

# Indonesia Investments

---

## Digital Banking Ecosystem

- OJK Issued New Regulation that Provides Legal Basis for the Digital Banking Sector in Indonesia
- Indonesia Holds Great Potential for the Digital Economy, Including Digital Banking
- OJK Doesn't Really Differentiate Between the Conventional Banks and Digital Banks
- Indonesian Unicorns Must Be Eager to Include a Digital Bank in Their Business Model
- Back to Facts; So Far Few Digital Banks across the World are Profitable

**30 AUGUST 2021**

---

**Van Der Schaar Investments B.V.**  
**CV Indonesia Investments**

# Indonesia Investments

Update – 30 August 2021

## ‘OJK Shapes Indonesia’s Digital Banking Ecosystem via New Regulation’



# Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

Content in this update is copyright of Van Der Schaar Investments B.V. (all rights reserved), except when indicated otherwise (the majority of pictures are obtained from Pixabay). Our permission is required by those who seek to publish or distribute (parts of) the content in this update (Dutch law applies).<sup>1</sup>

## Disclaimer

Lastly, we would like to emphasize that – although we strive to present accurate, up-to-date, and objective information in our updates – Indonesia Investments cannot guarantee the accuracy of all data and information that is included in this update. We also do not intend to provide legal, investment, tax, or accounting advice through the contents of this update, and therefore the reader should not perceive this update as such. In short: Indonesia Investments cannot be held responsible for decisions made based on the content of this update.

---

<sup>1</sup> CV Indonesia Investments owns the exclusive right to sell and distribute reports/updates of Indonesia Investments on the markets in the Asia-Pacific (including Indonesia).

# Indonesia's Financial Services Authority (OJK) Issued New Regulation to Shape the Nation's Digital Banking Ecosystem

The digital economy of Indonesia has been booming over the past 15 years. Today, life without Internet, smartphones, and apps is unimaginable for most people (both for personal and business reasons). Moreover, the COVID-19 crisis seems to have given a structural boost to the development of the digital economy as many people and entrepreneurs who were previously hesitant, or unwilling, to – for example – purchase or sell items online were essentially forced (or at least encouraged) to shift to the digital domain amid tight social and business restrictions.

In various reports and articles we have emphasized that Indonesia in particular holds great potential in terms of the digital economy (especially e-commerce) for the following reasons:

- Indonesia is home to a huge, young, and tech-savvy population;
- Urbanization – like around the world – has gone very fast in recent decades;
- There is an expanding middle class on the back of rising per capita GDP;
- Rapidly rising Internet & smartphone penetration (incl. Internet infrastructure);
- The blossoming of tech startups that offer efficient solutions to consumers/entrepreneurs.

### Contribution of the Digital Economy to the Indonesian Economy:

	2020	2030 (forecast)	Growth
Indonesia's Gross Domestic Product (IDR trillion)	15,400	24,000	1.5 times (55.8%)
Indonesia's Digital Economy (IDR trillion)	632	4,531	7.2 times (617.0%)

Source: Ministry of Trade of the Republic of Indonesia

### Projected Value of Indonesia's Digital Economy:

	2019	2025 (Forecast)	2030 (Forecast)
E-commerce	302	1,178	1,908
Online Travel	100	359	575
Online Media	54.7	129.0	191.0
Ride Hailing	86.2	258.0	401.0
Fintech	81.4	214.0	324.0

Source: Ministry of Trade of the Republic of Indonesia

## Projection Value of Indonesia's Digital Economy by 2030:

Component	In IDR Trillion
E-commerce	1,908.0
B2B Services (Logistics)	763.0
Travel	575.0
Corporate Services (HR Procurement)	529.9
Digital Content (Online Media)	515.3
Health	471.6
Ride Hailing	401.0
Property	204.2
Public Services	175.0
Education	160.4
Wealth & Protection	14.6

Source: Ministry of Trade of the Republic of Indonesia

The tables above show that e-commerce is expected to grow enormously in the years ahead, a development entrepreneurs and investors have to capitalize on. Meanwhile, what is not mentioned in the tables above but can act as the glue (or cement) that holds all things together is digital banking. Already, electronic wallets (or e-wallets)

are very popular in Indonesia (and are engaged in a fierce battle for market share). However, the digital banking industry is a sector that has not been properly defined or regulated in Indonesia so far, even though a number of banks have already been labelling themselves 'digital banks' over the past year or so (which is essentially a gimmick to attract attention; Bank Jago being a good example).

But the situation is about to change. Indonesia's financial services regulator – named the Financial Services Authority or in Indonesian *Otoritas Jasa Keuangan* (OJK) – has issued new regulations in August 2021 that define and regulate the establishment of full (branchless and cashless) digital banks across Indonesia. We had covered this topic in the March 2021 edition of our monthly report when the OJK announced that it was busy revising OJK Regulation No. 19/POJK.03/2014 on Branchless Financial Services in the Context of Inclusive Finance. Now new regulations have actually been issued, it is worth taking a closer look at the content and implications of these new regulations.

[...]

**The full article is available in our August 2021 report. This report can be purchased by sending an email to [info@indonesia-investments.com](mailto:info@indonesia-investments.com) or a message to +62.882.9875.1125 (including WhatsApp).**