588.04 to 535.68 at the end of 2023. Similarly, the JII70 index declined by 8.02%, from 199.02 at the end of 2022 to 183.06 at the end of 2023. At the end of 2023, the IDX-MES BUMN 17 index stood at 79.66, a decrease of 13.19% compared to 2022, while the IDX Sharia Growth index closed at 90.39, down 13.82% yoy.

DEVELOPMENT OF CORPORATE SUKUK

CORPORATE SUKUK THROUGH PUBLIC OFFERINGS

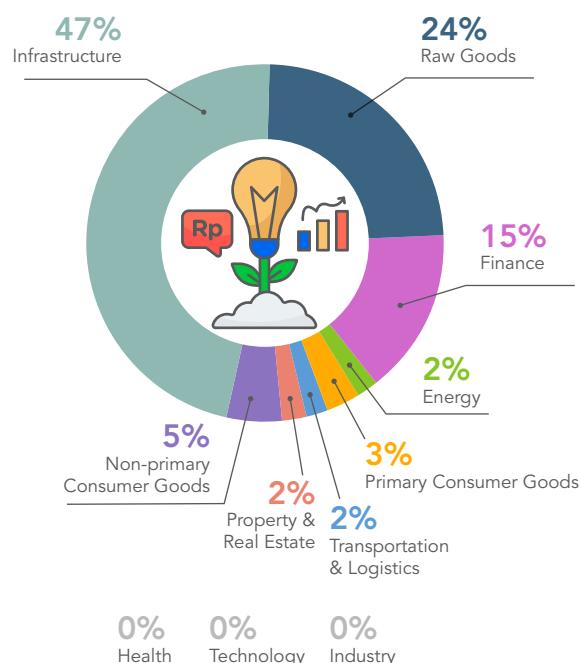


Source: Financial Services Authority, 2023

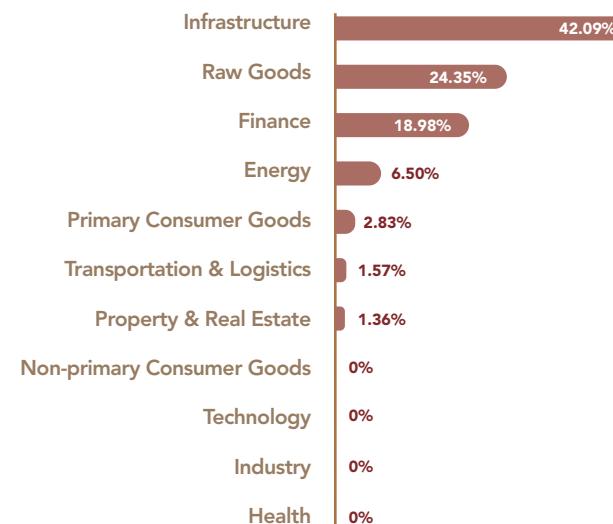
During 2023, 54 corporate sukuk series were issued, with a total value of IDR14.99 trillion. Over the same period, 41 corporate sukuk series reached maturity, with a total value of IDR12.12 trillion.

By the end of December 2023, the number of outstanding corporate sukuk had risen to 234 series, marking a 5.88% increase from the previous year's 221 series. In terms of value, there was a 6.75% rise compared to the previous year, amounting to IDR45.27 trillion.

PROPORTION OF CORPORATE SUKUK ISSUANCES BY INDUSTRIAL SECTOR



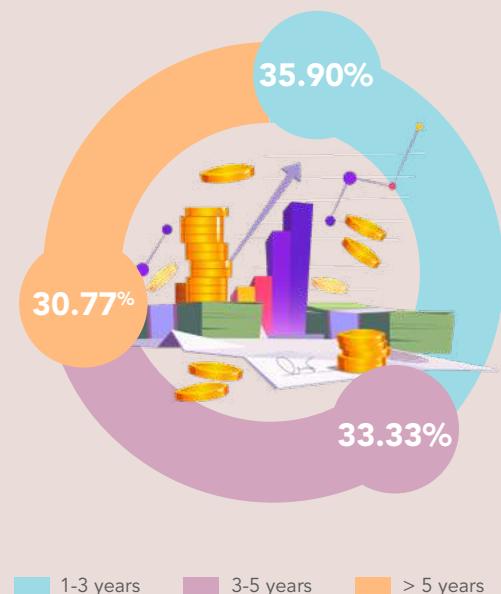
PROPORTION OF CORPORATE SUKUK VALUE BY INDUSTRIAL SECTOR



Source: Financial Services Authority (OJK), 2023

Of the 234 series of outstanding corporate sukuk, the majority of issuers were from the infrastructure sector (47%), followed by the raw goods sector (24%), the financial sector (15%), and other sectors accounting for less than 10%. In terms of value, corporate sukuk distribution followed a similar pattern, with the infrastructure sector dominating (42.18%), followed by the raw goods sector (24.19%), and the financial sector (19.02%).

PROPORTION OF SUKUK TENORS BY NUMBER OF SERIES



Based on the data, in 2023, 35.90% of the outstanding sukuk (84 series) had a tenor of 1-3 years, 33.33% (78 series) had a tenor of more than 3-5 years, and 30.77% (72 series) had a tenor of more than 5 years.

DEVELOPMENT OF SHARIA MUTUAL FUNDS

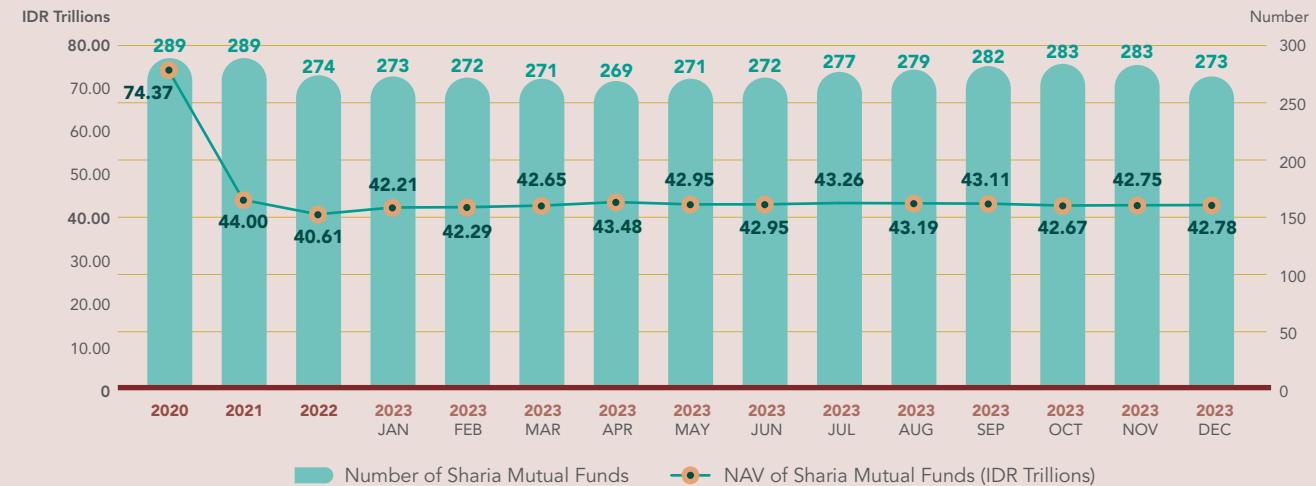


By type, the sharia mutual funds with the largest proportion in terms of NAV at the end of 2023 were Foreign Securities-Based Sharia Mutual Funds, accounting for 27.82%. This was followed by Money Market Sharia Mutual Funds with 16.90%, Equity Sharia Mutual Funds with 14.30%, Fixed Income Sharia Mutual Funds with 13.71, Protected Sharia Mutual Funds with 12.68%, Sukuk based Sharia Mutual Funds with 11.34%, and other Sharia mutual funds accounting for less than 10%.

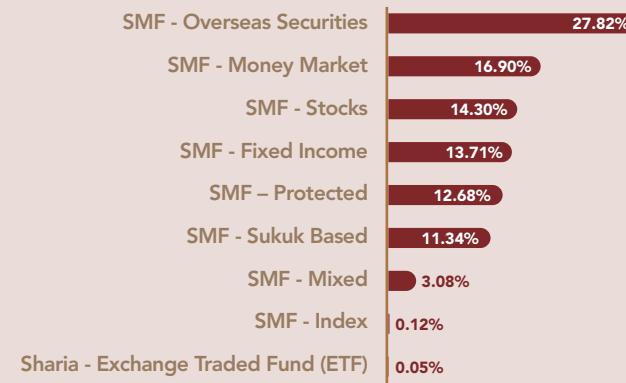
In 2023, 34 effective Sharia mutual funds were issued and 35 other Sharia mutual funds were dissolved.

By the end of 2023, there were a total of 273 Sharia mutual funds with a total Net Asset Value of IDR42.78 trillion.

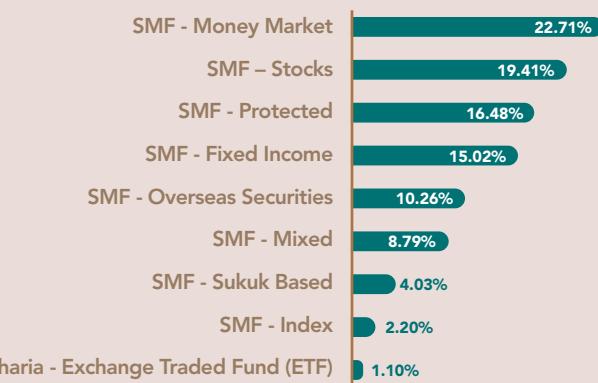
SHARIA MUTUAL FUNDS



PROPORTION OF SHARIA MUTUAL FUND (SMF) TYPES BY NAV



PROPORTION OF SHARIA MUTUAL FUND TYPES BY NUMBER



Source: Financial Services Authority, 2023

Number of Sharia Mutual Funds as of December 29, 2023

ISLAMIC CAPITAL MARKET FINTECH

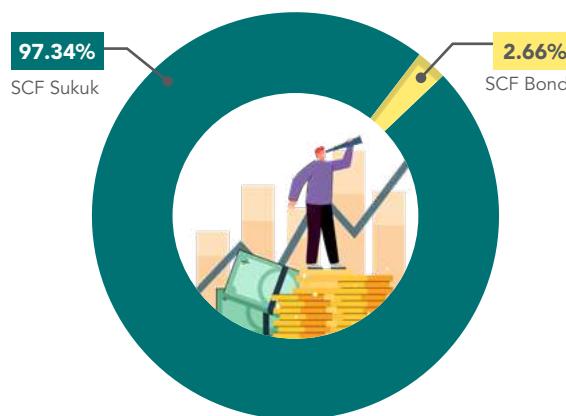
As a sign of its commitment to working together with small and medium enterprises in Indonesia to expedite the process of national economic recovery, and having previously issued a regulation concerning crowdfunding services, in 2022 OJK issued Circular Letter Number 3/SEOJK.04/2022 as a guide for entities interested in issuing sharia-compliant securities through financing schemes for SMEs, utilizing Securities Crowdfunding (SCF). SCF received endorsement in the form of a fatwa

from the DSN-MUI. This fatwa attests to the compatibility of Sharia principles with the offering of securities through information technology-based crowdfunding services, in other words Islamic Securities Crowdfunding.

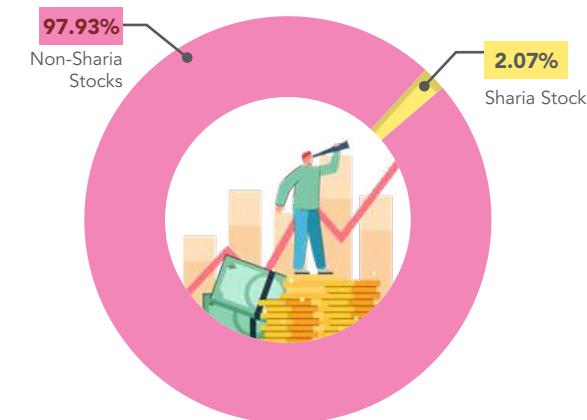
By the end of 2023, the SCF scheme had facilitated sukuk issuances by 102 small and medium enterprises. The total amount raised through these issuances was IDR421.82 billion. Additionally, four issuers utilized the SCF

scheme to issue Sharia-compliant stocks, raising a total of IDR12.82 billion in funds. Among the 16 SCF operators, three of them operate based on full-fledged Sharia principles. However, it is important to note that all SCF operators, including those that are not full-fledged Sharia operators, are still permitted to offer Sharia-compliant securities in the form of sukuk.

PROPORTIONAL VALUE OF SCF SUKUK



PROPORTIONAL VALUE OF SCF SHARIA STOCKS



	Sharia Stocks	Sukuk	Total
Number of Issuers	4	102	106
Value of Sharia Securities (IDR Billions)	12.82	421.82	434.63

SCF SUKUK FUNDRAISING AMOUNT



The amount of funds raised for SCF Sukuk in 2023 more than doubled, surging by 136.24% (yoY) to IDR421.82 billion from the previous year's corresponding figure of IDR178.14 billion.

NUMBER OF SHARIA ONLINE TRADING SYSTEM (SOTS) INVESTORS

Description	2021	2022	2023
Number of Investors	105,174	117,942	138,418
Increase in Number of Investors	19,283	12,768	20,476
Growth	22.45%	12.14%	17.36%

Source: Indonesia Stock Exchange data

SERVICES IN THE ISLAMIC CAPITAL MARKET

Type of Service	Number
Custodian Banks that have managed Sharia Mutual Funds	15
Securities companies that serve as underwriters in the issuance of corporate sukuk in Indonesia (Accumulation)	34
Trustees in the issuance of corporate sukuk through public offerings in Indonesia	10
DES (Sharia Securities List) Issuers	14
Exchange Members who provide active Sharia Online Trading System services	16
Sharia customer fund account administrators	2
Active Capital Market Sharia Experts	100
Investment Managers who own a Sharia	60
Sharia Investment Managers	1

Source: OJK, KSEI, dan IDX Islamic

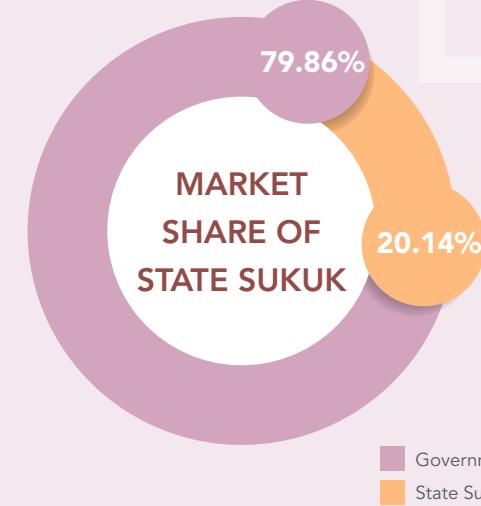


In 2023, there was another notable increase in the number of new sharia investors participating in the Sharia Online Trading System (SOTS). Specifically, there were an additional 20,476 new sharia investors, representing a 17.36% increase compared to the previous year.

The Sharia Online Trading System (SOTS) is an online platform designed for sharia-compliant stock transactions in the capital market. It was developed by members of the stock exchange to provide a facility or tool for investors who wish to engage in sharia-compliant stock trading. As of 2023, there were a total of 16 active SOTS stock exchange members.

STATISTICS AND DEVELOPMENT OF STATE SUKUK

In 2008, the Government of Indonesia started to issue State Sukuk as part of its efforts to expand sources of financing for the state budget and foster the development of Islamic financial markets. Over 15 years, State Sukuk have played a crucial role in financing the state budget and stimulating the growth of the Islamic finance industry, both domestically and internationally.



Source: Ministry of Finance, 2023

The success of State Sukuk issuances reflects continuous efforts to develop an active, deep, and liquid market for this instrument. Various improvements have been made to support the issuance of State Sukuk, including enhancements to the legal framework for their issuance and management, the structure of the sukuk and underlying assets, issuance methods and types of instruments, as well as the development of markets along with a domestic and international investor base.

Since the enactment of Law Number 19 of 2008 concerning Government Sharia Securities (State Sukuk), State Sukuk valued at IDR2,524.20 trillion have been issued through various methods such as auctions, book building, and private placements. These issuances have been conducted in both Rupiah and foreign currency (USD). As of December 31, 2023, the value of outstanding State Sukuk stood at IDR1,446.04 trillion, accounting for approximately 20.1% of the total Government Securities (SBN) issued by the Indonesian Government. The growth of State Sukuk issuance reflects their increasing role in financing the state budget deficit, funding infrastructure projects, and facilitating the development of Islamic financial markets.

STATE SUKUK ISSUANCES

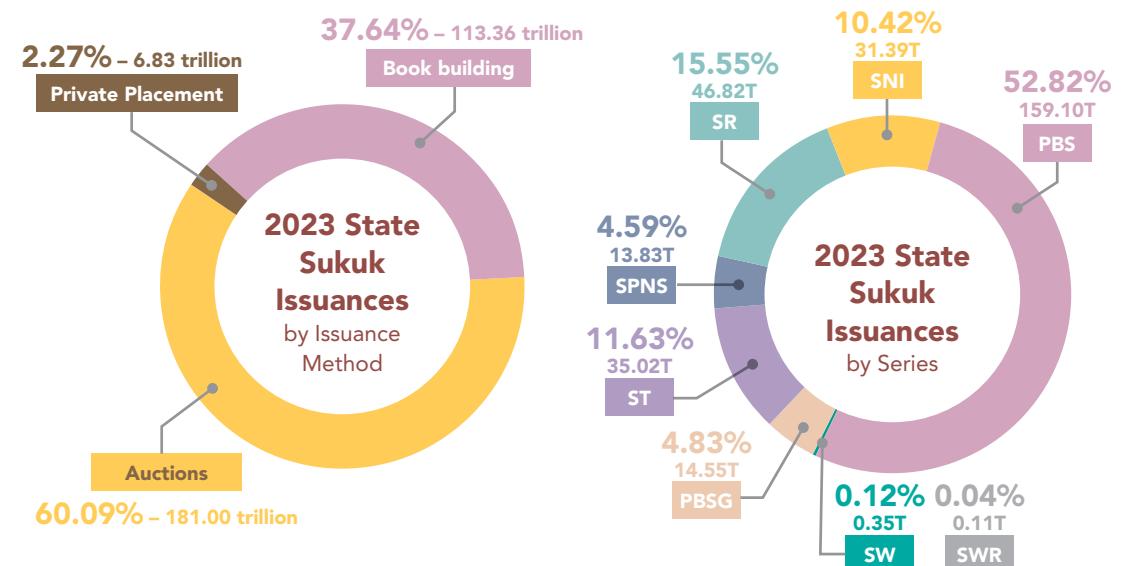


VALUE OF OUTSTANDING STATE SUKUK



Source: Ministry of Finance, 2023

SUMMARY OF STATE SUKUK ISSUANCES IN 2023



Source: Ministry of Finance, 2023

Among the purposes of issuing State Sukuk (SBSN) is to meet the state budget (APBN) deficit financing target. In Law No. 28 of 2022 concerning the 2023 APBN, the APBN deficit stood at 2.84% of GDP. This government deficit was addressed by means of various funding sources, one of which is State Sukuk issuances.

With the improvement in Indonesia's economic conditions and in line with the government's fiscal consolidation policy amidst global uncertainties — such as high inflation and volatility in energy and food commodity prices due to the Russia-Ukraine geopolitical tensions — the budget deficit decreased to 1.65% of GDP. This affected the target and realization of State Sukuk issuance, in that the initial target for 2023 was reduced from IDR418.80 trillion (gross) to IDR301.19 trillion (gross). This decrease in state sukuk issuance was not caused by a decline in investor interest but rather a reduction in the issuance target to meet financing needs.

In meeting the State Sukuk issuance target in 2023, the Government utilized various issuance methods including

auctions, book building, and private placements, accounting for 60.09%, 37.64% and 2.27% respectively. In terms of sukuk types, the majority of the 2023 issuances were Project Based Sukuk (PBS), comprising 52.82% of the total issuance. Despite this dominance, the government maintained a portion of other series issuances as part of efforts to deepen and sustainably develop the SBSN market.

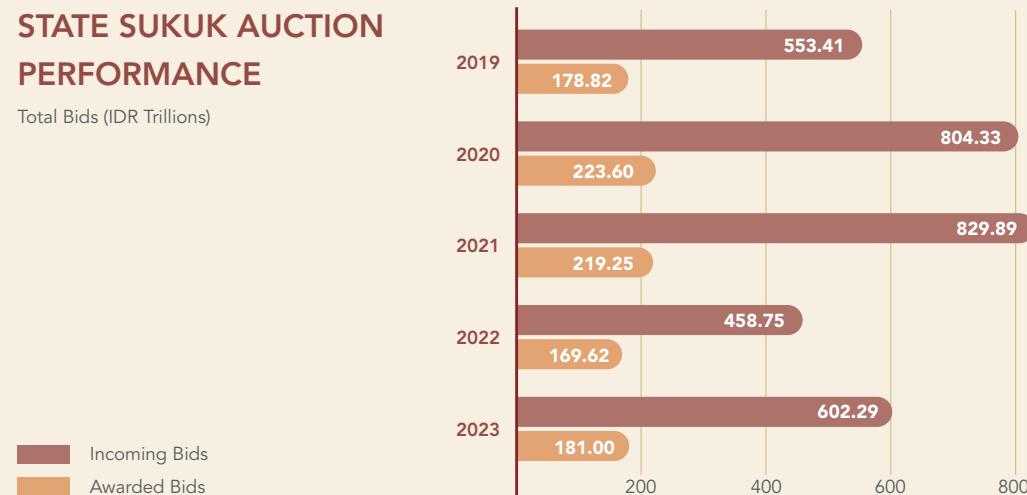
As touched on above, most State Sukuk issuances were conducted through auctions. The government regularly held auctions for SPN-Syariah series (State Sukuk with a tenor of less than one year) and PBS series (Project Based Sukuk with a tenor of over one year). In 2023, the total incoming bids from investors amounted to

IDR602.29 trillion, with total awarded bids reaching IDR181 trillion.

As for book building, in 2023 the government conducted SBSN issuances through domestic primary market book building five times. This included two series of Retail Sukuk (tradable series specifically for individual investors), two series of Savings Sukuk (non-tradable series specifically for individual investors), and one series of Cash Waqf Linked Retail Sukuk (non-tradable Sukuk for wakaf). Additionally, the government carried out one issuance of State Sukuk by means of book building on the international market.

STATE SUKUK AUCTION PERFORMANCE

Total Bids (IDR Trillions)



RETAIL SUKUK ISSUANCES IN 2023

VALUABLE OPTION FOR THE NATION'S INDEPENDENCE

Subscription Results	SR018		SR019	
	SR018T3	SR018T5	SR019T3	SR019T5
VALUE OF SUBSCRIPTIONS (in billions of Rupiah)	16,949,759	4,544,818	17,543,813	7,790,600
Offer Period	3 rd to 29 th March 2023	3 rd to 29 th March 2023	1 st to 20 th September 2023	3 rd to 29 th March 2023
Settlement Date	5 th April 2023	5 th April 2023	27 th September 2023	27 th September 2023
Maturity date	10 th March 2023	10 th March 2023	10 th September 2023	10 th September 2023
Coupon Rate	6.25% (Fixed)	6.40% (Fixed)	5.95% (Fixed)	6.10% (Fixed)
Number of Distribution Partners	33 midis	33 midis	32 midis	32 midis
Number of Investors	47,811 people	14,932 people	46,730 people	19,803 people
Number of New Investors	15,236 people	3,254 people	13,182 people	4,833 people
Contract	Ijarah Asset to be leased	Ijarah Asset to be leased	Ijarah Asset to be leased	Ijarah Asset to be leased
Theme	Reguler	Reguler	Reguler	Reguler
Tradability	Tradable (after MHP)	Tradable (after MHP)	Tradable (after MHP)	Tradable (after MHP)
Minimum Subscription	1 million	1 million	1 million	1 million
Maximum Subscription	5 billion	10 billion	5 billion	10 billion

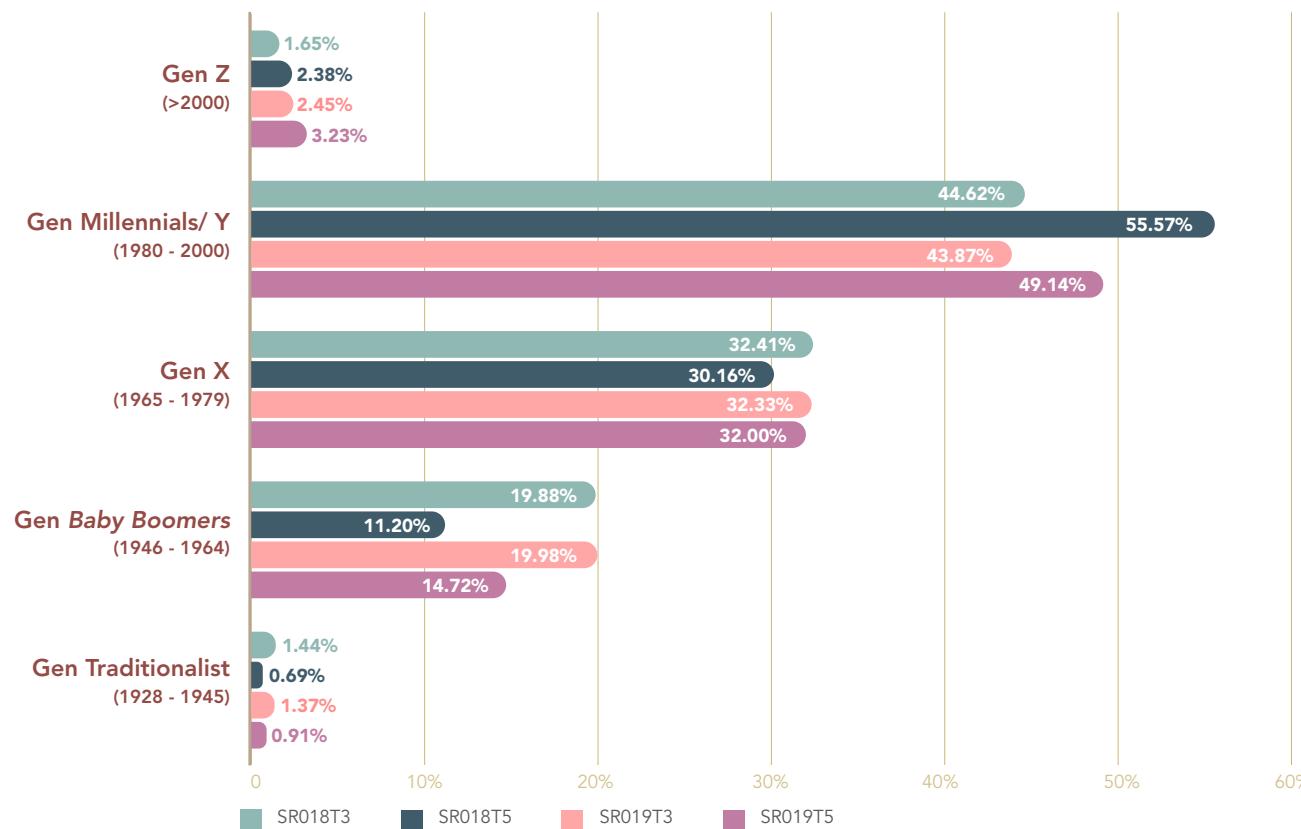
In 2023, the Government issued Retail Sukuk twice in the form of series SR018 and SR019. The issuance was conducted entirely online through the e-SBN platform with the participation of 33 Distribution Partners for SR018 and 32 Distribution Partners for SR019. These comprised Islamic Banks, Conventional Banks, Special Securities Companies, Securities Companies, and Fintech firms.



SR018 was the first series of Retail SBSN issued in 2023 and the first time it was issued in dual tranches, adding a long tenor with series SR018T3 and SR018T5. This same mechanism was continued with the issuance of SR019 at the end of the third quarter with series SR019T3 and SR019T5. The total issuance for SR018 amounted to IDR 21.495 trillion from 58,472 investors*, detailed as follows:

- SR018T3: IDR16.95 trillion from 47,811 investors.
- SR018T5: IDR4.54 trillion from 14,932 investors.

* There were investors overlapping between the two tenors.



The total issuance for SR019 totaled IDR25.334 trillion from 62,083 investors, detailed as follows:

- SR019T3: IDR17.54 trillion from 46,730 investors
- SR019T5: IDR7.79 trillion from 19,803 investors.

Gen Y/Millennials remained the largest group of investors in both SR018 and SR019, with a share exceeding 40%.

ISSUANCE OF SAVINGS SUKUK SERIES ST010 AND ST011 PRESERVING OUR EARTH TOGETHER

As with the issuance of Retail Sukuk in 2023, which for the first time was issued in dual tranches, Savings Sukuk series ST010 and ST011, issued in the second and fourth quarter respectively, were also offered in dual tranches with a 2-year tenor as in previous series and a 4-year green-themed tenor.

There was an upswing in investor interest in Non-Tradable Retail State Sukuk (SBSN). The sale of ST010 generated total subscriptions amounting to IDR15 trillion from 51,015 investors, of which 16,135 were new investors. Both in terms of nominal value and number of investors,

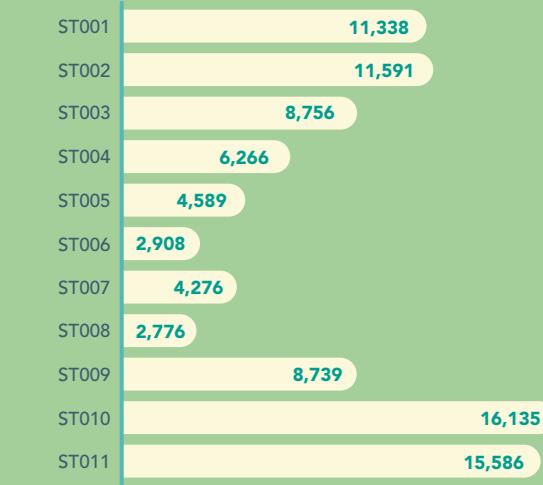
the sale of ST010 was the largest in the history of Non-Tradable Retail SBSN issuance, until it was surpassed by the issuance of ST011. The ST011 issuance achieved a total subscription of IDR20 trillion from 68,284 investors, with 15,586 of them being new investors.

Subscription Results	ST010		ST011	
	ST010T2	ST010T4	ST011T2	ST011T4
VALUE OF SUBSCRIPTIONS (in millions of Rupiah)	11,700,613	3,300,000	14,523,657	5,501,500
Offer Period	May 12 - June 7 2023	May 12 - June 7 2023	November 6 - December 6 2023	November 6 - December 6 2023
Settlement Date	June 14 2023	June 14 2023	December 13 2023	December 13 2023
Maturity date	June 10 2025	June 10 2023	November 10 2025	November 10 2027
Coupon Type	Floating with floor	Floating with floor	Floating with floor	Floating with floor
Coupon Rate	6.25% (B17DRRR 5.75% + Spread 0.50%)	6.40% (B17DRRR 5.75% + Spread 0.65%)	6.30% (B17DRRR 6.00% + Spread 0.30%)	6.50% (B17DRRR 6.00% + Spread 0.50%)
Effective Date of Adjusted Coupon	Feb 11, May 11, Aug 11, Nov 11 annually	Feb 11, May 11, Aug 11, Nov 11 annually	Feb 11, May 11, Aug 11, Nov 11 annually	Feb 11, May 11, Aug 11, Nov 11 annually
Number of Distribution Partners	31 distribution partners	31 distribution partners	32 distribution partners	32 distribution partners
Number of Investors	42,013 people	13,131 people	54,548 people	19,117 people
Number of New Investors	13,590 people	2,545 people	13,399 people	2,187 people
Contract	Wakalah	Wakalah	Wakalah	Wakalah
Theme	Regular	Green	Regular	Green
Tradability	Non-Tradable	Non-Tradable	Non-Tradable	Non-Tradable
Minimum Subscription	1 Million	1 Million	1 Million	1 Million
Maximum Subscription	5 Billion	10 Billion	5 Billion	10 Billion

SAVINGS SUKUK ISSUANCE



TOTAL INVESTOR BARU



ISSUANCE OF RETAIL CWLS SERIES SWR004: ENDLESS BLESSINGS



In 2023, the fourth year of Retail CWLS (Cash Waqf Linked Sukuk) issuance began with the introduction of SWR004. This series offered Indonesian citizens an opportunity to invest through wakaf (charitable endowment), turning it into an instrument that offers more than just the benefits of doing good deeds.

Unlike the previous series, SWR004 featured a floating-with-floor coupon. This adjustment was made to better meet the needs of investors holding non-tradable instruments by offering potential increases in returns based on current financial market conditions.

The issuance of SWR004 achieved a total subscription value of IDR112.56 billion, the highest in the history of Retail CWLS. This included IDR24.32 billion from individual wakif and IDR88.24 billion from institutional wakif. The increase in nominal purchases also reflects the success of the CWLS literacy enhancement strategy. The Government will continue to work on improving services and infrastructure to ensure that Retail CWLS remains accessible to the wider public and support BWI's (Wakaf Board of Indonesia) efforts in developing cash wakaf programs.

For SWR004, 6 Distribution Partners (4 Islamic Banks and 2 Islamic Windows) and 7 Nazhir worked with the Government to offer several social programs. The main initiatives included the Empowerment of Crop and Livestock Farmers (Productive and Sustainable) and Activities supporting the concept of Tri Dharma in Institutions of Higher Education.

REALIZATION OF RETAIL SBSN ISSUANCES

The issuance of Retail Sukuk continued to gather pace,
supporting financial inclusion policies in Indonesia.

2009 - 2023



IDR339.62 Trillion

**19 SERIES
662,294**

Total investors who
have participated

Retail Sukuk have been issued
since 2009

Supporting the development of
the Islamic finance market and
financial inclusion

Since 2018, Retail Sukuk have
been issued online

2016 - 2023



IDR339.62 Trillion

**11 SERIES
258,061**

Total investors who
have participated

Encouraging the transformation
of society towards an
investment-oriented society

Investors can purchase with
small investment units

2020 - 2023



IDR189.87 Billion

**4 SERIES
3,029**

Total investors who
have participated

"Since first issued in 2009,
the issuance of retail SBSN
(including CWLS) has reached
a nominal value of IDR411.97
trillion, with an accumulated
total of 923,384 investors across
all issuances."



GLOBAL SUKUK (SNI) IN 2023

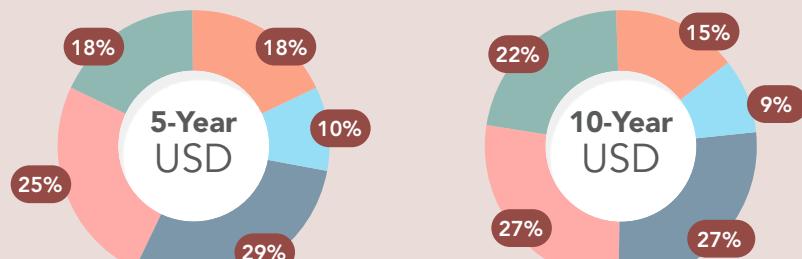
SOVEREIGN GREEN SUKUK IN THE GLOBAL MARKET

ORDERBOOK DISTRIBUTION



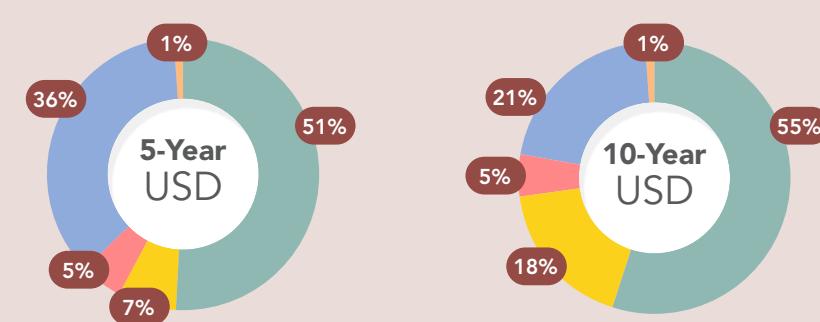
INVESTORS BY GEOGRAPHIC LOCATION (ALLOCATION)

■ Asia (exc. Indonesia + MSIA) ■ Indonesia ■ ME+MSIA ■ Europe ■ United States



INVESTORS BY TYPE (ALLOCATION)

■ Fund Managers ■ CBs/SWFs ■ Ins/Pension ■ Banks ■ PB & Others



In 2023, the Government returned to the Global Sukuk market and successfully completed a Wakalah-based Sukuk sale worth US\$2.0 billion, consisting of US\$1.0 billion with a five-year tenor and US\$1.0 billion with a ten-year tenor (Green Sukuk).

This issuance marks the government's sixth global Green Sukuk and the second since the introduction of the SDGs Government Securities Framework in August 2021. It demonstrates the government's long-term dedication and commitment to green and sustainable financing as part of its efforts to combat climate change.

The transaction received a positive response from investors from the start of book building, resulting in a final order book amounting to USD5.6 billion, reflecting an oversubscription of more than 2.8 times. This allowed the government to reduce the initial price guidance by 25bps for both the five-year and ten-year tenors, setting the final prices at 5.40% and 5.60% for the respective tenors (Green Sukuk).

Key achievements related to this transaction included:

1. The tightest issuance spread achieved by an ASEAN Government in the last two years;
2. The lowest spread differential between Sukuk and Conventional Bonds in recent years;
3. The lowest New Issue Premium achieved by the Government in the last two years; and
4. The largest USD Sukuk issuance conducted in Asia.

GREEN SUKUK ISSUANCE

According to the Green Sukuk impact report, the issuance of Green Sukuk since 2018 has resulted in an estimated reduction of 10.42 million tons of CO₂e greenhouse gas emissions, an additional 7.36 kWh of eco-friendly power generation capacity, improved waste management benefiting 8.51 million households, and various other environmentally friendly projects.

Achievements of Green Sukuk

in 2023:

- Indonesia's Global Sukuk met AAOIFI standards, making them acceptable in the United Arab Emirates (UAE) market.
- The distribution of green investors continued its year-by-year increase.
- Domestic retail Green Sukuk were sold using the online platform (e-SBN) featuring a floating with floor coupon.
- The Millennial generation had the highest participation rate, followed by Generation X and Baby Boomers.
- After issuing Green Sukuk by auction, namely series PBSG001, in 2022 amounting to IDR4.4 trillion, the Government offered the same series again in 2023. By year's end, this series had an outstanding value of IDR22.22 trillion.

INTERNATIONAL

2018	2019	2020	2021	2022	2023
<ul style="list-style-type: none"> 5-Year Tenor USD1.25 billion Green Investors: 29% 	<ul style="list-style-type: none"> 5.5-Year Tenor USD750 million Green Investors: 29% 	<ul style="list-style-type: none"> 5-Year Tenor USD750 million Green Investors: 34% 	<ul style="list-style-type: none"> 30-Year Tenor USD750 million Green Investors: 57% 	<ul style="list-style-type: none"> 10-Year Tenor USD1.5 billion Green Investors: 37% 	<ul style="list-style-type: none"> 10-Year Tenor USD1 billion Green Investors: 41%



15

International awards for green sukuk include those from IFR Asia, Islamic Finance News, Finance Asia, Euromoney, The Asset Triple A, Climate Bond Initiative, and Cambridge IFA.

DOMESTIC

2019	2020	2021	2022	Retail		2022-2023
				ST006	ST007	
IDR1.46 Trillion	IDR5.42 Trillion	IDR5 Trillion	IDR10 Trillion	• 7,735 Investors	• 16,992 Investors	• 14,337 Investors
• 2,908 New investors	• 4,276 New investors	• 2,776 New investors	• 35,397 Investors	• 13,131 Investors	• 2,545 New investors	• 19,117 Investors
				• 2,187 New investors		• PBSG001 IDR22.2 Trillion Issued by auction Investors consisted of banks and other institutions

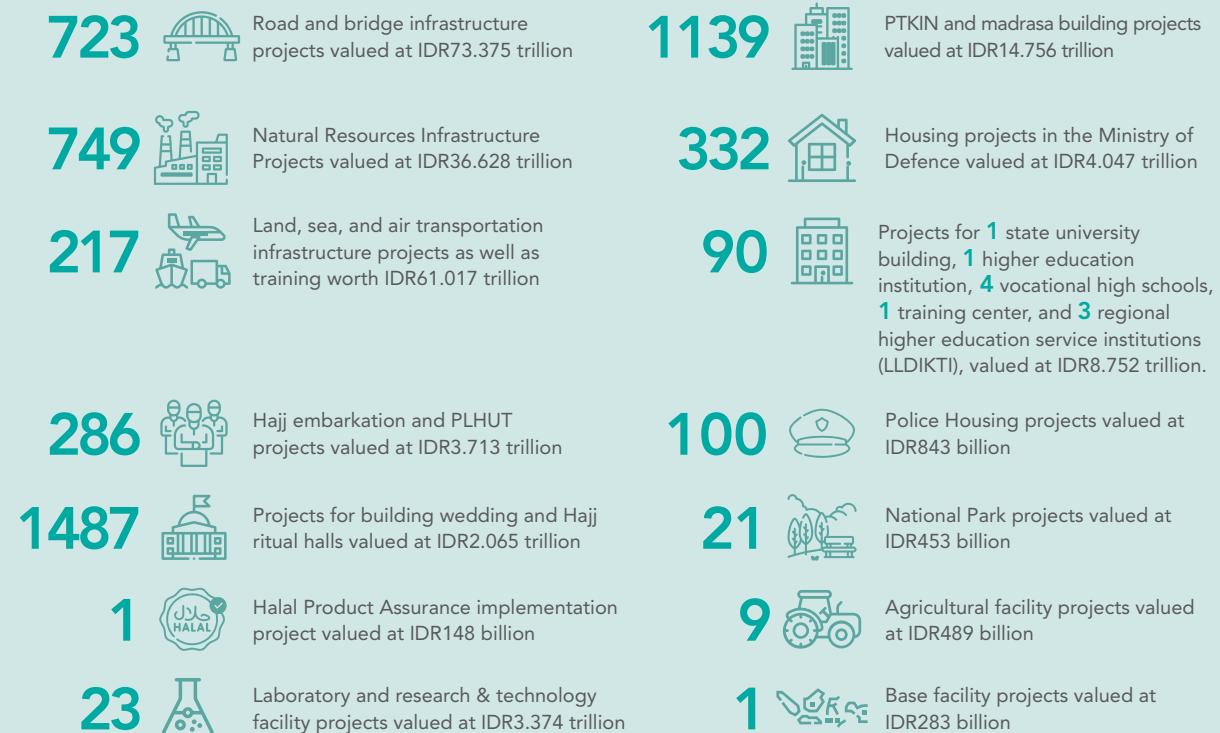
PROJECT FINANCING SUKUK



In 2013, the Government introduced Project Financing Sukuk to fund government infrastructure projects earmarked in the State Budget (APBN) through the issuance of State Sukuk (SBSN). This initiative aligns with Law No. 19 of 2008, which permits the issuance of State SBSN for project financing purposes.

In 2023, the nominal value of projects financed using this scheme amounted to IDR34.44 trillion, with a total of 999 projects across 27 Echelon I units in 12 Ministries/Agencies (K/L). To date, Project Financing Sukuk (PFS) worth IDR209.82 trillion have been issued since their inception in 2013, covering 5,187 central government projects across 34 regions in Indonesia, implemented by K/L.

The funded projects are diverse, primarily covering national infrastructure sectors such as transportation, roads and bridges, education, religious facilities, national parks, water resources, agriculture, and research laboratories. The total number of projects carried out since 2013 can be seen in the chart below.



CONTRIBUTIONS OF STATE SUKUK TO INDONESIA



Laboratory and Library Building at MAN 3
Bantul, Special Region of Yogyakarta (2023)



MTsN 1 Classroom in Bone Bolango,
Gorontalo (2023)



Official Residences for Regional Police
Department (Polda) West Sulawesi (2023)



Qur'an Printing Unit (UPQ), Ciawi,
Bogor, West Java (2023)



BBPPTP DNA Testing Laboratory,
Medan, North Sumatra (2023)

CONTRIBUTIONS OF STATE SUKUK TO INDONESIA



Klarik Bridge National Road I,
Riau Islands (2023)



MTsN 3 Classroom, Konawe,
Southeast Sulawesi (2023)



Army Military Command, Palangkaraya,
Central Kalimantan (2023)



MIN 2 Classroom, Madiun,
East Java (2023)



MTsN 3 Laboratory and Library Building,
Muna, Southeast Sulawesi (2023)



Preservation of Tanah Merah Road –
Geten Giri, Papua (2023)



Army Military Command, Singkawang,
West Kalimantan (2023)



STATE SUKUK DEVELOPMENT POLICIES

Optimal and Productive Financing of the State Budget through SBSN

Efforts to achieve optimal and productive APBN financing through SBSN were made by increasing the size of SBSN issuances according to opportunistic principles while managing costs and risks. Additionally, new instruments were

developed to expand the supply of State Sukuk for retail investors and broaden the retail investor base. With this strategy, it is hoped that SBSN will make a significant contribution to supporting sustainable financing and productive growth.

Managing Quality Underlying Assets

Efforts to manage quality Underlying Assets and support the sustainability of SBSN issuances were made through the financing of strategic national projects. Additionally, the development of a Social and Economic Impact Measurement Platform for SBSN projects and the advancement of SBSN for creative financing were pursued. This approach ensures that the management

of quality Underlying Assets provides a solid foundation for sustainable SBSN issuances, while the development of the impact measurement platform guarantees positive contributions to the social and economic aspects of SBSN projects. By integrating creative financing, it is hoped that SBSN will offer innovative solutions to support strategic national projects.



Development of SBSN Issuance Infrastructure

Efforts to develop SBSN issuance infrastructure were made to create a deep and liquid market. This involved the development of retail SBSN infrastructure, such as trading and distribution platforms that facilitate retail investor participation. Additionally, strategies for communication and education were strengthened to improve literacy about Retail SBSN and Cash Waqf Linked Sukuk (CWLS), both independently and in collaboration with

other stakeholders such as KNEKS and Bank Indonesia. Studies related to the development of CWLS infrastructure were also conducted. Through these efforts, the aim was to make the SBSN market more inclusive and liquid, while increasing knowledge and understanding of Retail SBSN and CWLS, thereby contributing positively to the overall development of the SBSN market



Deepening the SBSN Market through Enhanced Literacy and Education

In order to deepen the SBSN market, several measures were taken, including efforts to enhance literacy among individuals and institutions

through a series of educational and outreach activities, as well as roadshows, both domestically and internationally



Management of SBSN in Supporting Sustainable Finance

Efforts to manage SBSN in supporting sustainable finance were carried out through the issuance of green sukuk in international and domestic markets, allowing for the allocation of funds to sustainable, environmentally friendly projects. Additionally, the development and issuance of Cash Waqf Linked Sukuk (CWLS) integrated the principles of Islamic finance and social empowerment. The final step

involved the preparation and publication of impact reports as a form of transparency and accountability for the issuance of green sukuk, aiming to measure and report the social and environmental impacts of projects funded by them. Thanks to this strategy, SBSN not only plays a role in supporting sustainable finance but also promotes environmental protection and sustainability principles.



ISLAMIC CAPITAL MARKET DEVELOPMENT

Enhancing Infrastructure in the Islamic Capital Market Through the Addition of Key Islamic Financial Institutions

To increase the market share of the Islamic Capital Market industry in Indonesia, it is necessary to enhance infrastructure by adding Islamic Financial Institutions that play a role in the Islamic Capital Market. This enhancement can include synergy with other Islamic financial sector players, such as Islamic Banks and Non-Bank Islamic Financial Industries. Such synergy will also increase the capacity of Islamic financial institutions through the issuance of Sharia-compliant securities in the capital market to boost capitalization. On the other hand, Islamic financial institutions with excess liquidity can invest in Sharia-compliant securities.

Moreover, from the supply and demand perspective, these institutions can also contribute to improving the infrastructure in the Islamic Capital Market.

In 2023, there was an addition of two Islamic Financial Institutions that contributed to infrastructure enhancement in the Islamic Capital Market: one newly established Islamic Commercial Bank became a Selling Agent for Mutual Fund Securities (APERD), and another new Islamic Commercial Bank began providing online Customer Fund Accounts (RDN).



ISLAMIC CAPITAL MARKET DEVELOPMENT

HIGHLIGHTED ISSUE: FOLLOW-UP ON THE MANDATES OF THE PPSK LAW

First Issuance of Socially Sustainable Corporate Sukuk in Indonesia

In line with the purpose of Law (UU) Number 4 of 2023 on the Development and Strengthening of the Financial Sector, which aims to promote the contribution of the financial sector to inclusive, sustainable, and equitable economic growth to improve living standards, reduce economic inequality, and create a prosperous, advanced, and dignified Indonesia - including enhanced Financial Inclusion characterized by access to affordable, high-quality and sustainable financial sector products and/or services - on December 14, 2023, the

first Socially Sustainable Musyarakah Sukuk was issued in Indonesia with a total fund target of IDR1.5 trillion and an initial offering of IDR200 billion.

All proceeds from the Public Offering of the Socially Sustainable Musyarakah Sukuk, after deducting issuance costs, are to be used to refinance Sharia Housing and Settlement Financing Activities to increase homeownership and availability of affordable housing projects for low-income communities. This issuance



was based on the improved provisions of POJK Number 18/POJK.04/2023 concerning the Issuance and Requirements for Debt Securities and Sukuk Based on Sustainability, issued on October 5, 2023.

HIGHLIGHTED ISSUE: FOLLOW-UP ON THE MANDATES OF THE PPSK LAW

POJK 18 of 2023 on the Issuance and Requirements for Debt Securities and Sukuk Based on Sustainability

No	Main Provisions include:
1	Debt securities and/or Sukuk based on sustainability can only be issued to finance or refinance environmentally sustainable business activities (KUBL) and/or socially sustainable business activities (KUBS), as well as projects aimed at optimizing the benefits of wakaf assets.
2	Issuers must obtain a review from a qualified external reviewer for the business activities and/or other activities financed by the issuance of debt securities and/or Sukuk based on sustainability.
3	The usage of funds from public offerings and private placements of debt securities and/or Sukuk based on sustainability must be allocated to the approved sustainable projects or activities.
4	The obligations of issuers regarding debt securities and/or Sukuk based on sustainability will no longer apply once the debt securities and/or Sukuk are no longer classified as such.

In accordance with the mandates of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, which aligns with the roadmap for sustainable finance to develop the capital market industry while preserving environmental sustainability and social impact, as well as encouraging the development of debt securities and Sukuk based on sustainability, POJK Number 18/POJK.04/2023 concerning the Issuance and Requirements for Debt Securities and Sukuk Based on Sustainability was issued on October 5, 2023

This regulation improves previous provisions by expanding the scope of regulations. It now covers not only green bonds but also includes green Sukuk, social bonds/Sukuk (EBUS), sustainability bonds/Sukuk, Wakaf Sukuk, and sustainability-linked bonds (EBUS).

Sustainable development requires innovative financial products and services to accelerate the transition towards a sustainable financial industry. One of the key objectives of the Sustainable Finance Roadmap is to develop debt securities and/or Sukuk that support sustainable economic growth.

ISLAMIC CAPITAL MARKET STRATEGIC POLICIES

Issuance of POJK Number 2 of 2023 on Amendments to OJK Regulation Number 10/POJK.04/2018 Concerning the Application of Investment Manager Governance, and Issuance of OJK Circular Letter Number 9/SEOJK.04/2023 on Amendments to OJK Circular Letter Number 19/SEOJK.04/2018 Concerning Reports on the Application of Investment Manager Governance

The issuance of these regulations was based on the results of the Sharia Supervisory Board (DPS) Regulations Harmonization Study carried out by three sectors (banking, capital market, and non-bank financial industry). The study identified that optimizing the implementation of DPS duties in the Islamic capital market requires the standardization of regulations, specifically concerning dual roles, meeting provisions, and DPS remuneration policies.

This need for the amended regulations was also identified through discussions held prior to the Ijtimâ' Sanawi (annual DPS fatwa familiarization forum) where it was found that Sharia Supervisory Boards face challenges related to the limits of their authority, duties, and responsibilities concerning the supervision of Sharia investment products, and are also constrained by limited access to data and information between the DPS and internal Investment Managers (IM). This, therefore, necessitated regulations that clarify the position and authority of the DPS within the IM.

Furthermore, to increase public trust in the capital market, including the Islamic capital market, there is a need to enhance the quality of Investment Manager governance and strengthen Sharia-related aspects of supervision. The roles, responsibilities, and powers of Sharia Supervisory Boards were not sufficiently detailed in Financial Services Authority Regulation Number 10/POJK.04/2018 on the Application of Investment Manager Governance, which was subsequently improved through the issuance of POJK Number 2/POJK.04/2023 concerning amendments to the previous POJK.





No	Main Provisions of POJK Number 2 of 2023 on the Application of Investment Manager Governance, include:	No	Main Provisions of SEOJK Number 9 of 2023 on the Application of Investment Manager Governance, include:
1	Obligation for Islamic Investment Managers (IM) or Investment Managers with Sharia units to have a Sharia Supervisory Board (DPS) in accordance with the POJK on Sharia principles in the Capital Market and POJK on Sharia experts in the Capital Market;	1	Obligation for Islamic Investment Managers (IM) or Investment Managers with Sharia units to have a Sharia Supervisory Board (DPS) in accordance with the POJK on Sharia principles in the Capital Market and POJK on Sharia experts in the Capital Market;
2	The duties, responsibilities, and authorities of Sharia Supervisory Boards;	2	Additional disclosure of forms of application of Governance related to Sharia Supervisory Boards for Islamic Investment Managers or Investment Managers which have Sharia investment management units;
3	Obligation for a DPS, Board of Directors of Islamic Investment Managers, and Board of Directors of Investment Managers which have Sharia investment management units to prepare and document working papers appropriately;	3	Addition of a self-assessment process for evaluating the performance of Sharia Supervisory Boards' duties and responsibilities for Islamic Investment Managers or Investment Managers which have Sharia investment management units;
4	Obligation to hold regular meetings with the DPS;	4	Submission of business plan reports, business plan realization reports, and Governance application reports through the Mutual Fund Industry Application (ARIA) System.
5	Stipulation that general information required to be displayed on the IM's website must also include the profile of the DPS.		

04

ISLAMIC INSURANCE, GUARANTEE, AND PERSON FUND (PPDP) SECTOR



OVERVIEW



Total Assets of the Islamic Insurance, Guarantee, and Pension Fund (PPDP) Sector reached a value of IDR61.92 Trillion with a 3.57% growth rate and a 2.67% Market Share



The Islamic PPDP Sector will undergo a transformation following the enactment of the Financial Sector Development and Strengthening Law (UU PPSK).



OJK is undertaking efforts to strengthen and develop the Islamic PPDP Sector through the issuance of the 2023-2027 Insurance Roadmap.



Synergy among Islamic financial institutions has become a key focus for OJK in deepening the Islamic PPDP market.

The performance of the Islamic Insurance, Islamic Guarantee, and Islamic Pension Fund (Islamic PPDP) sector as of December 2023 was positive and stable.

This was reflected in the growth of total assets in the Islamic PPDP sector, which increased by IDR2.13 trillion (3.57% yoy) to IDR61.92 trillion (2022: IDR59.79 trillion). The largest increase came from Islamic Pension Funds, which grew by IDR2.53 trillion (25.68% yoy) to stand at IDR12.49 trillion (2022: IDR9.86 trillion). Additionally, Islamic Guarantee companies saw an asset increase of IDR0.44 trillion (8.63% yoy), bringing the total to IDR5.53 trillion (2022: IDR5.09 trillion), while Islamic Insurance companies experienced a decrease in assets of IDR0.84 trillion (-1.86% yoy) to IDR44.01 trillion (2022: IDR44.84 trillion). Despite these developments, the market share of Islamic PPDP remains relatively small at 2.67% compared to the total assets of the PPDP industry which amount to IDR2,317.78 trillion.

By the end of 2023, there were 79 entities in the Islamic PPDP sector, comprising 23 full-fledged Islamic companies, 51 Islamic windows, and 5 Financial Institution Pension Fund (DPLK) Sharia investment packets. The number of participants in the Islamic PPDP sector in 2023 stood at 13.45 million, with 8.17 million being beneficiaries of Islamic Guarantee companies.

2023 marked the beginning of a significant transformation in the Islamic PPDP sector following the enactment of Law Number 4 of 2023 on the Strengthening and Development of the Financial Sector (UU PPSK). In terms of policy, OJK issued implementing regulations related to the spin-off of Islamic windows, in the form of OJK Regulation Number 10 of 2023 (POJK 10/2023) and OJK Regulation Number 11 of 2023 (POJK 11/2023). These regulations are expected to foster a competitive and sustainable Islamic economic ecosystem.

Furthermore, the Islamic Pension Fund industry continued to undergo significant transformation as UU PPSK repealed Law Number 11 of 1992 on Pension Funds and amended the OJK regulation concerning Pension Funds. OJK issued Financial Services Authority Regulation Number 27 of 2023 on the Business Operations of Pension Funds and will subsequently issue further regulations on Business Licensing and Organizational Structures of Pension Funds.

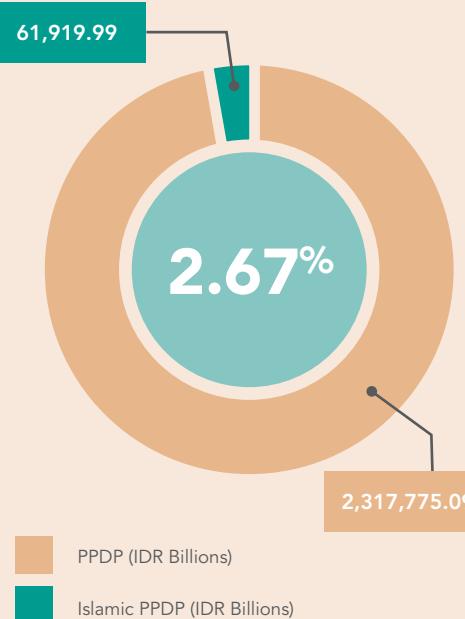
In addition to policy measures, to encourage the growth of the Islamic PPDP sector, OJK issued the 2023-2027 Insurance Development Roadmap. This roadmap will serve as a guide in creating a resilient insurance industry, ensuring strong consumer protection and supporting national economic growth.

Moreover, OJK initiated several other development initiatives, including:

- Enhancing Islamic financial literacy and inclusion through Training of Trainers (TOT) and Training of Community (TOC) programs.
- Deepening the market through Business Matching events for the Islamic Non-Bank Financial Industry (IKNB Syariah) to strengthen the role of Islamic PPDP in the Islamic economic ecosystem.
- Other Development activities such as studies, focus group discussions, and research. In these efforts, OJK collaborated with ministries, the National Sharia Board-MUI, Regional Financial Access Acceleration Teams, the Islamic Economic Society (MES), and other relevant institutions.
- These and other development initiatives which will continue to be pursued to enhance the Islamic economic ecosystem in Indonesia.

ISLAMIC PPDP STATISTICS & DEVELOPMENT

By the end of 2023, the market share of Islamic PPDP assets as a proportion of all PPDP assets stood at 2.67%.



Development of Islamic PPDP Assets in 2023

(In IDR Billions)

NO	JENIS INDUSTRI	2019	2020	2021	2022	2023
1	Islamic Life Insurance	37,887.30	36,165.55	34,613.40	34,948.70	32,806.27
2	Islamic General Insurance	5,817.01	6,018.55	6,559.78	7,480.59	8,463.57
3	Islamic Reinsurance	2,090.87	2,097.89	1,970.71	2,411.10	2,735.40
4	Islamic DPPK-PPMP	329.76	569.26	612.41	662.24	1,619.48
5	Islamic DPPK-PPIP	112.27	101.31	613.70	712.69	840.89
6	Islamic DPLK*	3,502.56	7,359.11	7,896.03	8,481.28	9,926.46
7	Islamic Guarantee	2,224.57	3,049.38	4,449.97	5,088.68	5,527.92
TOTAL		51,964.35	55,361.05	56,716.00	59,785.28	61,919.99

* Islamic DPLK (including Islamic Investment Packet assets marketed by DPLK)

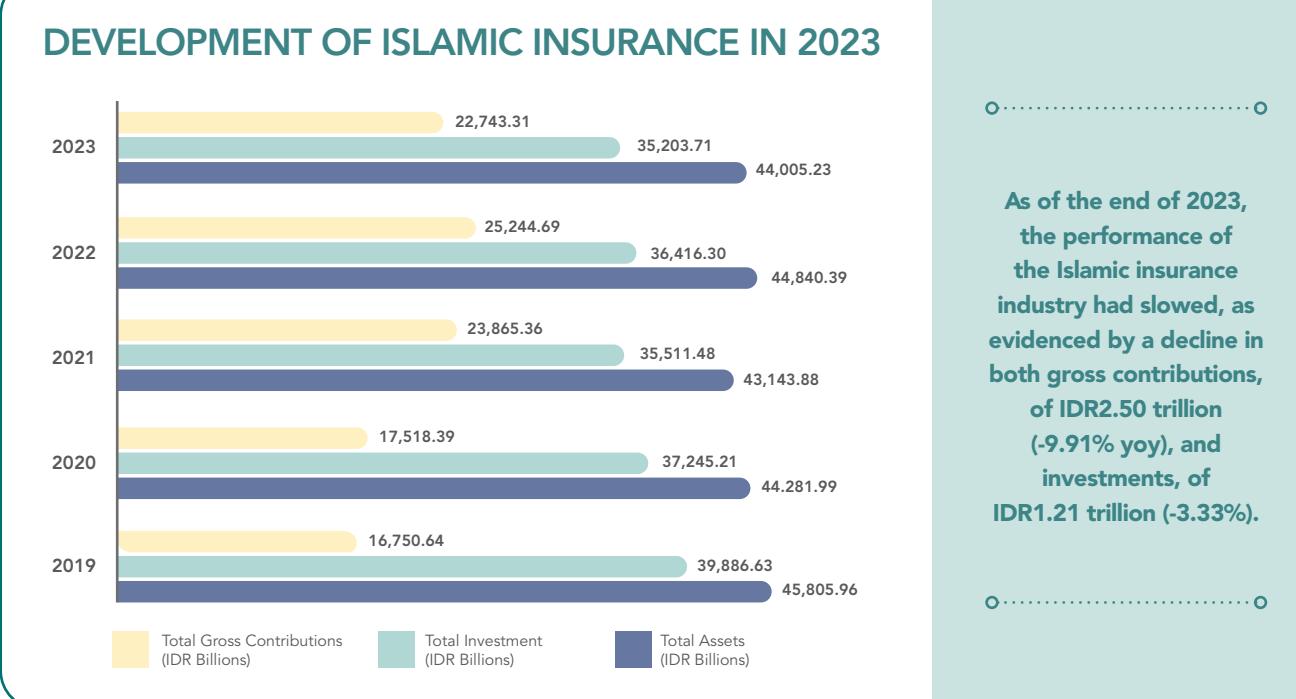
-● **Islamic PPDP assets went up by IDR2.13 trillion (3.57% yoy). The largest increase came from the rise in Islamic DPLK assets, which grew by IDR1.45 trillion (17.04%). Additionally, there was an increase in Islamic DPPK PPMP entities/operators, resulting from conversions from conventional to Sharia-based operators.**

DEVELOPMENT OF ISLAMIC PPDP OPERATORS IN 2023

NO	INDUSTRY TYPE	2019		2020		2021		2022		2023	
		Full	UUS/PIS								
1	Islamic Life Insurance	7	23	7	23	7	23	8	21	9	21
2	Islamic General Insurance	5	24	5	22	6	19	6	19	6	19
3	Islamic Reinsurance	1	2	1	3	1	3	1	3	1	3
4	Islamic Pension Funds	3	3	4	4	4	6	4	6	5	6
5	Islamic Guarantee	2	5	2	5	2	8	2	7	2	7
TOTAL		18	57	19	56	20	59	21	56	23	56

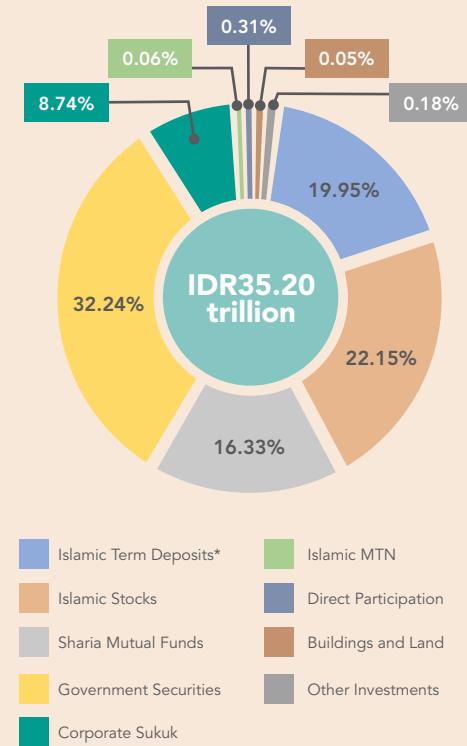
* UUS/PIS, Islamic Window/ Sharia Investment Packet

- By the end of 2023, there were 79 entities in the Islamic PPDP sector, comprising 23 full-fledged Islamic companies, 51 Islamic windows, and 5 Financial Institution Pension Fund (DPLK) Sharia investment packets.

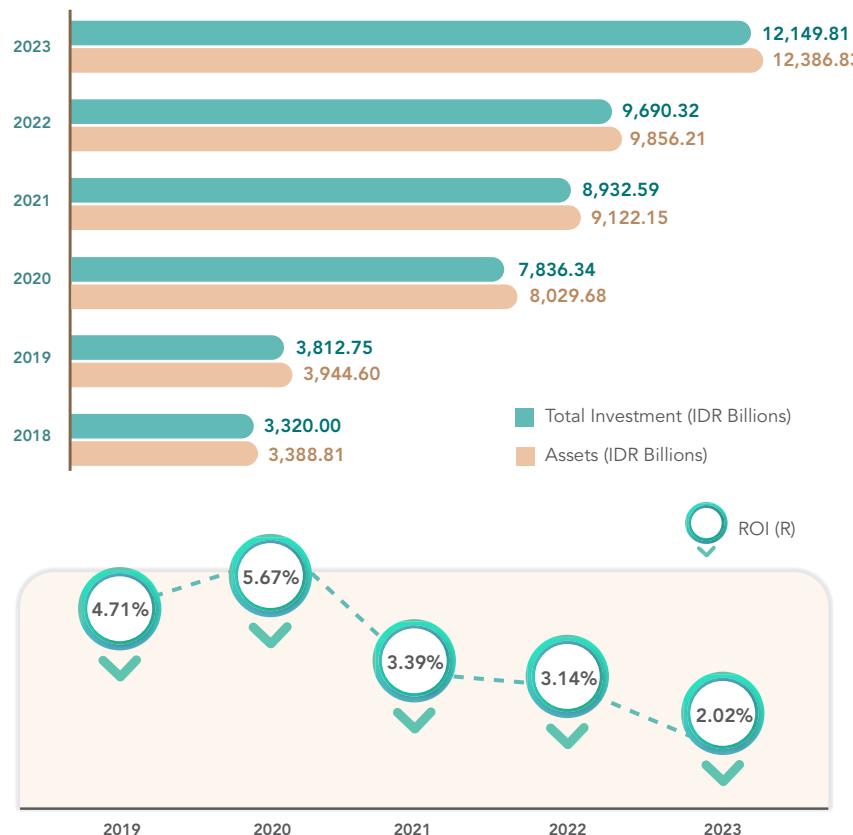


As of the end of 2023, the performance of the Islamic insurance industry had slowed, as evidenced by a decline in both gross contributions, of IDR2.50 trillion (-9.91% yoy), and investments, of IDR1.21 trillion (-3.33%).

In 2023, the Islamic Insurance investment portfolio was dominated by five investment instruments: Government Securities (SBN) at 32.24%, Islamic Stocks at 22.15%, Islamic Term Deposits* at 19.95%, Sharia Mutual Funds at 16.33%, and Corporate Sukuk at 8.74%.

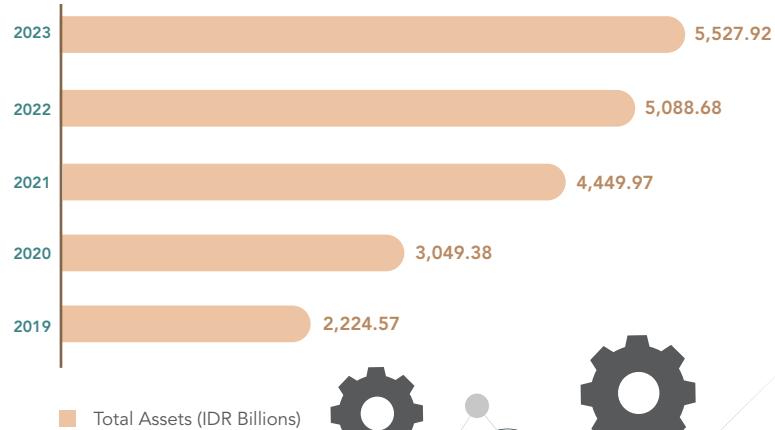


DEVELOPMENT OF ISLAMIC PENSION FUNDS IN 2023



By the end of 2023, both Assets and Investments of Islamic Pension Funds had enjoyed positive growth rates, of IDR2.53 trillion (25.68%) and IDR2.46 trillion (25.38% yoy), respectively. Meanwhile, the investment performance of Islamic Pension Funds remained positive at 2.02%, despite a slight dip from the previous year's growth figure.

DEVELOPMENT OF ISLAMIC GUARANTEE INDUSTRY IN 2023



Over the past five years, the assets of Islamic Guarantee Companies have notched up consistently positive growth, with an average annual growth rate of 33.54%. In line with this, the asset value of Islamic Guarantee Companies rose in 2023 by IDR439.24 billion (8.63% yoy).

DEVELOPMENT OF THE ISLAMIC PPDP SECTOR

Implementing Spin-offs of Islamic Windows from Insurance and Reinsurance companies

Spin-offs of Islamic Windows present both opportunities and challenges for the future development of the Islamic insurance industry. During 2023, the number of full-fledged Islamic life insurance companies rose to nine. This increase resulted from a spin-off conducted by a parent company, PT Asuransi Allianz Life Indonesia, leading to the establishment of PT Asuransi Allianz Life Syariah Indonesia on November 1st, 2023, since when it has been fully operational.

Demonstrating his support for the development of the Islamic PPDP industry in Indonesia, the inauguration of PT Asuransi Allianz Life Syariah Indonesia was officiated in-person by the Vice President of the Republic of Indonesia on Thursday, November 16th, 2023.



Inauguration of PT Asuransi Allianz Life Syariah Indonesia

Insurance and reinsurance companies are required to spin off their Islamic Windows if they meet the following criteria:



Tabarru' funds and investment funds of participants in the Islamic Window account for 50% of the total value of the overall insurance funds, tabarru' funds, and investment funds of participants in the parent company.



The equity of the Islamic Window has reached IDR100 billion for Insurance Companies, and IDR200 billion for Reinsurance Companies.



During the spin-off process, if a decline occurs which causes the criteria not to be met, the obligation to conduct the spin-off remains.

The scope of health insurance reform, including Islamic health insurance, outlined in MoU between OJK and the Ministry of Health covered the following:



The formation of a Medical Advisory Board designed to make medical decisions based on the needs of participants, which can help in streamlining insurance claim processes and improving cost efficiency.



Standardization of reasonable medical costs and evidence-based clinical pathways to mitigate high insurance claim ratios due to medical inflation.



Public promotion of the healthy lifestyle concept as a preventive measure to reduce the number of health insurance claims.



Provision of Health Information Systems and various digitalization of health insurance services (Detail Claim Database, Medical Summary, Tele-Consultation, and Tele-Medicine)

Insurance Reform as Part of Indonesia's Health Services Ecosystem Reform

The existence of both conventional and Islamic insurance sectors in the health industry ecosystem is intertwined, as insurance is a key risk mitigation method aimed at safeguarding and enhancing individual health and well-being, thereby supporting societal welfare. However, there are issues and practices that hinder the optimal, effective, and efficient use of health insurance products and services. These include unreasonable insurance claims and billing for unnecessary medical procedures.

With a population of over 280 million people, predominantly in the productive age group, Indonesia has significant potential to develop its insurance industry — both conventional and Islamic — and to improve the welfare of its people through a better health industry ecosystem.

To this end, on December 15, 2023, OJK and the Ministry of Health of the Republic of Indonesia signed a Memorandum of Understanding to strengthen the health industry ecosystem by optimizing support from the financial services

sector, including the provision of high-quality health insurance products and services.

This synergy between OJK and the Ministry of Health represents a strategic step by the former to build public trust in the national insurance sector, as outlined in the 2023-2027 Indonesian Insurance Development and Strengthening Roadmap. The focus is on enhancing the role of the insurance sector within Indonesia's health industry ecosystem.



Signing of MoU between OJK and the Ministry of Health of the Republic of Indonesia

ISLAMIC PPDP STRATEGIC POLICIES



Development of Islamic Economic Infrastructure and Ecosystem



Synergy between Islamic Financial Services Industry and Islamic Economy Operators (Halal Industry)



Increase in the need for halal industry funding and social fund management



Increase in the Islamic Finance Literacy and Inclusion Index



Enhancement of business model differentiation / Development of products distinctive to Islamic Finance



Increase in the Quality and Quantity of Islamic Finance Human Resources

HIGHLIGHTED ISSUE: FOLLOW-UP ON THE MANDATES OF THE PPSK LAW

Spin-offs of Islamic Windows of Insurance Companies, Reinsurance Companies and Guarantee Companies

Mandates of Law No 4 of 2023 Concerning Development and Strengthening of the Financial Sector

If an Insurance or Reinsurance Company has an Islamic Window, after meeting certain requirements set by OJK, the company concerned is obliged to spin off the Islamic Window into a separate Islamic Insurance Company/ Islamic Reinsurance Company.

OJK may request the spin-off of an Islamic Window into an Islamic Insurance Company or Islamic Reinsurance Company as part of insurance sector consolidation.

Further provisions regarding spin-offs and consolidations, as well as sanctions for Insurance and Reinsurance Companies that fail to spin off their Islamic Windows, are regulated under OJK Regulation No. 11 of 2023.

If a Guarantee Company has an Islamic Window, after meeting certain requirements set by OJK, the company concerned is obliged to spin off the Islamic Window into a separate Islamic Guarantee Company.

OJK may request the spin-off of an Islamic Window into an Islamic Guarantee Company as part of insurance sector consolidation.

Further provisions regarding spin-offs and consolidations, as well as sanctions for Guarantee Companies that fail to spin off their Islamic Windows, are regulated under OJK Regulation No. 10 of 2023.

Encouraging spin-offs of Insurance and Reinsurance Companies' Islamic Windows is aimed at:



Reinforcing the structure, resilience and competitiveness of the insurance/reinsurance industry



Creating more effective and efficient business operations



Enhancing investment in technology and human resources



Protecting the interests of policyholders, participants



Acting on the mandate of Article 52 of the Financial Sector Development and Strengthening Law (UU PPSK), OJK regulates spin-offs of Islamic Windows (UUS) for Insurance and Reinsurance companies through OJK Regulation No. 11 of 2023 (POJK 11/2023). This regulation seeks to encourage the sustainable growth of the Islamic insurance and reinsurance industry while safeguarding the interests of policyholders and participants. However, it is not only spin-offs of Islamic Windows of Insurance Companies that are encouraged, but also those belonging to Guarantee Companies, as mandated by Article 105 of UU PPSK.

In line with this, OJK also regulates spin-offs of Islamic Windows for Guarantee Companies through OJK Regulation No. 10 of 2023 (POJK 10/2023), which aims to drive consolidation in the guarantee industry. This includes increasing the paid-up capital required for establishing a guarantee institution, raising the minimum equity required for Guarantee Companies, strengthening governance and risk management, reinforcing the guarantee industry ecosystem, and applying international standards.

The overall intention of this is to boost the resilience of Guarantee Companies during crises and support the transformation of their business processes by harnessing information technology innovations. This will lead to Guarantee Companies having greater reach in providing Sharia-compliant products and services.

Main Provisions of POJK 11/2023 on Spin-offs of Insurance and Reinsurance Companies' Islamic Windows

Spin-off Criteria

1. Islamic Window assets account for 50% of parent company assets; and
2. Islamic Window equity:
 - IDR100 billion for insurance companies
 - IDR200 billion for reinsurance companies

Forms of Spin-offs

1. Establishment of a New Company; or
2. Transfer of participant portfolios to another Islamic Insurance/Reinsurance Company

Capital Resulting from Islamic Window Spin-offs

Companies resulting from an Islamic Window spin-off are required to adjust their minimum equity, as stipulated in POJK 23/2023 concerning Business Licensing and Organizational Structures of Insurance Companies, Islamic Insurance Companies, Reinsurance Companies and Islamic Reinsurance Companies

Deadline

Submission/Amendments to RKPUS: December 31st, 2023
Completion of all Islamic Windows: December 31st, 2026



During the spin-off process, if a decline occurs which causes the criteria not to be met, the obligation to conduct the spin-off remains

Main Provisions of POJK 10/2023 on Spin-offs of Guarantee Companies' Islamic Windows

Spin-off Criteria

1. Islamic Window assets account for 50% of parent company assets; and
2. Guarantee Company's Islamic Window equity:
 - IDR100 billion for national scope
 - IDR50 billion for provincial scope
 - IDR25 billion for regency/municipal scope

Forms of Spin-offs

1. Establishment of a New Company; or
2. Transfer of guarantee portfolios to another Islamic Guarantee Company

Capital Resulting from Islamic Window Spin-offs

Companies resulting from an Islamic Window spin-off are required to adjust their minimum equity, as stipulated in Amended Financial Services Authority Regulation No 1/POJK.05/2017 concerning Business Licensing and Organizational Structures.

Deadline

Submission/Amendments to RKPUS: December 31st, 2028
Completion of all Islamic Windows: December 31st, 2031

Islamic Windows of Insurance Companies, Reinsurance Companies and Guarantee Companies that Spin Off are eligible to receive incentives related to:



Synergies within Single Ownership



Capital



Support from Islamic Financial Services Institutions



Government Support with regard to Taxation

Given the considerable market share commanded by Islamic industries, the requirement for UUS to spin off, as stipulated in the PPSK Law, could have a significant effect on the market structure and development of the Islamic insurance and guarantee industries.

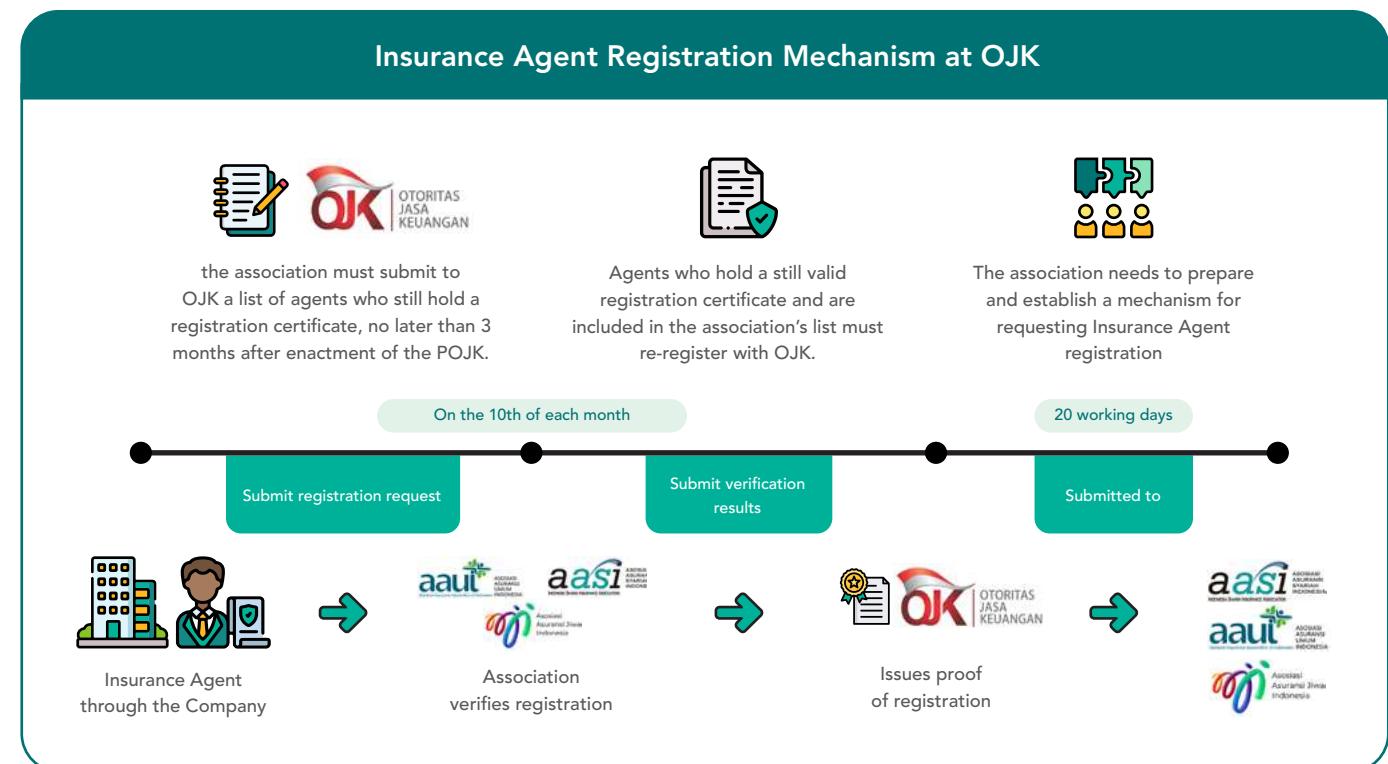
Moreover, the implementation of Islamic Windows spin-offs will have a positive impact on the governance of Islamic financial institutions as a whole. Nonetheless, there is a need for robust capital strengthening in the industry to ensure competitive and sustainable growth.

Registration of Insurance and Reinsurance Agents with OJK

To achieve a strong and healthy insurance industry ecosystem, the Financial Services Authority (OJK) has recognized the need for several industry enhancements. As such, OJK issued POJK Number 23 of 2023 concerning Business Licensing and Organizational Structures of Insurance Companies (PA), Islamic Insurance Companies (PAS), Reinsurance Companies, and Islamic Reinsurance Companies. Among other things, this regulation outlines the registration mechanisms for insurance agents, both conventional and Islamic, with OJK. The regulation is mandated by Article 27, Chapter VI of the Financial Sector Development and Strengthening Law (UU PPSK), which addresses the high level of market conduct issues caused by insurance agents.



Insurance Agents must be registered with the Financial Services Authority
(Including those working in business entities)



Insurance Agents must fulfill certain requirements:



Possess certification as an agent from a Professional Certification Institute (LSP)



Have an agency agreement with an Insurance Company/Islamic Insurance Company (PA/PAS)



Not convicted of a criminal offense in the Financial Services Sector in the past five years



Not currently tied to a PA/PAS in the same business field



Not sanctioned by the Association in the past (one) year

Pension Fund Industry Reform

The Financial Sector Development and Strengthening Law (UU PPSK) has reformed the Pension Fund sector by introducing provisions such as increased flexibility for Employer Pension Funds (DPPK) to manage Defined Benefit Pension Plans (PPMP), Defined Contribution Pension Plans (PPIP), and/or Other Pension Benefits Plans, along with strengthening governance, risk management in investments, and harmonizing voluntary and mandatory pension plans.

UU PPSK repealed Law Number 11 of 1992 concerning Pension Funds and revised several Financial Services Authority regulations, including:

- OJK Regulation Number 3/POJK.05/2015 on Pension Fund Investments.
- OJK Regulation Number 5/POJK.05/2017 on Contributions, Pension Benefits, and Other Benefits Provided by Pension Funds.
- OJK Regulation Number 8/POJK.05/2018 on Pension Fund Funding.
- OJK Regulation Number 29/POJK.05/2018 on Amendments to OJK Regulation Number 3/POJK.05/2015 concerning Pension Fund Investments.

These regulations have been replaced by POJK Number 27 of 2023 on the Business Operations of Pension Funds, including the management of Islamic pension funds.

Mandate of UU PPSK on Pension Fund Operations

- Provisions on normal retirement age and Early retirement age
- Provisions on pension plan contribution mechanisms
- Provisions on pension benefit payment mechanisms
- Provisions on pension fund funding requirements, specifically the conditions under which they must be fully funded
- Provisions on investment or asset management
- Provisions on additional pension plans, i.e., other benefits



Key Provisions of OJK Regulation Number 27 of 2023 on Business Operations of Pension Funds

- **Retirement Age Requirements** The minimum retirement age is set at 55 years, with the option for early retirement up to 5 years before the normal retirement age.
- **Pension Benefit Payments** Pension benefits must be paid periodically by the Pension Fund and/or through the purchase of annuities.
- **Contribution Requirements for DPPK (Employer Pension Funds)** DPPK contributions consist of participant contributions and employer contributions, which must be paid to the Pension Fund no later than the 15th of the following month. Contributions for Employer Pension Funds - Defined Benefit Pension Plans (DPPK-PPMP) are determined in periodic actuarial reports or by validated changes in the Pension Fund Plan since the valuation date.
- **Funding Quality Reporting** DPPK must report the quality of funding based on actuarial valuation calculations.
- **Human Resources Requirements** Pension Funds must employ staff with investment and/or risk management qualifications from a licensed professional certification body.
- **Investment Restrictions** Pension Funds are prohibited from investing in anything other than the types of investments specified in POJK 27/2023.
- **Investment Management Transfers** Investment management of DPPK assets may be transferred to financial institutions with expertise in investment management. For Islamic DPPK, such transfers must be approved by the relevant Sharia Supervisory Board.
- **Additional Benefits** Other benefits are considered additional pension plans that must be regulated in accordance with Pension Fund Regulations (PDP)

OTHER PROVISIONS:

- DPPK can manage both PPMP (Defined Benefit Pension Plans) and PPIP (Defined Contribution Pension Plans)
- PPMP and PPIP must be managed separately
- PDP can regulate the participation of one person in PPMP and PPIP
- OJK may approve policies different from those in this POJK based on specific considerations



05

ISLAMIC FINANCING INSTITUTIONS, VENTURE CAPITAL COMPANIES, MICROFINANCE INSTITUTIONS, AND OTHER ISLAMIC FINANCIAL SERVICES INSTITUTIONS (PVML)

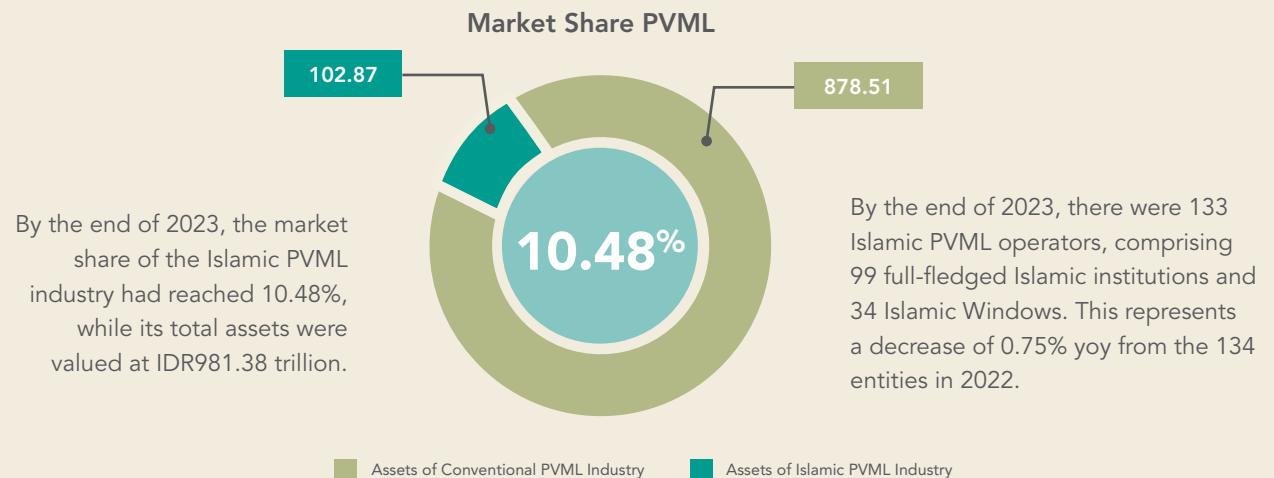


OVERVIEW

The performance of Islamic Financing Institutions, Islamic Venture Capital Companies, Islamic Microfinance Institutions, and Other Islamic Financial Services Institutions (Islamic PVML) as of December 2023 was seen as strong and stable.

This was reflected in the growth of the total assets of the Islamic PVML sector, which rose by 19.38% yoy to IDR102.87 trillion (2022: IDR86.17 trillion). The largest asset increase across Islamic PVML occurred among Islamic Financing Companies, with growth of 39.04% yoy to IDR30.42 trillion (2022: IDR21.88 trillion). Additionally, the Islamic Secondary Housing Finance Company (PPSP) also experienced an asset increase of 38.76% yoy to IDR5.37 trillion (2022: IDR3.87 trillion). Furthermore, Islamic Sarana Multi Infrastruktur / Multi-Infrastructure Financing (SMI) enjoyed growth of 29.47% yoy to IDR9.05 trillion (2022: IDR6.99 trillion).

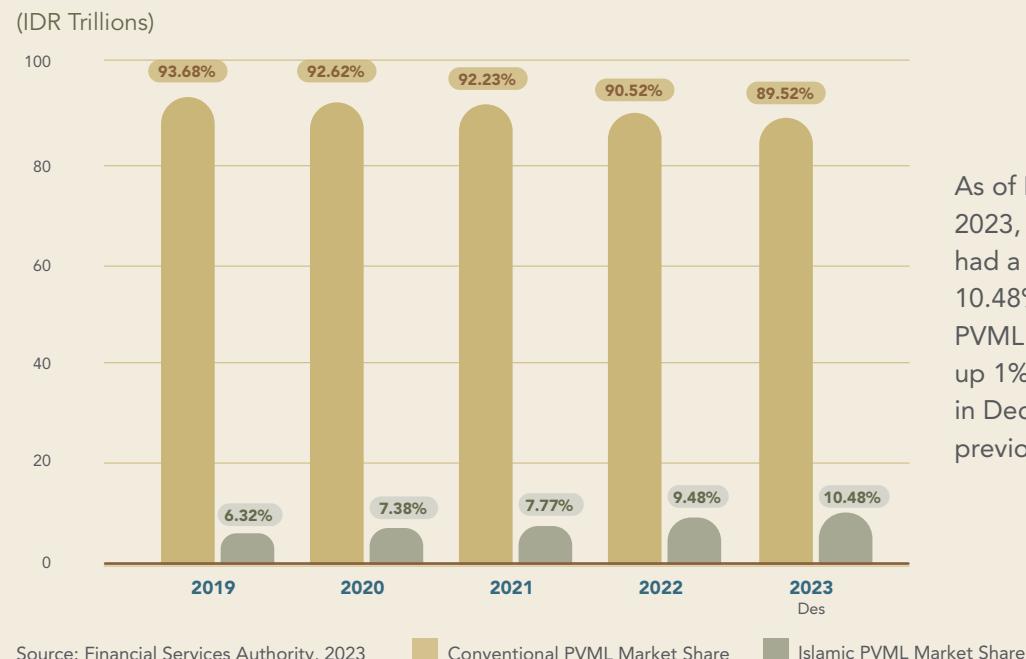
NO	INDUSTRY TYPE	2019	2020	2021	2022	2023
1	Islamic Financing Companies	20.02	15.33	16.79	21.88	30.42
2	Islamic Venture Capital Companies	2.73	2.70	3.27	4.23	4.30
3	Islamic Microfinance Institutions	0.47	0.50	0.57	0.60	0.62
4	Islamic Peer-to-Peer Lending	0.05	0.07	0.07	0.13	0.14
5	Islamic Pawnshop Companies	11.24	10.67	8.68	11.15	13.65
6	Islamic Indonesian Export Financing Institution/Eximbank (LPEI)	13.33	14.04	9.47	8.88	8.01
7	Islamic Sarana Multi Infrastruktur / Multi-Infrastructure Financing (SMI) Company	4.45	3.88	3.46	6.99	9.05
8	Islamic Secondary Mortgage Facility Company (PPSP)	1.68	3.82	2.59	3.87	5.37
9	Islamic Permodalan Nasional Madani / Madani National Capital (PNM) Company	-	9.85	18.98	28.44	31.31
TOTAL		54.03	60.87	63.89	86.17	102.87



ISLAMIC PVML STATISTICS AND DEVELOPMENT

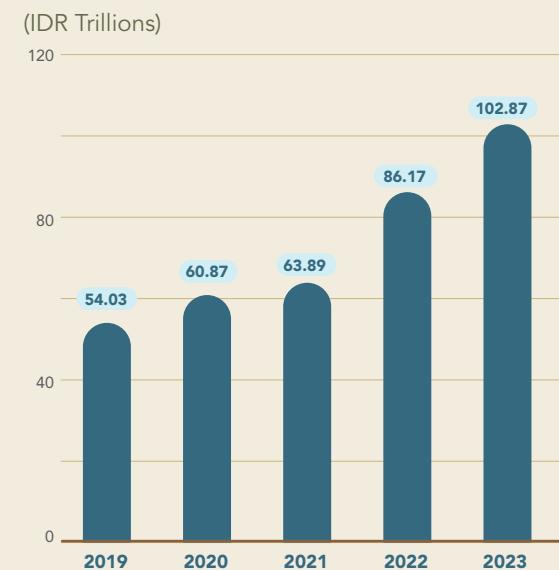
DEVELOPMENTAL STATISTICS OF THE PVML SECTOR

Development of Islamic PVML Market Share



As of December 2023, Islamic PVML had a market share of 10.48% of the total PVML industry assets, up 1% from 9.48% in December the previous year.

Islamic PVML Assets



The assets of Islamic PVML increased by 19.38% (yoy) to IDR102.87 trillion in December 2023, up from IDR86.17 trillion in December 2022. This growth was experienced across various sectors, including Islamic Financing Companies (39.04%), Islamic Pawn shops (22.49%), Islamic P2P Lending Fintech (3.78%), Islamic Venture Capital Companies (1.75%), Islamic Microfinance Institutions (3.84%), Islamic Secondary Housing Companies (38.76%), Islamic Infrastructure Financing Companies (29.47%), and National Capital Investment Companies (10.07%).

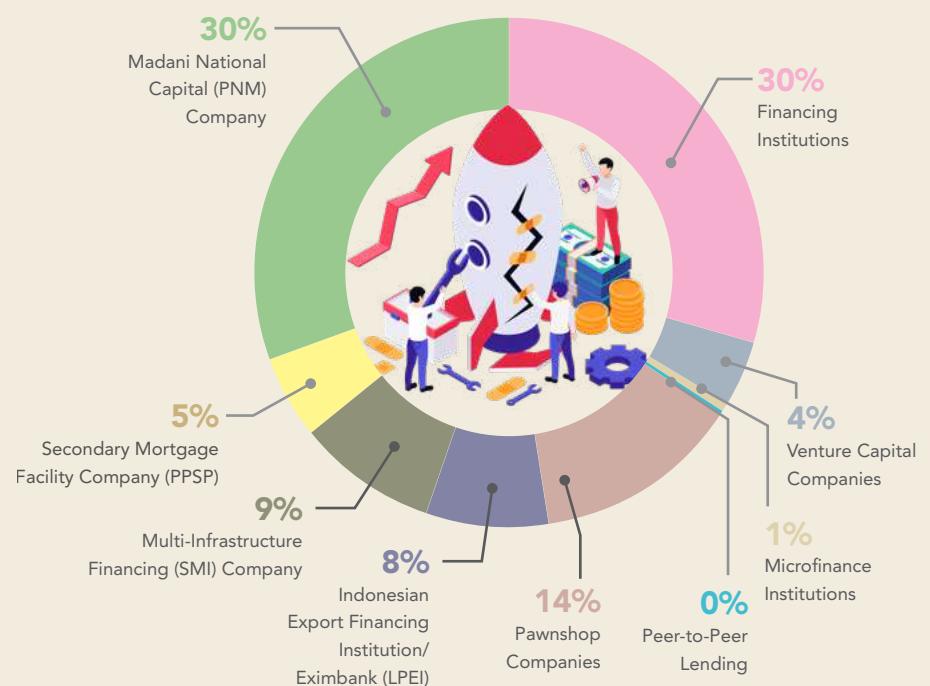
Number of Islamic PVML Operators by Type

NO	INDUSTRY TYPE	2019		2020		2021		2022		2023	
		Full	UUS	Full	UUS	Full	UUS	Full	UUS	Full	UUS
1	Financing Companies	5	29	5	28	5	28	4	27	3	27
2	Infrastructure Financing Companies	0	0	0	0	0	0	0	0	0	0
3	Venture Capital Companies	4	2	4	2	4	2	5	2	5	2
4	Microfinance Institutions	75	0	80	0	82	0	81	0	80	0
5	Peer-to-Peer Lending	1	0	2	0	7	0	7	0	7	0
6	Pawnshop Companies	3	1	3	1	2	1	3	1	4	1
7	Indonesian Export Financing Institution/Eximbank (LPEI)	0	1	0	1	0	1	0	1	0	1
8	Multi-Infrastructure Financing (SMI) Company	0	1	0	1	0	1	0	1	0	1
9	Secondary Mortgage Facility Company (PPSP)	0	1	0	1	0	1	0	1	0	1
10	Madani National Capital (PNM) Company	0	1	0	1	0	1	0	1	0	1
11	BP Tapera	0	0	0	0	0	0	0	0	0	0
TOTAL		88	36	94	35	100	35	100	34	99	34

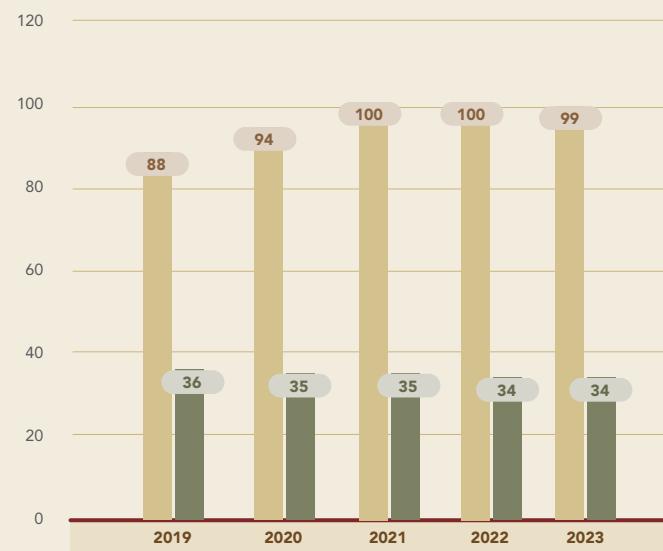
Proportion of Islamic PVML Assets

(IDR Trillions)

The largest portion of Islamic PVML Assets was in the Islamic Window of PNM with 30.43%, followed by Islamic Financing Companies with 29.57%.



Total Number of Islamic PVML Entities



Source: Financial Services Authority, 2023

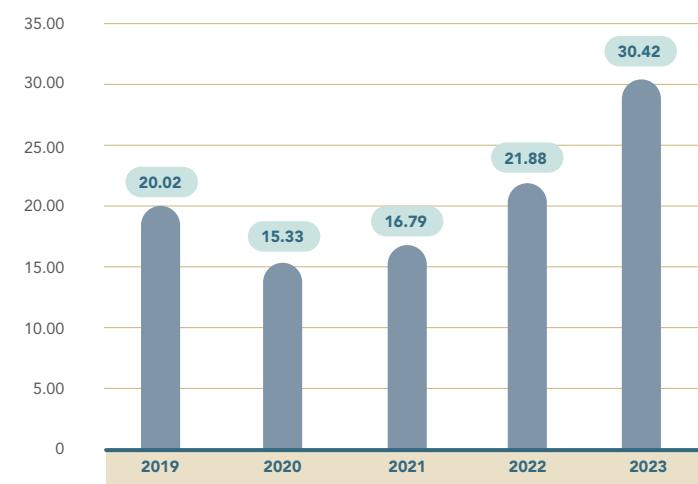
By the end of 2023, the total number of Islamic PVML entities stood at 133, including 99 full-fledged Islamic entities and 34 Islamic Windows. This marks a 0.75% yoy decline from 134 entities in 2022, due to the revocation of the business license of one Islamic Financing Company.

The largest segment among Islamic PVML entities was Islamic Microfinance Institutions, accounting for 80 of the total figure.

ISLAMIC FINANCING COMPANY DEVELOPMENTS

Assets of Islamic Financing Companies

(IDR Trillions)

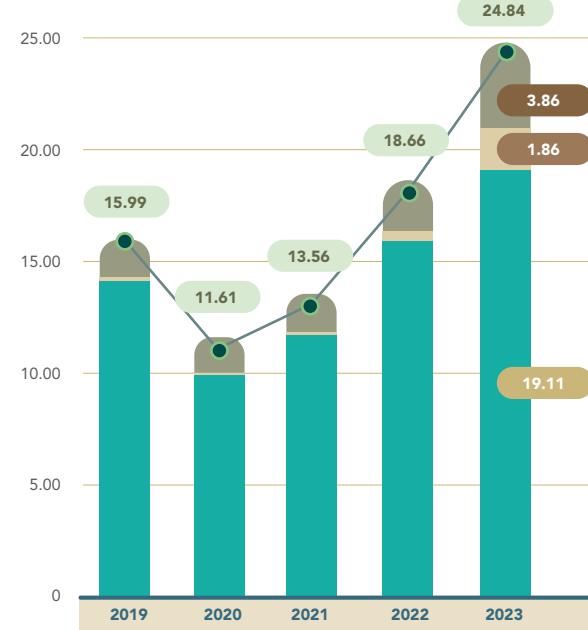


Source: Financial Services Authority, 2023

In 2023, the total assets of Islamic financing companies went up by 39.04% from the previous year, rising from IDR21.88 trillion in 2022 to IDR30.42 trillion.

Islamic Financing Receivables

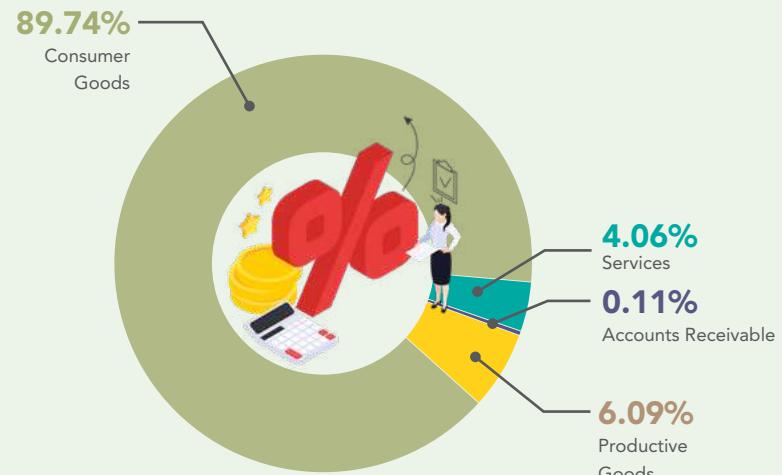
(IDR Trillions)



Source: Financial Services Authority, 2023



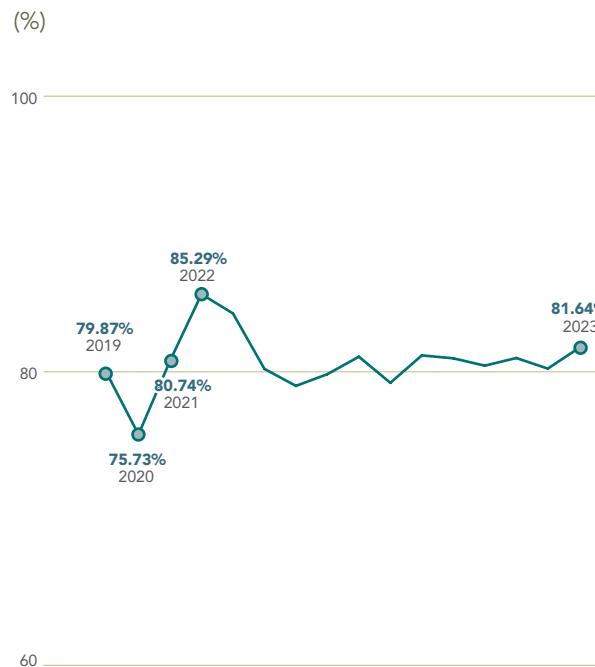
Islamic Financing Receivables by Financing Object Consumer Goods



Islamic financing receivables in 2023 reached IDR24.83 trillion, showing a yoy increase of IDR6.17 trillion (33.08%). The largest portion of financing receivables came from Trade Financing (76.95%), followed by Services Financing (15.56%), and Investment Financing (7.49%).

Consumer goods financing dominated Financing Receivables with an 89.74% share. The motor vehicle financing component contributed by far the majority of this, accounting for 99.04% of consumer goods financing receivables.

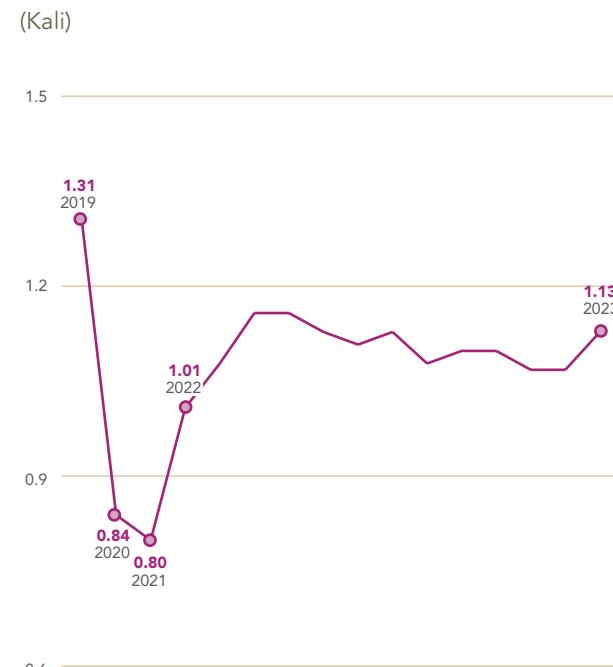
Financing to Asset Ratio (FAR) of Islamic Financing



Source: Financial Services Authority, 2023

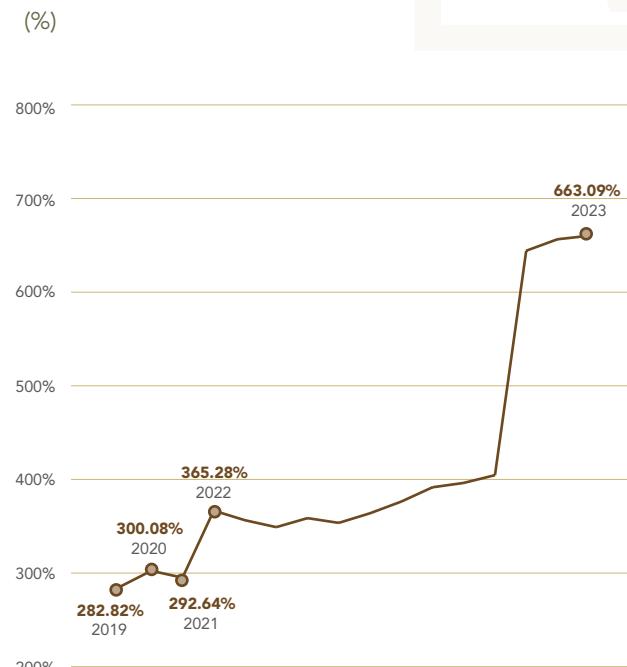
Ratio of Financing Receivables/Outstanding Principal to total assets. The minimum FAR compliance requirement for Islamic Financing Companies is 40%.

Islamic Financing Gearing Ratio



Comparison between the sum of funding, subordinated funding, sukuk issued through public offerings, sukuk issued not through public offerings, and the difference between the sum of equity and subordinated funding with investments.

Islamic Financing MSMD Ratio



Comparison of Equity to Paid-up Capital. The requirement for MSMD (Equity to Paid-up Capital Ratio) is a minimum of 50%.

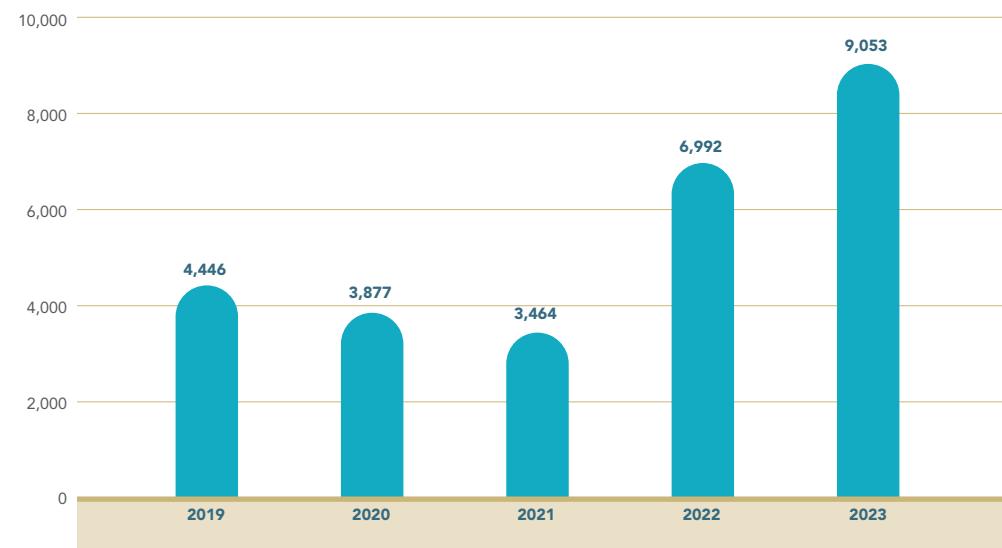


FAR, Gearing Ratio (GR), and MSMD (Equity to Paid-up Capital) remained above their respective financial ratio thresholds. FAR has a minimum threshold of 40%, GR ranges from a minimum of 0 times to a maximum of 10 times, and MSMD has a minimum threshold of 50%.

MULTI-INFRASTRUCTURE FINANCING STATISTICS AND DEVELOPMENT

Financing Company Assets

(IDR Billions)

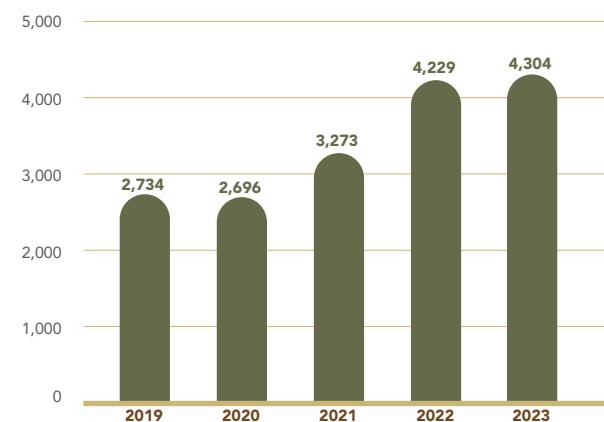


There has been considerable fluctuation in the assets of the Islamic Window of Sarana Multi Infrastruktur (SMI). However, in 2023, its total assets increased by 29.47% on the back of a rise in financing for infrastructure refinancing products using the Musyarakah Mutanaqishah (MMQ) contract.



ISLAMIC VENTURE CAPITAL STATISTICS AND DEVELOPMENT

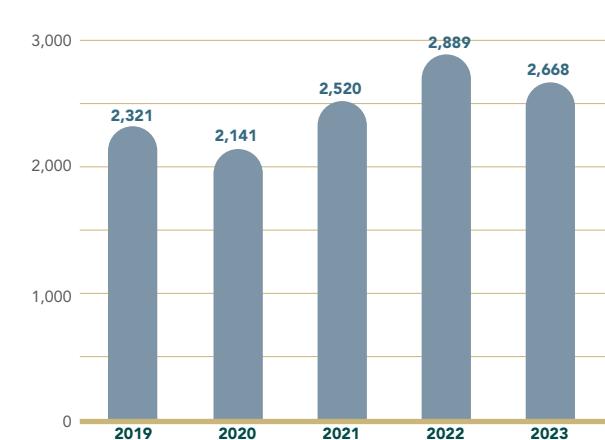
Islamic Venture Capital Assets (IDR Billions)



Source: Financial Services Authority, 2023

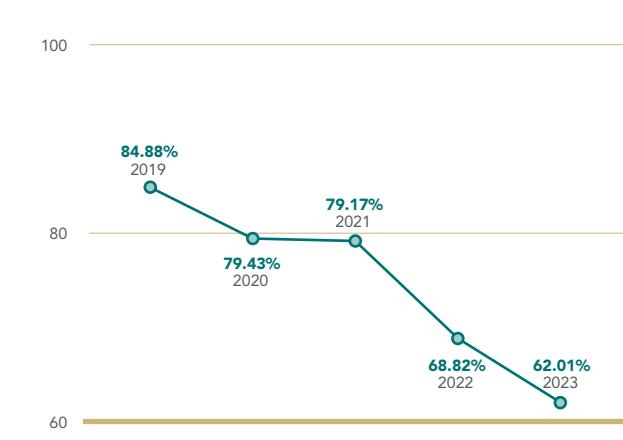
The assets of Islamic venture capital companies increased by 1.75% compared to the previous year. Assets had declined in 2020 due to the COVID-19 pandemic but have risen again as the Indonesian economy has begun to recover.

Islamic Venture Capital Receivables and Investments (IDR Billions)



Financing receivables and investments of Islamic venture capital companies were down 7.62% from the previous year. The majority of business transactions in Islamic venture capital companies were conducted through Sharia based-financing, accounting for 93.76%, while the remaining 6.24% were through equity investments.

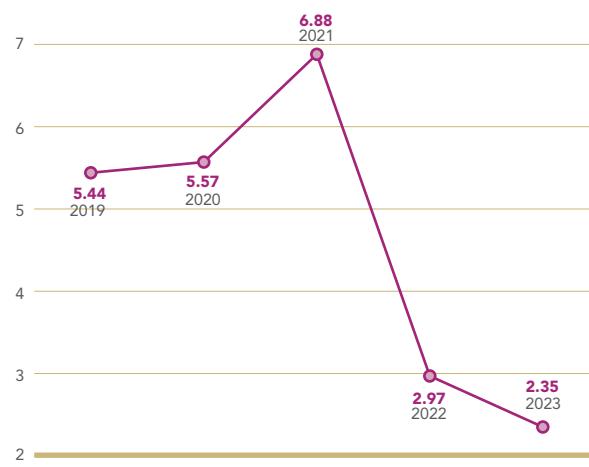
Islamic Venture Capital Investment and Financing to Asset Ratio (IFAR) (%)



The IFAR of Islamic venture capital companies has been on a downward trend in recent years. In 2023, the IFAR fell to 62.01% due to a reduction in financing receivables and investments compared to the previous year.

Islamic Venture Capital Gearing Ratio

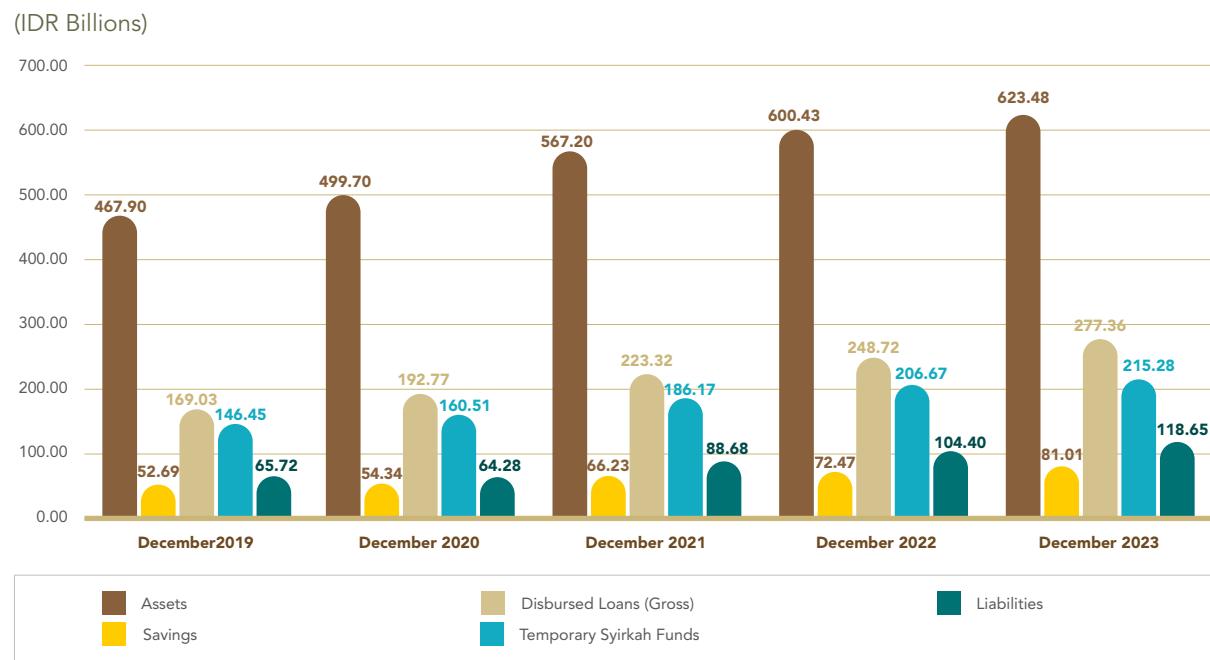
(Time)



The Gearing Ratio of Islamic venture capital companies dropped to 2.35 times in 2023, marking the lowest point in the past five years. Nonetheless, the ratio remains within the threshold, which is a minimum of 0 times and a maximum of 10 times.



ISLAMIC MICROFINANCE INSTITUTIONS (LKM) STATISTICS AND DEVELOPMENT



In December 2023, the total assets of Islamic Microfinance Institutions (LKM) stood at IDR623.48 billion, up 3.84% (yoy). Additionally, gross financing disbursed amounted to IDR277.36 billion, reflecting an increase of 11.52% (yoy) compared to December 2022.

On the liabilities side, as of December 2023, Islamic LKM's liabilities totaled IDR118.65 billion, an increase of 13.65% (yoy), while Temporary Syirkah Funds (DST) amounted to IDR215.28 billion, up 4.17% (yoy). This rise in liabilities was consistent with the increase in savings or deposits collected, which grew by 11.79% (yoy) to IDR81.01 billion.

Liquidity Ratio and Solvency Ratio of Islamic Microfinance Institutions



The liquidity ratio of Islamic Microfinance Institutions in December 2023 stood at 142.56%, well above the minimum requirement of 4%. Meanwhile, the solvency ratio of Islamic LKM was 186.71%, exceeding the minimum requirement of 110%.

Assets, Disbursed Loans, Liabilities and Bank Wakaf Mikro (BWM) Temporary Syirkah Funds of Islamic Microfinance Institutions

(IDR Billions)

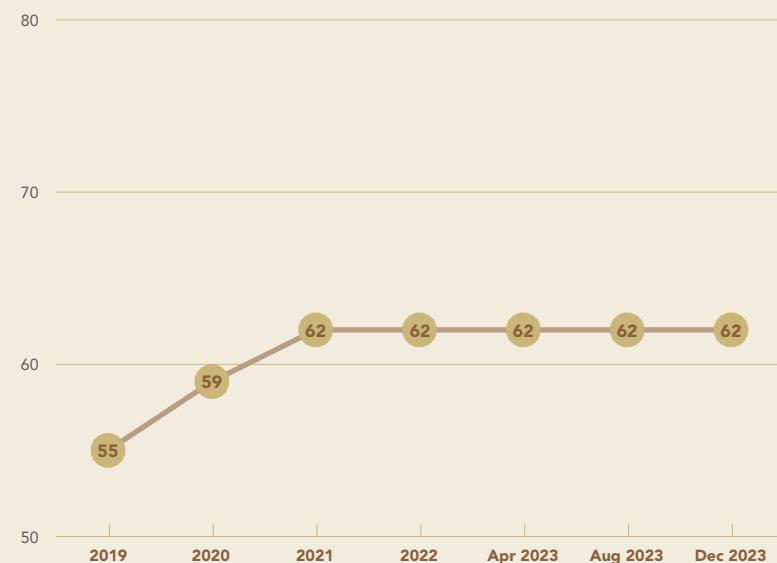


Source: Financial Services Authority, 2023

Assets of Bank Wakaf Mikro (BWM) dipped by 0.65% (yoy) to IDR261.36 billion in December 2023 from IDR263.08 billion in December 2022. Meanwhile, loans disbursed by BWM increased by 17.24% (yoy) to IDR15.83 billion in December 2023 from IDR13.50 billion in December 2022. Additionally, liabilities rose by 1.39% (yoy) to IDR18.87 billion in December 2023 from IDR18.61 billion in December the previous year.

Islamic LKM Bank Wakaf Mikro Operators

(entity)

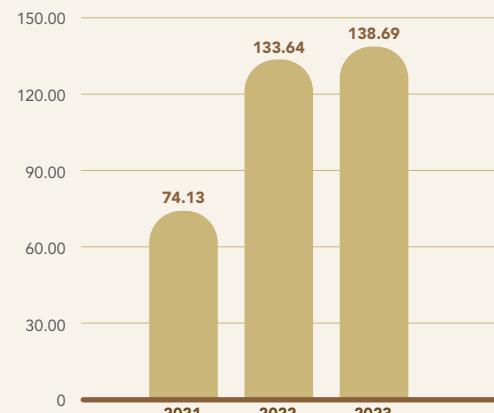


There were 62 BWM in Indonesia as of December 2023

ISLAMIC PEER-TO-PEER LENDING (P2PL) STATISTICS AND DEVELOPMENT

Islamic P2PL Fintech Assets

(IDR Billions)

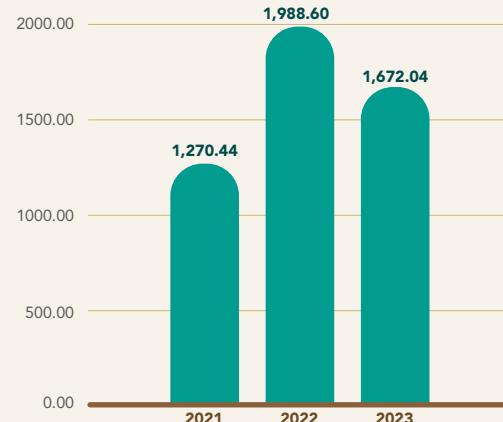


Source: Financial Services Authority, 2023

Assets of the Islamic P2PL Fintech Industry have experienced considerable fluctuations, increasing in 2023 by 3.78% from the previous year to IDR138.69 billion.

Islamic P2PL Outstanding Financing

(IDR Billions)



Outstanding financing in 2023 was recorded at IDR1.672.04 billion, a decrease of 15.92% (yoY). Financing outstanding to the MSME sector reached IDR1.431.41 billion, accounting for 85.61% of the total outstanding financing in 2023.

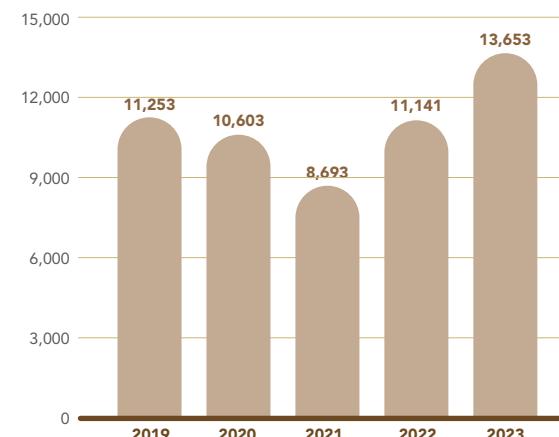


ISLAMIC PAWNBROKING STATISTICS AND DEVELOPMENT



Assets of Islamic Pawn Shops

(IDR Billions)

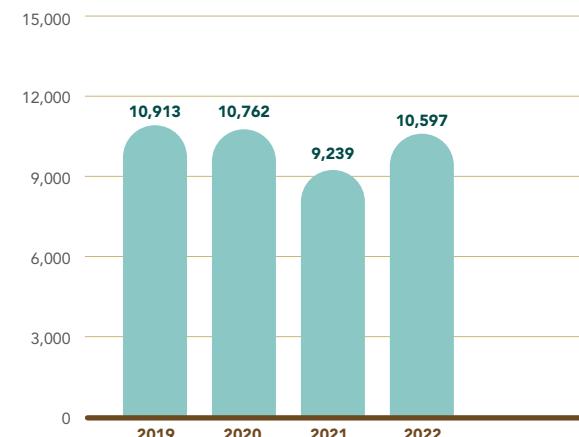


Source: Financial Services Authority, 2023

Assets of Islamic Pawnshops in 2023 rose by 15.98% compared to the previous year, totaling IDR13,653 billion.

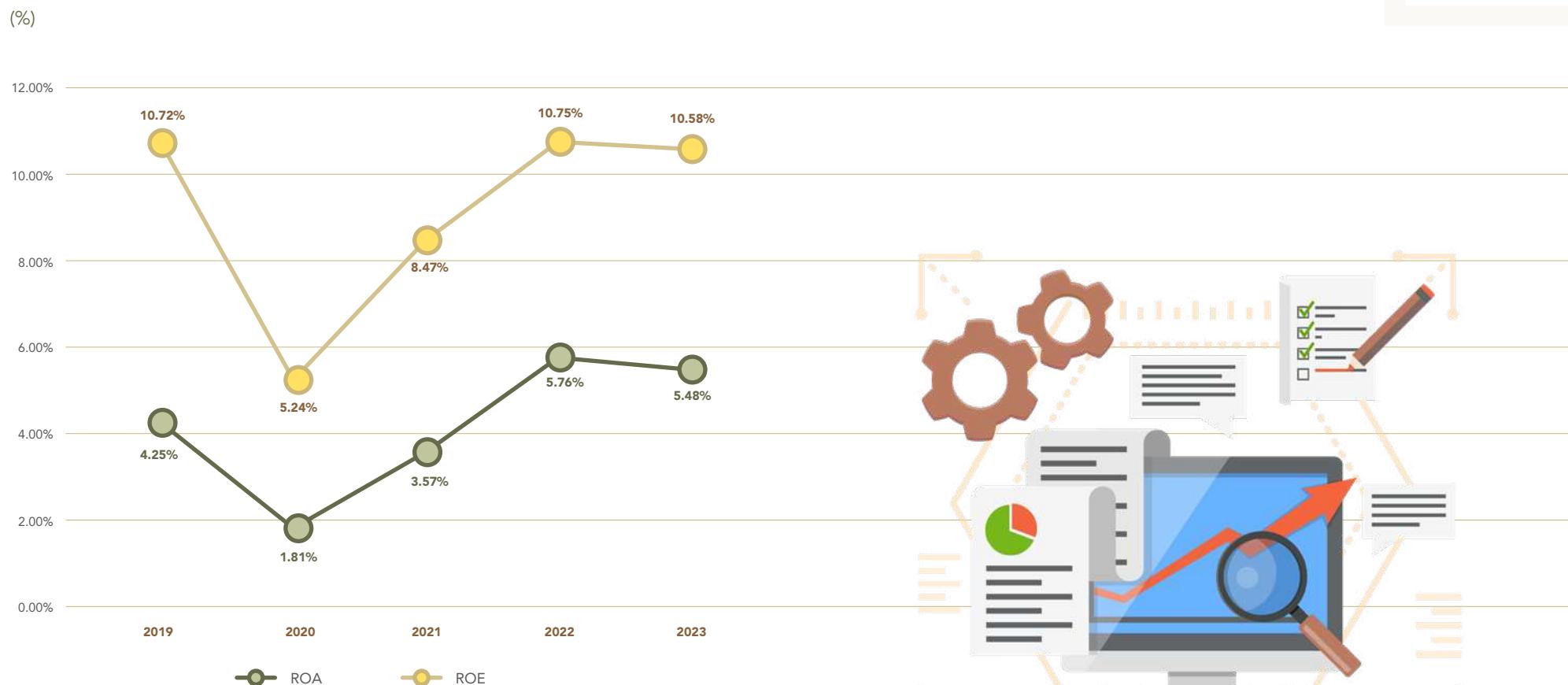
Islamic Pawn Shops Financing Distribution

(IDR Billions)



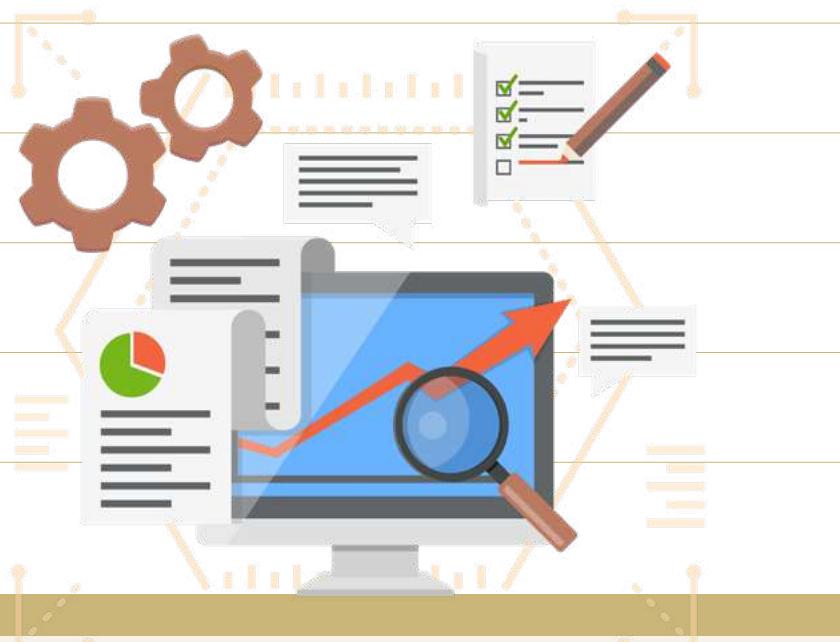
In 2023, Islamic Pawnshop financing increased by 29.65% from the previous year, amounting to IDR13,738 billion.

Islamic Pawn Shops ROA and ROE



Source: Financial Services Authority, 2023

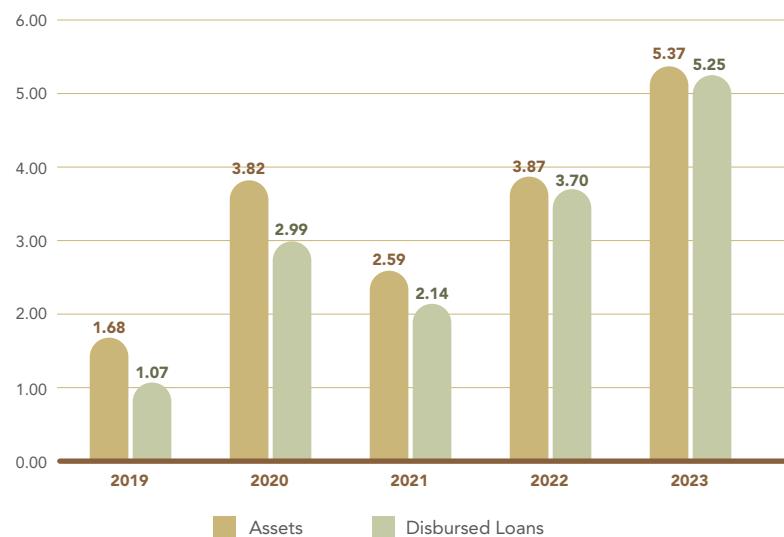
ROA of Islamic Pawnshops in 2023 was recorded at 5.48%, down 0.28% (yoY). Meanwhile, ROE of Islamic Pawnshops in 2023 stood at 10.58%, a decrease of 1.56% (yoY).



DEVELOPMENT OF SECONDARY MORTGAGE FACILITY COMPANY'S (PPSP) ISLAMIC WINDOW (UUS)

Assets and Disbursed Loans of PPSP's UUS

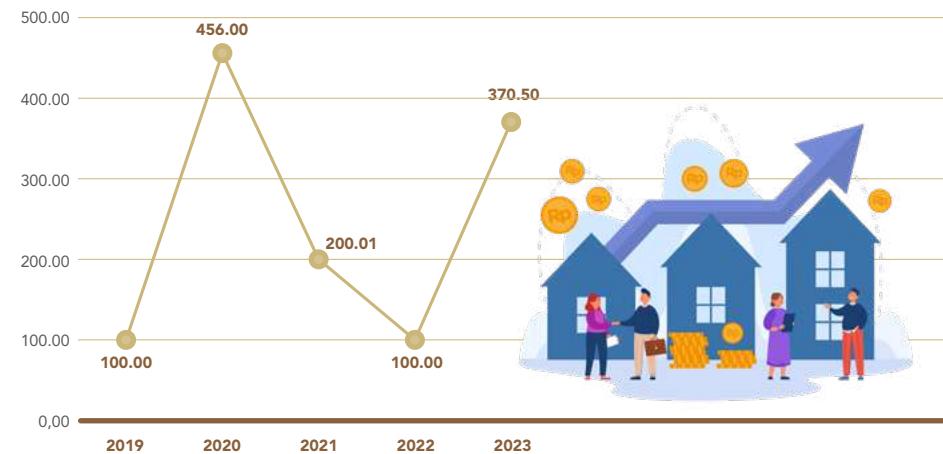
(IDR Trillions)



Assets of the Secondary Mortgage Facility Company's Islamic Window (UUS) in 2023 stood at IDR5.37 trillion, up 38.76% (yoy). Loans disbursed to financial institutions providing mortgage loans (KPR) in 2023 increased by 41.95% (yoy) to IDR5.25 trillion.

Funding Received by PPSP's UUS

(IDR Billions)

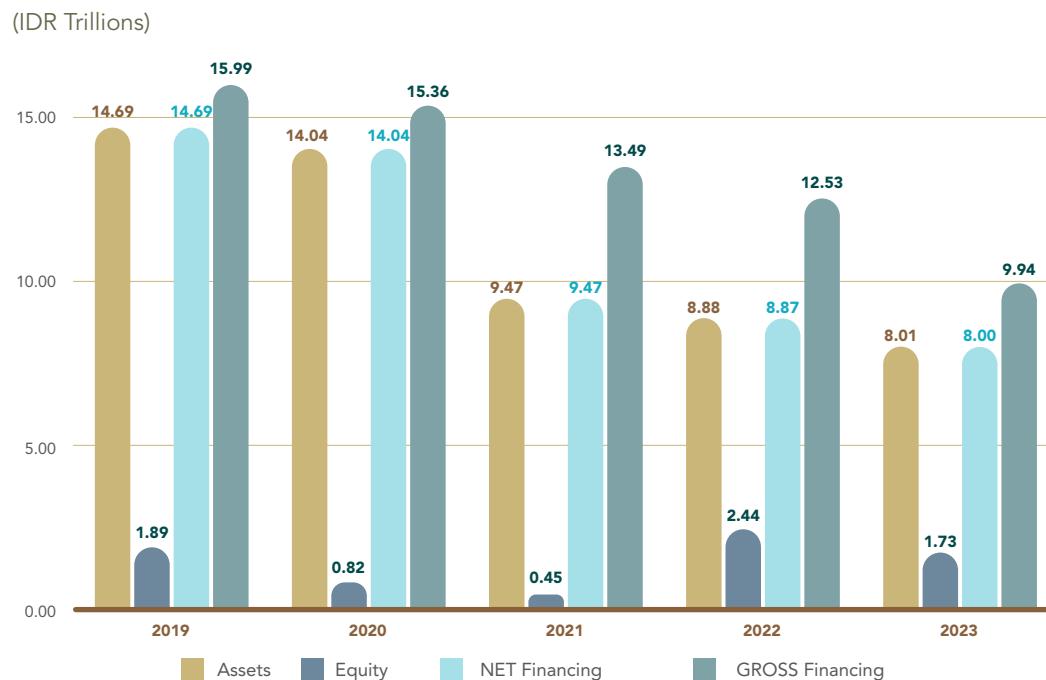


Source: Financial Services Authority, 2023

Funding received by the Secondary Mortgage Financing Company's Islamic Window (UUS) increased by 270.50% (yoy) in 2023 to IDR370.50 billion due to the issuance of sukuk.

DEVELOPMENT OF INDONESIAN EXPORT FINANCING INSTITUTION/EXIMBANK'S (LPEI) ISLAMIC WINDOW (UUS)

UUS LPEI Assets and Financing



In December 2023, the assets of Eximbanks Islamic Window (UUS LPEI) stood at IDR8.01 trillion, a decrease of 9.71% (yoy) partly due to a reduction in the value of export financing. Meanwhile, the equity of UUS LPEI fell by 29.29% (yoy) to IDR1.73 trillion in December 2023.

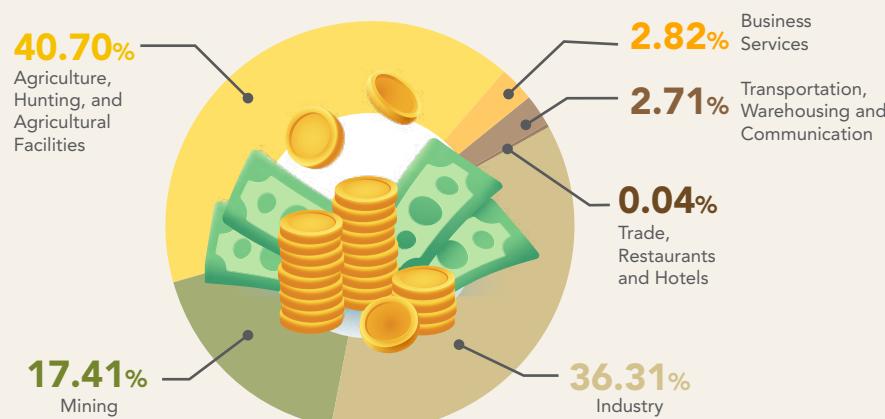
The value of gross financing of UUS LPEI as of December 2023 had declined by 20.66% (yoy) to IDR9.94 trillion, while the net financing value dropped by 9.87% (yoy) to IDR8.00 trillion.

UUS LPEI Financing by Objective in 2023



Financing from Eximbanks Islamic Window was primarily allocated for Investment purposes, accounting for 78.52% (IDR7.80 trillion) of total gross financing, while 21.48% (IDR2.14 trillion) was allocated for Working Capital.

UUS LPEI Financing by Economic Sector in 2023



Source: Financial Services Authority, 2023

In 2023, the financing of UUS LPEI was predominantly allocated to the Agriculture, Hunting, and Agricultural Facilities sector, which accounted for 40.70% (IDR4.05 trillion) of total gross financing. This was followed by the Industrial sector at 36.31% (IDR3.61 trillion), Mining at 17.41% (IDR1.73 trillion), Business Services at 2.82% (IDR0.28 trillion), Transportation, Warehousing, and Communication at 2.71% (IDR0.27 trillion), and Trade, Restaurants, and Hotels at 0.04% (IDR4.26 billion).

DEVELOPMENT OF PERMODALAN NASIONAL MADANI /MADANI NATIONAL CAPITAL'S (PNM) ISLAMIC WINDOW (UUS)

Assets and Financing of the PNM Company's Islamic Business Unit (UUS)

(IDR Trillions)



In 2023, the assets of PNM's Islamic Window (UUS) reached IDR31.31 trillion, an increase of 10.07% (yoY). Net financing rose by 12.27% (yoY) to IDR29.41 trillion. The largest proportion of gross financing from PNM's UUS was channeled to the Mekaar Program (Fostering a Prosperous Family Economy), amounting to IDR30.39 trillion or 95.97% of total disbursed financing. Financing for the ULaMM (Micro Capital Services Unit) amounted to IDR1.28 trillion. The number of PNM UUS financing customers totaled 15,171,759, consisting of 15,065,006 Mekaar program customers and 106,753 ULaMM program customers.

ISLAMIC PVML STRATEGIC POLICIES

- Referring to the provisions of Article 115, Paragraph (2), Chapter X of the PPSK Law on Financing Service Businesses, such operators (including Information Technology-Based Joint Funding Services/LPBBTI, also known as the Fintech Peer-to-Peer Lending Industry) can establish Islamic Windows. This opens up opportunities for conventional LPBBTI operators to enhance their product range by means of products based on Islamic principles. If utilized, this potential could also increase aggregate Islamic production in Islamic LPBBTI in the future and is expected to boost the Islamic market share.
- The activities of LPBBTI are currently regulated by POJK 10/POJK.05/2022. However, these regulations do not allow conventional banks to expand their Islamic business through the establishment of Islamic Windows. Currently, the PVML sector is continuously adjusting regulations to open opportunities for the establishment of Islamic Windows for LPBBTI.
- This strategic policy was outlined in one of the five-year work programs, presented in the form of a roadmap. In 2023, the PVML sector established the Roadmap for the Development and Strengthening of Information Technology-Based Joint Funding Services (LPBBTI), which contains strategic plans and work programs for LPBBTI to be implemented from 2023 to 2028.



MANDATES OF THE PPSK LAW

Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector mandates the drafting of 25 regulations, consisting of 16 mandates for financing service businesses, 7 mandates for microfinance institutions (LKM), 1 mandate for bullion business activities, and 1 mandate for financial services sector cooperatives. The enactment of the PPSK Law required adjustments to 14 POJK regulations on PVML Sector Supervision, including 1 POJK covering PVML in general, 10 POJK concerning financing service businesses, and 3 POJK concerning LKM.

The PPSK Law provides a legal basis for financing providers. This includes activities involving the financing of goods/services, financing activities through equity participation, financing activities in the form of providing funds for infrastructure projects, organizing financial service activities to connect fund providers with fund recipients for funding, both conventional and based on Islamic principles, directly through electronic systems using the internet, and business activities of providing loans with movable property collateral conducted by pawnshop companies that previously

lacked legal protection at the statutory level. As such, financing providers that have not yet been licensed by OJK are required to apply for a business license from OJK. The PPSK Law allows for the implementation of a scheme to resolve criminal violations through compensation payments. These compensations will be paid to the harmed parties by those suspected of committing the criminal acts. With the regulation of financing service businesses under the PPSK Law, financing providers that are not yet licensed by OJK must apply for a business license from OJK. Under Law Number 1 of 2013 on Microfinance Institutions (LKM), it was only LKM that previously were required to submit business license applications to OJK.

Furthermore, with the enforcement of the PPSK Law, LMK that had not obtained business licenses at the time the PPSK Law came into effect and are not engaged in public fund collection can register with the Local Regency/Municipal government as Incubation LKM. Under Law Number 1 of 2013 on Microfinance Institutions, LMK were categorized based on their operational area, i.e., Sub-District/Village, District, or Regency/City. However, in accordance with the PPSK Law, LMK are now categorized not only by operational area but also by business scale, i.e., small, medium, and large. This newly-introduced categorization will impact LMK supervision and guidance, with small-scale LMK being supervised by Local Governments while still adhering to OJK regulations. Local Governments are thus delegated by the Ministry of Home Affairs to coordinate with OJK regarding the supervision and guidance of LMKs in their areas. The enactment of the PPSK Law requires Local Governments to process the

registration, supervision, and guidance of Incubation LMKs, as well as supervise and guide small-scale LMK. Given the need for small-scale LMKs to be supervised and guided in accordance with OJK regulations, coordination between OJK and Local Governments is essential to facilitate the implementation of OJK regulations.

As part of fulfilling the mandates of the PPSK Law, OJK issued POJK Number 25 of 2023 on the Operation of Venture Capital Companies and Islamic Venture Capital Companies, one key provision of which concerns the categorization of venture capital companies and Islamic venture capital companies in conducting their business activities. This OJK Regulation also strengthens several regulations, such as:

- **Prudential:** The OJK Regulation requires venture capital companies and Islamic venture capital companies to maintain and/or improve their soundness levels by applying prudential principles and risk management in conducting business activities; and
- **Venture fund management:** The OJK Regulation provides more comprehensive regulations on venture funds, from venture fund management licensing submission to the dissolution of venture funds. It also regulates human resource requirements and the organizational structure of venture capital companies and Islamic venture capital companies that will manage venture funds, the use of venture fund names, venture fund formation agreements, venture fund placements, and venture fund participation unit holder requirements.

06

ISLAMIC DIGITAL FINANCE INNOVATION



OVERVIEW

Efforts to improve the quality of customer service have led to various technological innovations in the financial sector (ITSK). Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (PPSK Law) recognizes and provides special provisions for the development of these innovations.

Furthermore, the PPSK Law mandates that technological innovations in the financial sector can also be utilized to support economic and financial activities, including those based on Islamic principles. According to the law, the scope of ITSK includes payment systems, securities transaction settlement, capital raising, investment management, risk management, fund collection and/or distribution, market support, activities related to digital financial assets, including cryptocurrencies, and other digital financial services activities.

ITSK has the potential to enhance financial inclusion, including leveraging Islamic economic concepts. Moreover, Indonesia has significant potential for the growth of the Islamic fintech industry. Currently,

Indonesia has the largest number of Islamic fintech institutions in the world, with 65 institutions. The market share of Islamic fintech in Indonesia is projected to grow to US\$11.8 billion by 2027.

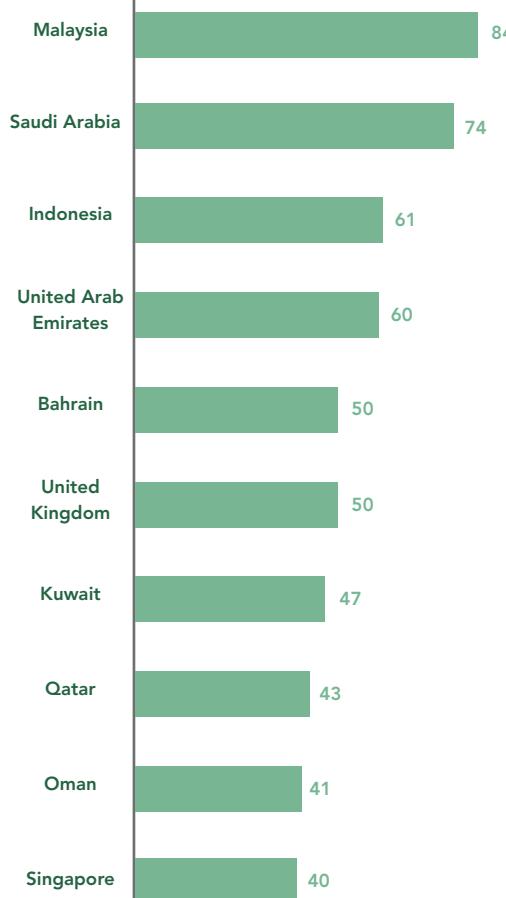


According to data from the Indonesian Sharia Fintech Association (AFSI), as of December 31, 2023, there are 14 financial sector technological innovation (ITSK) providers in the country that are either Sharia-based or offer Sharia services/products. These Sharia-based ITSK providers are spread across several innovation fields (clusters), including aggregators, funding agents, financing agents, insurtech, e-KYC, and wealthtech.

Based on the 2023 Global Islamic Fintech Index, Indonesia has 65 Islamic fintech institutions, the highest number among all countries. The total market share of Islamic fintech in Indonesia in 2022 was US\$6.1 billion and is projected to grow to US\$11.8 billion by 2027.

Indonesia ranked third according to the State of Global Islamic Economy Report in 2023.

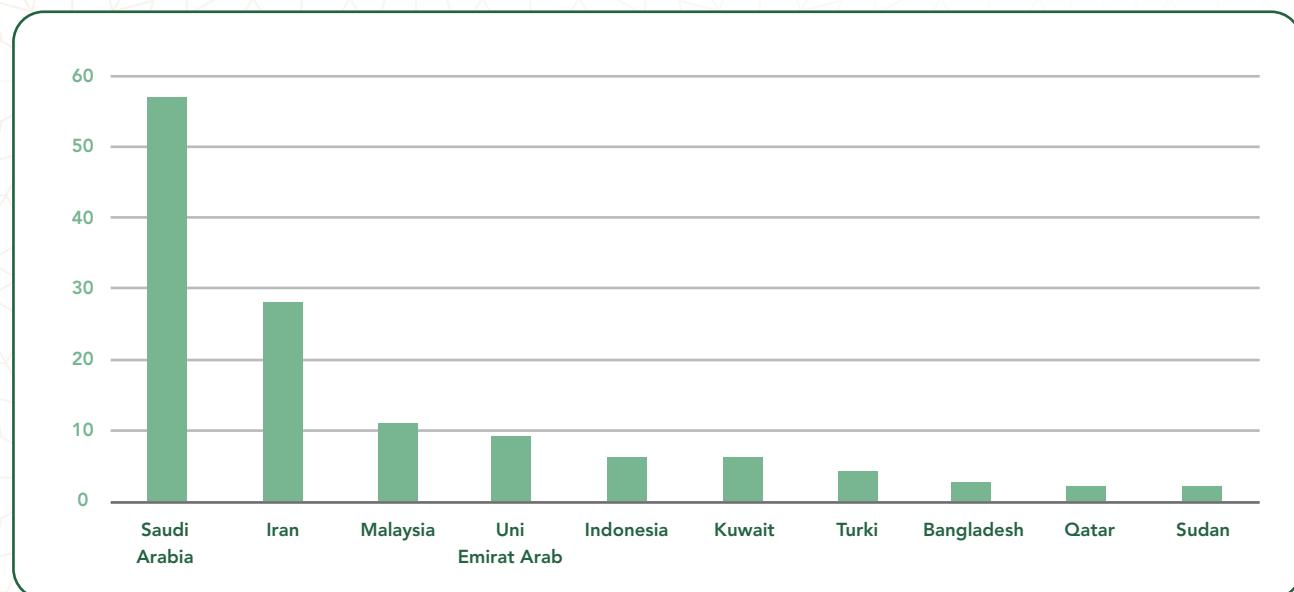
2023 – 2024 Global Islamic Fintech Index Ranking



Indonesia ranked third in the 2023 Global Islamic Fintech Index (GIFT), maintaining the same position as the previous year. This index is calculated using 19 parameters divided into five categories: talent, regulation, infrastructure, market & ecosystem and capital.

Despite this ranking, Indonesia's Islamic fintech market size only placed sixth, at US\$6.1 billion. This indicates significant growth potential, with the market projected to grow at an average of 14.1% per year, reaching US\$14.1 billion by 2027.

Market Size Fintech Syariah 2023

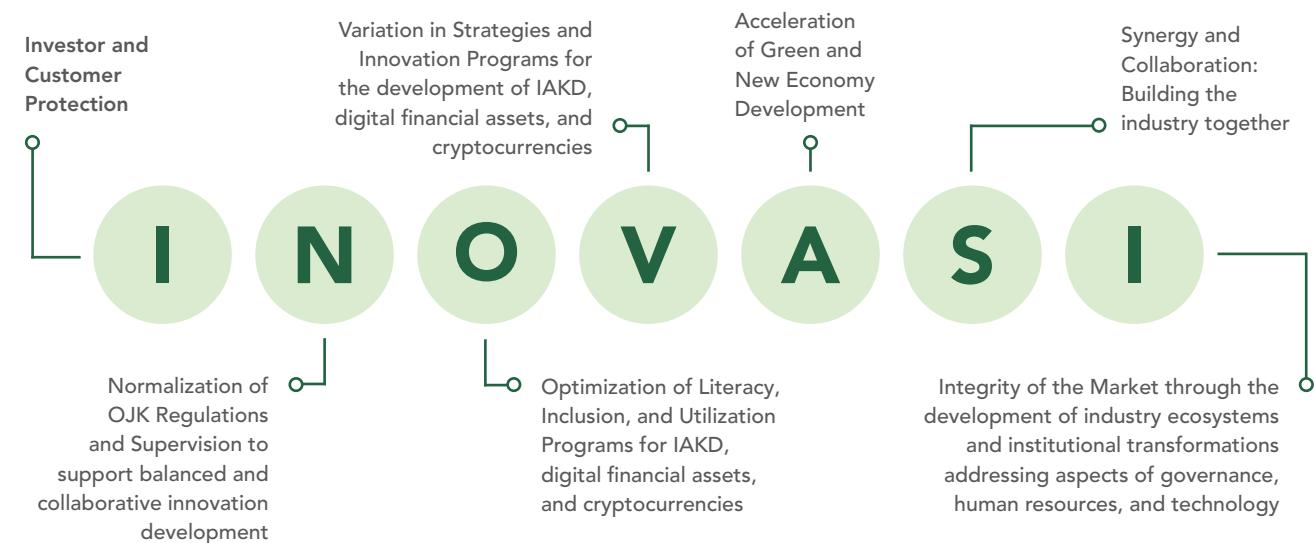


Data source: <https://salaamgateway.com/specialcoverage/islamic-fintech-2023>

In accordance with the mandates of the PPSK Law, since August 2023, OJK has had a Chief Executive for the Supervision of Financial Sector Technological Innovation (ITSK) as well as Digital Financial Assets and Cryptocurrencies (IAKD).



To develop the ITSK sector and Digital Financial Assets, including Cryptocurrencies, OJK has implemented the following seven strategic pillars of Innovation:



Islamic Financial Sector Technological Innovation (ITSK) Developments

Financial Sector Technological Innovation (ITSK) refers to technology-based innovations impacting products, activities, services, and business models within the digital financial ecosystem.

According to data from the Indonesian Sharia Fintech Association (AFSI), in 2023, there were four Sharia-based ITSK providers that had received registered status from OJK. As of December 31, 2023, the number of Sharia-based ITSK providers stood at 14, a 40% increase from the end of the previous year.

Sharia-based ITSK providers offer Sharia-compliant services/products across several clusters, including aggregators, funding agents, financing agents, insurtech, e-KYC, and wealthtech.

Islamic ITSK Fintech Companies



Islamic ITSK Provider Service/ Product Clusters

1. Aggregators

Aggregators are websites or apps that help customers obtain information about financial products and services by gathering, filtering, and comparing products and services from different Financial Services Institutions (LJK) digitally.

Sharia-compliant ITSKs in the Aggregator cluster include: OneShaf, Zahir Capital Hub, Sobat Syariah, SavingTech, DigiTech, IstanaTech, NuTech, Dompet Aman.

2. Financing Agents

Financing Agents are Digital Financial Innovations (IKD) based on websites or apps that assist LJKs in channeling financing to prospective and existing customers.

Sharia-compliant ITSKs in the Financing Agent cluster include: Artaku, Amaan.

3. Funding Agents

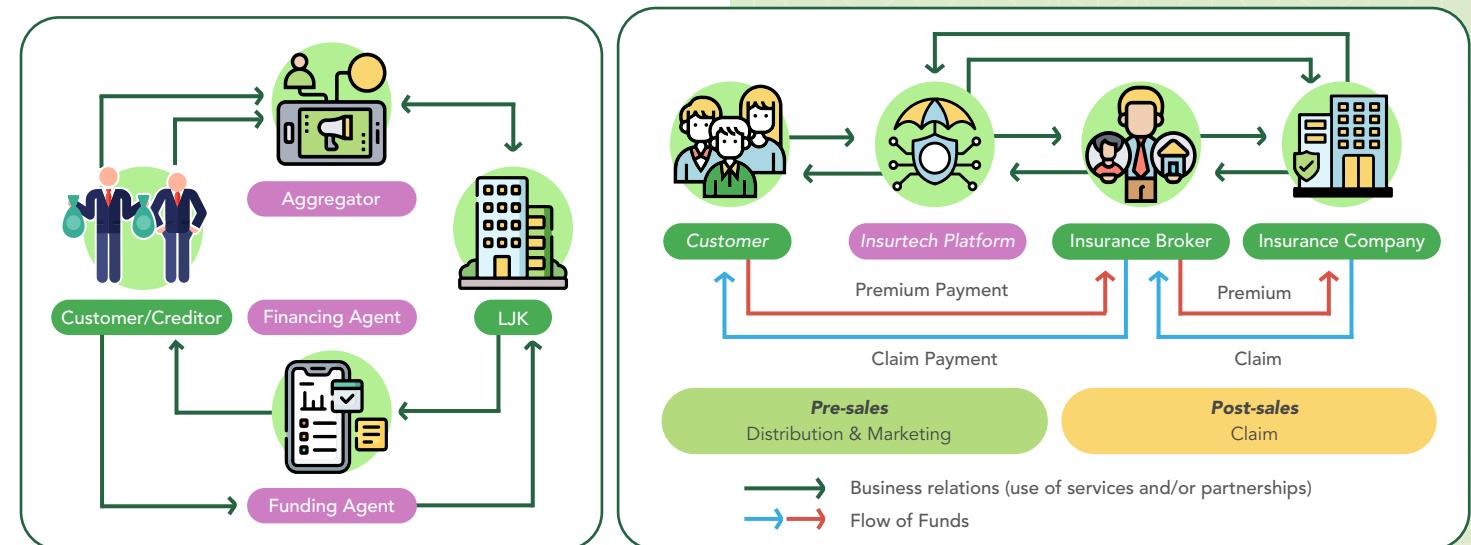
Funding Agents are Digital Financial Innovations (IKD) based on websites or apps that serve as marketing platforms for LJKs to attract funding customers.

Sharia-compliant ITSKs in the Funding Agent cluster include: e-funding.

4. Insurtech

Insurtech platforms work with insurance brokers and/or companies to provide information, enable insurance product purchases, and facilitate online insurance claims for customers/public, streamlining the claims process.

Sharia-compliant ITSKs in the Insurtech cluster include: Yuk Takaful.



5. e-KYC

e-KYC is a platform that helps provide identification and verification services for prospective or existing customers using population data sourced from Dukcapil (Department of Population and Civil Registration).

Sharia-compliant ITSKs in the e-KYC cluster include: idnpass.



With regular KYC, a prospective customer who wishes to register with a Financial Services Institution (LJK) must undergo a face-to-face verification process to meet two authentication factors, "What You Are & What You Have." This process involves filling out a registration form and providing additional personal documents.

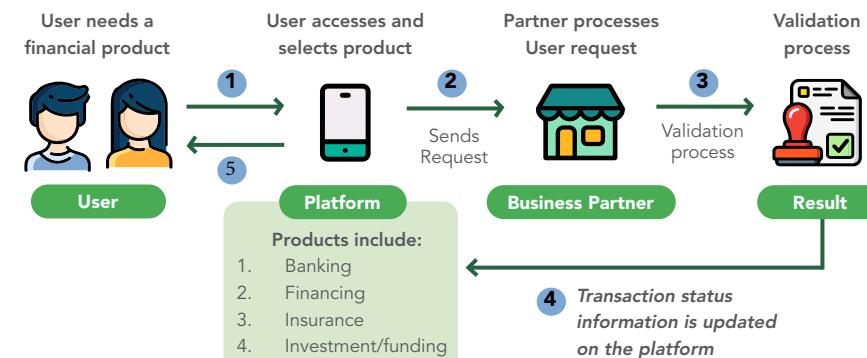


This contrasts with e-KYC, where customers can register with an LJK through an app or smartphone without face-to-face interaction while still meeting the two authentication factors. This process involves several steps such as biometric checking, OCR, face recognition, and liveness detection, while also comparing and validating data with Dukcapil's population data for accurate verification.

6. Wealth-Tech

Wealth-Tech is a platform that integrates various financial services/products and related support offered by a Conglomerate Group and its Business Partners into a single mobile application, facilitating and assisting users in accessing and managing their finances. This includes services such as Banking, Financing, Insurance, and Investment/funding.

Sharia-compliant ITSKs in the Wealth-Tech cluster include: Moxa Mabroor.



DEVELOPING ISLAMIC FINANCIAL SECTOR TECHNOLOGICAL INNOVATION (ITSK)

OJK responded to the PPSK Law by revising POJK No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector. The new OJK regulation, POJK No. 3 of 2024 on the Implementation of Financial Sector Technological Innovation, accommodates the use of Sharia principles in the development of technological innovations in the financial sector.



POJK ITSK also sets out eligibility criteria for participating in the Regulatory Sandbox, including:



Innovations with a scope of application in the financial services sector intended for use by consumers, partners, and/or the public in Indonesia



Innovations that provide benefits, improve services, and add value to consumers, the public, and/or the financial sector ecosystem



Innovations that demonstrate novelty and/or have significant distinguishing features compared to existing practices in the financial sector



Innovations that require support for testing and development and have not been previously regulated or supervised under existing financial sector regulations



Innovations that are ready for testing and development



Other criteria established by the Financial Services Authority



07

ISLAMIC ECONOMY



OVERVIEW

Sharia-compliant economic and financial policies, as part of Bank Indonesia's policy mix and national policy synergy, were aimed at bolstering national economic resilience and recovery amid the challenges of global economic slowdown and divergent growth in 2023. This was pursued through three development pillars: strengthening the halal product ecosystem; enhancing Islamic finance; and promoting a halal lifestyle in collaboration with relevant stakeholders.

As a regulator, Bank Indonesia directed its monetary policy, including Islamic monetary policy integrated with financial market deepening, towards ensuring stability (pro-stability) and supporting banking liquidity. Concurrently, Sharia macroprudential policies were designed to support national economic recovery (pro-growth) through accommodative measures, such as the provision of Macroprudential Liquidity Incentive Policy (KLM) incentives for banks that provide credit/financing to priority sectors. Moreover, in line with the mandate of Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector (PPSK Law), efforts to support sustainable economic growth

DIRECTION OF ISLAMIC ECONOMIC AND FINANCIAL DEVELOPMENT, BANK INDONESIA 2024

Source: Bank Indonesia



included strengthening regulations, developing products, and expanding Sharia-compliant financial transactions to boost Islamic financing. The 2023 initiatives to enhance the Sharia Economic and Financial (EKSyar) sector resulted in the formation of a Halal Value Chain (HVC) ecosystem, especially in the halal food and beverage sector, the strengthening of modest fashion branding, and increased interest in Muslim-friendly tourism integrated with halal lifestyle areas. Additionally, educational and promotional efforts for EKSyar were intensified through events like the Sharia Economic Festival (FESyar) and the Indonesia Sharia Economic Festival (ISEF).

Looking ahead to 2024, Bank Indonesia plans to focus on three main programs: developing key HVC sectors, particularly halal food and beverage and modest fashion; advancing the Islamic money market, especially through Bank Indonesia's sukuk instruments (SukBI) and foreign currency sukuk (SUVBI); and hosting international-scale FESyar and ISEF events. These initiatives aim to accelerate Indonesia's emergence as a leading global producer of halal products.

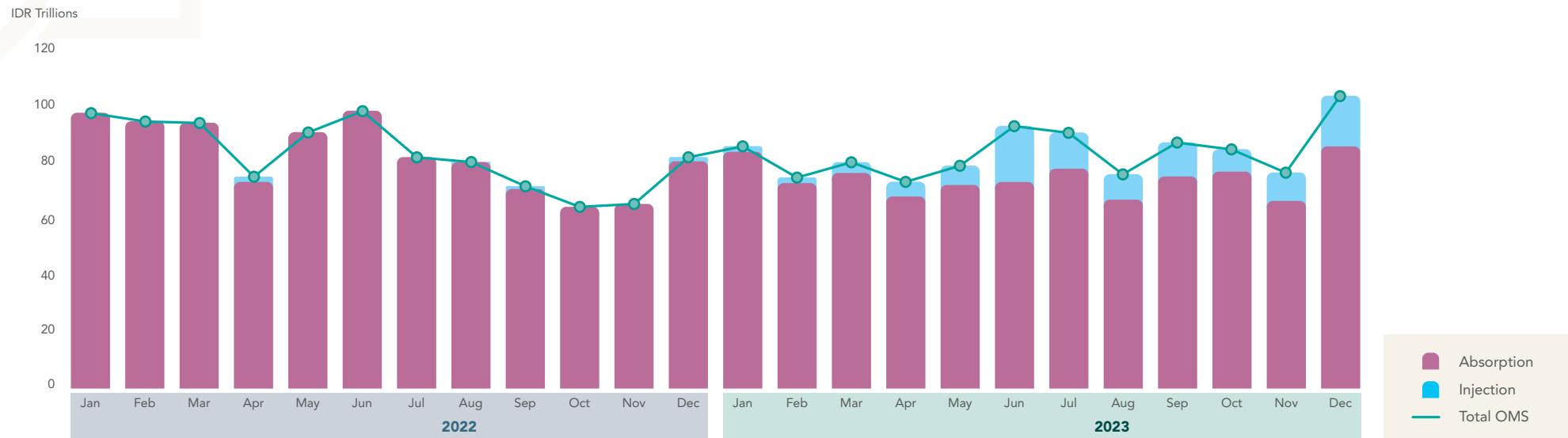


ISLAMIC MONETARY OPERATIONS POLICY AND DEVELOPMENT

Rupiah-denominated Sharia Monetary Operations (OMS) activities were stable in 2023, with an upward trend. These activities were dominated by absorption of OMS, or the reduction of liquidity in the Islamic money market, accounting for 86.81% of the total. This dominance indicates a significant amount of idle funds in Islamic banks amid the slowdown in third-party funds growth, reflecting relatively high liquidity in the Islamic banking sector.

The primary instrument used in these operations was Bank Indonesia's Sukuk (SukBI), which not only serves as an OMS instrument but also aids in market deepening by being tradable in the secondary market. In line with policies to promote inclusive financing, Bank Indonesia continued issuing inclusive SukBI in 2023, which can be factored into the calculation of the Macroprudential Inclusive Financing Ratio (RPIM) for Islamic banks. On the liquidity injection side of OMS activities, only the PASBI instrument was traded by Islamic banks, showing a fairly strong upward trend.

2023 RUPIAH-DENOMINATED SHARIA MONETARY OPERATIONS (OMS) BY ABSORPTION AND INJECTION



Source: Bank Indonesia, processed

Foreign exchange (forex) Sharia monetary operations (OMS) activities saw a decline due to tighter domestic forex liquidity amid global financial market uncertainties. The use of Sharia forex Term Deposits for OMS decreased, particularly from the second quarter of 2023. This decline is attributed to a reduction in forex third-party funds in Islamic banks.

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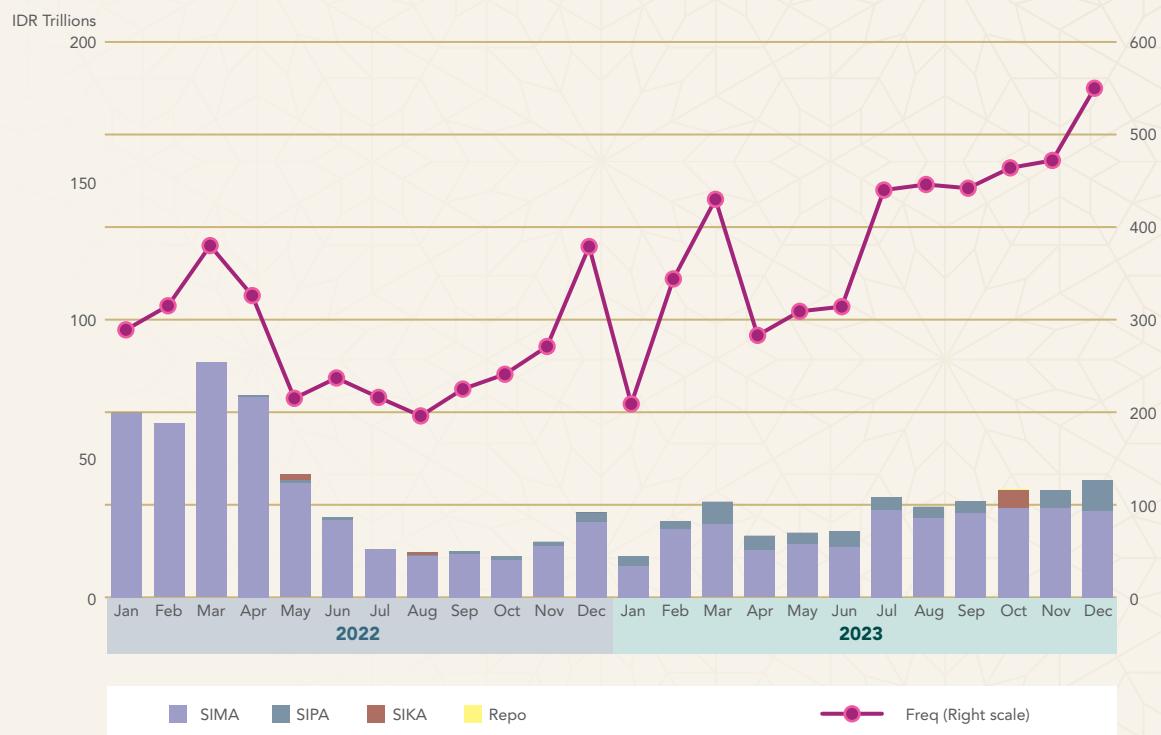
POLICIES AND DEVELOPMENTS IN THE ISLAMIC MONEY MARKET

The volume of transactions in the Islamic interbank money market (PUAS) fell as Islamic banking liquidity normalized. The total transaction volume of PUAS during 2023 amounted to IDR366.93 trillion, down 22.41% compared to the corresponding figure in 2022. This is attributed to the tightening of Islamic banking liquidity relative to the COVID-19 period, in line with the slowdown in third-party funds amid the rapid growth of financing to the real sector as part of economic recovery efforts.



ISLAMIC INTERBANK MONEY MARKET (PUAS) TRANSACTIONS IN 2023

Source: Bank Indonesia, processed



Although the volume of Islamic Interbank Money Market (PUAS) transactions declined, the frequency of transactions and the number of PUAS participants increased. Transaction frequency rose significantly, averaging 392 transactions per month. In 2023, the number of PUAS participants included 69 banks (Islamic Commercial Banks, Islamic Windows, and Conventional Commercial Banks) as investors and 36 Islamic banks (Islamic Commercial Banks/Islamic Windows) as managers. This was an increase compared to the previous year, when only 62 investing banks and 31 managing banks were involved. This indicates a more active and deeper Islamic interbank money market. In terms of tenor, PUAS transactions in 2023 were still dominated by overnight tenors, although there was a shift toward longer tenors such as one week or two to four days.

In terms of instruments, transactions began to show diversification. Although still dominated by Interbank Mudharabah Investment Certificates (SIMA), the proportion of transactions involving other instruments such as Interbank Sharia Principles-based Fund Management Certificates (SIPA), Interbank Sharia Principles-based Commodity Trading Certificates (SiKA), and Sharia repos went up from the previous year. The SiKA instrument began to be traded in mid-2023 following the signing of cooperation agreements between several banks facilitated by Bank Indonesia.

ISLAMIC MACROPRUDENTIAL DEVELOPMENTS

ISLAMIC MACROPRUDENTIAL POLICY AND DEVELOPMENT

To complement its pro-stability Sharia monetary policy, which notably included absorption Sharia monetary operations (OMS), Bank Indonesia kept up efforts to achieve sustainable economic growth through pro-growth (accommodative) Sharia macroprudential policies. These policies, which are aimed at continuously encouraging the disbursement of financing by Islamic banks while maintaining financial system stability, were implemented in several forms.

First, Bank Indonesia introduced liquidity-based macroprudential policy easing through the Macroprudential Liquidity Incentive Policy (KLM) to encourage Islamic bank financing to sectors that support sustainable growth. Effective since October 2023, KLM incentives can make up to a maximum of 4.0% of third-party funds (DPK) with the following coverage: (i) priority sectors reinforced in downstream sectors (minerals and coal, agriculture, livestock, plantations, and fisheries), housing (including public housing), tourism (including hotels, restaurants, and cafeterias); (ii) economic inclusion (MSMEs, People's Business Credit (KUR), and Ultra Micro (UMI)); and (iii) green economy and finance.

Second, the flexibility of liquidity management for Islamic banking was enhanced by reducing the minimum Sharia Macroprudential Liquidity Buffer (PLM) ratio by 100 basis points, from 4.5% to 3.5% of DPK for Islamic Commercial Banks (BUS), with 3.5% flexibility for repo/PaSBI. This policy has been effectively implemented since December 1, 2023. With the reduction in the Sharia PLM ratio, the flexibility



of Islamic banking liquidity management is expected to be stronger, encouraging financing disbursement and supporting sustainable economic growth.

Third, various other accommodative macroprudential policy instruments were maintained, including: i) the Sharia Macroprudential Intermediation Ratio (RIM) policy at 84-94%; ii) a loose Countercyclical Capital Buffer (CCyB) at 0%; iii) relaxation of the Financing to Value (FTV) policy for Property Financing (PP, including public housing) to 100%; iv) relaxation on down payments for Motor Vehicle Financing (PKB) to 0%; and v) implementation of the Macroprudential Inclusive Financing Ratio (RPIM) policy to support inclusive finance and economy, especially for MSMEs.



STRATEGIC POLICIES

2024 POLICY DIRECTION

In 2024, Bank Indonesia's Islamic economic and financial policies and programs will be geared towards a pro-growth orientation. This strategy aims to help realize Indonesia's vision of becoming the world's leading halal producer. To achieve this, Bank Indonesia will concentrate on three main Islamic economic and financial development programs.

First, the focus will be on developing key sectors within the halal value chain (HVC), specifically the halal food and beverage sector and Modest fashion. This initiative will be supported by enhancing halal product guarantees and the halal export ecosystem, thus strengthening the overall halal industry.

Second, the development of the Islamic money market will focus on instruments such as Sukuk Bank Indonesia (SukBI) and Sukuk Valas Bank Indonesia (SUVBI). Additionally, efforts will be made to strengthen Islamic finance through financial product innovations that support Sharia-compliant financing, as well as the development of Sharia social finance and its integration with commercial finance (blended finance).

Third, Bank Indonesia is set to organize the Sharia Economic Festival (Fesyar) in three regions across

Indonesia, as well as the Indonesia Sharia Economic Festival (ISEF), on an international scale. These events will engage a wide and diverse range of domestic strategic partners and also attract more international participants, including Islamic economic and financial institutions and industry players.

In addition to these three main programs, innovations in Sharia-based financing and digitalization will further boost efforts to achieve the vision of "Indonesia as the World's Leading Halal Producer."



HIGHLIGHTED ISSUE: FOLLOW-UP ON THE MANDATES OF THE PPSK LAW

In response to the mandates in the Financial Sector Development and Strengthening Law (UU PPSK), Bank Indonesia implemented several measures to support the national Islamic finance industry.

First, Bank Indonesia revised the regulations regarding Short-Term Liquidity Financing Based on Sharia Principles (PLJPS), as detailed in Bank Indonesia Regulation (PBI) No. 5 of 2023. This revision includes updates to the definition of "liquidity difficulties," adjustments to PLJPS requirements, coordination between BI and OJK, the inclusion of fixed asset collateral types such as land and buildings, adjustments to the PLJPS duration, and regulations related to the supervision of banks receiving PLJPS.

Second, to support the expansion of Islamic banking business activities as part of efforts to achieve sustainable economic growth, Bank Indonesia developed a study on the Islamic Restricted Investment Account (SRIA) business model. This initiative, undertaken in collaboration with relevant



stakeholders, represents an initial step towards expanding the scope of Islamic banking activities. The SRIA product is essentially a fund collection product in the form of an investment, where funds are entrusted by customers to Islamic banks based on mudharabah contracts or other contracts that comply with Sharia principles, with the risk borne by the investor customers. Furthermore, the SRIA product, which links financial transactions with real sector projects, is expected to serve as a balanced financing tool, supporting financial system stability and strengthening the unique identity of Islamic banking with its Sharia-compliant products.



ISLAMIC ECONOMIC ECOSYSTEM SYNERGIES

The development of the Halal Value Chain (HVC) Ecosystem is a key initiative undertaken by Bank Indonesia to support sustainable economic growth, focusing on three main sectors: halal food and beverages; modest fashion; and Muslim-friendly tourism. This effort aligns with Indonesia's vision of becoming the world's leading halal producer.

The development of the HVC food and beverage sector, including agriculture, aims to support food security, price stability, and inflation control. This initiative focuses on strategic and regional food commodities such as chili, rice, shallots, and garlic, with an emphasis on improving supply and productivity. The use of appropriate technology is a pivotal strategy for enhancing productivity and efficiency, creating viable and competitive Islamic Windows, and expanding market access.

To broaden market opportunities, Islamic Windows are encouraged to improve product quality and develop their operational capacity. Capacity building efforts are supported by Islamic intermediary institutions that provide working capital and investment financing to ensure the growth and sustainability of these businesses.

The development of the Modest Fashion Sector within the HVC Ecosystem is focused on stabilizing raw material prices and enhancing financing intermediation. The textile raw materials for the modest fashion industry are predominantly imported. Therefore, it is essential to prioritize the development of the upstream modest fashion ecosystem to ensure the availability of affordable and stable domestic raw materials. In line with this, the capabilities of modest fashion entrepreneurs, including designers and business operators, are being continuously improved through technical assistance, technology adoption, and certification. On the downstream side, particularly in the market sector, various national and global events have been initiated to serve as outlets for modest fashion products, providing market certainty and sales opportunities. With guaranteed business sustainability and market assurance, facilitating access to financing becomes a solution for scaling up and upgrading the businesses involved.

The Muslim-Friendly Tourism (PRM) Sector serves as a primary outlet to amplify the development of the halal food and beverage sector as well as modest fashion. In 2023, Bank Indonesia, along with several strategic partners, initiated a pilot of the SMART-MFT Hub (Sustainable Muslim Attractive Tourism – Muslim Friendly Tourism Hub) concept, focusing on historical tourism related to the famous Indonesian national figure Buya Hamka. This pilot is poised to strengthen destination, marketing, industry, and institutional frameworks, involving various stakeholders to provide financing, networking, and program support. Additionally, Bank Indonesia has been promoting the development of a halal lifestyle area with a proposed pilot project in the Masjid Raya area of West Sumatra. This project seeks to fulfill at least three of the six components of Islamic economic and financial activities in the area: (i) halal food and beverages; (ii) modest fashion; (iii) Islamic finance; (iv) education on the Islamic economy and finance; (v) Islamic entrepreneurship; and (vi) principles of a sustainable economy (green energy/economy).

SYNERGY WITHIN THE ECOSYSTEM OF ISLAMIC ECONOMICS

FRAMEWORK FOR DEVELOPING SHARIA-COMPLIANT ENTREPRENEURS:
AN ECOSYSTEM MODEL APPROACH

Source: Bank Indonesia

SUSTAINABLE ECONOMIC GROWTH: Promoting Indonesia as a Global Production Center for Halal Products

- Supporting the Stability of the Rupiah •
- Maintaining Financial System Stability: Through Enhanced Banking Intermediation •

HALAL FOOD & BEVERAGES ECOSYSTEM			MODEST FASHION ECOSYSTEM			MUSLIM-FRIENDLY TOURISM ECOSYSTEM	
UPSTREAM	PRODUCTION	DOWNSTREAM	UPSTREAM	PRODUCTION	DOWNSTREAM	PRODUCTION	OUTLET
Integrated Agriculture	Production Ecosystem: JPH Ecosystem	Downstream Ecosystem: Market Access	Integrated Agriculture	Production Ecosystem: JPH Ecosystem	Downstream Ecosystem: Market Access	Food & Beverage Product Curation Halal - IKRA Indonesia	Pilot Project: SMART MFT HUB
Pesantren Community: Cultivation	Pesantren Community: TOBAKU Halal, Distribution Center	Online: Virtual Market		IKRA Indonesia, Processed food & drinks: MSME Groups	Online: on-boarding	Modest Fashion Product Curation Fashion - IKRA Indonesia	Model Replication: SMART MFT HUB
Village Community: Cultivation	IKRA Indonesia, Processed food & drinks: MSME Groups	Offline: ISEF, Fesyar, Modern Market Linkage	Facilitation: Discussion on Early Development of the Upstream Side of the Modest Fashion Sector	Women's Community, Selection – Curation – Mentoring (3K)	Offline: ISEF, Fesyar, Trade Promotions, DN/LN		
Pesantren Business Model	Women's Community, Selection – Curation – Mentoring (3K)	Business Matching/ Business Linkage		IKRA Indonesia Cooperative	Business Matching/ Business Linkage		
Institutions: HEBITREN Champion Export Cooperative	IKRA Indonesia Cooperative	Global Halal HUB			Global Halal HUB		

- Digitalization: Halal Value Chain Ecosystem Information System (SI-ERNH) •

Quality

Capacity and Quality

Continuity: Market Access and/or Financing

Islamic Banking Business Linkage for Public – Private Partnerships (KPBU)



Executive Director of KNEKS with event speakers

The National Islamic Economy and Finance Committee (KNEKS), in collaboration with Bank Indonesia and the Ministry of Public Works and Housing, organized an Islamic Financing Business Linkage event during the 10th Indonesia Sharia Economic Festival (ISEF) in 2023. This event was held to accelerate infrastructure development through the Public-Private Partnership (KPBU) scheme. Given that financing needs have to be met in a timely fashion (financial close) in such cooperations, Islamic financial institutions require encouragement to play a more active role as a funding source to achieve financial close from KPBU projects with Islamic financing.

Date : October 27, 2023

Venue : Jakarta Convention Center

Participants : 80 participants (including Businesses, Government Agencies, Special Mission Vehicles, Islamic Financial Institutions, ASBISINDO)

Development of Islamic KUR Financing through Islamic KUR and Islamic UMi Financing Workshops and Business Matching for MSMEs



Makassar, July 4, 2023



Surabaya, July 7, 2023

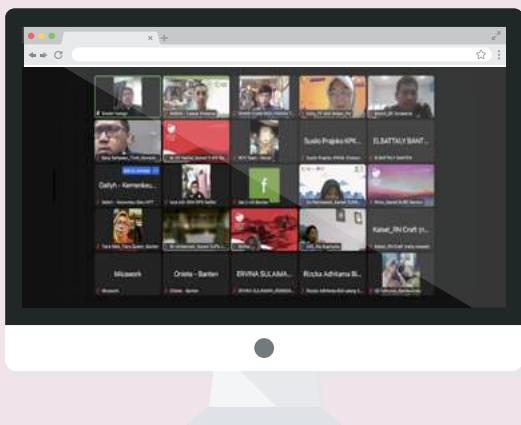


Palembang, July 6, 2023



Workshop and Business Matching events for Islamic Financing brought together potential MSMEs with providers of Islamic People's Business Credit (KUR) and Islamic Ultra Micro Financing (UMi) in three cities in Indonesia: Makassar, Surabaya, and Palembang. These events aimed to enhance MSMEs' access to Islamic financing and encourage the contribution of Islamic Financial Institutions (LKS) to MSMEs. This initiative was a collaboration between KNEKS, the Ministry of Finance, the Islamic Economic and Financial Regional Committees of South Sulawesi, East Java, and South Sumatra, the Islamic Finance Literacy Group, Regional OJK offices, and Islamic KUR and UMi Islamic Financing Distributors. During the event, 494 MSMEs registered, 340 passed the curation process, and 232 participated in Business Matching. As of December 2023, the distribution of Islamic KUR totaled IDR0.44 trillion, while Islamic UMi Financing amounted to IDR8.86 trillion.

Development of Indonesian Modest Fashion through Muslim Fashion Export Curation in Collaboration with the Ministry of Finance's MSME Empowerment Synergy Team and Nusantara Fashion House (NFH)



According to the 2023 SGIE Report, Indonesia ranks third in Modest Fashion development. Nonetheless, Indonesia has declared itself the world's 2024 Modest Fashion Center. To achieve this, the Indonesian government continues to support Modest Fashion entrepreneurs in accessing export markets.

The National Islamic Economy and Finance Committee (KNEKS), in collaboration with the Ministry of Finance's MSME Empowerment Synergy Team and Nusantara Fashion House (NFH), organized an online Modest Fashion Export Curation event on June 8, 2023. The event, attended by 88 participants from across Indonesia, aimed to help MSMEs under the Ministry of Finance's guidance to enter the Malaysian market through NFH Malaysia. Out of 90 fashion SME participants, 64 passed the curation and were deemed export-worthy.

Development of Islamic Securities Crowdfunding (SCF) through a Workshop and Business Matching to Prepare for Issuance of Shares/ Sukuk through Islamic SCF



KNEKS, in collaboration with OJK, the Ministry of Finance in East Java, KDEKS East Java, and the Indonesian Crowdfunding Services Association (ALUDI), held a Workshop and Business Matching event for SMEs on July 6, 2023, at the State Finance Building in Surabaya. This event connected business operators in Surabaya and its surroundings with Islamic SCF providers while preparing SMEs to issue shares and/or sukuk through the Islamic SCF Platform. A total of 140 SMEs registered, 40 passed the curation process, and 27 participated in the business matching workshop with Islamic SCF Providers. As of December 2023, the cumulative issuance of Shares and Sukuk through Islamic SCF amounted to IDR439.14 billion from 106 SME issuers.

Formation of Islamic Economic and Financial Regional Committees (KDEKS) in 24 Provinces



Islamic Economic and Financial Regional Committees were established to develop an economic and financial ecosystem that adheres to Islamic principles at the regional level. This includes fostering a Sharia-based economy, improving community welfare, providing Sharia-compliant financial services, developing the halal industry, and raising awareness about the Islamic economy.



DEVELOPMENTS IN THE ESTABLISHMENT OF KDEKS:

- 6 KDEKS were established in 2022: West Sumatra Province, Riau, South Sumatra, West Nusa Tenggara, South Sulawesi, and East Java.
- 16 KDEKS were established in 2023 (as of February 2024): Provinces of Bangka Belitung Islands, Banten, Central Java, Lampung, South Kalimantan, North Sumatra, Gorontalo, Bengkulu, Jambi, North Maluku, Riau Islands, Central Sulawesi, Jakarta, Aceh, North Kalimantan, East Kalimantan, Central Kalimantan, West Kalimantan, and Yogyakarta Special Region.

Goals and objectives of forming KDEKS are:

- To serve as institutions leading the orchestration of synergy and collaboration in developing the Islamic economy and finance in the regions.
- To act as accelerators for increasing literacy and public awareness about the Islamic economy and finance.

- To oversee the development of Islamic Economy and Finance from Regional Planning documents (RPJPD, RPJMD, and RKPD), including their implementation, as well as monitoring and evaluation.

Active roles and achievements of KDEKS include:

- Actively coordinating and synergizing for the accelerated development of the Islamic economy and finance in the regions.
- Actively initiating various programs and strategic initiatives to increase regional public literacy and awareness.
- Assisting and overseeing the inclusion of Islamic Economy and Finance content in Regional Development Planning documents.
- Developing KDEKS programs that involve synergy and collaboration among stakeholders and mandated institutions.



Islamic Capital Market Synergy in the Development of Wakaf Assets



To encourage the utilization of Islamic capital market products in the development and management of wakaf assets so as to enhance their productivity, on December 1, 2023, OJK and the Indonesian Wakaf Board conducted a one-on-one meeting with representatives from Airlangga University. This university, through the Social Fund Management Center under its auspices, is interested in utilizing wakaf assets through the issuance of products in the Islamic capital market. The meeting is expected to stimulate increased utilization of wakaf assets through the issuance of wakaf sukuk in the capital market.

Development of the Role of the Islamic Non-Bank Financial Industry in the Islamic Finance Ecosystem Through Business Matching





"OJK held a Business Matching event for the Islamic Non-Bank Financial Industry (IKNB) aimed at deepening the market for this industry and strengthening its role within the Islamic economic ecosystem."

The Business Matching event, themed "Halal-Certified MSMEs and Export Quality with Islamic IKNB," took place on June 8, 2023, in West Nusa Tenggara. The event was attended by MSME operators supported by the West Nusa Tenggara Provincial Trade Office. In addition to market deepening efforts, OJK collaborated with the West Nusa Tenggara Provincial Religious Affairs Office and the Provincial Trade Office to support the development of MSMEs to become halal certified and enhance their export activities. The event saw participation from various Islamic Non-Bank Financial Industry entities in NTB, including Financing Companies, the Association of Islamic

Insurance Companies, as well as representatives from Islamic financing, insurance, guarantee, pawnshop industries, and Madani National Capital Company (PT Permodalan Nasional Madani).

Furthermore, OJK also organized a Business Matching event as part of the 8th Aceh Cultural Week (PKA) in the form of an exhibition expo for Islamic IKNB from November 4-12, 2023, aimed at the Aceh community.

"OJK continues to enhance public awareness through various activities aimed at increasing literacy and inclusion related to Islamic IKNB among communities."

This exhibition-style Business Matching event is expected to serve as a platform for the industry to become more familiar to the public as a viable option and/or an alternative for financial services, thereby encouraging competitive growth within the Islamic Non-Bank Financial Industry.

The success of this event is seen in the synergy it created between Islamic IKNB and Aceh's MSMEs. It is hoped that this synergy will lead to an increased market share for the Islamic Non-Bank Financial Industry in the province.



Development of the Islamic Economy through Sharia-Based Services of BPJS Employment

KNEKS encourages the advancement of strategic social safety net programs that meet the needs of the entire community. This aligns with the Indonesian Islamic Economic Masterplan, which promotes the expansion of Sharia-based social security products and addresses the needs of the Acehnese community in accordance with Qanun No. 11 of 2018 on Islamic Financial Institutions. The availability of these services is expected to drive various innovations among Sharia-based financial instruments to meet the investment needs of participants.

Since the launch of BPJS Employment's Sharia-based services in Aceh in November 2021, the number of active participants has increased from 516,690 to 565,219, in December 2023. It is hoped that going forward, BPJS Employment's Sharia-based services can be implemented beyond the province of Aceh, on a national scale.



BPJS Employment Sharia-Based Service Participants in Aceh Province



Source: BPJS Ketenagakerjaan

Public – Private Partnerships with Sharia-Based Businesses

Vice President K.H. Ma'ruf Amin, as the Daily Chair of KNEKS, designated Sharia-based Public-Private Partnerships (KPBU) as one of KNEKS's Strategic Programs. As of 2023, 16 KPBU projects from the Ministry of Public Works and Public Housing (Kementerian PUPR), Ministry of Transportation, and Madiun Regency Government had been financed by Islamic Financial Institutions, with total funding amounting to IDR20.35 trillion.

On October 27, 2023, KNEKS, in collaboration with Bank Indonesia and Kementerian PUPR, held an event on Business Linkage for KPBU Sharia-based Financing at the 10th Indonesia Sharia Economic Festival (ISEF) at the Jakarta Convention Center. The event, which was attended by participants from Businesses, Government Agencies, Special Mission Vehicles, Islamic Financial Institutions, and ASBISINDO, aimed to encourage increased Sharia-based financing for national infrastructure projects through KPBU projects.



Business Linkage for KPBU Sharia-based Financing at ISEF

Business Linkage for KPBU Sharia-based Financing at ISEF

KNEKS encourages Civil Servants (ASN) to use Islamic banks for their payroll, or salary, disbursement. The government has issued regulations to accommodate ASN's right to access Islamic financial services, stipulating that Islamic banks can serve as salary disbursement banks through Minister of Finance Regulation (PMK) No. 11/PMK.05/2016. In line with this, KNEKS, together with relevant stakeholders, conducted outreach activities to promote the use of Islamic banks for salary disbursement.

As of December 2023, the proportion of salaries disbursed to ASN through Islamic banks stood at 10.81% of the total ASN payroll, amounting to IDR1,032.27 billion. This represents an 11.8% increase in the percentage of salary disbursement through Islamic banks compared to December 2022.

ASN Salary Disbursement through Islamic Banks

(IDR Billions)





BP TAPERA

Sharia TAPERA Participant and Investment Developments

KNEKS encourages increasing the number of participants and expanding the portfolio of BP Tapera (Public Housing Savings Management Agency) using Sharia-based schemes, essentially forming a Sharia-compliant business model for the Agency in which participants make periodic savings over a specified period to be used for housing finance guided by Sharia principles. Sharia Tapera is expected to help realize Indonesia's goal of becoming a center for the Global Islamic economy and to serve as a strategic project for strengthening Sharia-based finance as part of the Islamic economic ecosystem.

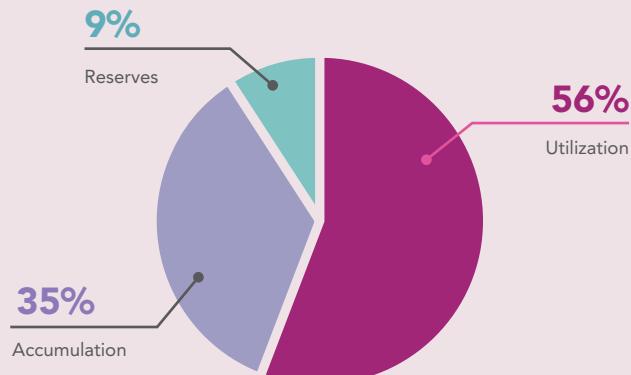
As of December 2023, the total number of Sharia Tapera participants stood at 254.742, which represents 7.7% of the total Tapera participants. During 2023, a total of 1.445 housing units used Sharia contracts to the value of IDR163 billion. Total investment under Sharia-based schemes managed by BP Tapera amounted to IDR508 billion.

Sharia TAPERA Participant and Investment Developments

(IDR Billions)



Fund Allocation from Sharia Tapera Fund Management Contracts (KPDT)



Source : BP Tapera

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08

ISLAMIC FINANCE AWARENESS



Overview of Islamic Finance Literacy and Inclusion Activities in 2023

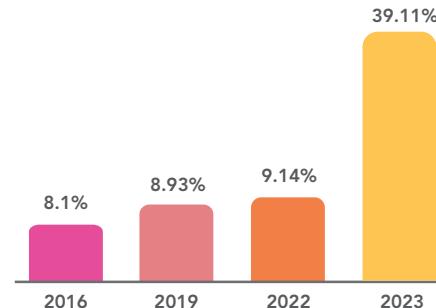
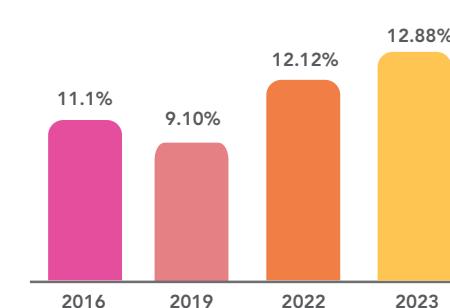
OJK, in collaboration with the Central Bureau of Statistics (BPS), conducted the 2024 National Survey on Financial Literacy and Inclusion (SNLIK) to measure the financial literacy and inclusion indices for 2023. The 2024 SNLIK used a different methodology from that in previous years. According to the results of the 2024 SNLIK, the Islamic financial literacy index in 2023 was 39.11%, while the Islamic financial inclusion index stood at 12.88%. These figures indicate a significant increase in public understanding of Islamic financial products and services. Nonetheless, the potential for growth in Islamic financial inclusion still needs to be pursued continuously through collaborative efforts with various stakeholders.

OJK has formulated strategies designed to expedite and make more equitable financial literacy and inclusion across the nation, by optimizing strategic alliances and monitoring literacy and inclusion activities, as well as by prioritizing the development and strengthening of educational, financial inclusion, and public communication infrastructure.



In 2023, financial literacy activities saw the integration of financial education materials, including those pertaining to Islamic finance, into literacy programs conducted by OJK and Financial Services Providers (PUJK). These efforts, carried out in collaboration with stakeholders across Indonesia, utilized a variety of offline, online, and hybrid methods. Promotion was extensive through various communication channels, mass media, and social media. This collaborative approach led to higher participation numbers compared to previous years.

OJK conducted 3,104 educational activities, with 822 focusing on Islamic finance. PUJK carried out 9,217 educational activities, with 1,398 dedicated to Islamic finance. In terms of reach, OJK's Islamic finance education activities attracted 2,043,435 participants out of a total of 2,571,108. Additionally, PUJK's Islamic finance education efforts reached 165,877,487 participants out of a total of 291.9 million.

Islamic Finance
Literacy IndexIslamic Finance
Inclusion Index

OJK Wide 2023

	3,104 Activities	Islamic 822
	2,571,108 Participants	Islamic 2,043,435

PUJK 2023

	9,217 Activities	Islamic 1,398
	291.9 jt Participants	Islamic 165,877,487

- ○
- OJK has four main programs aimed at improving the national indices of Islamic financial literacy and inclusion, which are:**

1. Acceleration of and Collaboration Among Islamic Finance Education Programs;
 2. Development of Islamic Finance Products and Access;
 3. Strengthening of Literacy and Inclusion Infrastructure; and
 4. Support and Strategic Alliances for Islamic Financial Literacy and Inclusion with Ministry/Agency Stakeholders.
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SUPPORT AND STRATEGIC ALLIANCES FOR ENHANCING ISLAMIC ECONOMIC AND FINANCIAL LITERACY AND INCLUSION AT THE NATIONAL AND INTERNATIONAL LEVELS

OJK Support in Organizing the Annual Meeting of the Sharia Supervisory Board (DPS) 2023

The Financial Services Authority (OJK) continues to take strategic steps to advance the Islamic economy and finance in Indonesia by strengthening the role and function of Sharia Supervisory Boards (DPS) in implementing Sharia principles and enhancing Islamic financial literacy and inclusion. Among these steps was the holding of the 2023 DPS Annual Meeting (*Ijtima' Sanawi*) with the theme "Enhancing Collaboration in Islamic Economic and Financial Development in the Era of Economic Disruption" on October 13-14, 2023, in Jakarta. The event was attended by the Vice President of the Republic of Indonesia K.H. Ma'ruf Amin, Deputy Chairperson of the OJK's Board of Commissioners, Chairperson of the National Sharia Board of the Indonesian Ulema Council, and Deputy Chairperson of the National Sharia Board of the Indonesian Ulema Council, along with 300 DPS members from all over Indonesia.

In his speech, the Vice President emphasized the importance of literacy in accelerating the growth of the Islamic economy as a new avenue of growth that can

bring about a more prosperous society and advance the national economy. In his comments, the Deputy Chairperson of the OJK's Board of Commissioners spoke about how OJK has initiated various strategic initiatives and derivative programs to develop the potential of Islamic finance in every sector as a means of addressing the challenges faced by the Islamic financial industry, as outlined in the 2022-2027 OJK Roadmap.

The DPS Annual Meeting was held over 2 days and included a keynote speech by OJK's Chief Executive of Financial Services Business Conduct Supervision, Education, and Consumer Protection (PEPK) on October 14, 2023, in which she discussed efforts to strengthen the role of DPS as ambassadors of Islamic financial literacy. As in previous meetings, this event also touched on numerous other current issues surrounding the development and strengthening of the Islamic finance industry. However, the special focus in 2023 was OJK's emphasis on the role of DPS in enhancing Islamic financial literacy and inclusion, as well as protecting consumers and the broader community.



OJK PEPK Chief Executive with DSN MUI Members



Indonesian Vice President and Deputy Chairperson of the OJK's Board of Commissioners attending 2023 Ijtima' Sanawi

ENHANCING ISLAMIC FINANCIAL LITERACY THROUGH NATIONAL AND INTERNATIONAL LEVEL OUTREACH ACTIVITIES, SEMINARS, WORKSHOPS, AND TRAINING OF TRAINERS PROGRAMS

GEBYAR SAFARI RAMADAN 2023 WAS AN ISLAMIC FINANCIAL EDUCATION CAMPAIGN AIMED AT CELEBRATING THE HOLY MONTH OF RAMADAN AND IMPROVING ISLAMIC FINANCIAL LITERACY AMONG THE INDONESIAN COMMUNITY

Several Islamic financial education activities were carried out as part of Gebyar Safari Ramadan (GSR) 2023, including:

1. Sharia Talks Series in Ramadan (SHAUM) A series of 3 webinars broadcast live on Zoom and YouTube. This initiative reached 5,800 participants via Zoom and 1,298 viewers on YouTube.
2. Islamic Finance Quiz Olympiad: A competition designed to raise awareness about Islamic financial literacy and inclusion among today's youth. The event involved 552 junior and senior high schools across OJK's Regional Offices (KOJK).
3. TikTok Vlog Competition: A contest focused on discussing Islamic financial products and services, including caption reels that involve creating short, engaging content and testimonials related to the material presented in webinars.
4. Gebyar Ramadan Nusantara: The culminating event of the GSR series, held simultaneously by 35 OJK Regional Offices across Indonesia.



SAHABAT IBU CAKAP LITERASI KEUANGAN SYARIAH (SICANTIKS) / ISLAMIC FINANCIAL LITERACY AMONG WOMEN

This program was initiated by OJK to enhance Islamic financial literacy by empowering women.

OJK launched the SICANTIKS program for the first time in Bandung on September 14, 2023, with 600 participants in attendance. The program aimed to create Islamic Financial Literacy Ambassadors among women and mothers.

Following its launch in Bandung, SICANTIKS was held again in Central Jakarta on October 10, 2023, with 1.050 participants from Majelis Taklim (Islamic Learning Forums) across the JABODETABEK area as well as 150 online participants via Zoom.

OJK's Chief Executive of Financial Services Business Conduct Supervision, Education, and Consumer Protection (PEPK) was present at the SICANTIKS

Jakarta event, delivering a keynote speech on the crucial role played by women and mothers as the finance ministers of their families and as drivers of national progress.

The event consisted of an interactive dialogue among participants, and also included educational content on Islamic finance and explanations concerning Islamic financial services and products. To deepen their understanding of these topics and areas, participants also attended a Training of Trainers (ToT) session conducted by Sakinah Finance focusing on financial management and a workshop on making financial calculations.



OJK's Chief Executive of PEPK with more than a thousand Majelis Taklim-affiliated women from across the Jabodetabek area at the SICANTIKS event



Address by Indonesia's Vice President



Speech by Bank Indonesia's (BI) Governor



Indonesia's Vice President, BI Governor, and Minister of Cooperatives and SMEs inaugurate 10th ISEF 2023

10TH INDONESIA SHARIA ECONOMIC FESTIVAL (ISEF) 2023

In 2023, the Indonesia Sharia Economic Festival (ISEF) celebrated its tenth year as a premier platform for Islamic economics and finance in Indonesia, demonstrating a collective effort to position Indonesia as a leading global hub for the halal industry. ISEF was held from October 25-29, 2023, at the Jakarta Convention Center. The festival maintained its uniqueness as a platform integrating various activities, including an exhibition (expo), conference, international forum, national deliberation, workshop, business matching, fashion show, family and educational events, and more. The 10th edition of ISEF introduced three new elements:

- i. Expansion of the Indonesia International Modest Fashion Festival (IN2MF);
- ii. Inauguration of the Indonesia International Halal Chef Competition (IN2HCC);
- iii. Collaborations with various national and international stakeholders, including partnerships with Trade Expo Indonesia (TEI) and Halal Expo Indonesia (HEI). Additionally, the launch of the Satu Wakaf Indonesia application and the Indonesian Halal Industry Masterplan (MPIHI) took place during the ISEF opening ceremony. The event saw a total of 72,930

participants, comprising 28,356 offline attendees and 44,574 online participants.

OJK participated in the 10th ISEF as part of its strategic alliance to advance Islamic financial literacy and inclusion. Over the five days of ISEF 2023, OJK was involved in the Islamic Financial Education and Community Financial Services through the activation of LMSKU (Financial Education Learning Management Systems) Corner, the Financial Information Service System (SLIK) booth, the Consumer Protection Corner through Contact 157, and the Education Corner with an Islamic Financial Quiz. The OJK booth was visited by OJK Board of Commissioners members and 2,200 ISEF visitors who actively engaged in activities aimed at enhancing Islamic financial literacy.

OJK also featured the OJK Edutainment System through the SIMOLEK Mobile Unit at the ISEF Fun Walk event. At the end of the ISEF 2023 series of events, OJK's Chief Executive of PEPK delivered a speech at the International Modest Fashion Festival (IN2MF).

FESTIVAL EKONOMI SYARIAH (FESYAR) 2023

In 2023, the Sharia Economic Festival (FESyar) marked its 7th year with events held in three regions and introduced three new elements:

1. Strengthening the Inclusivity of FESyar 2023: This year's festival enhanced inclusivity through collaborations with a broad network of community groups and Islamic Economic and Financial Regional Committees (KDEKS).
2. Enhancing the Sharia Young Entrepreneurs Competition: The competition was refined by updating the categories and business sectors involved.
3. Expanding the Halal Industry Product Market: The festival aimed to elevate the market for halal industry products, including modest fashion products, to national and global levels.

Additionally, the FESyar events in each region featured various initiatives related, among other things, to digitalization of the halal value chain ecosystem and ZISWAF (Zakat, Infak, Shadaqah, and Waqf), as well as expediting halal certification for MSMEs.

Event Schedule and Locations:

- i. FESyar Eastern Indonesia (KTI): May 25-28, 2023, in Samarinda
- ii. FESyar Sumatra: July 20-23, 2023, in Medan
- iii. FESyar Java: September 29 - October 1, 2023, in Surabaya

Participants (Total and Audience Categories):

- i. FESyar Eastern Indonesia (KTI): 235,656 participants
- ii. FESyar Sumatra: 457,993 participants
- iii. FESyar Java: 163,940 participants



Opening of FESyar KTI



Opening of FESyar Sumatra



Opening of FESyar Java

NATIONAL/INTERNATIONAL OUTREACH AND SEMINARS

7TH ANNUAL ISLAMIC FINANCE CONFERENCE (AIFC)

The Annual Islamic Finance Conference (AIFC) is a flagship event organized by the Ministry of Finance that has been held since 2016. This conference represents the Government's commitment to the development of Islamic finance in Indonesia. AIFC gathers policymakers, economists, academics, and industry practitioners to discuss key issues in Islamic economics and finance, as well as development topics. The general aim of AIFC is to encourage discussions on the application of theories, models, and instruments of Islamic finance for the advancement of the Islamic economy and finance. The conference also serves as a platform for cooperation and collaboration among Islamic finance stakeholders for economic and social development.



Keynote Speech from the Minister of Finance and AIFC Activity Panel Session

The 7th AIFC was held on August 29-30, 2023, in Jakarta, both in-person and online, with the theme "Islamic Finance Role for Tackling Global Uncertainty Through Sustainable and Inclusive Halal Economy and Structural Reform." As a side event to AIFC, the Ministry of Finance, in collaboration with IPB University, organized a Call for Papers. A total of 267 abstracts were submitted, and ten winning papers will be published in the indexed journals Scopus and SINTA-2.

Speakers at the 7th AIFC included:

- The Governor of Bank Indonesia
- The Chairman of the OJK Board of Commissioners
- Dr. Mohamed Eskandar Shah (HBKU University)
- Dr. Winai Dahlan (Chulalongkorn University)
- Yasser Alaki (ex-ICIEC)

Participants at the 7th AIFC came from various backgrounds, including regulators (ministries/agencies), academics, industry professionals, social organizations, international institutions, and representatives from Embassies.



ENHANCING NATIONAL ISLAMIC FINANCIAL INCLUSION

SYARIAH FINANCIAL FAIR (SYAFIF)

SYAFIF aims to promote the expansion of access to Islamic financial institutions, products, and services for various segments of society, enhance public understanding and awareness, campaign for Islamic financial literacy and inclusion programs, ensure consumer protection, and strengthen strategic alliances with relevant stakeholders to advance Islamic financial literacy and inclusion.

In 2023, OJK initiated SYAFIF for the first time in Yogyakarta from October 26-29, 2023, as part of the Financial Inclusion Month. The event featured an exhibition and promotion of the products and services of Islamic Financial Services Institutions (LJKS), along with business matching sessions with 17 LJKS in the fields of Islamic Banking, Islamic Financing, Islamic Pawning, and Islamic Insurance.

SYAFIF was attended by 6,482 visitors and recorded 82 transactions worth IDR455,465,611 during the four-day event.

During the event, OJK also notched up a record with the Indonesian Museum of World Records (MURI) for the world's Longest Islamic Financial Education-themed Crossword Puzzle with a width of 2 meters and a length of 99.2 meters, certification for which was received in-person by the Chairperson of OJK's Board of Commissioners and OJK's Chief Executive of PEPK.



Chairperson of OJK's Board of Commissioners and OJK's Chief Executive of PEPK receive certification from MURI for creating the world's Longest Crossword Puzzle in the category of Islamic Financial Education



Chairperson of OJK's Board of Commissioners and OJK's Chief Executive of PEPK interact with elementary school students at the SYAFIF event

ISLAMIC FINANCE LITERATE ISLAMIC BOARDING SCHOOL STUDENTS (SAKINAH) - FINANCIALLY INCLUSIVE ISLAMIC BOARDING SCHOOL ECOSYSTEM (EPIKS)

OJK held integrated programs, Santri Cakap Literasi Keuangan Syariah and Ekosistem Pondok Pesantren Inklusif Keuangan Syariah (SAKINAH - EPIKS), at Pondok Pesantren Al-Ikhlas Lambuya, Southeast Sulawesi, on December 14-15, 2023.

The event was attended by 375 participants, including leaders of Islamic Financial Services Institutions, the Regency's Regional Leadership Coordination Forum, leaders/administrators of Pondok Pesantren, 260 teachers/asatidz, santri, and MSME operators.

Training of Trainers (ToT) sessions included teaching materials on Islamic finance, such as an introduction to OJK, Islamic Financial Services Institutions (IJK Sharia), LMSKU (Financial Education Learning Management Systems), Financial Planning, Investment Caution, and services and products of IJK Sharia.

OJK's Chief Executive of PEPK, the Grand Imam of Istiqlal Mosque, and the Chairperson of the Pondok Pesantren Al-Ikhlas Lambuya Foundation also attended. The symbolic opening of access to Islamic financial services and/or the provision of financial products and/or services at Pondok Pesantren Al-Ikhlas Lambuya was a significant moment.

Islamic Financial Inclusion Program by Islamic Financial Services Institutions:

- Inauguration of Laku Pandai Agents at Pondok Pesantren.
- Distribution of SimPel iB to 100 students with a balance of IDR200,000.
- Distribution of Kartu Santri (Santri Cards).
- Disbursement of Islamic KUR financing for MSMEs in the Pondok Pesantren area.
- Distribution of Tabungan Haji Muda (Young Hajj Savings) to 90 students with a balance of IDR200,000.
- Plan to establish an Islamic Capital Market Educational Investment Gallery.



SAKINAH – EPIKS event at Pondok Pesantren Al-Ikhlas Lambuya, Konawe Regency, Southeast Sulawesi

FORUM FOR EDUCATION AND BUSINESS MEETINGS ON ACCESS TO ISLAMIC FINANCE (FEBIS) FOR SANTRI MSMES

Heading towards the culmination of Financial Inclusion Month (BIK) and National Santri Day in October, OJK held the Forum for Education and Business Meetings on Access to Islamic Finance (FEBIS).

The Forum for Education and Business Meetings on Access to Islamic Finance (FEBIS) for Santri MSMEs was held on **September 30, 2023, in Yogyakarta.**

The event was attended by **750 participants offline and 250 participants online**, consisting of santri, alumni santri, and/or students at the UIN Sunan Kalijaga Convention Hall in Yogyakarta.

The activities began with a session on Islamic financial education by the Head of OJK's GLKS (Islamic Financial Literacy Movement), followed by presentations on Islamic banking services and Islamic peer-to-peer lending (LPBBTI) by speakers from Bank Syariah Indonesia and the AFPI (Indonesia Fintech Lending Association) Islamic cluster.

In addition to Islamic financial education activities, the event also included a **sharing session and workshop** on entrepreneurship and marketing, attended by entrepreneurs using Islamic financial products, alumni santri, and representatives from the Islamic Financial Inclusion Division of KNEKS. During the event, Sharia-based working capital loans (KUR) were distributed to **three Santri MSME representatives, and 275 accounts at Islamic banks were opened.**

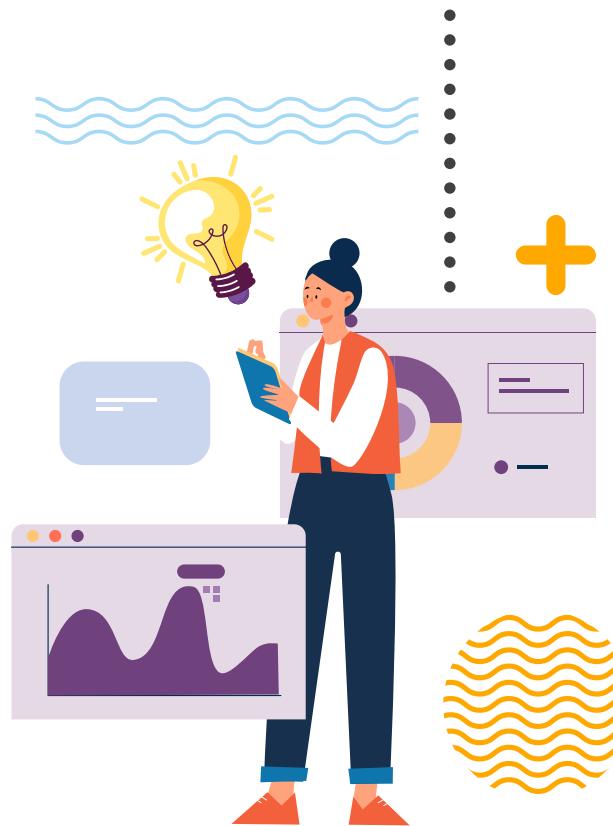


OJK's Chief Executive of PVML attending the FEBIS event in Yogyakarta



Islamic Insurance Roadshow

OJK participated as a speaker in the Islamic Insurance Online Roadshow on June 13, 2023, in Banda Aceh. The event was organized by the Sharia Economic Society (MES) with the theme "Is Islamic Insurance Just a Term?". The materials presented covered the development of Islamic insurance and the policy direction for its growth in Indonesia.



GREAT WAKAF FESTIVAL KALBAR 2023

WEST KALIMANTAN REPRESENTATIVE OFFICE OF THE WAKAF AGENCY OF INDONESIA (BWI)

The National Seminar on Cash Wakaf formed part of the Great Wakaf Festival Kalbar 2023 series of events, organized by the West Kalimantan Representative Office of the Wakaf Agency of Indonesia (BWI Kalbar). The event took place at the Garuda Building in the West Kalimantan Governor's Office. The festival's events included the National Seminar on Cash Wakaf, Launch of Wakaf for Prospective Brides (Catin), and a signing ceremony for cooperation agreements with Bank Syariah Indonesia (BSI), Bank Kalbar Syariah, and Tanjungpura University. The theme of the National Seminar on Cash Wakaf was "Cash Wakaf for Economic Resilience and Social Progress."

Panelists included:

- Dwi Irianti Hadiningdiyah, SH, MH, Director of Islamic Finance, Directorate General of Risk Management and Financing, Ministry of Finance
- Muhibbudin Alawi, Head of the Sub-Division for Accreditation and Audits of Zakat and Wakaf Institutions, Ministry of Religious Affairs
- Prof. Dr. H. Kamarullah, SH, M. Hum, Chairperson of BWI Kalbar

The seminar was attended by approximately 300 participants, including representatives from higher education institutions, BWI branches across West Kalimantan, Religious Affairs Offices in Pontianak and Kubu Raya Regency, Islamic economic organizations, school principals from Pontianak, state-owned enterprises and regional-owned enterprises, hotel associations, and community groups.



Various efforts have been made to enhance the benefits of wakaf assets, including improving the capacity of Nazir (wakaf managers), institutional development of Nazir, asset management, productive wakaf, and other activities. Currently, BWI Kalbar is promoting cash Waqf and wakaf for prospective brides. The issuance of CWLS (Cash Wakaf Linked Sukuk) is viewed positively as a form of government commitment to supporting the development of productive wakaf through the investment of cash wakaf funds to create new wakaf assets and finance various social projects or activities initiated and carried out by Nazir.

ISLAMIC CAPITAL MARKET OUTREACH & EDUCATION AND COMMEMORATION OF THE REVEALING OF THE QURAN (NUZULUL QURAN) WITH ADMINISTRATORS AND MEMBERS OF FATAYAT NU WOMEN'S ORGANIZATION



Sharia Investment Week (SIW) from November 21-23, 2023 in Jakarta

The Financial Services Authority (OJK) continues its efforts to enhance financial literacy and inclusion, particularly in the Islamic capital market, among the public. In the spirit of Ramadan, OJK once again organized an outreach and education event on the Islamic Capital Market for administrators and members of Fatayat NU. The event was attended by OJK's Chief Executive of Capital Markets, Financial Derivatives, and Carbon Exchange Supervision, Inarno Djajadi, along with Chairwoman of the Central Board of Fatayat NU, Margaret Aliyatul Maimunah, and Member of Commission XI of the House of Representatives (DPR-RI), Ela Siti Nuryamah.

SOCIALIZATION OF THE CAPITAL MARKET AS AN ALTERNATIVE SOURCE OF COMPANY FUNDING (IPO OF STOCKS AND SUKUK IN ACEH)



Outreach Event on the Capital Market as an Alternative Source of Corporate Funding on September 21, 2023

The potential utilization of the Capital Market as a source of funding in regional areas is still not being optimally leveraged by local companies. This is due to the lack of understanding and willingness of these companies to use the Capital Market as an alternative financing option through Public Offerings of Shares or Sukuk. As such, there is a need for outreach efforts to introduce Capital Market products that can be used as alternative sources of funding for companies.

PUBLIC LECTURE AT SYIAH KUALA UNIVERSITY



An outreach and education event in the form of a Public Lecture at Syiah Kuala University in Aceh was held to enhance public knowledge about Capital Market products, especially among the academic community. This initiative also sought to support the preventive measures continuously undertaken by the Financial Services Authority to educate the public and prevent them from falling into illegal or fraudulent investments.

"GO INTERNATIONAL" ISLAMIC CAPITAL MARKET ROADSHOW IN COLLABORATION WITH THE SPECIAL REGIONAL BOARD OF THE SHARIA ECONOMIC SOCIETY (PWK MES) OF SINGAPORE



The Sharia Economic Society (MES), in collaboration with OJK, held an event aimed at enhancing Islamic financial literacy and inclusion, particularly in the Islamic capital market, alongside the special regional board of the MES' Singapore chapter. The "Go International" Islamic Capital Market Roadshow consisted of a series of activities designed to introduce Indonesia's Islamic Capital Market to the world as an investment option for the Indonesian diaspora.

OJK VISIT ON THE ISLAMIC CAPITAL MARKET



To serve the public and enhance financial literacy, the Financial Services Authority (OJK) continued to welcome visits from educational institutions or organizations that wish to expand their understanding of the roles and functions of OJK and the Financial Services Sector in general.

STRENGTHENING ISLAMIC FINANCIAL LITERACY AND INCLUSION INFRASTRUCTURE

FOCUS GROUP DISCUSSIONS ON THE FORMULATION OF A NATIONAL STRATEGY FOR ISLAMIC ECONOMIC AND FINANCIAL LITERACY AND INCLUSION

These Focus Group Discussions (FGD) aimed to formulate strategic steps for enhancing Islamic financial literacy and inclusion together with stakeholders from various Ministries/Agencies and relevant industry associations. OJK served as the coordinator for the FGDs in collaboration with the National Committee for Islamic Economy and Finance (KNEKS), Bank Indonesia, the Halal Product Assurance Organizing Body (BPJPH), and the Coordinating Ministry for Economic Affairs of the Republic of Indonesia. The FGDs took place on four occasions on August 3 and 22, 2023, September 8, 2023, and November 9, 2023, across the Bogor and Jakarta regions.



Head of the OJK Department of Financial Literacy, Inclusion, and Communication Opens the Discussion on the Formulation of the National Strategy for Islamic Economic and Financial Literacy and Inclusion on December 22, 2023

ACTIVATION OF THE FORUM ON ISLAMIC FINANCIAL LITERACY AND INCLUSION IN COLLABORATION WITH THE ISLAMIC FINANCIAL SERVICES INDUSTRY (IJK) AND ASSOCIATIONS



Discussion on the Formulation of a Cross-Sectoral National Strategy for Islamic Economic and Financial Literacy and Inclusion

In an effort to strengthen communication, synergy, and collaboration between the Islamic Financial Literacy Movement (GLKS) and Islamic Financial Services Providers (PUJK) and associations, the Financial Services Authority (OJK) held the Islamic Financial Literacy and Inclusion Communication Forum (Forkom LIKS). This event brought together representatives from associations, Islamic PUJK, and internal OJK units to exchange ideas, offer suggestions, and participate in efforts to enhance education, literacy, and inclusion in Islamic finance. Forkom LIKS was held on October 6, 2023, at Hotel Vertu Jakarta.

The forum aimed to strengthen collaboration and integration of financial literacy and inclusion activities by involving both the conventional and Islamic financial sector in broadening public understanding of and engagement in the financial market. The event was attended by 67 Marketing Communication representatives and Islamic PUJK association representatives in person, as well as 134 participants online.

2023 ADINATA SHARIA AWARDS: RECOGNITION AND MOTIVATION FOR PROVINCIAL GOVERNMENTS



KNEKS held the 2023 Adinata Sharia Awards, in collaboration with Bank Syariah Indonesia (BSI), the Sharia Economy Society (MES), and the Indonesian Association of Islamic Economists (IAEI), on May 26, 2023, at the Head Office of Bank Syariah Indonesia in Jakarta. The Adinata Sharia Awards are intended to demonstrate appreciation to provincial governments undertaking initiatives to develop the potential of the Islamic Economy in their respective regions. In 2023, the event was attended by 25 Provinces, with 10 categories related to the Islamic Economy Ecosystem. Awards were given to the five provincial governments with the highest scores in each category, and the overall winner was East Java Province.

BINCANG EKONOMI SYARIAH TERKINI (BESTIE) / TALKING ABOUT THE CURRENT ISLAMIC ECONOMY: "SHARIA TRANSACTIONS, NECESSITY OR LIFESTYLE?"



As part of its efforts to support the Islamic financial inclusion program in Indonesia, the National Committee for Islamic Economy and Finance (KNEKS) collaborated with LinkAja Syariah and the Indonesian Ulema Council (MUI) to hold an educational event in the format of a discussion titled "Sharia Transactions: Necessity or Lifestyle?" on September 27, 2023, at the Jusuf Anwar Building, Ministry of Finance. The discussion, which was opened virtually by Vice President K.H. Ma'ruf Amin, featured leading Sharia experts from Indonesia and was intended to strengthen the role of Islamic Financial Technology (Fintech) in achieving the vision of the 2019-2024 Indonesian Islamic Economic Masterplan. The Masterplan seeks to make Indonesia a self-reliant, prosperous, and just society, as well as a Leading Global Center for the Islamic economy. The event was attended by participants from the Ministry of Finance and the General Public.



NATIONAL HALAL FAIR



National Halal Fair in Riau



National Halal Fair in Central Java



National Halal Fair in South Kalimantan

The National Halal Fair (NHF) was an event held simultaneously across 8 (eight) provinces throughout Indonesia (Riau, West Sumatra, Lampung, Jakarta, Central Java, West Nusa Tenggara, South Kalimantan, and South Sulawesi) during the month of Ramadan in 2023. This event served as a platform for integrating various activities in the Islamic economy and finance sector in the regions, with a total attendance of approximately 20,000 participants. The National Halal Fair also served as one of the assessment criteria for the annual KNEKS Adinata Sharia Awards.

MUSLIM LIFE FEST 2023



Muslim Life Fest 2023, the largest Muslim event of the year, was held from August 26-28, 2023, at ICE BSD Tangerang and featured approximately 300 exhibitors from 12 categories, representing both the Greater Jakarta Area (Jabodetabek) and other regions. Over a 10,000 m² area, hundreds of tenants showcased a wide range of halal and Islamic products and services, including Modest Fashion, Islamic Education, Hobbies and Communities, Islamic Books & Publishers, Halal Travel, Thibbun Nabawi Herbal Products, Beauty & Pharmaceuticals, and the Halal Safe & Healthy Culinary Zone (KHAS). Muslim Life Fest 2023 successfully attracted around 15,000 visitors from the general public.

FOCUS GROUP DISCUSSION AND BUSINESS MATCHING EVENT ON WAKAF DEVELOPMENT AT THE INDONESIA WAKAF FESTIVAL (FWI)



KNEKS Director addresses the FWI FGD



KNEKS Director addresses the FWI Business Matching Event

The National Committee for Islamic Economy and Finance (KNEKS), in collaboration with the Indonesian Wakaf Movement and the Indonesian Wakaf Board, held a Focus Group Discussion and Business Matching event on the development of wakaf during the Indonesia Wakaf Festival on August 11-12, 2023 in Surabaya. The Director of Islamic Social Finance at KNEKS, in his speech, emphasized that events like the Wakaf Festival and other similar activities should be held more often to make it easier for the public to find information about wakaf, thereby enhancing public literacy and inclusion with regard to wakaf. The event was also attended by representatives from the East Java Ministry of Religious Affairs Office, wakaf managers (Nazhir), investors, academics, religious leaders, entrepreneurs, students, and lecturers.



BAZNAS AWARDS



Speech by the Vice President of Indonesia



KNEKS receives BAZNAS Award

The BAZNAS Awards ceremony took place on March 21, 2023 in Jakarta, and was attended by the Vice President of Indonesia, K.H. Ma'ruf Amin, who also serves as the Daily Chairperson of KNEKS. In his speech, the Vice President encouraged BAZNAS to continue collaborations and program synergies with relevant stakeholders, as exemplified by the BAZNAS-KNEKS MoU, to advance the national zakat ecosystem and its performance. At the event, KNEKS received the award in the category of "Supporting Institution for Zakat Ecosystem to Prosper the Ummah". The event was also attended by representatives from BAZNAS stakeholders in various Ministries and Agencies, as well as Governors, Regents, Mayors, Local Government Officials, Public Figures, and Leaders of National, Provincial, and Regency/Municipal Zakat Institutions (LAZ).

TRAINING OF TRAINERS AND WORKSHOP

WORKSHOP ON STRENGTHENING THE BUSINESS LINES OF ISLAMIC REGIONAL DEVELOPMENT BANKS



The National Committee for Islamic Economy and Finance (KNEKS), in collaboration with Young Islamic Bankers (YIB), held a workshop for Regional Development Banks (BPD) with the theme "Sustainable and Contributive Strategies for Strengthening Islamic BPDs' Business Lines". This represented an effort to boost Islamic banking business, thereby making this sector more competitive in the industry. This event took place on August 9 and 10, 2023, in Jakarta, and was attended by representatives from 14 Islamic Regional Development Banks and Islamic Windows from across Indonesia. The workshop focused on strategies for increasing assets through funding and financing, synergy with Islamic banks and fintech, transformation and development of corporate plans for Islamic banking, and harnessing the potential of wakaf.

TECHNICAL GUIDANCE ON SHARIA-BASED PUBLIC-PRIVATE PARTNERSHIPS (KPBU) FOR THE WEST SUMATRA REGIONAL GOVERNMENT



Governor of West Sumatra with representatives from KNEKS and the West Sumatra Regional Government

KNEKS, in collaboration with the Regional Committee for Islamic Economy and Finance (KDEKS) of West Sumatra Province held, on June 21, 2023, a Technical Guidance Session on Sharia-based Public-Private Partnerships (KPBU), to encourage the expansion of Islamic financing for KPBU projects in the region and to enhance the capacity of Local Government Human Resources in West Sumatra on the concepts and implementation of Sharia-based KPBU schemes. The event was attended by representatives from the provincial government as well as local government officials from all Regencies/Cities in West Sumatra. This technical guidance session aimed to improve the understanding of Sharia-based KPBU as an alternative financing option for regional development in West Sumatra, and contribute to regional economic development through Islamic finance, which plays a role in national economic growth.

SYNERGIZING THE EXPANSION OF SHARIA-BASED FINANCIAL ACCESS FOR ISLAMIC COMMUNITIES AND RURAL AREAS



Outreach event on Islamic Financial Inclusion in Aceh with the Regional Office of the Ministry of Finance, Bank Indonesia, OJK, Local Government, Bank Syariah Indonesia, and Village-Owned Enterprises (BUMGampong)



Outreach event on Islamic Financial Inclusion in Southeast Sulawesi with the Bank Indonesia Regional Office, OJK Regional Office, Regional Office of the Ministry of Religious Affairs, Bank Syariah Indonesia, and HEBITREN Southeast Sulawesi

One reason for the low level of Islamic financial inclusion and literacy is the limited reach of Islamic financial services among communities. The Executive Management of KNEKS, together with the Ministry of Finance, Ministry of Religious Affairs, Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (PDTT), Bank Indonesia, Financial Services Authority (OJK), Local Governments, academics, Islamic financial institutions, and other stakeholders, carried out various activities to enhance the role of community-based institutions such as Islamic Community Organizations, Islamic Boarding Schools (Pesantren), Mosques, and Village-Owned Enterprises (BUMDes) in expanding access to both commercial and social Islamic financial services.

These activities included outreach efforts and encouraging collaboration among stakeholders to work together in providing inclusive Islamic financial services to communities. The outreach events were held in various provinces in Indonesia, including Southeast Sulawesi, Aceh, Bali, North Maluku, DI Yogyakarta, East Kalimantan, and Central Sulawesi, at a total of 64 Islamic boarding schools and Islamic schools, 7 mosques, 78 BUMDes, and 55 Quality Assurance Institutions (LPM) of Higher Education Institutions.



OJK organized various Training of Trainers (ToT) and Training of Community (ToC) activities to enhance financial literacy in the Islamic Non-Bank Financial Industry (IKNB)

A. ToT

Activities were organized to provide outreach and public education for university lecturers. This initiative forms part of OJK's strategy to educate lecturers directly about regulations, industry types, and the benefits of Islamic IKNB products and services. It is expected that participating lecturers will share the information they received with their academic communities and the broader public. The objectives of this ToT include:

- Disseminating information and knowledge about Islamic IKNB;
- Increasing public understanding of Islamic IKNB in relation to the Law on the Development and Strengthening of the Financial Sector (UU PPSK); and
- Sharing strategies for the development of Islamic IKNB.

These ToT activities took place in in two Indonesian cities:

1. Yogyakarta

- Held on March 16-17, 2023, at the Grand Mercure Hotel in Yogyakarta, attended by 100 lecturers from institutes of higher education in Yogyakarta and surrounding areas.
- This ToT was conducted in collaboration with Sunan Kalijaga Yogyakarta State Islamic University and involved several relevant stakeholders, including DSN-MUI and the Indonesian Financing Companies Association, as contributors.

2. Padang

- Held on July 12-13, 2023, at The ZHM Premiere Hotel in Padang, attended by 100 lecturers from institutes of higher education in West Sumatra and Sumatra more broadly.
- This ToT was conducted in collaboration with Imam Bonjol Padang State Islamic University and involved several relevant stakeholders, including DSN-MUI and the Indonesian Financing Companies Association, as contributors.



Training of Trainers in Yogyakarta



Training of Trainers in Padang



Training of Community in Yogyakarta



Training of Community in Padang

B. ToC

To ensure the continuous dissemination of information, follow-up activities to the Training of Trainers (ToT) are necessary to maintain the momentum of knowledge transfer. These activities target the academic community with the following objectives:

- Educate the academic community about Islamic IKNB;
- Encourage the public to use Islamic IKNB products; and
- Provide a platform and opportunities for lecturers and academic institutions to share the outcomes of the ToT and further disseminate this knowledge.

The following ToC activities were held:

1. Yogyakarta

- Held on June 8, 2023, at Hotel Royal Ambarukmo Yogyakarta, and attended by around 100 students from institutes of higher education in and around Yogyakarta.
- This ToC was organized in collaboration with Sunan Kalijaga Yogyakarta State Islamic University and involved the two top lecturers from the ToT activities as contributors.

2. Padang

- Held on September 14, 2023, in Building J Hall 1 at Imam Bonjol Padang State Islamic University, and attended by 100 students from institutes of higher education in West Sumatra Province and Sumatra more broadly.
- This ToC was organized in collaboration with Imam Bonjol Padang State Islamic University, and involved various stakeholders, including representatives from DSN-MUI and the Indonesian Financing Company Association, as contributors.

Subsequently, OJK also held a business matching event aimed at synergizing the role of Islamic PVML in the Islamic economic ecosystem.

A. Lombok, West Nusa Tenggara

In an effort to support the development of MSMEs (Micro, Small, and Medium Enterprises) in Indonesia, particularly to encourage the growth of MSME exports, the Directorate of Islamic Non-Bank Financial Industry and Digital Financial Innovation (DBID) held a Business Matching event for MSMEs and Islamic Non-Bank Financial Industry on July 8, 2023, in West Nusa Tenggara (NTB). The event was attended by 100 MSMEs from NTB Province. Through this event, it is hoped that MSMEs will gain broader access to Islamic financial services and acquire insights to support their business activities, especially in obtaining halal certification and penetrating export markets.



The business matching event consisted of the following activities:

1. Knowledge Sharing

Objective: To provide an understanding of the halal certification process and the steps for exporting halal products. This session covered a comprehensive A-to-Z overview of managing a small and medium enterprise (SME) to obtain halal certification. **Stakeholders Involved:** Regional Office of the Ministry of Religious Affairs of West Nusa Tenggara Province and the Department of Industry/Trade of NTB Province.

2. Success Stories

Objective: To share real-life experiences and practical advice related to halal certification and business management.

Topics Covered:

- Experience with Halal Certification: Sharing personal experiences of obtaining halal certification.
- Importance of Islamic IKNB: Discussing how using Islamic Non-Bank Financial Industry (IKNB) products supports business growth.
- Challenges and Solutions: Addressing common problems faced during business operations and solutions.

- Success Strategies for Exporting: Tips on managing a business to succeed in the export market.
- Market Targeting Tips: Strategies for selecting target markets for halal products. The topic discussed was "Quality Halal Business for Exporting SMEs", with contributions from the Department of Trade of NTB Province.

3. Pitching

Objective: To provide a platform for MSMEs to present their products and services to potential partners and investors.

Activities Included:

- Product Presentation: MSMEs pitch their products to potential buyers and investors.
- Networking Opportunities: Facilitating connections between MSMEs and financial institutions or export partners.

Enhancing Public Literacy Through the Publication of the Smart Book on the Islamic Non-Bank Financial Industry in Indonesia

The Islamic Insurance, Guarantee, and Pension Fund Industry (Islamic PPDP) is part of the Islamic Non-Bank Financial Industry (Islamic IKNB) in Indonesia. It plays a crucial role in upholding Islamic financial principles, promoting financial inclusion, driving economic growth, diversifying the financial system, and enhancing the country's international competitiveness. Serving as a key component of Indonesia's financial ecosystem, it caters to the specific needs and values of both Muslim and non-Muslim populations, contributing to the nation's overall development and prosperity.

As things stand, Islamic PPDP is relatively unknown to the general public. Several factors contribute to this unfamiliarity, including the dominance of the conventional financial system, given that Indonesia's banks and many other conventional financial institutions are long established - some even before the nation was founded.

Another reason is the limited literacy and inclusion surrounding Islamic PPDP. In Indonesian society, there is still a general lack of literacy - an awareness and understanding – regarding Islamic finance and the principles that underpin it. Many people do not fully understand the concepts, features, and benefits of Islamic financial products and services, including those offered by Islamic PPDP. According to the National Survey of Financial Literacy (SNLKI) conducted by OJK in 2022, the indices of Islamic financial literacy and

inclusion, despite showing some improvement year by year, remain low.

Nonetheless, reference materials related to Islamic PPDP are now becoming available - although they are still very limited compared to those concerning the conventional PPDP Industry. As a relatively new sector, Islamic PPDP is currently experiencing rapid growth. In line with this, OJK has compiled a reference book on Islamic IKNB, encompassing Islamic PPDP, aimed at enhancing general public literacy about this area. While the book specifically targets students, it is also expected to attract the interest of academics to conduct research in the field of the Islamic Insurance, Guarantee, and Pension Fund Industry.



Smart Book on the Islamic Non-Bank Financial Industry in Indonesia

Compilation of Materials Concerning Islamic PPDP Refers to:



Regulations issued by OJK



Islamic Jurisprudence (Fiqh)



Principles of Islamic Finance



Objectives of Islamic Law (Maqashid Syariah)



DSN-MUI Edicts (Fatwa)

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09

ISLAMIC FINANCIAL AND ECONOMIC RESEARCH





FINANCIAL RESEARCH

REVISING INDONESIA'S ISLAMIC BANKING DEVELOPMENT STRATEGY

Authors: Siti Yayuningsih, Devan Hadrian

RESEARCH OBJECTIVES

The study aimed to:

1. Analyze the factors causing the market share of Islamic Commercial Banks (BUS) to be less than 10% over the past 30 years;
2. Identify the factors that affect the increase in the market share of BUS; and
3. Analyze the steps that need to be taken to increase the market share of BUS to 10% within the next 5 years.

RESEARCH METHODOLOGY

This research utilized secondary data in the form of financial data from banks, such as total assets, ROA, CAR, BOPO/OER, FDR, and NPF, which are aggregate and monthly from October 2014 to April 2023, with a total of 103 observations sourced from Indonesian Banking Statistics (SPI) and Sharia Banking Statistics (SPS), as well as the Dinar Standard Global Islamic Economy Indicator (2022) as a proxy for the halal industry potential. The data were analyzed using several methodologies, including Vector Error Correction Model (VECM) to predict the market share of Islamic banks, Partial Least Squares Structural Equation Model (PLS-SEM) to observe the relationships between various determinants and the level of financial inclusion in Islamic finance, and Compounded Annual Growth Rate (CAGR) to help calculate an estimate of the total assets of Islamic banking over the next 5 years under different scenarios.



RESEARCH RESULTS

This study concluded that, based on forecasting results using the VECM method over the next 5 years, under the Business-as-Usual scenario, the market share of Islamic Commercial Banks (BUS) is predicted to reach 5.6%. The determinants affecting this projection are the internal financial ratios of BUS, specifically CAR, FDR, and BOPO/OER. In contrast, under the Moderate and High scenarios, the growth of Islamic banking is driven more by external factors such as the historical growth of total assets, that is total assets from the period of 7, 8, 9, and 10 months ago. Additionally, forecasting using the CAGR method suggested that the market share of BUS could reach 5.85% over the next 5 years. With the potential that can be realized from halal industry financing, this market share could reach 7.88%. Furthermore, the PLS-SEM analysis revealed that knowledge (literacy) is the most significant positive factor affecting Muslim community preferences for using Islamic financial products/services. Among the marketing mix factors (7Ps), only process, product, and physical evidence have a significant positive impact on Muslim community preferences for Islamic financial products/services. Social factors also have a significant positive effect on these preferences, whereas religiosity does not have a significant effect.

RESEARCH RECOMMENDATIONS

This study provides the following recommendations:

1. Increase policies for the conversion of conventional banks (BUK) and regional development banks (BPD) into Islamic Commercial Banks to boost the market share and growth of Islamic banking;
2. Merger policies are also necessary to create more BUS institutions of a similar size to Bank Syariah Indonesia (BSI), making Islamic banking more competitive;
3. Efforts for financial education and literacy, as well as marketing through social environments, are essential to increase public adoption of Islamic financial products/services; and
4. Literacy, education, and promotion activities related to Islamic financial products/services should focus on the benefits and/or advantages of the products rather than solely emphasizing religious attributes.



ANALYSIS OF THE DETERMINANTS OF ISLAMIC FINANCIAL SERVICE ADOPTION: A STUDY OF THE MUSLIM COMMUNITY IN INDONESIA

Authors: Agus Sugiarto, Ida Rumondang, Setiawan Budi Utomo, Fara Fathia

RESEARCH OBJECTIVES

This study aimed to:

1. Analyze the factors influencing consumer preferences for using Islamic financial products among the Muslim community in Indonesia;
2. Examine the role of religious leaders and religious institutions in enhancing Islamic financial literacy and inclusion; and
3. Provide recommendations for OJK (Financial Services Authority), the Islamic finance industry, and local governments regarding strategies to promote the improvement of Islamic financial literacy and inclusion among the Muslim community in Indonesia.

RESEARCH METHODOLOGY

The research employed primary data collected from respondents through a field survey conducted among the Muslim community across several provinces in Indonesia, with a particular focus on pesantren communities. The data were analyzed using a combination of quantitative descriptive and inferential research methods through modeling with Partial Least Squares-Structural Equation Modeling (PLS-SEM). The quantitative descriptive method was applied through graphical analysis and cross-tabulation of survey indicators, while PLS-SEM modeling was used to analyze the relationships between variables measured on a Likert scale against the level of financial inclusion.

RESEARCH RESULTS

This study concluded that, based on the descriptive analysis of the survey results, the level of knowledge — one aspect of measuring Islamic financial literacy among the Muslim community — is higher than the level of Islamic financial inclusion, with a relatively large gap. Furthermore, based on the PLS-SEM analysis, knowledge, as an aspect of literacy measurement, is the most significant positive factor influencing the Muslim community's preference for adopting Islamic financial products/services. Among the marketing mix factors (7Ps), only process, product, and physical evidence have a significant positive impact on Muslim community preferences for Islamic financial products/services. The survey also revealed that the most desired sources of information for the Muslim community to learn about Islamic finance are social media, the internet, family/friends/relatives, pesantren, and the OJK website.

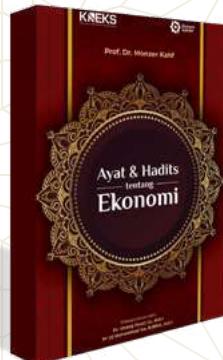
RESEARCH RECOMMENDATIONS

This study offers the following recommendations:

1. Develop Islamic financial products that can reach various segments of society (especially micro-products), are easy to use, and are supported by reliable electronic systems;
2. Islamic financial institutions should diversify their presence beyond traditional branch networks to reach the community through both reliable electronic channels and appropriate physical presence to meet consumer needs; and
3. In literacy, education, and promotion activities related to Islamic financial products/services, focus on the benefits and advantages of the products that reflect true Sharia characteristics, rather than solely emphasizing religious attributes/symbols.

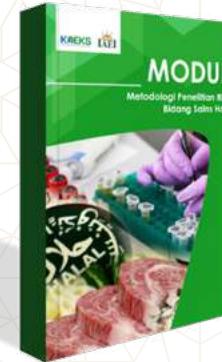
BOOK AYAT & HADITS TENTANG EKONOMI VERSES & SAYINGS ON ECONOMICS

The book "Ayat & Hadits Tentang Ekonomi" ("Verses & Sayings on Economics") was published to provide a foundational resource for researchers in Islamic economics by presenting the basic materials necessary for the study of this field. The core content of this book includes religious texts sourced from the Qur'an and Hadith related to economics and finance, without including interpretations of these texts. The purpose is to allow readers the freedom to interpret these texts independently, without being constrained by the author's explanations. Consequently, the Qur'anic verses and Hadiths themselves become clear and serve as a foundation for understanding the principles of Islamic economics.



BOOK MODULE METODOLOGI PENELITIAN RISET BIDANG SAINS HALAL RESEARCH METHODOLOGY FOR HALAL SCIENCE RESEARCH

The book module "Metodologi Penelitian Riset Bidang Sains Halal" ("Research Methodology for Halal Science Research") is intended as a tool to promote the growth of Islamic economics in Indonesia, particularly through the development of research and innovation in the field of halal science. More specifically, it is hoped that the publication of this book will encourage new innovations through research by academics and researchers in the field of halal science. Currently, there are limitations in the export and import of raw materials for the industry, creating a need for breakthroughs in optimizing the use of locally sourced halal commodities to meet the domestic demand for halal products.



BOOK DIREKTORI RISET SAINS HALAL NASIONAL NATIONAL HALAL SCIENCE RESEARCH DIRECTORY

The book "Direktori Riset Sains Halal Nasional" ("National Halal Science Research Directory") was published in an effort to encourage the development of research and innovation in the Islamic economy sector and the halal industry in Indonesia. The book contains a List of Halal Science Research Centers at various universities, as well as a Directory of Scientific and Applied Research in the field of halal science that has been, is currently being, and will be conducted by these research centers. It is hoped that this book will serve as a reference database on the potential and strengths of research from each halal research center in Indonesia and become a starting point for collaboration and linking & matching research between institutes of higher learning, industry, and the government.





BOOK PRACTICAL PANEL MODELLING WITH APPLICATION IN ISLAMIC BANKING AND FINANCE RESEARCH

The book "Practical Panel Modelling with Application in Islamic Banking and Finance Research" discusses the nature and theory of econometrics by providing the foundations for empirical research that facilitates understanding econometric techniques, specifically panel data modeling with applications in Islamic banking and finance. It is hoped that this book will contribute to the development of research and innovation in the field of Islamic economics and finance, particularly in enhancing the capacity of researchers in Indonesia, which still needs improvement in terms of both the quantity and quality of publications and quality of research output.



BOOK DIREKTORI RISET EKONOMI DAN KEUANGAN SYARIAH / DIRECTORY OF ISLAMIC ECONOMICS AND FINANCE RESEARCH

The book "Direktori Riset Ekonomi dan Keuangan Syariah" ("Directory of Islamic Economics and Finance Research") is intended to serve as a comprehensive research database for Islamic economics and finance. Its goal is to prevent overlap in research activities and to act as a platform for linking and matching research efforts among universities, industry, and the government. The book is designed to be a reference for researchers, research centers, Ministries/ Institutions, and industry practitioners to gain detailed information on the results of Islamic economics and finance research conducted by researchers and academics. It aims to:

1. Provide a database of Islamic economics and finance research in Indonesia;
2. Enhance research collaboration in the field of Islamic economics and finance among researchers and research centers;
3. Support linking and matching programs between researchers, research centers, policymakers, and industry players;
4. Avoid potential overlapping of research activities in the field of Islamic economics and finance.

10

INDONESIA'S PARTICIPATION IN GLOBAL ISLAMIC FINANCE





PARTICIPATION

INDONESIA'S PARTICIPATION IN GLOBAL ISLAMIC FINANCE

Indonesia plays an active role in various international cooperation forums, showcasing institutional leadership in advancing international Islamic finance. This involvement is evident through the membership and participation of OJK, BI, and KNEKS in prominent international Islamic finance forums, including the Islamic Financial Services Board (IFSB), International Islamic Financial Market (IIFM), International Islamic Liquidity Management (IILM), and the General Council for Islamic Banks and Financial Institutions (CIBAFI), among others.

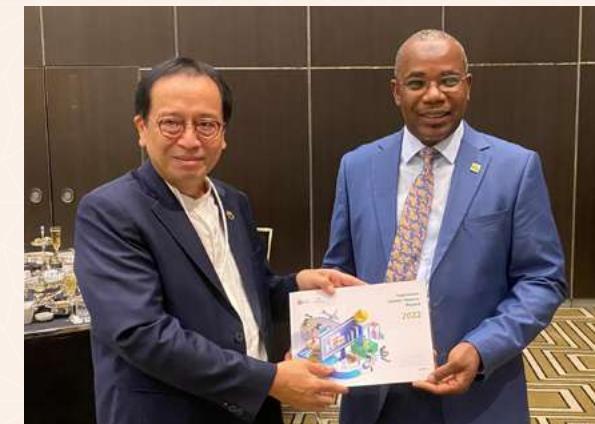
1 INVOLVEMENT IN DEVELOPING INTERNATIONAL STANDARDS FOR ISLAMIC FINANCE

To make international standards integrated and implementable globally, OJK and BI actively contribute to the development of Islamic finance standards at the Islamic Financial Services Board (IFSB), the global standard-setter for the industry.

As the regulators of Islamic finance in Indonesia, OJK and BI have representatives on the IFSB Technical Committee and various Working Groups/Task Forces. They provide input on the state of Islamic finance in Indonesia to help ensure that IFSB standards align with Shariah principles in the country. Their contributions include developing standards such as the Revised Guiding Principles on Corporate Governance [Banking Segment],

Conduct of Business Supervision in Takaful Undertakings, Guidance Note on Regulation and Supervision of Climate-related Financial Risks for IIFS (Banking Segment), Technical Note on Recovery and Resolution for Takaful Undertakings, and Technical Note on Macroprudential Tools in Islamic Banking.

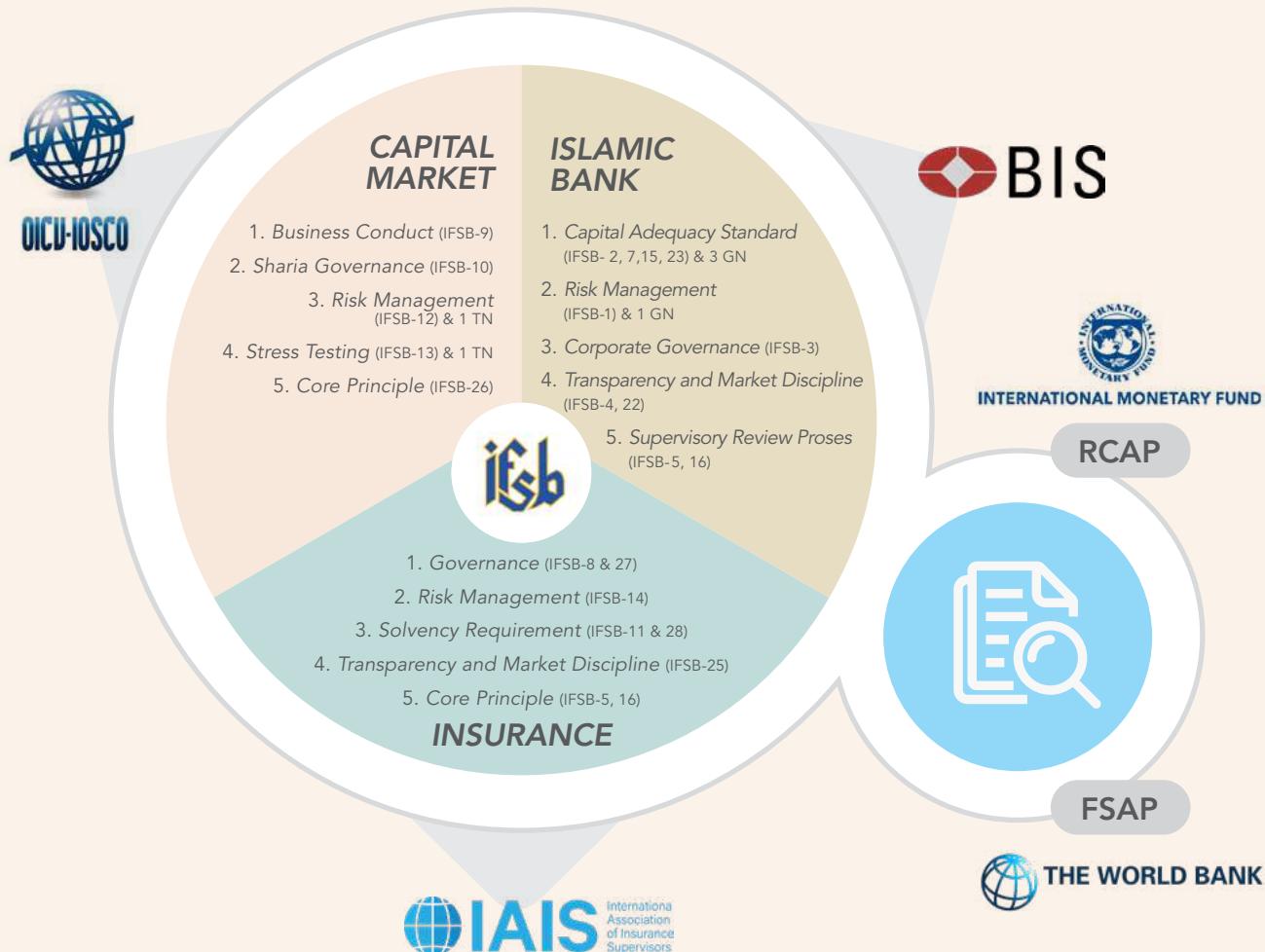
Additionally, since 2021, the Governor of Bank Indonesia has served as Chairperson of the IFSB's Executive Committee, reinforcing Indonesia's role in guiding the IFSB to strengthen its internal governance processes and build a favorable environment and instruments for making it the leading international standard-setting body in Islamic finance.



OJK's Chief Executive of Banking Supervision with IFSB's Secretary General Dr. Bello Lawal Danbatta at the 42nd IFSB Council Meeting on August 16, 2023 in Riyadh, Saudi Arabia

MACROPRUDENTIAL, FISCAL & MICROPRUDENTIAL

Positioning of IFSB among Global Standard Setters in Finance



Source: Bank Indonesia

In 2023, IFSB issued over 40 product standards that serve as international references. These standards have been aligned with those issued by conventional finance standard-setting bodies, such as the Bank for International Settlements (BIS), International Organization of Securities Commissions (IOSCO), and International Association of Insurance Supervisors (IAIS).

INDONESIA IS THE FIRST COUNTRY IN THE WORLD TO CONDUCT FSAP FOR ISLAMIC BANKING



Technical Wrap-up Meeting for FSAP Indonesia 2023 within the Scope of CPIFR, on October 16, 2023.

To harmonize Indonesia's Islamic finance regulations with international standards, a Financial Sector Assessment Program (FSAP) was conducted for Islamic banking in 2023. This assessment, carried out by the World Bank and IMF, evaluated the alignment of Indonesia's Islamic banking regulations and

practices with international standards, specifically the IFSB-17 Core Principles of Islamic Finance Regulation – Banking Segment (CPIFR).

KNEKS CO-CHAIRS CIBAFI SUSTAINABILITY WORKING GROUP (SWG) IN TURKEY



KNEKS together with the Secretary General of the General Council for Islamic Banks and Financial Institutions (CIBAFI) and Director of the Participation Banks Association of Turkey

In addition to IFSB, Indonesia's participation in developing international standards also included KNEKS' involvement in the General Council for Islamic Banks and Financial Institutions (CIBAFI). KNEKS led the 9th Sustainability Working Group (SWG) meeting on October 11, 2023, in Istanbul, Turkey. The SWG, initiated by CIBAFI, based in Bahrain, collaborates with various stakeholders, including institutions, practitioners, academics, businesses, and industry players from different countries. The 9th SWG meeting focused on guidelines related to the Greenhouse Gas (GHG) Measurement Tool for Islamic Finance Institutions, Sustainability Guide for Capacity Building, Mobilizing Islamic Banking for Climate, Capacity Building on Maqasid al-Shariah, and guidelines for Sharia-Compliant Product Development in Islamic Financial Institutions (IFIs).



2 INVOLVEMENT IN INFORMATION AND KNOWLEDGE EXCHANGE AMONG COUNTRIES AND INTERNATIONAL INSTITUTIONS

As a leading global player in Islamic finance, Indonesia is a key destination for exchanging information related to this sector. This has led to numerous visits from other countries and international institutions, such as the visit by the Supreme Scientific Council of Morocco to OJK on November 9, 2023.

These exchanges not only facilitate the sharing of best practices but also help expand the adoption of Islamic finance instruments. For example, Bank Indonesia has hosted capacity-building sessions on its Sharia-based liquidity instruments, such as Sukuk Bank Indonesia (SukBI). These sessions have included bilateral discussions with other central banks (e.g., Bangko Sentral ng Pilipinas (BSP) – Philippines and Brunei Darussalam Central Bank (BDCB)) and efforts to integrate SukBI schemes and contracts into international documentation standards for Islamic finance transactions issued by IIFM.



OJK's Chief Executive of Banking Supervision with the Supreme Scientific Council of Morocco during its courtesy visit to OJK on November 9, 2023.

3

KNEKS PARTICIPATION IN INTERNATIONAL ACTIVITIES



KNEKS was invited as a speaker at the Foundations of Islamic Finance Executive Program in the Philippines, organized by the World Bank Group and the Government of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) from June 5 to 9, 2023. KNEKS delivered presentations on Islamic finance principles, the distinctions between Islamic and conventional financial institutions, and Islamic contract structures. The session also highlighted Indonesia's experience in developing the 2019-2024 Indonesian Islamic Economics Masterplan (MEKSI), integrating Islamic finance into government policy, and the various Islamic economic and finance programs implemented by Indonesian ministries and authorities.

PARTICIPATION IN THE 2023 PENANG INTERNATIONAL HALAL EXPO & CONFERENCE (PIHEC)



KNEKS participated in the prestigious international-scale Penang International Halal Expo & Conference (PIHEC) 2023, held from June 23 to 25, 2023, in Penang, Malaysia. During the event, KNEKS took part in a discussion session titled "Global Economic Outlook: Catalysing Halal Growth in a Fragmented World." The discussion focused on the projected growth of the global halal industry by 2030, driven by the increasing Muslim population worldwide. Key strategies highlighted included collaboration, innovation, and the promotion of halal products. The session attracted approximately 20,000 participants from participating countries including Malaysia, Indonesia, China, Spain, and Chile.

4 INVOLVEMENT IN ENSURING GLOBAL LIQUIDITY STABILITY AND ADEQUACY



In addition to its participation in the previously mentioned international forums, Bank Indonesia also contributes to ensuring the stability and adequacy of global liquidity to support the development of the halal industry. BI does this by collaborating with other central banks via the International Islamic Liquidity Management Corporation (IILM).

IILM is an international corporation that issues and manages Sharia-compliant liquidity instruments in the form of short-term sukuk with varying tenors, ranging from 2 weeks to 365 days. IILM's efforts aim to address the gap in the availability of short-term sukuk that can be traded globally, thereby enriching the variety of instruments in the global Islamic finance market.



Source: <https://ilm.com/shareholders/>

11

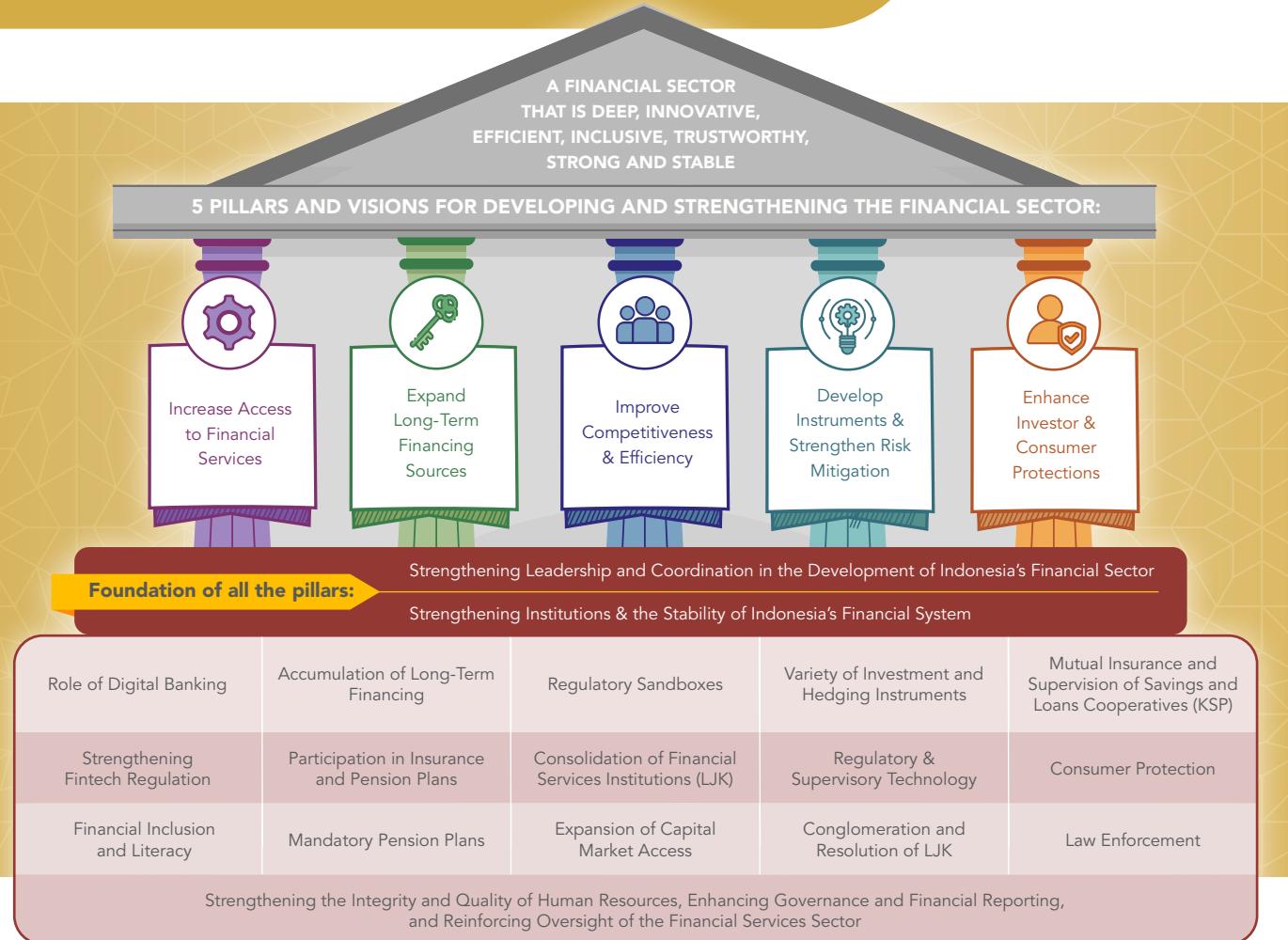
2024 INDONESIAN ISLAMIC FINANCE OUTLOOK



FINANCIAL SERVICES SECTOR POLICY DIRECTION AND THE PPSK LAW

Financial Sector Development and Strengthening Reform Strategies

Financial sector reform is based on 5 Pillars:



KEY REGULATIONS OF THE FINANCIAL SECTOR DEVELOPMENT AND STRENGTHENING LAW (UU PPSK)

Comprising two main sections:

1. Strengthening institutions and coordination among authorities in the financial sector
2. Regulations related to the development and deepening of the financial sector along with its supporting infrastructure, including human resources

Key Regulations Section I: Institutions and Financial System Stability (SSK):

1. The Financial Sector Development and Strengthening Law (UU PPSK) enhances the authority and governance of institutions in the financial sector.
2. Integrated supervision by OJK to ensure the financial sector's development and strengthening.
3. The Indonesia Deposit Insurance Corporation (LPS) is given an additional mandate to guarantee insurance policies managed by insurance companies.
4. Institutional strengthening by adding members to the OJK and LPS Board of Commissioners.
5. The establishment of supervisory bodies in OJK and LPS is a crucial element for checks and balances.
6. Prohibition for the Board of Governors of BI, OJK Commissioners, and LPS to become members or officials of political parties.
7. DPR supports the enhancement of the effectiveness of the Financial Sector Safety Net (JPSK) coordination platform.
8. Support for efforts to improve the capacity to prevent problems in the banking sector.
9. Ministries/agencies and authorities in the financial sector are required to strengthen coordination and synergy.

Key Regulations Section II: Development and Deepening of the Financial Sector:

1. Banking Industry

Governance of the banking industry is a crucial requirement to achieve the objectives of UU PPSK. Strategies include enhancing industry efficiency and expanding the business scope of rural banks (BPR).

2. Reform of Capital Markets, Money Markets, Foreign Exchange Markets, and Crypto Assets

UU PPSK strengthens the legal foundation for Special Purpose Vehicles to encourage the creation of diverse financial market instruments through securitization.

3. Strengthening Supervision of Financial Services Conglomerates

The phenomenon of financial services conglomerates requires clearer regulations to foster healthy competition and prevent monopolistic and oligopolistic practices in financial services.

4. Other Risks such as Climate Change

The financial sector can support climate change mitigation and adaptation agendas by preparing various ecosystems for green financing, such as carbon markets.

5. Non-Bank Financial Industry

Enhancing governance to ensure rapid yet cautious industry development. This includes strengthening insurance policy guarantees and improving regulations for mandatory and voluntary pension funds.

6. Cooperatives in the Financial Services Sector

Cooperatives are positioned to function genuinely as member-to-member entities within the financial services sector, supervised by the OJK. The goal is to provide legal certainty and focus on community protection.

Key Regulations Section II: Development and Deepening of the Financial Sector:

7. P2P Lending Service Providers

Implementing principle- and activity-based regulations to anticipate the emergence of new types of financing institutions in the future.

8. Community and Micro-Enterprise Financing

Providing a strengthened legal framework for Microfinance Institutions (LKM) needed by community groups, supervised by OJK (medium to large scale) and local governments (small scale).

9. Current Developments in the Financial Sector

UU PPSK regulates several new instruments and/or products in the financial sector, including business activities related to bullion.

10. Protection of User Data Confidentiality

For consumers, including strengthening the confidentiality of financial service users' data. UU PPSK is essential for reinforcing existing mechanisms.

11. Protection of Investors and Consumers

Against violations and criminal acts by individuals and corporations in the financial sector, UU PPSK harmonizes law enforcement and criminal sanctions as a last resort.

12. Promoting Literacy, Inclusion, and Innovation

In the financial sector, as well as strengthening and developing the quantity and quality of human resources/professionals in the financial sector.

ISLAMIC FINANCE DEVELOPMENT PRINCIPLES



Create a **Level Playing Field** in which Islamic Finance has Equal Standing



Provide Legal Affirmation and Certainty



Enhance Comparative Advantage by Highlighting the Uniqueness of Islamic Finance

ISLAMIC FINANCE INDUSTRY INNOVATIONS

1. Expansion of Islamic Banking Business Scope

- Introduction of investment accounts as a standard transaction in Islamic banking.
- Opening opportunities for equity participation in institutions/companies supporting Islamic bank financing (e.g., car showrooms, real estate).

2. Strengthening of Islamic Social Finance

Opening opportunities for Islamic banks to manage wakaf funds or become Nazhir for cash wakaf.

3. Strengthening of Sharia Compliance Governance

Enhancing the role of Sharia Supervisory Boards (DPS) to become an integral component of Islamic banking.

4. Strengthening the Islamic Capital Market to Add Sharia-compliant Instruments

Opening opportunities for the formation of Special Purpose Vehicles (SPV) aimed at:

- Issuing sukuk.
- Resolving non-performing assets.

5. Spin-Offs of Islamic Windows

Re-regulating the spin-off of Islamic Windows from banking, insurance, and guarantee companies for consolidation purposes in those respective industries.

- OJK determines the spin-off criteria.
- OJK can request a spin-off for consolidation purposes.

6. Reinforcing Sharia-based Regulations in the Financial Sector

Strengthening regulations in the financial sector:

- Capital Market.
- Pension Fund Non-performing Asset Resolution.
- Financial services businesses.

7. Clarification of Tax Policies in the Islamic Finance Industry

VAT for Islamic financing transactions (PP No. 44 of 2022):

- Underlying assets for sukuk issuance.
- Transfer of assets from parent companies to SPVs and vice versa.
- Islamic financing with underlying commodity assets in the Sharia commodity market di bursa komoditi syariah.

2021-2025 MASTERPLAN FOR INDONESIA'S FINANCIAL SERVICES SECTOR (MPSJKI)

Restoring the National Economy and Enhancing the Resilience and Competitiveness of the Financial Services Sector

STRENGTHENING OF RESILIENCE AND COMPETITIVENESS

- Strengthening capital and accelerating consolidation of financial services institutions (LJK)
- Enhancing [governance, risk management](#), and market conduct
- Harmonizing regulations and supervision of the financial services sector by adopting best practices and/or [international standards](#)
- Reinforcing [integrated supervision](#) across sectors (cross-cutting issues) and financial conglomerates

ACCELERATION OF DIGITAL TRANSFORMATION

- Promoting innovation and accelerating [the digital transformation of the financial services sector \(SJK\)](#)
- Developing regulations that support the [digital financial ecosystem](#)
- Enhancing [the capacity of human resources](#) in the financial services sector in line with the growth of the digital industry
- Strengthening [the role of research](#) to support innovation and digital transformation in the financial services sector
- Accelerating the implementation of IT-based supervision (suptech) at OJK and the utilization of [regtech](#) by financial services institutions (LJK)
- Conducting [Business Process Reengineering](#) to improve the quality of licensing, regulation, and supervision

2021 – 2025 Structural Framework

Enhancing the Resilience and Competitiveness of the Financial Services Sector



DEVELOPMENT OF THE FINANCIAL SERVICES ECOSYSTEM

- Enhancing the role of financial services to support priority [economic sectors, MSMEs, job creation, and regional development](#)
- Building integration within the financial services sector to increase the added value of [Islamic Finance](#) in developing the halal industry and the Islamic economic ecosystem
- Expanding [financial access](#) and improving [financial literacy](#) among the public
- Strengthening [consumer protection](#) in the financial services sector
- Promoting the acceleration of [financial market deepening](#)
- Supporting the expansion of the business activities of LJK to engage in [multi-activity business](#)
- Increasing the role of financial services in [sustainable finance](#) to achieve the SDGs

Note:

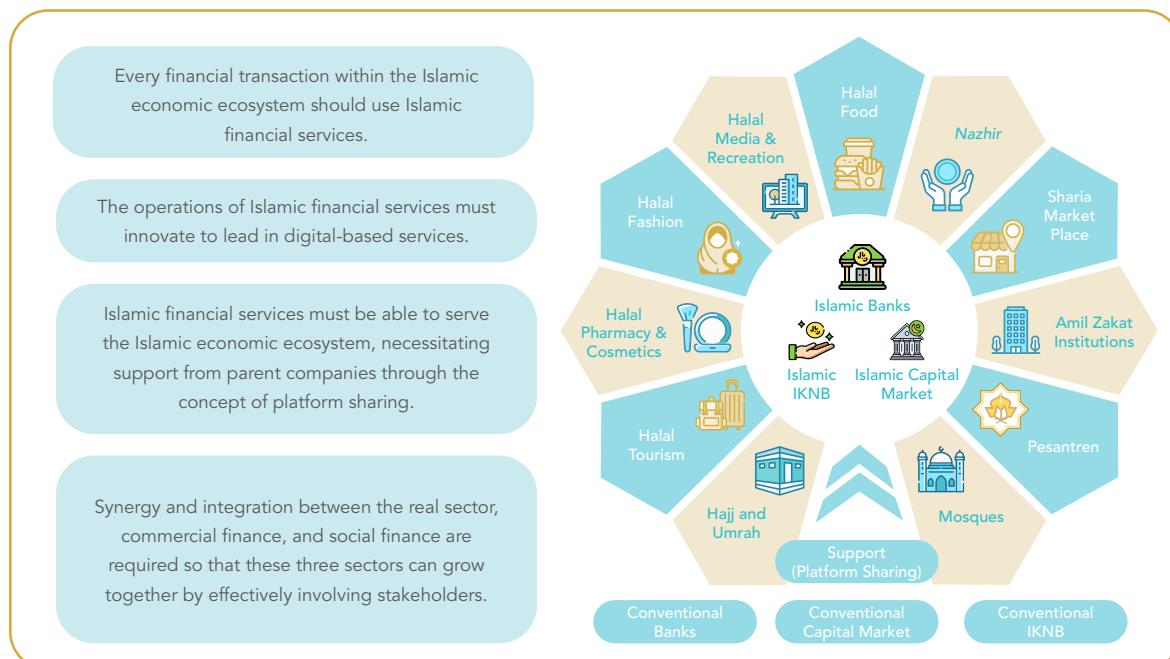
Support for Islamic Finance

ISLAMIC FINANCIAL SERVICES SECTOR POLICY DIRECTION

The policy direction for the Islamic Financial Services Sector is outlined in pillar 2 of the 2021–2025 Indonesian Financial Services Sector Masterplan (MPSJKI) namely, "Development of the Financial Services Ecosystem". It is specifically detailed in Sub-Pillar 2.2, "Building integration within the financial services sector to increase the added value of Islamic Finance

in developing the halal industry and the Islamic economic ecosystem." The development of Indonesia's Islamic Finance Industry focuses on three main areas: **Strengthening Islamic Finance Institutions; Creating sustainable demand for Islamic Finance; and Reinforcing the Islamic Finance ecosystem integrated with the halal industry.**

Synergy and Interconnectedness of the Islamic Economic Ecosystem



Islamic Finance Industry Policy Direction 2023 - Presented by the Chairman of the OJK Board of Commissioners at the 2023 Financial Services Industry Annual Meeting (PTIJK)

- Restructuring the financial sector landscape to promote the development of the Islamic financial services sector, particularly concerning the spin-off of Islamic Windows linked with the consolidation program as well as the economic scale and capacity of individual financial services institutions.
- Encouraging funding sources that can be optimized by increasing investor interest in sustainable and green investment instruments, as well as Islamic investments in Indonesia.

1. Strengthening Islamic Finance Institutions

Prioritizing product excellence and differentiation while enhancing capital, human resources, and advanced IT.

2. Creating Sustainable Demand for Islamic Finance

Opening opportunities for Islamic banks to manage wakaf funds or become Nazhir for cash wakaf.

3. Reinforcing the Islamic Finance Ecosystem Integrated with the Halal Industry

- Supporting Islamic infrastructure and financing from upstream to downstream.
- Supporting the Micro Wakaf Bank (BWM) initiative aimed at providing Islamic financial access to MSMEs and, in the long term, empowering MSMEs to become independent and grow sustainably.
- Encouraging Islamic finance market participants to continuously promote to the broader public.
- Supporting efforts to enhance the role of Islamic financial products and services, from Islamic banking, Islamic non-bank industries, and the Islamic capital market, in meeting public financing needs, such as public housing, education, health, hajj requirement provision, and infrastructure financing.
- Encouraging Islamic financial services institutions to support the development of halal industrial zones.

ISLAMIC BANKING DEVELOPMENT POLICY DIRECTION

Launch of the 2023-2027 Roadmap for the Development and Strengthening of Indonesian Islamic Banking

On November 27, 2023, the Financial Services Authority (OJK) launched the 2023-2027 Roadmap for the Development and Strengthening of Indonesian Islamic Banking (RP3SI) under the theme "Resilient Islamic Banking for a Prosperous Society".

As an update to the 2020-2025 Roadmap for the Development of Indonesian Islamic Banking (RP2SI) and in response to the mandates outlined in the PPSK Law, RP3SI is expected to serve as a guide for OJK, relevant associations, and the Islamic banking industry in formulating development and strengthening strategies for Islamic banking over the next five years. It is a concrete step by OJK and shows its firm commitment to directing the future of the Islamic banking industry in Indonesia.

The launch of RP3SI marks a significant milestone in the advancement of the Islamic finance sector in the country, and represents a joint commitment to enhance the Islamic banking industry in particular. The strategic programs detailed in RP3SI are expected to provide solutions to the challenges faced by the Islamic banking industry, but will require efficient collaborative efforts from all stakeholders for their optimal implementation.

The transformation of Islamic banking is necessary to improve the Islamic Finance industry's resilience and competitiveness,

as well as to strengthen its overall social and economic impact. This transformation is not just aimed at enhancing shareholder value but also at shifting the paradigm so that Islamic banking can play an enhanced role in improving social value and community welfare.

Greater resilience and competitiveness of Islamic banks can be achieved through the consolidation of the Islamic banking industry, strengthening of its resilience and prudential aspects, as well as continuous innovation to distinguish the characteristics of the products and services it offers. This needs to be complemented by Islamic banks across Indonesia stepping up risk management and Sharia-compliance governance to face their challenges in a more robust and efficient manner.

Moreover, heightened social and economic impacts can be achieved through synergies within the Islamic economic ecosystem, active participation in the optimization of Islamic social finance to enhance Islamic banking inclusion, and support for sustainable finance. In doing this, it is anticipated that the Islamic banking industry will make an even greater positive contribution to Indonesia's inclusive and sustainable economic development.



The launch of the 2023-2027 Roadmap for the Development and Strengthening of Indonesian Islamic Banking by the Chairperson of the OJK's Board of Commissioners, the Chief Executive of Banking Supervision, the Executive Director of KNEKS, the Chairperson of Perbanas, and the Chairperson of Asbisindo

RP3SI brings a vision to realize a sound, efficient, integrity-driven, and competitive Islamic banking sector, contributing significantly to the national economy for the welfare of society.

In order to achieve this goal, RP3SI is structured around 5 main focuses encompassing three dimensions: supply side, demand side, and OJK's internal aspects as the main sources of support for all aspects of Islamic banking. These five pillars are:

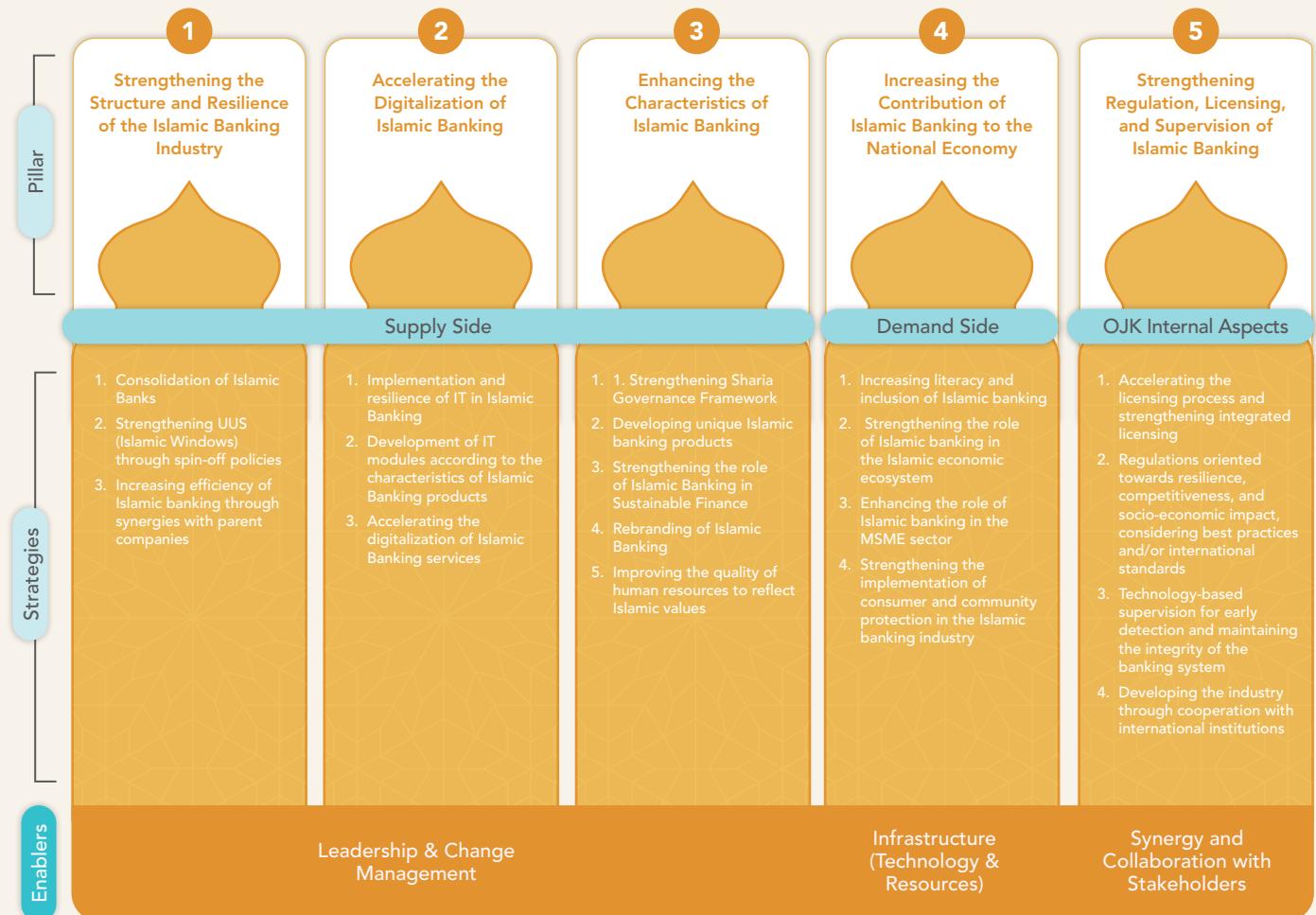
1. Strengthening the Structure and Resilience of the Islamic Banking Industry, through measures such as the consolidation of Islamic banks, including Islamic Commercial Banks and Islamic Rural Banks, strengthening Islamic Windows through spin-off policies, and improving the efficiency of Islamic banking through synergies with parent companies.

2. Accelerating the Digitalization of Islamic Banking, focused on the implementation and resilience of Information Technology (IT) in Islamic banking, development of IT modules tailored to the characteristics of Islamic banking products, and accelerating the digitalization of Islamic banking services.

3. Enhancing the Characteristics of Islamic Banking, through strengthening the Sharia Governance Framework, developing unique Islamic banking products, strengthening the role of Islamic banking in sustainable finance, rebranding Islamic banking, and enhancing the quality of Human Resources (HR) so as to reflect Islamic values.

2023-2027 Roadmap for the Development and Strengthening of Indonesian Islamic Banking

VISION: To develop a sound, efficient, integrity-driven, and competitive Islamic banking sector, contributing significantly to the national economy for the welfare of society.



1. Increasing the Contribution of Islamic Banking to the National Economy, through efforts to enhance literacy and inclusion in Islamic banking, strengthening the role of Islamic banking in the Islamic economic ecosystem, enhancing the role of Islamic banking in the MSME sector through optimizing social funds and KUR, and strengthening the implementation of consumer and community protection in the Islamic banking industry.

2. Strengthening Regulation, Licensing, and Supervision of Islamic Banking, including accelerating the licensing process and strengthening integrated licensing, regulations focused on resilience, competitiveness, and socio-economic impact, with consideration of best practices and/or international standards, technology-based supervision for early detection and maintaining the integrity of the banking system, and developing the industry through collaborations with international institutions to sustainably grow the sector.

To ensure the optimal implementation of RP3SI, supporting factors (enablers) are essential prerequisites, including leadership and change management, and collaboration with stakeholders. By engaging all internal and external parties, it is expected that the national Islamic banking industry will continue to grow and become increasingly strong.

Enablers

Leadership and Change Management

- Hold at least one annual meeting with the Islamic banking industry on development directions and strategic issues.
- Implement Key Performance Indicators (KPIs) in Islamic banking to support its development.

Infrastructure (Technology and Resources)

- Shift stakeholders' paradigms, executives, and human resources of Islamic banks or Sharia supervisory boards towards strengthening the characteristics of Islamic banking.
- Enhance the capacity and quantity of human resources, both regulators and practitioners in the Islamic banking industry.
- Implement minimum infrastructure and technology requirements across all banks.



Synergy and Collaboration with Stakeholders

- Establish a task force for RP3SI implementation.
- Conduct regular monitoring of internal units and external parties as relevant stakeholders supporting the implementation of the Islamic Banking Development and Strengthening Policy Direction in Indonesia.
- Hold at least one annual meeting with relevant stakeholders.
- Collaborate with the National Committee for Islamic Economy (KNEKS) to address challenges or issues faced by Islamic banking that require policy support from related Ministries or Agencies.

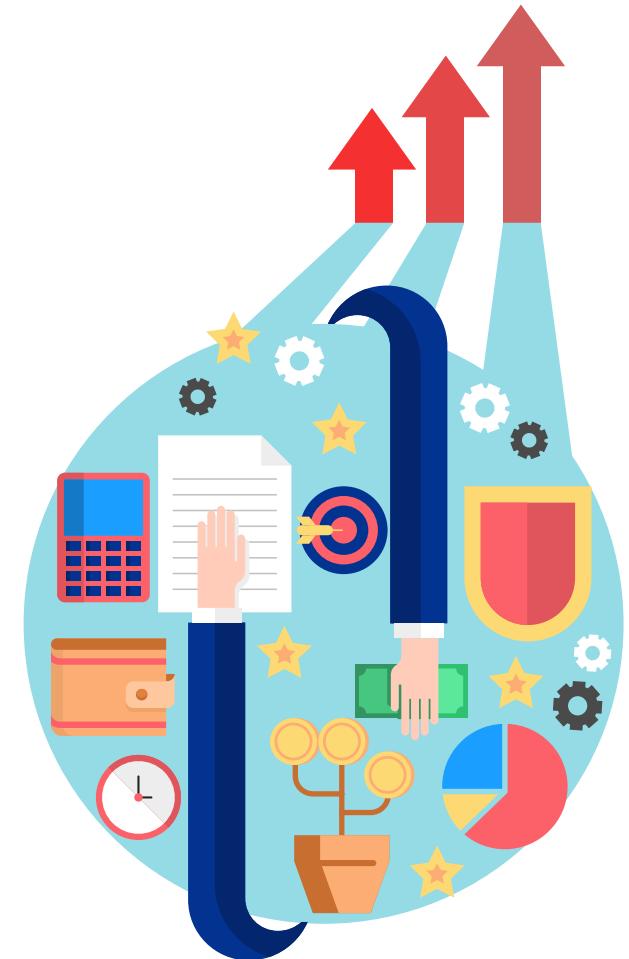
ISLAMIC CAPITAL MARKET DEVELOPMENT POLICY DIRECTION

As part of the 2019-2024 Islamic Capital Market Roadmap, efforts to increase the market share of the Islamic capital market industry and develop the Islamic economic and financial ecosystem in Indonesia require enhancing the infrastructure of the Islamic capital market. This can be achieved by adding Islamic financial institutions that play a significant role in the market. Such enhancements may involve collaboration with other Islamic financial sector players, including Islamic banks and the Islamic non-bank financial industry.

The Islamic capital market sector encourages and facilitates the participation of Islamic banks, for example, as providers of customer fund accounts or as custodian bank. Additionally, the utilization of Islamic banks has been mandated for fund placement in the offering of Islamic securities on crowdfunding platforms. There is also a push to increase the use of Islamic banks for fund placement from the public offerings of Islamic securities in general.

This synergy can also enhance the capacity of Islamic financial institutions by allowing them to issue Islamic securities in the capital market in order to increase capitalization. Conversely, Islamic financial institutions with excess liquidity can invest in Islamic securities. From both supply and demand perspectives, these Islamic financial institutions can act as key pieces of infrastructure in the Islamic capital market.

Furthermore, as outlined in the Islamic Capital Market Roadmap, one of the key work programs for 2024 is to develop and promote the issuance of philanthropic products in the Islamic capital market based on productive wakaf. Additionally, there is an emphasis on encouraging the use of Islamic capital market instruments as funding sources for infrastructure and the halal industry.





Geographical Distribution
of Islamic Financial
Products/Services



Increase in Islamic
Financial Literacy and
Inclusion Indices



Enhancement of Islamic
Programs to Support
Sustainable Finance



Strengthening Synergy
between Islamic PPDP and
the Sharia Ecosystem



Enhancing the Resilience
and Competitiveness of
Islamic PPDP



Development, Training, and
Fulfillment of Quality Islamic
Human Resources

ISLAMIC INSURANCE, GUARANTEE, AND PENSION FUND (PPDP) DEVELOPMENT POLICY DIRECTION

The Islamic PPDP industry is performing well, with assets growing by 3.36% year-on-year as of November 2023, according to the Financial Services Authority (OJK). This growth highlights the potential for further expansion.

To foster this growth, OJK will collaborate with various stakeholders to enhance the role of Islamic PPDP within the Islamic ecosystem. This collaboration aims to improve financial literacy and inclusion through education programs and business matching. OJK is also promoting cooperation within the industry to offer micro-based products and expand marketing efforts beyond specific regions in Indonesia.

In support of sustainable finance, OJK encourages the insurance and pension fund industries to invest in green bonds, expand electric vehicle programs, reduce paper usage, and undertake initiatives aligned with the Nationally Determined Contribution (NDC).

Furthermore, OJK has mandated sustainability reporting for financial institutions: insurance companies since January 1, 2020, guarantee companies from January 1, 2024, and pension funds from January 1, 2025.

To enhance the resilience and competitiveness of Islamic insurance, OJK has issued several regulations: POJK 6/2023 (Second Amendment to Financial Soundness Regulation for Islamic Insurance and Reinsurance Companies), POJK 10/2023 (Spin-offs of Islamic Windows for Guarantee Companies), POJK 11/2023 (Spin-offs of Islamic Windows for Insurance and Reinsurance Companies), and POJK 23/2023 (Business Licensing and Organizational Structures of Insurance and Reinsurance Companies, both conventional and Islamic).

According to the 2023-2027 insurance sector development and strengthening roadmap, the Islamic PPDP industry is expected to increase the number of SKKNI certified personnel, improving overall industry standards.

OJK launched the 2023 – 2027 Roadmap for the Development and Strengthening of the Indonesian Insurance Industry on October 23, 2023. This roadmap was prepared by OJK, the industry, and associations as a collective commitment to develop and strengthen Indonesia's insurance industry, including Islamic insurance.

The roadmap outlines a shared commitment among OJK, the insurance industry, and associations to enhance and strengthen Indonesia's insurance sector.

The development and strengthening of the insurance sector, including Islamic insurance, are supported by four main pillars:

- Strengthening resilience and competitiveness
- Developing elements within the insurance sector ecosystem
- Accelerating digital transformation
- Strengthening regulation, supervision, and licensing in the insurance sector

The implementation of this roadmap is divided into three phases:

- Foundation strengthening phase
- Consolidation and momentum-building phase
- Alignment and growth phase

This roadmap aims to create a sound, efficient, and integrity-driven insurance industry, enhance consumer and public protection, and support national economic growth.

To complement this roadmap, OJK will also be issuing the 2024-2028 Roadmap for the Development and Strengthening of Guarantee Institutions and the 2024-2028 Roadmap for the Development and Strengthening of Pension Funds.



2023 – 2027 Indonesian Insurance Industry Development and Strengthening Roadmap

Launch of the 2023-2027 Indonesian Insurance Industry Development and Strengthening Roadmap

Vision: To Bring About a Sound, Efficient, and Integrity-driven Insurance Industry, Enhance Consumer and Public Protection, and Support Economic Growth				
Macro Targets	Achieve an Insurance Density of IDR2.400.000 and Insurance Penetration of 3.2% by 2027			
Pillars	Strengthening Resilience and Competitiveness of the Insurance Industry	Development of Elements within the Insurance Industry Ecosystem	Acceleration of Digital Transformation of the Insurance Industry	Strengthening of Regulation, Supervision, and Licensing
Phase 1: Strengthening Foundations 2023 – 2024		Phase 2: Consolidation and Building Momentum 2025 - 2026		Phase 3: Alignment and Growth 2027
1. Collaboration and coordination for strengthening and utilizing data 2. Development, training, and fulfillment of quality human resources 3. Strengthening actuarial functions 4. Strengthening governance, risk, and compliance (GRC)		1. Resolution of insurance disputes 2. Reorganization of the roles of brokers and insurance marketers 3. Implementation of Islamic Window spin-offs 4. Implementation of SKKNI and/or recognized certifications in the insurance sector 5. Synergy between BPJS and commercial insurance		1. Development of insurance products for the halal industry 2. Enhancement of sustainable finance programs 3. Development of Islamic social insurance 4. Strengthening domestic reinsurance 5. Implementation of the Policy Guarantee Program (PPP) 6. Expansion of penetration and density 7. Strengthening the role of associations 8. Strengthening synergy within the insurance ecosystem 9. Implementation of business continuity management (BCM)
5. Enhancing literacy and consumer protection 6. Strengthening cybersecurity 7. Strengthening oversight of supporting institutions and professions 8. Strengthening insurance product oversight 9. Refinement of product licensing 10. Preparation for PSAK 117 Implementation 11. Development of regulations based on research and international standards 12. Strengthening insurance and reinsurance institutions through capital enhancement 13. Regulation for strengthening domestic reinsurance		6. Even distribution of Geographic marketing 7. Increase in certified marketing personnel 8. Development of suptech & regtech 9. Utilization of digital technology 10. Preparation for the integration of the Islamic insurance ecosystem		10. Regulation of alternative funding provisions 11. Regulations supporting the integration of the Islamic insurance ecosystem
Density IDR2.090.000		Density IDR2.238.000		Density IDR2.400.000
Focus on addressing gaps that need immediate resolution to avoid hindering the implementation of the industry's development and strengthening.		Focus on utilizing improved resources to strengthen the industry to achieve better growth		Focus on developing an ecosystem to support the insurance industry and create new growth opportunities as a launch phase.

ISLAMIC ECONOMIC AND FINANCE DEVELOPMENT POLICY DIRECTION

Amid high levels of global uncertainty, Indonesia's Islamic economy and finance are expected to continue their upward trend. In 2024, the sector is projected to sustain its recovery, though at a slightly slower pace than previously anticipated. In the short term, this recovery will be bolstered, among other things, by the implementation of mandatory halal certification for food and beverages starting in October 2024 and for other products by 2026, which is expected to increase public awareness and adoption of a halal lifestyle. Furthermore, the integration of Islamic economic and financial policies into national development plans (e.g. RPJPN) is expected to create a conducive environment for the growth of the Islamic economy and finance going forward. In particular, the Halal Value Chain (HVC) sector is forecasted to grow positively, driven by strong domestic demand and increased community activity and mobility, with an estimated growth rate of 4.7%-5.5% year-on-year.

In the medium term, the growth of the national Islamic economy and finance is expected to accelerate, supported by the implementation of the strategic roadmap for the Islamic Economy and Finance (EKSyar).

Key Strategic Plans:

1. Masterplan for the Indonesian Halal Industry (MPIHI) 2023-2029: This plan aligns with the national development agenda to support the Golden Indonesia Vision 2045. The development roadmap for the halal industry includes four main strategies:

- Increasing productivity and competitiveness,
- Strengthening policies and regulations,
- Enhancing finance and infrastructure, and
- Boosting halal branding and awareness

2. Roadmap for the Development and Strengthening of Indonesian Islamic Banking (RP3SI) 2023-2027: This roadmap focuses on five key areas to strengthen the Islamic banking industry:

- Structure and resilience
- Digitalization
- Characteristics
- Contribution
- Regulation, licensing, and supervision

This initiative aims to support the projected growth of Islamic banking financing, which is estimated to reach 10-12% year-on-year in 2024.

3. National Strategy for Islamic Economic and Financial Literacy and Inclusion: This strategy will be continuously reinforced to accelerate the performance of the national Islamic literacy index.

2023 – 2027 POLICY DIRECTION FOR THE SUPERVISION OF THE BEHAVIOR OF FINANCIAL SERVICES PROVIDERS, EDUCATION, AND CONSUMER PROTECTION

As mandated in Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, and to reinforce OJK's commitment to enhancing the Supervision of the Behavior of Financial Services Providers, Education, and Consumer Protection (PEPK), OJK formulated the PEPK Roadmap for 2023-2027. This roadmap was launched by the Chairperson of the OJK's Board of Commissioners and the OJK's Chief Executive of PEPK on December 12, 2023, in Jakarta. The hybrid event was attended by leaders from the Financial Services Industry (IJK), representatives of IJK associations, Ministries and Agencies, members of the Task Force for Eradicating Illegal Financial Activities (Satgas Pasti), academics, and the public.

The PEPK Roadmap serves as a guide for OJK, the financial services industry, and other stakeholders in achieving financial literacy and inclusion, strengthening consumer protection, supervising the behavior of Financial Services Providers (PUJK), optimizing complaint resolution, and eradicating illegal financial activities. This initiative aims to

foster a trusted financial services sector and a prosperous society. The PEPK Roadmap, aligned with the vision of the 2023-2027 OJK Roadmap, is expected to create a literate, inclusive, and protected Indonesian society, encourage integrity among PUJK, and foster a positive image for OJK as an independent institution.

The event included a talk show session on the 2023-2027 PEPK Roadmap titled "Towards a Literate, Inclusive, and Protected Society." This featured speakers from all work units in the area of PEPK at OJK presenting planned activities, as outlined in the PEPK Roadmap



Chairperson of the OJK's Board of Commissioners and Chief Executive of Supervision of the Behavior of Financial Services Providers, Education, and Consumer Protection, along with leaders of PUJK Associations, during the Launch Event of the 2023-2027 PEPK Roadmap.



2023-2027 PEPK Roadmap Talk Show in Jakarta

RUMAH ASPIRASI

(HOME OF ASPIRATIONS)

To optimize Islamic financial literacy activities and expand access to Islamic finance, adequate infrastructure is needed, including the availability of guidelines, models, and educational materials related to Islamic financial literacy and inclusion.

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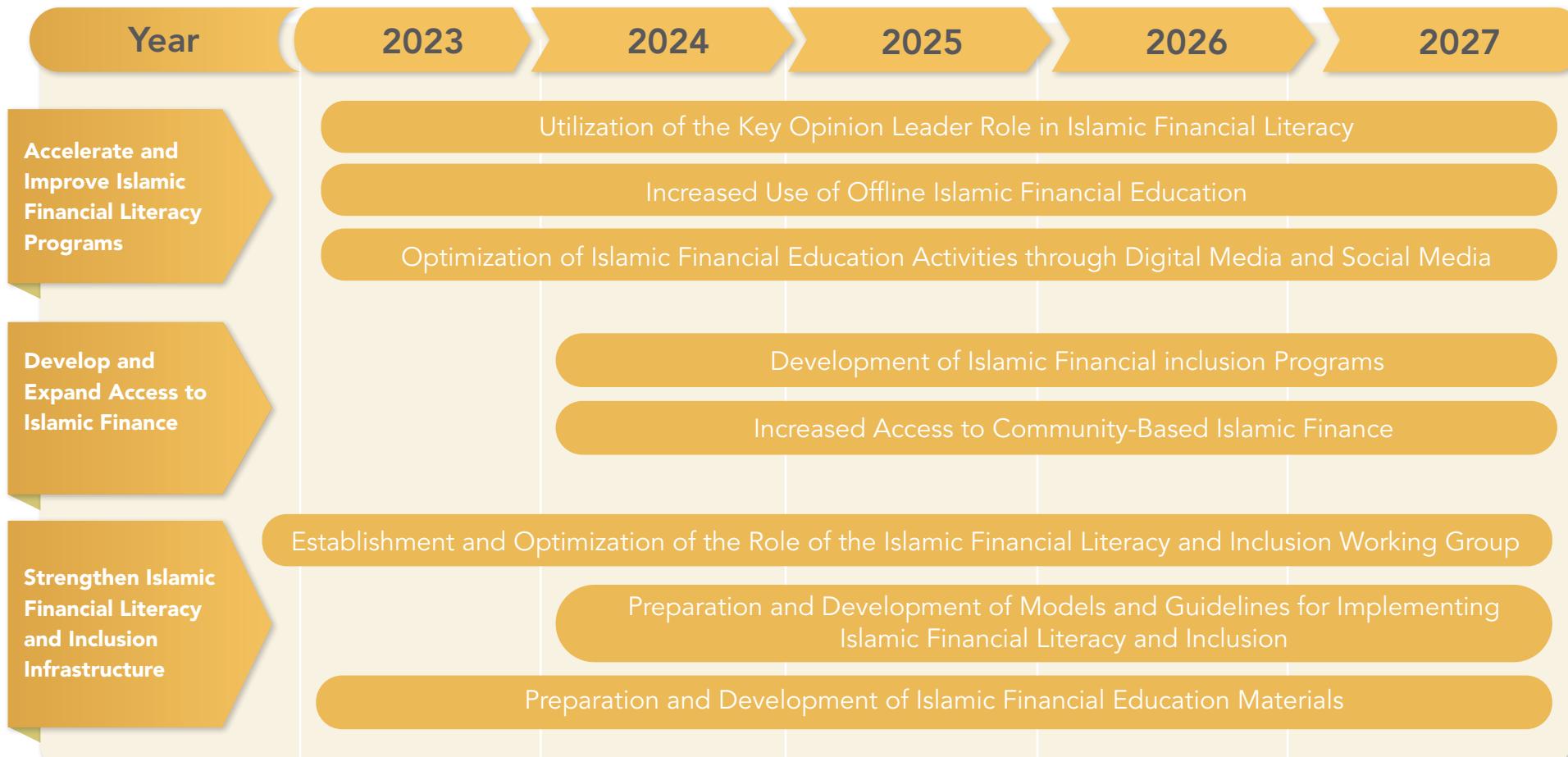


RUMAH ASPIRASI

(HOME OF ASPIRATIONS)

Pillar: Increased Public Financial Literacy and Inclusion

ISLAMIC FINANCIAL INCLUSION AND LITERACY ENHANCEMENT



List of Abbreviations

7P	: Product, Price, Place, Promotion, People, Process, Physical Evidence	BIS	: Bank for International Settlements
AE	: Advanced Economies	BOPO	: Operational Costs to Operational Income
Afsel	: South Africa	BPD	: Regional Development Bank
AFPI	: Indonesian Joint Funding Fintech Association	BPJPH	: Halal Product Assurance Organizing Body
AFSI	: Indonesian Sharia Fintech Association	BPJS	: Social Security Organizing Agency
AIFC	: Annual Islamic Finance Conference	BPR	: Rural Bank
AL/DPK	: Liquid Assets to Third Party Funds	BPRS	: Islamic Rural Bank
AL/NCD	: Liquid Assets to Non-Core Deposits	BPS	: Statistics Indonesia
ALUDI	: Indonesian Crowdfunding Services Association	BSI	: Bank Syariah Indonesia
APBN	: State Budget	BSP	: Bangko Sentral ng Pilipinas
APERD	: Mutual Fund Selling Agent	BUK	: Conventional Commercial Bank
ARIA	: Mutual Fund Industry Application System	BUMD	: Regional Owned Enterprises
AS	: United States	BUMDes	: Village-Owned Enterprises
ASN	: Civil Servant	BUMN	: State-Owned Enterprises
BARMM	: Bangsamoro Autonomous Region in Muslim Mindanao	BUS	: Islamic Commercial Bank
BAZNAS	: National Zakat Agency	BWM	: Micro Wakaf Bank
BBPPTP	: Plantation Plant Seeding and Protection Center	CAGR	: Compounded Annual Growth Rate
BCM	: Business Continuity Management	CAR	: Capital Adequacy Ratio
BDCB	: Brunei Darussalam Central Bank	CASA	: Current Account Saving Account
BI	: Bank Indonesia	CCyB	: Countercyclical Capital Buffer
BIK	: Financial Inclusion Month	CIBAFI	: Council for Islamic Banks and Financial Institutions

CWLD	: Cash Wakaf Linked Deposit	Forkom LIKS	: Communication Forum for Islamic Financial Literacy and Inclusion
DES	: List of Sharia Securities	GHG	: Greenhouse Gas
DPK	: Third Party Funds	GIEI	: Global Islamic Economy Indicators
DPLK	: Financial Institution Pension Fund	GIFT	: Global Islamic Fintech Index
DPPK	: Employer Pension Fund	GLKS	: Islamic Financial Literacy Movement
DPS	: Sharia Supervisory Board	GR	: Gearing Ratio
DSN-MUI	: National Sharia Council-Indonesian Ulema Council	HEI	: Halal Expo Indonesia
DST	: Temporary Syirkah Funds	HVC	: Halal Value Chain
EBUS	: Debt Securities and/or Sukuk	IAIS	: International Association of Insurance Supervisors
EC	: Executive Committee	IAKD	: Digital Finance and Crypto Assets
ECB	: European Central Bank	IFAR	: Investment and Financing to Assets Ratio
EKSyar	: Islamic Economy and Finance	IFIs	: Islamic Financial Institutions
e-KYC	: Electronic Know Your Customer	IFSB	: Islamic Financial Services Board
EM	: Emerging Market Economies	IIFM	: International Islamic Financial Market
EPIKS	: Financially Inclusive Islamic Boarding School Ecosystem	IILM	: International Islamic Liquidity Management
ETF	: Exchange Traded Fund	IJK	: Financial Services Industry
FDI	: Foreign Direct Investment	IKD	: Digital Financial Innovation
FDR	: Financing to Deposit Ratio	IKNB	: Non-Bank Financial Industry
FEBIS	: Forum for Education and Business Meetings on Access to Islamic Finance	IN2HCC	: Indonesia International Halal Chef Competition
FESyar	: Sharia Economic Festival	IN2MF	: International Modest Fashion Festival
FGD	: Focus Group Discussion	IOSCO	: International Organization of Securities Commissions



List of Abbreviations

ISEF	: Indonesia Sharia Economic Festival	LJK	: Financial Services Institution
ISSI	: Indonesian Sharia Stock Index	LJKS	: Islamic Financial Services Institution
ITSK	: Financial Sector Technological Innovation	LKM	: Microfinance Institution
JPSK	: Financial Sector Safety Net	LKS	: Islamic Financial Institution
JII	: Jakarta Islamic Index	LKS-PWU	: Islamic Financial Institution-Recipient of Cash Wakaf
K/L	: Ministries/Agencies	LLDIKTI	: Higher Education Service Institution
KBMI	: Bank Group based on Core Capital	LNPRT	: Non-Profit Institutions Serving Households
KDEKS	: Regional Committee for Islamic Economy and Finance	LPBBI	: Peer-to-Peer Lending Institution
KHAS	: Halal, Safe & Healthy Cuisine	LPEI	: Indonesia Eximbank
KLM	: Macroprudential Liquidity Incentive Policy	LPM	: Quality Assurance Institution
KNEKS	: National Committee for Islamic Economy and Finance	LPS	: Deposit Insurance Corporation
KPBU	: Public – Private Partnership	MAN	: State Islamic Senior High School
KPI	: Key Performance Indicator	Mekaar	: Prosperous Family Economic Development
KPR	: Home Ownership Loan	MEKSI	: Indonesian Islamic Economic Masterplan
KTI	: Eastern Indonesia Region	MES	: Sharia Economic Society
KUBL	: Environmentally Friendly Business Activities	MHP	: Minimum Holding Period
KUBS	: Socially Responsible Business Activities	MI	: Investment Manager
KUR	: Working Capital Loan	MMQ	: Musyarakah Mutanaqishah
LAPS SJK	: Alternative Dispute Resolution Institution for the Financial Services Sector	MoU	: Memorandum of Understanding
LAZ	: Amil Zakat Institution	MPHI	: Indonesian Halal Industry Masterplan
LDR	: Loan Deposit Ratio	MPSJKI	: Indonesian Financial Services Sector Masterplan

MSMD	: Equity Capital Paid-Up Capital	PEPK	: Behavior of Financial Services Providers, Education, and Consumer Protection
MTsN	: State Islamic Junior High School	PFS	: Project Financing Sukuk
NAB	: Net Asset Value	PIHEC	: Penang International Halal Expo & Conference
NDC	: Nationally Determined Contribution	PKA	: Aceh Cultural Week
NFH	: Nusantara Fashion House	PKB	: Motor Vehicle Financing
NK	: Memorandum of Understanding	PLHUT	: Integrated Hajj and Umrah Service Center
NPF	: Non-Performing Financing	PLJPS	: Short-Term Liquidity Financing Based on Sharia Principles
NTB	: West Nusa Tenggara	PLM	: Macroprudential Liquidity Buffer
NU	: Nahdlatul Ulama	PLS-SEM	: Partial Least Square Structural Equation Modeling
OCR	: Optical Character Recognition	PMI	: Purchasing Managers' Index
OJK	: Financial Services Authority	PMK	: Minister of Finance Regulation
OKI	: Organization of Islamic Cooperation	PNM	: Permodalan Nasional Madani (State Financing Company)
OMS	: Sharia Monetary Operations	POJK	: Financial Services Authority Regulation
Ormas	: Community Organization	PP	: Property Financing
P2PL	: Peer-To-Peer Lending	PPDP Syariah	: Islamic Insurance, Guarantee, and Pension Funds
PA	: Insurance Company	PPIP	: Defined Contribution Pension Plan
PAS	: Islamic Insurance Company	PPMP	: Defined Benefit Pension Plan
PaSBI	: Sharia-compliant Liquidity Management by Bank Indonesia	PPP	: Policy Guarantee Program
PBI	: Bank Indonesia Regulation	PPSP	: Secondary Mortgage Financing Company
PBS	: Project Based Sukuk	PRM	: Muslim-Friendly Tourism
PBSG	: Green Series Project Based Sukuk		



List of Abbreviations

PSAK	: Financial Accounting Standards Statement	SCF	: Securities Crowdfunding
PUAS	: Islamic Interbank Money Market	SDGs	: Sustainable Development Goals
PUJK	: Financial Services Providers	SDI	: Human Resources
PUJK	: Financial Services Unit Operators	SDM	: Human Resources
PVML Syariah	: Islamic Financing Institutions, Venture Capital Companies, Microfinance Institutions, and Other Islamic Financial Services Institutions	SHAUM	: Sharia Talks Series in Ramadan
PWK	: Special Regional Administrators	SICANTIKS	: Islamic Financial Literacy Among Women
PYD	: Received Financing	SiKA	: Certificate for Interbank Commodity Trading Based on Sharia Principles
RDN	: Customer Fund Account	SIMA	: Interbank Mudharabah Investment Certificate
RDS	: Sharia Mutual Funds	SiPA	: Certificate for Interbank Fund Management Based on Sharia Principles
RIM	: Macroprudential Intermediation Ratio	SGIE	: State of the Global Islamic Economy
RKPD	: Regional Government Work Plan	SJK	: Financial Services Sector
ROA	: Return On Assets	SKDU	: Business Activity Survey
RP3SI	: Indonesian Islamic Banking Development and Strengthening Roadmap	SKKNI	: Indonesian National Work Competency Standards
RPIM	: Macroprudential Inclusive Financing Ratio	SLIK	: Financial Information Service System
RPJMD	: Regional Medium-Term Development Plan	SMART-MFT Hub	: Sustainable Muslim Attractive Tourism – Muslim Friendly Tourism Hub
RPJPN	: National Long-Term Development Plan	SMI	: Multi-Infrastructure Facilities (State Infrastructure Financing Company)
SAKINAH	: Islamic Finance Literate Islamic Boarding School Students	SNLIK	: National Financial Literacy and Inclusion Survey
Satgas Pasti	: Illegal Financial Activity Eradication Task Force	SOTS	: Sharia Online Trading System
SBN	: State Securities	SPI	: Indonesian Banking Statistics
SBT	: Weighted Net Balance	SPNS	: Sharia Treasury Bills
		SPS	: Islamic Banking Statistics

SPV	: Special Purpose Vehicle	UU	: Law
SR	: Retail Sukuk	UU PPSK	: Law No. 4 of 2023 concerning the Strengthening and Development of the Financial Services Sector
ST	: Savings Sukuk	UUS	: Islamic Window
SRIA	: Sharia Restricted Investment Account	Valas	: Foreign Exchange
SukBI	: Bank Indonesia Sukuk	VECM	: Vector Error Correction Model
SUN	: Government Bonds	YIB	: Young Islamic Bankers
SUVBI	: Bank Indonesia Foreign Currency Sukuk	Yoy	: Year On Year
SWG	: Sustainability Working Group		
SWR	: Retail Wakaf Sukuk		
SYAFIF	: Sharia Financial Fair		
TD	: Term Deposit		
TEI	: Trade Expo Indonesia		
TI	: Information Technology		
ToC	: Training of Community		
ToT	: Training of Trainers		
TTS	: Crossword Puzzle		
UEA	: United Arab Emirates		
UlaMM	: Micro Capital Service Unit		
UM	: Ultra Micro		
UMi	: Ultra Micro Financing		
UMKM	: Micro, Small, and Medium Enterprises		



Indonesian Islamic Finance Report 2023

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