Speech of the Deputy Governor of Bank Indonesia

Seminar on Non-Cash Services for Wakaf, Infak and Shadaqah Payments

Surabaya, 30th October 2015

✓ Distinguished speakers:
  o Pungky P. Wibowo, Head of the Electronification and Financial Inclusion Program,
  o Sepyan Uhyandi, SEVP of Bank Rakyat Indonesia,
  o Andy Kristianto, SVP of Business Planning at Telkomsel,
  o Muhammad Taufik, Director of Yayasan Dana Sosial Al-Falah

✓ Payment system industry players,

✓ Leaders of pesantren,

✓ Leaders and employees from Bank Indonesia

✓ Ladies and Gentlemen:

Good morning,

1. Let me begin my expressing thanks to the Lord God Almighty for bestowing His blessings that we can all congregate here today for this seminar on Non-Cash Services for Wakaf, Infak and Shadaqah Payments.

2. This event is part of the 2015 Indonesia Sharia Economic Festival (ISEF), which is an annual event organised by Bank Indonesia since 2014.

3. I sincerely expect this seminar to facilitate constructive and interactive discussions, along with information sharing, thereby broadening insight and enriching the
knowledge of us all, particularly in the area of non-cash services as well as advancing implementation amongst Muslim communities in Indonesia.

Ladies and Gentlemen:

4. At several recent socialisation events with industry players and the public, I have cited a quote from the early 19th Century by an American author named James F. Cooper, “The very existence of government at all, infers inequality”. The real essence of authority is to manage socioeconomic imbalances in the public interest.

5. In the context of the payment system, we feel the adage expressed by James F. Cooper should be taken into consideration by Bank Indonesia when formulating policy.

6. The complexity of social diversity, accompanied by rapid technological development, has made the control of the authorities over society increasingly strategic, especially in terms of creating a payment system that is actually secure, uninterrupted and efficient.

Ladies and Gentlemen:

7. As the payment system authority, the mission of Bank Indonesia is to Manage and Maintain a Secure, Efficient and Uninterrupted Payment System and Currency Management through broader access in the national interest.

8. We will accomplish the mission through two salient approaches, namely by strengthening the payment system and also by proactively pioneering cooperation and collaboration.
9. We have translated strengthening the payment system into four pillars as follows: (i) an effective and efficient currency management system; (ii) large-scale payment electronification; (iii) reliable and secure payment infrastructure; and (iv) rigorous supervision and oversight.

10. In terms of expanding payment electronification, one non-cash vision of Bank Indonesia is to foster a Less Cash Society, where the public has a greater propensity for non-cash payment instruments.

11. The realisation of a less cash society is pivotal in the creation of a more efficient economy, while also enhancing aspects of financial management governance amongst the public, business community and government institutions.

12. As a form of BI commitment to promoting non-cash transactions, Bank Indonesia initiated the National Non-Cash Movement (GNNT) in August 2014, through Memorandums of Understanding (MoU) between Bank Indonesia, the Coordinating Ministry for Economic Affairs, Ministry of Finance, local government as well as provincial government associations throughout Indonesia.

**Ladies and Gentlemen:**

13. According to the most recent national census conducted by BPS-Statistics Indonesia in 2010, Muslims account for around 87% of the total population, making Indonesia the most populous Muslim country in the world.
14. Unfortunately, however, the dominant Muslim population in Indonesia remains unsupported by the weak market penetration of the Islamic banking industry, accounting for just 4.7% of the banking industry in Indonesia as of August 2015.

15. We firmly believe that many Muslim communities in Indonesia remain unbanked. On the other hand, demand for retail transactions amongst the Muslim public is increasing, especially for wakaf, infak and shadaqah payments.

16. Consequently, we feel that the development of non-cash services to broaden access to financial services in Muslim communities is inevitable.

17. Congruous with the financial inclusion policy of Bank Indonesia, we have also prepared an Islamic Financial Inclusion (IFI) strategy as part of the grand design to expand financial access. IFI serves to extend the Digital Financial Services (DFS) ecosystem through participation of the informal sector, including the Islamic Centre, mosque networks as well as Islamic boarding schools (pesantren) and their respective business units.

18. The informal sector plays a decisive role in creating public interest for the non-cash services available, while slowly persuading the public to try the available services.

19. Furthermore, public willingness to open up and try financial transactions will serve as a strategic entry point to offer financial education, particularly on non-cash transactions, towards a technology/digital-based economy. Looking ahead, the public
is not only expected to master financial transactions but also master reliable financial management.

Ladies and Gentlemen:

20. We focused on three main aspects when developing the non-cash concept to support Islamic financial transactions. **First**, develop non-cash instruments/services in compliance with Islamic principles and tailored to the characteristics of the Muslim population.

21. **Second**, pursue innovation-driven development and **third**, support the e-payment ecosystem to maintain the sustainability of non-cash payment services that make financial transactions more accessible and efficient.

22. Consequently, non-cash services are expected to facilitate more efficient Islamic financial transactions, including wakaf, infak and shadaqah, while adhering to sharia principles. Furthermore, the availability of non-cash payment services for wakaf, infak and shadaqah payments is also expected to expand public knowledge and experience of non-cash transactions.

23. As a tangible outcome of our efforts to provide non-cash services to the Muslim population, we are launching Digital Financial Services (DFS) today at pesantren through collaboration with telecommunications companies and Islamic boarding schools (pesantren). We sincerely hope that DFS will be expanded through the participation of other pesantren.
24. We also expect the full support of all parties to ensure the implementation of non-cash services in sharia retail transactions is a success. Through transparent communication, intensive coordination and synergic collaboration between Bank Indonesia, the Government, relevant authorities, amil zakat institutions, pesantren and payment system players we expect public awareness and uptake of non-cash services to proliferate.

25. In closing, I would like to express my sincere appreciation to all attendees for their active participation and support of this seminar for the mutual benefit of us all.

Thank you.

Deputy Governor of Bank Indonesia

Ronald Waas