

IFN INDONESIA

DIALOGUES

2023

LEAD PARTNERS



MULTILATERAL STRATEGIC PARTNERS



THE ISLAMIC CORPORATION FOR
THE INSURANCE OF INVESTMENT
AND EXPORT CREDIT



International
Islamic Trade
Finance Corporation



PARTNERS



IdealRatings®



standard
chartered

saadiq
islamic

CONSULTANCY PARTNER



LEAD MEDIA PARTNERS



MEDIA PARTNER



POST-EVENT REPORT

#IFNINDO2023





Injecting sustainability, shaping a better tomorrow

THANK YOU
FROM TOMORROW



Driving sustainability through value-based intermediation has always been at the core of what we do at CIMB Islamic Bank in becoming a purpose-driven organisation.



MOVING FORWARD WITH YOU

For more information, log on to www.cimb.com.my, call +603 6204 7788 or visit any CIMB Islamic Bank branch, co-located at CIMB Bank branches nationwide.

Connect with us on: [f CIMBMalaysia](#) [@ CIMBMalaysia](#) [CIBB_Assists](#)

CIMB ISLAMIC BANK BERHAD 200401032872 (671380-H)



 **CIMB ISLAMIC**

CONTENTS

KEYNOTE ADDRESS By Dr Arief Wibisono, Assistant of Minister Financial Services and Capital Markets, Ministry of Finance	5
OVERVIEW Indonesia: Government role still crucial	11
Dialogue One Driving Indonesia's Economy — The Role of Islamic Financial Markets	13
Dialogue Two Achieving National Objectives through Shariah Banking and the Halal Economy — Innovation, Transformation and Digitalization	14
FEATURE Indonesia: Consolidating the Islamic finance industry	15
EVENT OVERVIEW Pre-event Contact Overall Evaluation of the Event Overall Evaluation of the Speakers Delegate Breakdown Delegate Job Title Breakdown Delegate Breakdown (International & Local) Delegates Who Would Like to Attend IFN Indonesia Dialogues 2024	17
SESSION OVERVIEW	18

Managing Editor & Director
Vineeta Tan
vineeta.tan@REDmoneygroup.com

Senior Contributions Editor
Sasikala Thiagaraja
sasikala.thiagaraja@REDmoneygroup.com

Senior Copy Editor
Kenny Ng
kenny.ng@REDmoneygroup.com

News Editor
Nessreen Tamano
nessreen.tamano@REDmoneygroup.com

ISFI Editor
Marlena Kareem
marlena.kareem@REDmoneygroup.com

IFN FinTech Lead
Hanif Namora Siregar
hanif.namora@REDmoneygroup.com

Head of Production
Hasnani Aspari
hasnani.aspari@REDmoneygroup.com

Senior Production Manager
Norzabidi Abdullah
zabidi.abdullah@REDmoneygroup.com

Senior Graphic Designer
Eumir Shazwan Kamal Bahrin
eumir.shazwan@REDmoneygroup.com

Associate Publisher
Sunitapreet Kaur
sunita.kaur@REDmoneygroup.com

Head of Events
Cindy Wong
cindy.wong@REDmoneygroup.com

Finance & Accounts Manager
Aidiazrul Idrus
aidiazrul.idrus@REDmoneygroup.com

Managing Director
Andrew Tebbutt
andrew.tebbutt@REDmoneygroup.com

Managing Director & Publisher
Andrew Morgan
andrew.morgan@REDmoneygroup.com

Published By:  **REDmoney**
MALAYSIA: Unit E-12B-2.1, Level 12B, The
Icon (East Wing), No. 1, Jalan 1/68F off
Jalan Tun Razak, 50400, Kuala Lumpur

UAE: PO Box 126732, 3rd Floor, X2 Tower,
Jumeirah Lake Tower (JLT), Jumeirah Bay, Dubai



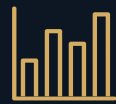
Home of Islamic Finance

Showing you the Way to Success, Islamically

Hejaz has proficiently combined Islamic finance knowledge and technical expertise to create specialised products and services, tailor-made to meet the needs of our varied clients. We offer customized financial solutions, creating a brighter financial future for all.



Superannuation



Investment



Home Finance



Hayat Protection

Reach out to us:



info@hejazfs.com.au



www.hejazfs.com.au

Scan this QR code to
learn more!



GENERAL INFORMATION ONLY, IT DOES NOT TAKE INTO ACCOUNT YOUR PERSONAL CIRCUMSTANCES. CONSIDER THE RELEVANT PDS AND TMD ON OUR WEBSITE BEFORE DECIDING WHETHER THE PRODUCT SUITS YOU. HEJAZ CAPITAL PTY LTD ABN 44 161 857 478 T/AS HEJAZ FINANCIAL SERVICES, IS A CORPORATE REPRESENTATIVE OF HEJAZ FINANCIAL ADVISERS PTY LTD ABN 49 634 683 613 AFSL 517686.

KEYNOTE ADDRESS

By Dr Arief Wibisono, Assistant of Minister Financial Services and Capital Markets, Ministry of Finance

Distinguished speakers, participants, ladies and gentlemen,

Assalamu'alaikum warahmatullahi wabarakatuh,

Very good morning to all of you.

It's an honor for me to be here today to deliver a brief speech on this prestigious event that brings together regulators, influential market players, local leaders and international experts. Together, it becomes a necessity to discuss the gaps and challenges in the development of our Islamic financial sector and Halal economy, and further determine the best way forward to unlock potentials and opportunities.

First, I would like to greet all of you, prominent speakers, panelists and all participants of the Islamic Finance news (IFN) Indonesia Dialogues 2023. Also, I would like to extend my appreciation to REDmoney Group and its Dialogues partners for organizing and inviting me to today's event.

Economic updates

Ladies and gentlemen,

In the global economic landscape, uncertainty and volatility continue to cast a shadow. Post-pandemic, we observe a divergence in the paths of economic recovery among major economies. It is further amplified by geopolitical tensions and fragmentations.

In the US, the economic recovery is increasingly solid, prompting the Fed to continue its monetary policy tightening. It is projected that the US policy rate will stay higher for longer. On the other side of the Atlantic, stagflation in the 'Euro Area' remains a challenge. Meanwhile in China, the pace of recovery tends to be slow, forcing the Chinese government to undertake a wide range of economic stimulus to boost demands. Further, we also witnessed a surge in oil prices in recent weeks, driven by the continued production cuts by major oil exporters.

However, amid this challenging environment, there are glimmers of hope as the world looks forward to brighter days. The IMF in its World Economic Outlook (WEO, July 2023) report predicted that global growth will be 3% year-on-year (y-o-y) for both 2023 and 2024. Meanwhile global inflation is expected to ease, from 8.7% last year to 6.8% this year, and to further drop to 5.2% next year. It is also predicted that the oil price rally will not be sustainable in the longer run.

It is worth noting that, amid global uncertainty, Indonesia is experiencing a robust and inclusive growth, with over 5% growth for seven consecutive quarters. In the second quarter of 2023, the economy expanded by 5.17% y-o-y, exceeding the previous quarter's growth of 5.04%. Labor market improved, with the unemployment rate falling from 5.83% in February 2022 to 5.45% in February 2023. An additional 3.02 million jobs have been created, bolstering domestic demand.

The poverty rate is on a downward trend, reaching 9.36% in March 2023, surpassing both the September 2022 rate of 9.57% and the pre-pandemic rate of 9.41% in March 2019.



This indicates the continued progress in eradicating poverty and improving the welfare of the population. Meanwhile, the increase in global oil prices has limited the impact on the domestic economy. Inflation is still manageable at 2.28% (y-o-y) as of September 2023.

Building on this positive momentum, Indonesia has succeeded in regaining its status as an upper-middle-income country through a swift and robust economic recovery. The gross national income per capita in Indonesia increased by 9.8% in 2022, in line with the post-pandemic recovery. This achievement represents a significant milestone toward the Vision of Advanced Indonesia 2045.

Indonesia's financial sector also remains resilient amid the increasing global volatility. The stock market is demonstrating a positive performance, while the rupiah exchange rate moves are relatively stable. Yields of the Indonesian government debt securities experienced a limited increase amid rising US Treasury yields, supported by maintained investor confidence and positive outlooks from rating agencies.

In line with the performance of our financial sector, the intermediation function of financial institutions continues to grow. As of August 2023, loans from banking institutions grew by 9.06% (y-o-y), while financing provided by Islamic banks grew even higher and was recorded at 14.52% (y-o-y). The positive trend of intermediation is supported by robust capitalization, ample liquidity and manageable risks.

Fiscal updates

Ladies and gentlemen,

Indonesia's fiscal position, as of the end of August 2023, remained strong. The government revenue soared to IDR1,821.9 trillion [US\$114.76 billion], representing 74% of the

Enabling Responsible Investment

With Comprehensive Suite of ESG & Islamic Finance Solutions



Solutions



ESG Data Sets

With 500+ data elements, these data sets provide investors with profound assessment of global issuers' sustainability performance through ESG Scores & Ratings and ESG Qualitative & Metric indicators.

Business Involvement Data Set

Detecting and flagging companies with positive and negative impacts based on involvement in certain activities and/or countries.

Islamic Finance Data Set

More than 40K global issuers seamlessly screened for Shariah compliance against standard and custom guidelines along with optimized purification.

Fixed Income Screening

Shariah and ESG screening solutions that help auditors, asset managers and treasuries screen the global fixed income universe against their custom institutional guidelines.

Regulatory Reporting Data Set

This proprietary dataset covers announced/released Sovereigns' sustainability-related guidelines. Including: SFDR, EU Taxonomy and TCFD.

REITs Screening

Proprietary REITs Screening Methodology designed to provide thorough assessment of the asset class against both Shariah and ESG perspectives.

Contact Us

✉ info@idealaratings.com

🌐 idealaratings.com

Head Office

50 California Street
Suite 1500
San Francisco, CA 94111



@Idealratings



total budget and increasing by 3.2% (y-o-y). On the spending side, disbursements remained on track. The government has disbursed around IDR1,674.7 trillion [US\$105.49 billion], or 54.7% of total spending. The overall fiscal balance posted a surplus of IDR147.2 trillion [US\$9.27 billion] or 0.7% of GDP. For 2023, the government projected a budget deficit at 2.28% of GDP, through prudent fiscal policy management and committed fiscal consolidation.

The government and parliament have conducted discussions to prepare the 2024 State Budget, strategically crafted to address both present and future challenges. The policies for Budget 2024 are distinctly aimed at 'Accelerating Inclusive and Sustainable Economic Transformation'.

The government also committed to fostering inclusive economic growth, with the aim of reducing the poverty rate to be at some point between 6.5% and 7.5% in 2024, coupled with efforts to decrease income inequality, as measured by the Gini ratio, to be within the range of 0.374 to 0.377. Additionally, there are targeted reductions in extreme poverty and open unemployment rates; and a focus on improving human resources development and enhancing the well-being of farmers and fishermen.

The 2024 State Budget outlines a revenue target of IDR2,802.3 trillion [US\$176.52 billion]. The government is determined to bolster the tax-to-GDP ratio, which stood at 10.4% as of 2022, while simultaneously maintaining a favorable investment climate. Fiscal incentives will support green economic transitions, promote small and medium-sized enterprises (SMEs) and enhance the quality of human resources.

Budget allocations for government expenditures in 2024 are projected to reach IDR3,325.1 trillion [US\$209.45 billion]. These funds will be strategically employed to fulfill three key functions: allocation, distribution and stabilization. This includes investing in human capital, job creation and productivity enhancement.

The 2024 budget seeks to maintain economic stability and facilitate economic transformation through targeted spending, equitable resource allocation and stabilizing measures to ensure inflation control and bolster public purchasing power. The budget deficit is anticipated to be 2.29% of GDP, and prudent debt management will be upheld.

Future of Islamic finance

Ladies and gentlemen,

I believe that the role of Islamic finance in Indonesia is becoming more important than ever in supporting our nation's economic activities and fostering inclusive growth. With a market share of 10.7% from total national financing, Islamic finance in Indonesia has seen significant progress and development. Total Islamic finance assets grew positively at 15.87% (y-o-y) in 2022 to reach IDR2,375.8 trillion [US\$149.65 billion].

In the banking sector, as of June 2023, Islamic banking assets grew by 13.95% (y-o-y) and total assets reached IDR801.7 trillion (US\$50.44 billion), with a market share of 7.25% of the total banking assets. The remarkable growth proves the Islamic banking sector's resilience with certain indicators showing a better performance than those in conventional banking.

The number of investors in Indonesia's Islamic capital markets also continues to increase. In the first half of 2023, there were 125,638 Islamic stock investors, growing by almost 200% over the past five years. In addition, the outstanding value of Indonesia's sovereign Sukuk has increased to IDR1,368.7 trillion (US\$86.12 billion) at the end of September 2023, growing by 1.8% year to date and is expected to continue to grow in the future.

Indonesia is also the main contributor of international sovereign Sukuk, with a total issuance of US\$26.9 billion, and contributes to 23.4% of total US dollar sovereign Sukuk issuance in the international market. During the period of 2013-23, there were 5,163 projects financed through project financing Sukuk. Likewise, Indonesia has a huge opportunity to optimize the Islamic financial market by developing more variants of Sukuk financing, such as cash Waqf-linked Sukuk and green Sukuk.

As a pioneer in issuing sovereign green Sukuk since 2018, the Indonesian government has succeeded in issuing its fifth global green Sukuk of US\$1.5 billion in May 2022 amid uncertainties in global markets. Overall, total issuance of Indonesian sovereign green Sukuk in the international market reached US\$5 billion from 2018 to 2022. Moreover, the issuance of green Sukuk in the domestic market reached a total of IDR44.53 trillion (US\$2.8 billion), consisting of IDR25.1 trillion (US\$1.58 billion) of retail green Sukuk and IDR19.43 trillion (US\$1.22 billion) of wholesale green Sukuk.

The Indonesian government and other relevant authorities continue to work on the development of Indonesia's Islamic economy and finance to realize the vision of being a global hub for Islamic finance and the Halal economy. As a manifestation of the commitment, the National Islamic Economic and Finance Committee (KNEKS), which was established in 2020 and chaired directly by the president and vice-president, will implement 13 priority programs in four main development areas of the Islamic economy: Halal product industry, Islamic financial services industry, Islamic social finance, and Islamic business and entrepreneurship.

There are four programs for the Halal product industry. First, the codification of Halal product industry data; this is how statistics on Halal products in Indonesia can be quantified and integrated with trade or export-import transactions. Second, the 'Halal Product Industry Master Plan'; this is for the medium- and long-term plans of the national development plan. Third, the establishment of a 'Cross-Ministries Task Force to Accelerate the Implementation of Halal Certification', with a focus on SMEs. Fourth, the research and innovation of technology-based Halal products.

With regards to the Islamic financial services industry, there are two programs in this area. First, the Shariah Employment Social Security Service was launched recently in Aceh. Second, government cooperation with Shariah business entities (private-public partnership), with piloting for the Eastern Toll Road (Jalintim) in South Sumatra and Riau.

As for Islamic business activities and entrepreneurship, there are five programs in this area. First, the 'Synergy to Accelerate the Development of Micro-Small-Medium Enterprises (MSMEs) in the Halal Industry', where business clusters are formed and will involve local governments to develop MSMEs. Second, the 'Export Acceleration of Halal Industry SMEs'. Third, the

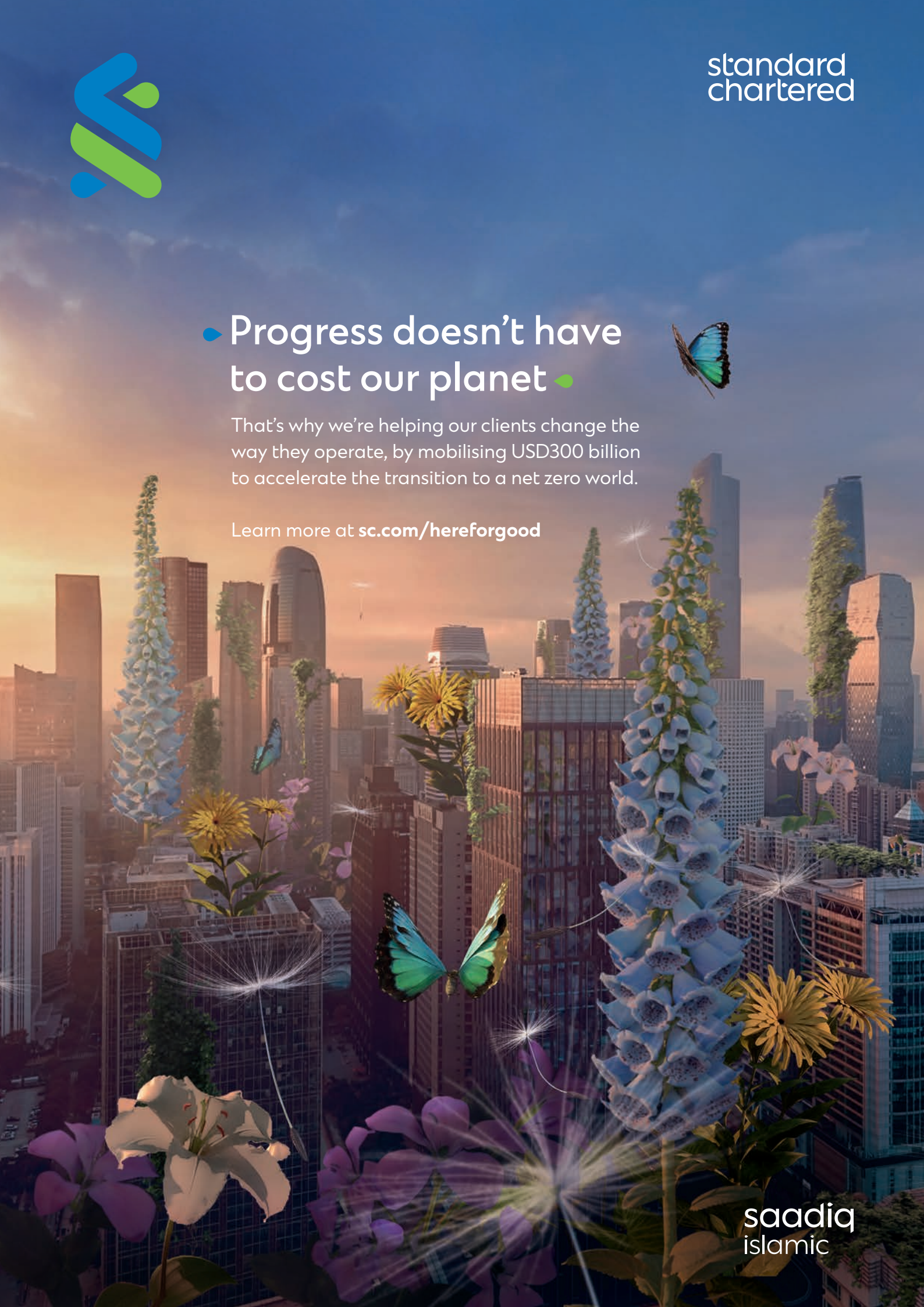


standard
chartered

▶ Progress doesn't have
to cost our planet ◀

That's why we're helping our clients change the way they operate, by mobilising USD300 billion to accelerate the transition to a net zero world.

Learn more at sc.com/hereforgood



saadiq
islamic

Islamic Economic Data Center, which is the development of architecture so that Islamic financial data could be more solid and integrated, which will become the backbone of national Islamic economic data. Fourth, the Halal, Safe, and Healthy Culinary Zone (Zona KHAS) which is a breakthrough in cooperation with expo activities. And lastly, the establishment of Islamic economic institutions at the regional level, whose task forces have been formed as program facilitators and are incorporated into local government institutions.

Closing

Ladies and gentlemen,

Today, market players and experts in the field of Islamic finance have gathered to discuss key finance-related topics: (1) the role of Islamic financial markets in driving Indonesia's economy, and (2) achieving national objectives through Shariah banking and the Halal economy — innovation, transformation and digitalization.

I do hope that today's discussion could also consider the objectives and initiatives on the Islamic economy and finance that has been set by the government, regulators and stakeholders, so that the development of the Islamic financial industry and the Halal economy in Indonesia can

run harmoniously to further boost this sector of the economy. Further, innovation in many areas — including products, regulations, market infrastructures, investor base, Islamic financial education and others — is a must.

Given all these, we need to provide our best effort, as well as promote synergy and collaborations, to develop the Islamic financial industry; that is consistent and in line with the country's national development agenda. Finally, I would like to congratulate REDmoney Group and all strategic partners for their admirable efforts in providing a discussion opportunity through IFN Indonesia Dialogues 2023.

I hope this event could greatly benefit all relevant parties with new insights and thoughts, so that the Indonesian Islamic financial industry could continue to grow, both in terms of quality and size, for the greater prosperity of our nation, and also to further enhance Indonesia's significant role in the development of Islamic finance globally.

I wish all of you a fruitful and engaging dialogue.

Thank you.

Wassalamu'alaikum warahmatullahi wabarakatuh.



Redmoney Consulting

A Leading International Consultancy for Islamic, Ethical, Responsible and Sustainable Finance

www.redmoneyconsulting.com

Our core areas of practice include:

- Capital and Liquidity Management and Planning
- Credit Risk
- Financial Crime
- Market Risk
- Financial Technology
- Operational Risk
- Regulatory Compliance
- Shariah Risk

Suite 22-06, 22nd Floor, Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Tel: +603 2162 7800 | Fax: +603 2162 7810



CLASSROOM SEMINARS AND ONLINE PROGRAMS

Leaders in financial, technical and product
training for the financial services industry

For more details, contact us:

Tel: +603 2162 7800 Fax: +603 2162 7810

Web: REDmoneyevents.com Email: Seminars@REDmoneygroup.com

Indonesia: Government role still crucial

Indonesia's meteoric rise in Islamic finance after decades of relative stagnancy comes as no surprise to many given its tremendous underlying demographic-fueled potential. But the industry is merely at the start of its journey — the road ahead is long, and industry experts at the Chatham House Rules-based IFN Indonesia Dialogues 2023 insist that government intervention is still instrumental. VINEETA TAN has the story.

Indonesia is perhaps a classic example of how solid political will can drive the Islamic finance success of a country. For decades, many were perplexed at how few Muslims in Indonesia — of which there are many, the most in the world in fact — were banking Islamically. Despite over 87% of its 273 million-strong population identifying as Muslim, for years, over 95% of the banking industry was dominated by conventional products. Things, however, took a dramatic shift in the last few years, particularly in 2020 when President Joko Widodo set up and chaired the National Islamic Finance Committee, or KNEKS, to spearhead positioning the Republic as a world Shariah finance and economy superpower.

With the president in the driving seat, Indonesia has been posting double-digit growth. Total Islamic finance assets expanded 15.87% year-on-year (y-o-y) last year to reach IDR2,375.8 trillion (US\$151.23 billion); 10.7% of total national financing is Shariah compliant; and as at the end of June 2023, Islamic banking assets grew 13.95% y-o-y to IDR801.7 trillion (US\$51.03 billion), commanding a 7.25% market share, according to the Ministry of Finance (MoF).

It is even more impressive on the Islamic capital markets front. In the first six months of 2023, the number of Islamic stock investors surged by almost 200% to 125,638 over the last five years. The government is the largest manufacturer of US dollar sovereign Sukuk in the world, contributing almost a quarter of the supply.

In fact, the government has been successful at drumming up more interest in its Islamic issuances compared with the conventional ones as the Shariah auctions often are well oversubscribed. This, according to one policymaker, is a demonstration of the significant fiscal policy role Sukuk hold, rather than just an instrument to support the growth of Islamic finance in the country.

"We are at the cusp of breaking the shackles and coming into the next phase of growth for the industry," opined one practitioner.

So far, so good, but..

There is still a missing piece to the puzzle (or several). The retail market is largely driving Shariah banking growth as well as the Islamic equity capital market, while the Sukuk sector is propped almost solely by the sovereign, with it responsible for

about 90% of issuances. But corporate and SME participation is still lacking. The reasons are multifold and often interrelated. "There's been fantastic growth in Islamic finance, particularly in the retail and consumer segment over the last few years, which has been very impressive; but the corporate financing and syndicated financing markets have not been able to keep up with that," observed a panelist.

Despite Indonesia's high profile in the global sovereign Sukuk space, local corporates are still hesitant to tap the market, resulting in a real shortage of non-sovereign Sukuk papers.

"You can imagine how hard and competitive the market is [to invest in corporate Sukuk]; sometimes, we get only 10% of the 100% we are demanding," bemoaned one investor.

Another issue the buy side faces is the lack of desirable investment grade Sukuk offerings.

The lack of depth and breadth of the Sukuk market also poses a challenge for investors.

"Currently, we are lacking certain maturity profiles; our liabilities are over 40 years and in order for us to match the assets and liabilities, we need the right Shariah instruments," explained one player.

The longest sovereign Sukuk tenor currently stands at 30 years.

"We are at the cusp of breaking the shackles and coming into the next phase of growth for the industry"

Literacy still an issue

Despite the encouraging growth numbers the sector is posting, Islamic finance literacy is still painfully low — under 10%, according to an expert.

What is perhaps more telling is the level of awareness, or rather adoption, among Islamic financial institutions themselves.

"We have not seen real commitment from other industry players to fully utilize Takaful — even the biggest Islamic bank is not using Takaful products for their employees," lamented one practitioner.

In other words, how can we expect everyday consumers to use Islamic financial products if Shariah financial institutions themselves are not fully subscribed to such offerings?

“We need regulation — if you are an Islamic institution or an institution doing Islamic finance, you need to use the Islamic ecosystem,” emphasized an expert.

At the moment, this is the case for Islamic insurers: OJK Regulation Number 11 requires Takaful operators to only engage with Halal products and services from brokers to advisories. This legal requirement, however, does not apply to other sector practitioners such as bankers and asset managers.

“The government is indeed very supportive, but we need more input from players and consumers to create a stronger policy in the future”

Chicken or the egg?

If we scrutinize the Indonesian market, we will find that the Islamic finance universe is rather limited, and this is not due to the lack of regulatory infrastructure.

“We have the regulations ready, but they have not been taken advantage of. For example, we have regulations for asset-backed instruments but there are no such products in the market; we also have rules for Islamic REITs, yet there is not a single Islamic REIT in the market,” remarked one practitioner.

So, is this an issue with demand or supply? This is a question the dialogue participants were wrangling with, saying that this is a case of the chicken or the egg.

Next steps

Instead of focusing on this Catch-22 conundrum, however, market experts have recommended key actions to address market gaps, involve the corporate and private sectors and increase the market share of Halal banking and finance assets.

Improving the capital base of financial institutions to allow them to participate in the financing ecosystem more efficiently is critical, several suggested.

“The reversal of the spin offs, I think that’s very welcomed as it allows Shariah compliant windows to effectively benefit from the scale their conventional parents have and I think it’s important for the time being to keep that in place,” one participant opined.

Initially, conventional lenders had to separate their Shariah business units by H1 2023 into stand-alone fully-fledged Islamic subsidiaries — this requirement was reversed last year. While this has alleviated the pressure on conventional banks, it may also slow down conversion of lenders with a large Shariah exposure; and conversion is something the Republic needs to gain a larger market share.

“To me, the establishment of Bank Syariah Indonesia (BSI) will not contribute much to increasing the Islamic banking market share. The more effective way is to *convert a major state-owned bank* such as Bank Rakyat Indonesia or Bank Tabungan Negara as they respectively have a large SME financing and housing finance portfolio, so converting them will grow the market significantly,” according to an expert.

BSI is the result of a tripartite merger between Bank BRI Syariah, Bank Syariah Mandiri and Bank BNI Syariah in February 2021, making BSI the largest Islamic bank in Indonesia by assets.

Developing the digital finance networks and capabilities to make Islamic finance more accessible is also crucial.

A vital component to this Islamic finance picture is the Halal sector.

“There is still no integration of the Halal industry and finance — there is a dichotomy or separation between these two and we need to focus on how we can harmonize the Halal and Islamic finance industries,” emphasized a panelist.

Encouragingly, the government, through KNEKS, in October launched the Indonesian Halal Industry Master Plan 2023-29, the country’s first cohesive national strategy for developing the Halal sector. It comprises 11 key programs and eight indicators.

One part of this masterplan is understanding how Islamic finance can be more inclusive to the Islamic economy and Halal industry.

“The government is indeed very supportive, but we need more input from players and consumers to create a stronger policy in the future,” commented one practitioner.

Needless to say, *education must continue to be a key focus* — stakeholders will need to work on a common language, building and educating the public, corporates and the financial sector on the uniqueness and advantages of Shariah compliant finance.

A linchpin to these initiatives is the government — to push and execute as well as provide further *targeted incentives*, such as tax holidays and incentives, to encourage SMEs and corporates into the Islamic finance fold.

While the government’s role is absolutely crucial, the dialogue participants also acknowledge that the government alone cannot realize Indonesia’s full potential — synergy with all stakeholders including NGOs and public-private partnerships is needed. ☺

Driving Indonesia's Economy — The Role of Islamic Financial Markets

- What is a realistic assessment of today's Shariah compliant capital and financial markets in Indonesia?
- How does the domestic regulatory environment allow for the growth of the Indonesian Islamic capital markets?
- Could amendments be made to capital markets regulations, or could more be done by regulators? If so, what form would this evolution take?
- Are Indonesia's Shariah compliant financial institutions in a favorable position in terms of liquidity and ongoing projects?
- Developing the Islamic capital market in Indonesia: increasing market depth and liquidity, driving product innovation, and widening the investor base
- Funding routes for Indonesian corporates: Islamic capital markets versus bank funding
- How can Shariah compliant structures be further applied to the funding of projects and infrastructure in Indonesia?
- How can Shariah compliant transition, sustainable and sustainability linked finance and investment products be further incorporated into the Indonesian market?
- Are current tax and operational cost incentives sufficient to develop and grow a sustainable Islamic capital market? Which regulatory frameworks have been successful in the development of such schemes?
- How do we continue to develop the process of measuring impact from green and sustainable issuance? What tools are available for issuers and investors for this purpose?



Moderator:

Vineeta Tan
Managing Editor and Director
Islamic Finance *news*



Ahsan Ali
Managing Director and Head, Islamic Origination
Standard Chartered Saadiq



Dr Ali Fallahi
Country Economist, Regional Indonesian Hub
Islamic Development Bank



Dien Sukmarini
Senior Analyst, Directorate of Capital Market and
Islamic Capital Market Development
Otoritas Jasa Keuangan - The Financial Services
Authority of Indonesia



Dwi Irianti Hadiningdyah
Director of Islamic Financing, Directorate General of
Budget Financing and Risk Management
Ministry of Finance



Elias Moubarak
Partner
Trowers & Hamlins



Ezra Nazula
Chief Investment Officer, Fixed Income
PT Manulife Aset Manajemen Indonesia



Dr Fadlul Imansyah
Chief of Executive Board
Badan Pengelola Keuangan Haji



Irwan Abdalloh
Head of Islamic Capital Market Division
Indonesia Stock Exchange



Dr Sapta Nirwandar
Chairman
Indonesia Halal Lifestyle Center

Achieving National Objectives through Shariah Banking and the Halal Economy — Innovation, Transformation and Digitalization

- How do we continue to develop financial architecture as a platform for the creation and support of new Islamic financial services and Halal Economy focused businesses in Indonesia?

How does the domestic prudential banking regulatory environment allow for the growth of the Indonesian Shariah banking sector?

- How are Indonesia's Shariah banks positioned in terms of liquidity and asset growth?
- What other funding options are open to Indonesian Islamic banks, and what liquidity management tools are available?
- How is digitalization transforming Islamic financial services and helping Halal Economy focused businesses in Indonesia?
- The new equilibrium for Islamic digital finance: transforming CX/UX, reducing cost, and delivering profitability
- Is it feasible to require Islamic banks in Indonesia to incorporate ESG frameworks as part of a wider Shariah banking philosophy?
- How can Shariah compliant banking be applied to social impact initiatives in Indonesia, such as financial inclusion, education, housing, health, culture and well-being?
- What represents an effective ecosystem for the development of the Halal economy in Indonesia?
- What regulatory environment is conducive for the growth of Halal ecosystems, infrastructure and value and supply chains?
- Where do Shariah compliant corporate, trade finance, forex, treasury and investment products play a role in the financing and development of the Halal economy?
- How are Islamic financial institutions positioning themselves to serve the corporate and SME sector, and what programs and initiatives are in place?



Moderator:

Dr Sutan Emir Hidayat
Director of Islamic Economy Supporting Ecosystem
National Committee for Islamic Economy and Finance



Afdhal Aliasar
Director – Halal Product Industry
National Committee for Islamic Economy and Finance



Bung Aldilla
Head of Sharia Consumer
CIMB Niaga



Erwin Noekman
Executive Director
Asosiasi Asuransi Syariah Indonesia (Indonesian
Takaful Association)



Farouk Abdullah Alwyni
Chairman, Center for Islamic Studies in Finance,
Economics, and Development (CISFED) and Vice
Rector, Binawan University



Hakan Ozyon
CEO
Hejaz Financial Services



Dr Hurriyah El Islamy
CEO and Founder
HGC Firm



Dr Lisa Listiana
Founder, Waqf Center for Indonesian Development
and Studies



Lusiana Saleh
Head of Digital Banking, Branchless and Partnership
CIMB Niaga



Associate Professor Dr Murniati Mukhlisin
Founder
Tazkia Halal Center

Indonesia: Consolidating the Islamic finance industry

Home to the largest Muslim population in the world (around 237 million people, or approximately 86.7% of the total population), Indonesia remains one of the top 10 global Islamic finance jurisdictions as well. The Southeast Asian nation enjoys strong support from its leadership and government when it comes to its Islamic finance industry and Halal ecosystem. NESSREEN TAMANO writes an overview.

Regulatory landscape

Indonesia's robust Islamic financial system is regulated by the Financial Services Authority, or Otoritas Jasa Keuangan (OJK), along with Bank Indonesia (the central bank), while the National Shariah Board of the Indonesian Council of Ulama publishes Fatwas on specific Islamic products and transactions.

The 2019–24 Shariah Economy Master Plan (MEKSI), launched in 2019, aims to strengthen Halal products, Shariah finance, the MSME sector and the digital economy of the country. The plan was drafted by the National Committee for Islamic Economy and Finance, which is chaired by Indonesian President Joko Widodo.

In line with this plan, the 2020–25 Shariah Banking Development Roadmap was launched by OJK to accelerate the development of Islamic banking in Indonesia by strengthening licensing, regulation and supervision in the sector. In 2022, the Ministry of State-Owned Entities revealed plans to release a 10-year blueprint for the Islamic economy.

Banking and finance

There are 13 fully-fledged Islamic banks, 20 Islamic banking windows and 167 rural Shariah banks in the country, as well as micro Waqf numbering around 33 nationwide.

In 2021, the long-awaited merger of three state-owned Islamic banks — Bank BRI Syariah, BNI Syariah and Bank Mandiri Syariah — to become Bank Syariah Indonesia (BSI) was officially completed, resulting in one of the largest Shariah banks globally in terms of assets.

In 2022, Indonesian banks running Islamic windows and units were instructed to convert them into stand-alone Islamic banks by June 2023, but in February 2023, a policy reversal stated that they are no longer required to do so.

Meanwhile, according to data from OJK, as at April 2023, the Indonesian Islamic finance sector's assets grew to 20.62% at around US\$166.18 billion, an increase from 15.5% recorded during the same period in 2022.

Capital market

Indonesia remains strong in the Sukuk market, due in large part to the close collaboration between the regulators and stakeholders in developing the country's Islamic capital market. Along with Malaysia, it is a pioneer of green Sukuk,

with its first issuance in 2018. That same year, the government launched its green Sukuk framework. Sovereign Sukuk issuances dominate the Indonesian market, making up about 97% of total issuances, according to the IFSB.

In 2023, the first Islamic asset-backed securities were issued in the Indonesian capital market, by state-owned property financing company Sarana Multigriya Finansial, using the homeownership products of BSI as the underlying asset. Until then, Islamic securities were only linked to Islamic securities, such as stocks, Sukuk and Islamic mutual funds.

Asset management

According to OJK, four types of funds make up about 73% of total Indonesian Islamic funds: Islamic equity funds (the most dominant asset class at 25.4%), protected funds (18.8%), fixed income funds (14.4%) and money market funds (14.4%). Other types of Islamic mutual funds, such as REITs, do not yet exist, and exchange-traded funds (ETFs) are still fairly new in the market. There are three Islamic ETFs listed on the Indonesia Stock Exchange as of this writing.

Takaful

There are 12 Takaful operators, one re-Takaful company, 45 Takaful windows and two re-Takaful windows operating in Indonesia, and the sector remains dominated by Family Takaful. In July 2023, the regulator issued a circular instructing all Takaful windows to spin off into stand-alone Takaful entities by 2026 or lose their license.

Fintech

Indonesia has a rapidly growing fintech sector. In 2018, the OJK launched the Digital Financial Innovation Regulation for Fintech Companies, which covers the supervision and regulation of the local fintech sector. In 2019, MEKSI introduced three Islamic fintech initiatives — LinkAja Syariah, a digital payment system that utilizes local Islamic banks as settlement banks; digital Zakat payments; and a centralized digital platform for Islamic cooperatives.

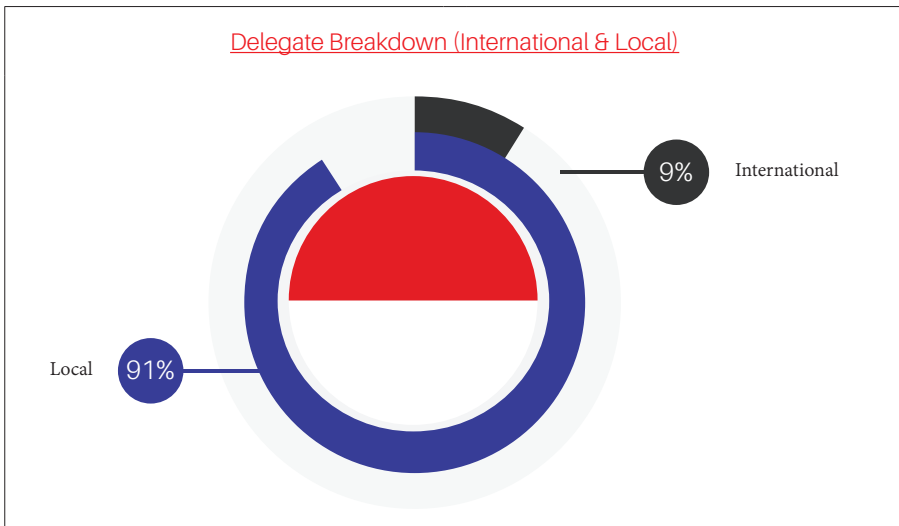
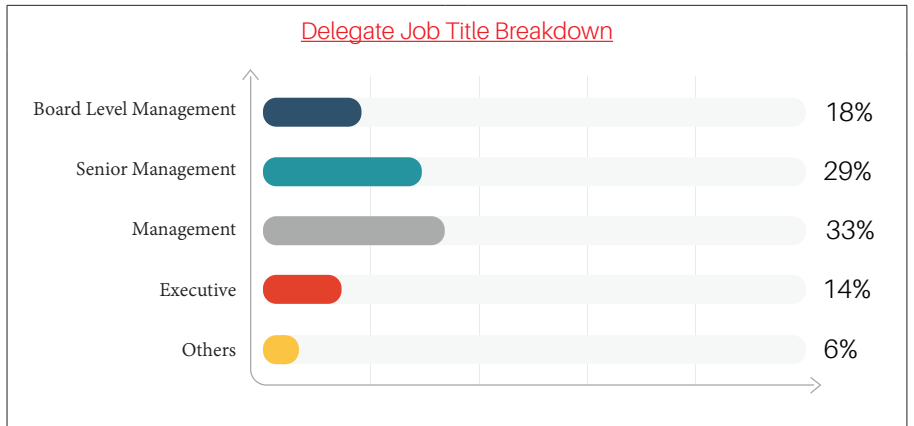
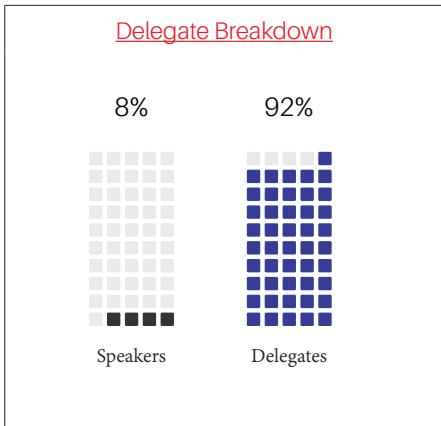
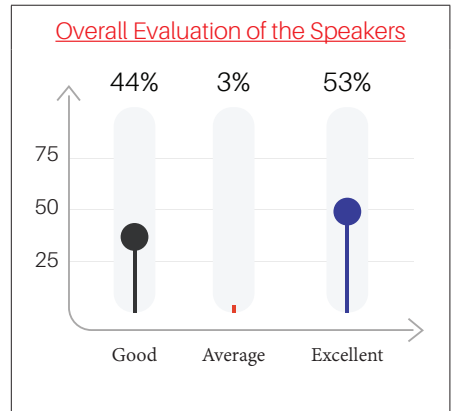
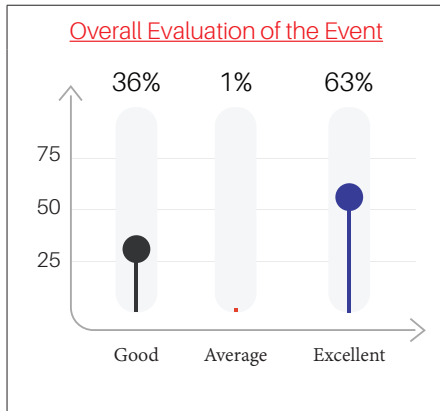
One of the major players in the Indonesian Shariah fintech scene is ALAMI, an Islamic fintech platform that started out by offering financing to SMEs. The company has since acquired a rural Shariah bank that it plans to convert into a digital-only bank, in addition to plans to expand into Turkiye.

Outlook

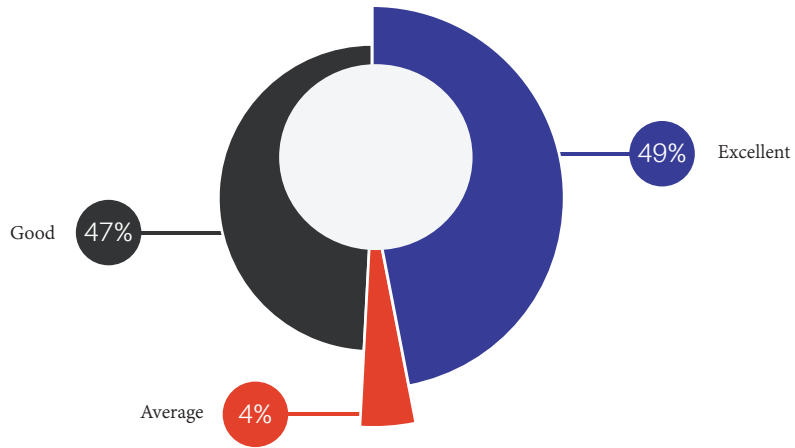
The government of Indonesia has been actively promoting the country's Islamic finance and economy, with strong initiatives and directives that further facilitate their development. The consolidation in the Islamic finance sector, spurred by the regulator's instructions to spin off Islamic windows into stand-alone units, is also expected to drive the growth of the industry's market share and reach its full potential, according to market players. ☺



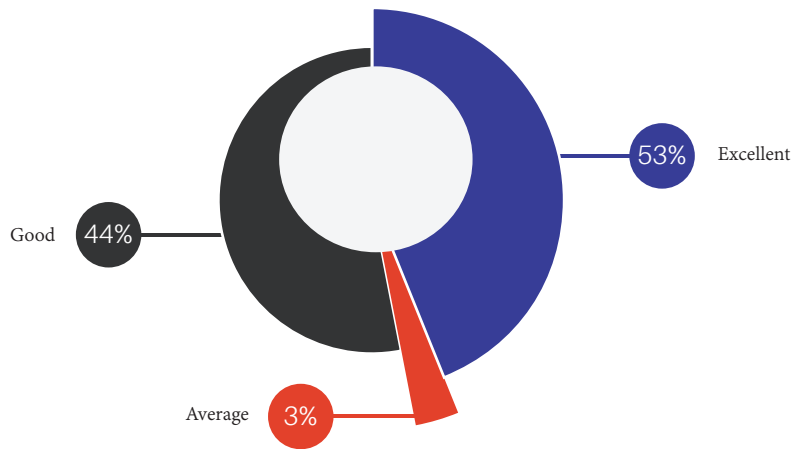
EVENT OVERVIEW



Dialogue One: Driving Indonesia's Economy — The Role of Islamic Financial Markets



Dialogue Two: Achieving National Objectives through Shariah Banking and the Halal Economy — Innovation, Transformation and Digitalization



ATTENDING COMPANIES' LIST

36 Sovereign Chambers	CIMB Niaga
8 Link Property Solution	CIMB Niaga Syariah
Aceh Province Governance, Indonesia	Ciptakreaitama
Ada Utama	CV Anugerah Karya Bersama
Agate	CV Nanjung Usri Gemilang
Agroniaga Bank Jakarta	Deta Graha Mulya
Ali Budiardjo, Nugroho, Reksodiputro (ABNR)	Dilatika Mandiri
Allianz Sharia	DSS Consulting
Alsaba Buana Sejahtera	d-ta Promotion
Aman Trans	Eigen Planet
Amanie Advisors	Ekatama selindo
Ames Indah International	Epic Course
Artha Solutions	ETHIS Indonesia
Asian Capital	ExxonMobil Indonesia
Asosiasi Asuransi Syariah Indonesia (AASI)	Filtertec Utama Laksana (FUEl)
Asosiasi Asuransi Syariah Indonesia (Indonesian Takaful Association)	Finastra
Asosiasi Fintech Syariah Indonesia	Finmart
Asuransi Asei Indonesia	Fusi Solusi Transformasi
Asuransi Chubb Syariah Indonesia	Galuh Asia Nusantara
Asuransi Takaful Keluarga	Global Sumber Teknologi
ATI Business Group	Hadiputranto, Hadinoto & Partners
Avrist Assurance	Hanwa
AXA Mandiri Financial Services	Happy Mark Impression
Azimuth Global Partners	Hejaz Financial Services
Badan Pengajian & Penerapan Technology (BPPT)	HHP Law Firm
Badan Pengelola Keuangan Haji	HPS
Badan Penyelenggara Jaminan Produk Halal Kementerian Agama	HSBC
BAM	Hurriyah Global Consulting Firm
Bandung Islamic Digital Economy (BIDE)	IAEI
Bank Aladin Syariah	IAI Tazkia
Bank DKI Syariah	IdealRatings
Bank Islam Malaysia	Indocom Sukses Makmur
Bank Mandiri	Indonesia Commodity & Derivatives Exchange
Bank Muamalat Malaysia	Indonesia Eximbank
Bank Resona Perdana	Indonesia Halal Lifestyle Center
Bank Syariah Indonesia	Indonesia Stock Exchange
Berlian Artha Makmur	Indonesia Tourism Forum
Bestari Permata Konsilindo	Indonesiannews.co
Binawan University	Inovatif Sinergy
Bintang Bersama Langit	INSPIRE Islamic Finance
BlackRock	Institut Agama Islam Negeri Lhokseumawe
BNI Ventures	InterNations
BPSL Lawyers	Islamic Development Bank
BRI	Islamic Finance news
Capital Life Syariah	Iterl Aspire Minds Innovation Space
Carma Asia	Jaring Dinamika Lestari
CFA Society Indonesia	Jiyu Lintas Semesta
CIMB Islamic Bank	Kalbe Group
	Kemenkeu
	Kementerian Agama

ATTENDING COMPANIES' LIST

Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS)	Revival Islamic Governance
Konservasi Indonesia	RHB Sekuritas Indonesia
Kreasi Utama Sejahtera	Risetku Anda Kita
Manulife Aset Manajemen Indonesia	Saleem Company
Masjed Indonesia Digital	Salim Megatama
Maybank	SBI Brunei
Mayuree Internat	SBI Islamic Fund II
MeetPartners	School of Economics, Indonesia
Menara Agung	Secretary Genral House of Regional Representative of Republic of Indonesia
Ministry of Finance, Indonesia	Sidra Capital
Mirae Asset	Sobat Syariah
Mishkat Ventures	Soemadipradja & Taher
Mistratex Consultant	Standard Chartered Bank
Mitra Bisnis Keluarga Ventura	Standard Chartered Saadiq Islamic
Mizuho Bank Malaysia	State Islamic University of Sultan Maulana Hasanuddin Banten
Moventure	Suguhan Karya Indonesia
Muhammadiyah Financial Bureau	Supervisory Board of BPKH
Multi Niaga Permai	Syariah Saham Indonesia
Musaffa	Tazkia Halal Center
National Committee for Islamic Economy and Finance	Telkom Blockchain
Nusan Pharmaceutical	Torch.id
Otoritas Jasa Keuangan – The Financial Services Authority of Indonesia	Tri Cipta Finance
Palace of Justice	Trowers & Hamlins
Panin Asset Management	UNHCR
Panin Dai-ichi Life	Universitas Al-Azhar Indonesia
Perbanas Institute Jakarta	Universitas Budi Luhur Jakarta
Petronesia Global Holdings	Universitas Indonesia
Phah Property Solution	Values Activation
Poros Nusantara	WaCIDS
Proseprindo Aset Manajemen	Waqf Center for Indonesian Development in Studies
Prudential Life Assurance	Wijaya Rotan Cikiwul
Purwono & Widyayanti Law Firm	Yayasan Kesehatan Garuda Indonesia (Yankesga)
PwC Advisory Services	Zipay
ReINDO Syariah	