EXPANDING ACCESS TO FINANCE FOR SMALL-SCALE BUSINESSES

SECURED TRANSACTIONS REFORM: AN INDONESIA CASE STUDY

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EXECUTIVE SUMMARY

A lack of access to finance has been one of the biggest impediments to the development and growth of the small-scale business sector in Indonesia. While micro, small and medium-sized enterprises (MSMEs) account for almost all employment in Indonesia (97 percent), the sector as a whole accounts for just about 57 percent of Gross National Product. Surveys suggest that one of the main constraints on the growth of the sector is a lack of access to finance, with almost half of Indonesian MSMEs citing access to finance as the top constraint to business growth[1].

In 2012 the World Bank Group (WBG), in partnership with Switzerland and Japan, engaged with the Government of Indonesia to improve access to finance for the small-scale sector by enabling the use of movable collateral for formal lending. The use of movable collateral, such as vehicles, machinery, equipment, inventory or livestock, make it possible for enterprises and individuals who lack fixed collateral, such as land and property, to access finance. It also supports the growth of the financial sector, as it promotes portfolio diversification.

The use of movable collateral requires a legislative framework for secured transactions and the establishment of a collateral registry. The World Bank Group's secured transactions specialists have helped set up such secured transactions regimes in 25 countries around the world as of August 2016, helping to increase access to finance to boost inclusive economic growth and shared prosperity. The collateral registry in Indonesia was launched initially in 2000 with a manual registration process, while the online version was launched in February 2013. The transformation from manual to online resulted in a huge increase in the number of total registrations, and serves as a good example for others to follow.

1 World Bank Enterprise Survey, 2009 (exact figure 48 percent)

The online collateral registry for secured lending against movable collateral was launched in Indonesia on February 16, 2013. Since then the registry has facilitated over $30 billion in financing for more than 200,000 small-scale businesses. In total, there were 19.3 million registrations of corporates, SMEs, micro-businesses, and consumers in the three years since the launch, compared to only three million registrations in total during the ten years of operation of the manual registration system that preceded it.

This case study shows how the World Bank Group's specialist team in Indonesia engaged with the government to promote an enabling environment and develop a sound secured transactions infrastructure to increase access to finance for the MSME sector. It specifically highlights the importance of establishing a close working relationship between the project team and the champion for secured transaction reform within the government partner, and to maintain this relationship despite changes in staff. It also shows how important it is for the responsible government agency to commit upfront to reform.

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INTRODUCTION

The term secured transactions refers to credit transactions where a creditor holds an interest in a debtor's movable property (collateral) to secure a loan or a debt obligation. The interest in movable property is also referred to as security interest, pledge or charge. Collateral facilitates credit by reducing the potential loss that lenders face from non-payment. While land and buildings are widely accepted as collateral for loans, the use of movable collateral such as inventory, accounts receivable, livestock, crops, equipment, and machinery, is much less common due to a lack of adequate regulatory frameworks. Reforming the movable collateral framework thus enables businesses to leverage the greatest part of their assets and obtain credit for growth.

While a secured transactions regime has existed in Indonesia since 1999, and transactions that rested on secured interests of some type dates back to the colonial civil code, the World Bank Group and the Government of Indonesia recognized a need to improve existing legislation and modernize the system to enhance efficiency, transparency, and accountability in order to facilitate greater access to finance for the small-scale business sector. The project aligned with the economic development priorities of Indonesia, and with the mission of IFC and the World Bank to eliminate poverty and promote shared prosperity through private sector development. Improving access to finance for micro, small and medium-sized businesses is expected to strengthen economic growth and job creation.

A strong and modern secured transactions law regime is also a critical element under the annual IFC/World Bank global survey on *Ease of Doing Business*. Since 2005, the Government of Indonesia has worked to promote the country's trade and competitiveness through the World Bank Group *Doing Business* reform framework. Access to and provision of credit is one of the areas promoted through the framework, which includes an assessment of a country's ability to comply with international best practice in modern secured transactions law regime. Until the Bank Group team engaged with Indonesia on secured transactions reform, the country had made limited progress in this area due to the complexity of legal reform, difficulties in cross-sectoral coordination, and a lack of knowledge of international best practices.

Some of the challenges that were apparent in the existing secured transactions framework at the outset of the project included fragmentation and deficiencies in the legal framework; inefficient handling of the registration office; and a lack of understanding and coordination among a variety of stakeholders. In order to help resolve these challenges, the team initially worked to develop a conducive environment for reform, then worked to address infrastructure deficiencies and establish a solid framework for the collateral registry, and finally to promote the use of movable collateral among micro, small and medium-sized businesses.

DEVELOPMENT CHALLENGE

While there are 57.9 million micro, small, and medium-sized enterprises (MSMEs) in Indonesia, accounting for 97.2 percent of employment in the country, the MSME sector only contributes 56.7 percent of the country's GDP. According to the World Bank Group's 2015 Enterprise Survey, access to finance is counted as one of the main obstacles to growth. The MSME finance gap is estimated to be $330 billion, with the largest gap in the agricultural and agribusiness sectors at $240 billion. This equates to approximately 37 percent of Indonesia's GDP in 2012.

While the majority of MSMEs hold movable assets, financial institutions in Indonesia generally require borrowers to put up fixed assets for collateral. Options tend to be limited to a few select categories of assets, mainly real estate, vehicles, and heavy equipment. Movable assets-based lending could offer a significant opportunity to bridge the MSME financing gap in Indonesia, with estimates that the demand for finance could be met even if banks offer an extremely low loan-to-value of 35-40 percent against movable assets. By relying less on immovable and real estate collateral, banks would also be able to grow lending portfolios and achieve credit diversification.

The weaknesses in Indonesia's legal, regulatory, and institutional framework for secured transactions helped explain the reluctance of the financial sector to extend credit backed by movable assets[2]:

1. The legal/institutional framework was based on the Civil Code, the Fiducia Security Act[3], and the Companies Act, along with other related legislation. This framework left a number of reasons for financial institutions not to lend to MSMEs against movable assets as collateral, such as: (i) the legal status of MSMEs was unclear; (ii) the existence of information asymmetries; (iii) conflicting provisions and fragmentation within the legal framework; (iv) problems complying with the principles of publication; and (v) unnecessary complexity and burdensome requirements, including restrictions on the disposition of the collateral.

2. Financial institutions had low confidence in the actors of the registration system for movable assets. The official movable collateral registry, Fiducia, had 33 regional and 157 satellite offices that lacked any real integration, technology, tools and standards. Lack of transparency and accountability in the management of these registries also resulted in high transaction costs that burdened the users.

3. There was limited diversification of the type of collateral accepted, with lending based on movable collateral mostly concentrated to motor vehicles and heavy equipment. There were several reasons for this:

2 IFC Legal Diagnostics: Increasing Access to Credit in Indonesia through Secured Transactions Reform, 2009, updated 2014
3 This is the title of the law that governs security interests over movables in Indonesia.

(i) Bank Indonesia's methodology for calculating risk-weighted assets for different classes of assets; (ii) banks' internal lending policies of collateralizing against a few select categories of assets; (iii) banks' lack of capacity to value specific types of movable collateral; (iv) historically negative experiences dealing with movables lending dating back to the Asian banking crisis of 2008; and (v) bank employees with relatively little knowledge and experience in lending against movable assets.

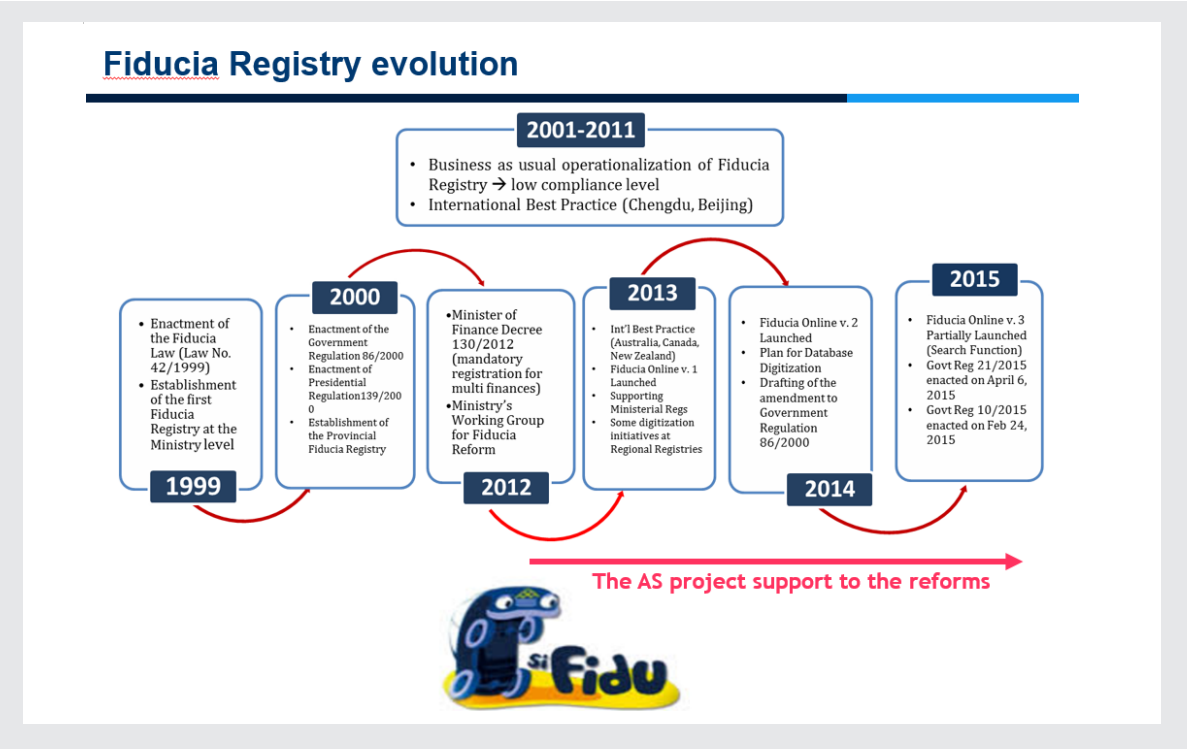
In summary, without the appropriate risk-mitigation tools needed for a robust movables lending industry, such as a sound legal and regulatory framework, a transparent and accessible registry system, and industry "know how", it would have remained difficult to encourage financial institutions to lend to MSMEs using movable assets as collateral.

APPROACH TAKEN TO THE DEVELOPMENT CHALLENGE

The World Bank Group approached the development of a solution with the above challenges in mind. First, the Bank Group team assessed the legal and regulatory framework, including the Fiducia Registry (movable collateral registry) system[4]. The secured transactions system was based on the Fiduciary Security Act (Law no. 42/1999) as well as provisions in the old colonial Civil Code for some transactions which involved security interests outside the scope of the Fiduciary Security Act. While the Fiduciary Security Act (Law no. 42/1999) contains a significant number of provisions that are in line with current international best practices for secured transactions, there was scope for improvement, such as transparency and accountability mechanisms, and requirements to meet same-day certificate publication as stipulated by the law.

While the Fiducia Registry had been in operation since 2000, its 33 regional and 157 satellite offices operated completely separately. Its manual registration process was inefficient and it sometimes took weeks or months to complete a registration, much longer than the same-day certificate publication benchmark mandated by the Fiduciary Security Act, offering very few incentives for creditors to rely on the system. Many creditors even refrained from registering security interests, and only registered if the borrower was going to default on the loan. As a result, after the first ten years of operation the Fiducia Security Registry had only three million movable items registered on the database, compared to an average of six million registrations *per year* after the new online system was introduced.

In 2009, the Bank Group initiated discussions with the Ministry of Law and Human Rights (the Ministry), which is legally mandated to manage the Fiducia Registration Office. This dialogue focused on the legal and regulatory



4 IFC Legal Diagnostics: Increasing Access to Credit in Indonesia through Secured Transactions Reform, 2009, updated 2014

improvements as well as the modernization of the Fiducia Registry. But it was in 2012 that the Ministry of Law and Human Rights took steps to reform its Fiducia systems and processes, when a Ministry of Finance decree made it compulsory for multi-finance companies to register their fiducia-secured financing in the Fiducia Registry, thereby putting a significant strain on the paper-based and decentralized registrations.

The team quickly acted to support this shift in the Ministry of Law and Human Rights' priorities and assisted the Ministry in setting up an *Ease of Doing Business* Reforms Task Force (Task Force), by linking the reform agenda for secured transactions with the existing initiative to pursue *Doing Business* reforms. The Task Force looked into the modernization of the movable collateral registry along with business registry reforms. In August 2013 and April 2014, the World Bank Group and the Ministry of Law and Human Rights signed memorandums of understanding and cooperation agreements that outlined the broad scope of the Bank Group's support to modernize the regulatory and institutional framework for movables financing.

FOCUS ON THE ENABLING ENVIRONMENT AND INFRASTRUCTURE

As its first priority, the team focused on the Fiducia Registry modernization and the respective regulatory reforms. It was clear that without a legal and sound registration infrastructure, any promotion of movables finance practices would not yield meaningful results with financial institutions.

Under the agreements with the Ministry of Law and Human Rights, the World Bank Group supported its partner in a wide range of activities over four years:

1. Numerous discussions with, and recommendations to, the *Ease of Doing Business* Reforms Task Force helped to inform the regulatory reform agenda related to movable collateral and provide in-depth support to the Ministry of Law and Human Rights' regulatory reform initiative. As a result, in April 2015, the Ministry amended Government Regulation No. 86 of 2000 concerning the Procedures for Movable Collateral Registration. The new regulation provided a stronger legal basis for the transition to an online registry by mandating all Fiducia registry-related processes to be done via the Fiducia Online system.

2. In June 2013, the Bank Group sponsored three top management officials from the Ministry of Law and Human Rights to visit the Australian Financial Services Authority (AFSA, formerly Insolvency and Trustee Service Australia), under the Australia Attorney General's Office. The Ministry introduced several new changes in February 2013, through which it decreased the role of its regional offices through a centralized technology solution. The visit was part of the Ministry's effort to understand how other jurisdictions implemented this reform without disruption to ongoing services. The visit set the stage for a mindset of change at the Ministry.

3. As a follow-up to the Australia visit, the World Bank Group facilitated a visit to Service Ontario in Canada in October 2013. The Chairman of the Task Force believed that in order to have the change embraced by other members of the Task Force, these members needed to witness and hear first-hand from other public service entities about what to expect. The Task Force members came back to Indonesia, motivated and ready to introduce and adopt many of the things they learned from the visits. The Task Force members were able to visualize how some of these changes could be deployed in the Indonesian context and this created a sense that it could be possible, and that similar challenges faced in another jurisdiction could be overcome with proper planning, people, resources, and tools.

4. The World Bank Group also supported the Ministry of Law and Human Rights' participation in the APEC Forum in Shanghai (March 2014), during which the Ministry Director General endorsed the adoption of the technical specification and service delivery recommendations.

5. The improved Fiducia Online Registry launched in March 2014, and the launch was attended by more than 1,000 members of the Indonesian Notary Association. The registry incorporated the World Bank Group recommendations, which converted the registry into a notice-based registry, reducing processing time from weeks to seven minutes. Following the launch, the Ministry of Law and Human Rights received a public service innovation award for the online system.

6. An assessment was done 12 months after the launch, in two major regional offices: Jakarta and West Java. It focused on implementation of the Fiducia registration, infrastructure, and problems that were encountered. A gap analysis report with functional specifications and a number of other technical recommendations fed into the development of subsequent Fiducia Online versions, with the latest release of version 4 in March 2016.

7. The team supported a wide sensitization campaign by the Ministry of Law and Human Rights to inform users, financial regulators, and the public on the Fiducia Registry modernization. This campaign included establishing standardized materials and information; partnering with the government for seven events in major cities nationwide to disseminate the reform, reaching a total of 2800 participants from MSMEs, banks, finance companies, and notaries; and supporting capacity building of over 130 senior officials of the Ministry of Law and Human Rights.

8. Since January 2016, when Joko Widodo, President of Indonesia, set an ambitious target of improving Indonesia's *Doing Business* position from 109 to 40, the Ministry of Law and Human Rights, in partnership with the Bank Group, has been able to promote critical amendments to the Fiducia Law identified by the project stakeholders. A draft is currently being reviewed by Cabinet/Parliament.

FOCUS ON MOVABLES FINANCE PRACTICES IN THE FINANCIAL SECTOR

The World Bank Group's previous experiences of supporting secured transactions reform in China and Vietnam had indicated that in order for the project to deliver meaningful results, secured transactions reform should be approached as a banking/financial sector initiative and not as a legal reform/registry project (China). Legal reform work can be complex and require long periods for implementation as well as additional resources for advocacy (Vietnam). However, in Indonesia it was clear that movables financing remained undeveloped due to an ineffective legal/regulatory environment and registry system coupled with a lack of industry and public knowledge. Regulatory improvements and strengthening the registry system were needed along with inclusion of support to financial institutions in product and service development, as well as awareness-raising activities with government agencies and the general public to promote movables-based financing.

To assess what Indonesia's financial sector needed in order to expand movables finance to under-served MSMEs, the World Bank Group held the Forum on Global Innovations in SME Finance on July 1, 2014, which was attended by commercial banks and Bank Indonesia. Follow-up discussions with a number of banks that participated in the forum confirmed that no technical assistance to lenders was needed to improve the practice of movables financing. The surveyed banks emphasized that focus should be given to modernizing the registry and improving the coherence of the supporting regulations to provide legal certainty.

Discussions with the financial sector regulators and financial institutions in early 2016 highlighted that the constraints on increased lending to MSMEs against movable collateral is not the financial sector as such, but some limitations of the functionality of the registry and the legislative framework. "We don't need help to innovate", quoted one of the surveyed banks. Financial institutions continue to ask for more modern functions in the Fiducia Registry, such as the capacity that no registration can be put on assets that have already been pledged as collateral and the automatic deregistering of collateralized assets when a loan has been repaid. In the use of inventory as collateral, there is also a need for flexible registration that allows different objects (collateral) in the same address to be pledged as collateral with different transactions. The other critical need is the mechanism for execution of repossession based on the interests entered in the Fiducia Registry. Without an effective execution system, the cost to repossess is high and may ultimately deter financial institutions from using the Fiducia Registry. In addition, all respondents to the survey indicated that the Ministry of Law and Human Rights' sensitization campaigns had not yet adequately reached all relevant stakeholders.

These findings suggest that although there's been considerable improvement to the legislative and practical framework for the use of movable collateral to increase access to finance for the small-scale business sector in Indonesia, more work needs to be done to achieve a full-fledged best practice outcome.

RESULTS

1. Fiducia Online shifted processing to a centralized and online registry in 2013 from a decentralized manual process of 33 regional offices and 157 satellite offices nationwide.

2. On March 15, 2016, Fiducia Online was accessible to all types of lenders including 14,000 notaries. In 2014 it was awarded one of the top nine National Public Service Innovations awards. The open accessibility could potentially earn one point in the indicator Getting Credit, Strength of Legal Rights for *Doing Business 2017.*

3. Fiducia Online's search function launched in 2015 allows anyone to conduct searches of the data stored in Fiducia Online databases, on the basis of name, identity of object, and number of certificates. This innovation is critical to comply with the principle of publicly available information about secured transactions. This result has earned one point in the indicator Getting Credit, Strength of Legal Rights for *Doing Business 2016*.

4. Solid monitoring and evaluation tools for the Fiducia Registration Office were successfully implemented, assisting the development of comprehensive reporting mechanisms which allows the Government of Indonesia to better understand the types of registrations based on creditors, debtors, and types of objects.

5. On a cumulative basis, as of December 2015 – Fiducia Online held 298,044 non-vehicles financing registrations, facilitating $30.8 billion[5] in financing for 212,205 SMEs. In total, there were 19.3 million registrations of corporates, SMEs, micro-businesses, and consumers since the launch of the modernized online system in 2013, compared to 3 million registrations in total during the ten years of operation of the manual registration system.

PARTNER & CUSTOMER TESTIMONIALS

The Ministry of Law and Human Rights

"The Ministry of Law and Human Rights has always been committed to improving public services, since the launch of Fiducia Online. To date, the system has been through a series of improvements to meet the needs of the public.

Fiducia Online is providing certainty and legal protection for creditors and borrowers. MSMEs generally do not have land or buildings, the system will be particularly useful for creditors when extending financing to MSMEs using movables assets as collateral. We hope that what we have built and improved can contribute to economic growth in Indonesia, where businesses increasingly have easy access to financing."

Bank Negara Indonesia (BNI)

"The Fiducia reform enables the system to become a transparent and accountable instrument and very useful for creditors in extending financing to MSMEs. There is a search feature that allows creditors to determine the status of the pledged assets, therefore, avoiding multiple creditors and reducing the associated risks."

Asep Syarifudin, Owner, Meetra Outdoor

"Fiducia Online helps banks to check collateral of their prospective borrowers quickly; this provides certainty for creditors and borrowers. We hope that with the improved system, our bank would be able to reduce the risk and eventually reduce the applicable interest rate. We are now able to pledge our inventory as collateral when we apply for financing to our bank."

5 In the case of syndicated loans, some loans may be registered multiple times in Fiducia

LESSONS LEARNED

To have committed sponsorship is critical.

The results achieved in this project were largely due to having a strong advocate and champion for the reforms in the Government of Indonesia, as well as having strong support from financial partners such as SECO and the Government of Japan who provided funding and actively participated in the project activities. The World Bank Group partnered with the Ministry of Law and Human Rights, which is mandated by law to manage the Fiducia Registration Office. The Ministry acted as the secured transactions champion, leading and executing the respective agendas with advice and support from the World Bank Group throughout the engagement. To expand the use of the newly established financial infrastructure by a broader range of financial institutions for lending backed by movable assets, the Bank Group and the Ministry plan to continue their partnership with other relevant stakeholders – Otoritas Jasa Keuangan (or OJK, the Financial Services Authority of Indonesia), Bank Indonesia (BI), and the Ministry of SMEs and Cooperatives – to increase access to finance for the under-financed MSME sector.

It helps to leverage emerging agendas and priority areas to support desired reforms.

A number of new regulations and agendas set by the Government of Indonesia and its various public agencies and the financial regulators paved the way to key turning points in the project's progress. Following the Ministry of Finance Decree 130/2012, the Ministry of Law and Human Rights set the Fiducia Registry modernization as its priority in 2012. OJK ran a series of sensitization events on the Fiducia Registry in 2015, creating a platform for constructive discussions on the Fiducia Registry's relevance to banking and non-banking financial institutions. The ambitious target of improving Indonesia's *Doing Business* position from 109 to 40, set by President Joko Widodo, has provided a way to promote legal recommendations related to secured transactions in a way that would not have been possible before. It will remain important to continue liaising across the financial regulators and government agencies in order to raise the profile and importance of the secured transactions reforms and to take advantage of the momentum that other initiatives may provide for the reforms.

It's good to strengthen capacity of the project champion.

From the beginning of the project, the team worked to help its partner gain a better understanding of the objective of the reforms under the secured transactions agenda. The study trips were particularly useful as they enabled the Ministry of Law and Human Rights staff to learn from their peers and to see firsthand the experience of other countries in order to apply the reforms in their own country. This support helped the Ministry to make informed decisions and also to convey a sense of knowledge and ownership of the process. For example, when the Ministry was presenting and leading the discussion at sensitization events, these events were productive and seen as beneficial by the Fiducia Registry users. The World Bank Group was able to draw on its global experience and expertise to ensure the client received best practice advice from not only the Bank Group but also other clients around the world.

Continuously invest in your stakeholders.

Over the course of the project, the key officials in the Ministry of Law and Human Rights relevant to the project kept changing, as is often the case in government institutions. The individual sponsoring the project changed multiple times, which required the project team to re-establish the relationship and re-sensitize the newly introduced Ministry of Law and Human Rights project sponsor. Having the dedicated legal and registry experts to continue working with the change in counterparts and keeping the strong relationship with the project sponsor was the critical factor in keeping the project on track. Having dedicated operational resources in the country (with banking experience) and global expert resources on-site at any time (with hands-on experience in running movable collateral registries), helped ensure the appropriate level of attention from executives within the Ministry of Law and Human Rights, the financial sector, and the other relevant stakeholders.

Adapt engagement to market realities.

While some practices in secured transactions reforms around the world show that such reforms should be taken as a banking/financial sector initiative and not as a legal reform/registry project in order for the project to deliver meaningful results, in Indonesia, the opposite was true. The team chose to focus initially on the Fiducia Registry modernization and the respective regulatory reforms as it was clear that in Indonesia, without a legal and sound registration infrastructure in place, any promotion of movables finance practices would not yield meaningful results with financial institutions. Repeated surveys of the financial sector stakeholders throughout the project re-confirmed that the project's adaptation of practices to the Indonesian market realities was the right course.

Spend time advocating and raising awareness amongst your stakeholders.

In Indonesia, there was little public discussion about the role of a sound legal framework in promoting economic growth. Therefore, promoting access to finance through the Fiducia Registry required extensive discussions to educate various stakeholders about the benefit and impact of the reforms. For example, the financial sector regulators did not fully appreciate the importance of fiduciary reform as an economic development driver. Creditors still see the Fiducia as a cost that they need to avoid wherever they can rather than as a useful risk-management tool, illustrating the need to continue working with the financial sector; with law enforcement (police/bailiffs) who are still not aware of their role in secured transaction enforcement; and with end consumers who also need to be educated about consumer protection rights. In this context, the role of government in educating stakeholders and providing stimulus for the use of Fiducia is vital.

Make sure to solicit feedback throughout the reform process.

It is only through a combination of public events (the SME Finance Innovations Forum and a number of sensitization events hosted by the Ministry of Law and Human Rights and financial regulators) as well as one-on-one discussions with banks, multi-finance companies, and financial regulators, that the Ministry and the World Bank Group obtained comprehensive feedback on how beneficial the ongoing modernization of the Fiducia Registry was to its users. This feedback informed and contributed to the improvements in the registry and its enabling framework as the reforms progressed and continued.

Meet your partners where they are.

Government officials are often very busy, and this puts the onus on the project team to find solutions to engage with the project sponsor when possible. In Indonesia, the team was willing and able to meet the sponsor where he was and had time. There were times, for example, that the team members would ride with him to or from the airport when he traveled in order to get the face time and sign off that was needed for progressing. Their efforts highlight the success of keeping the project on track by being willing to go the extra mile when meeting with our partners.

WHAT'S NEXT?

The World Bank Group and the Ministry of Law and Human Rights have supported notable improvements in the enabling environment and infrastructure for financial institutions to expand financing to SMEs backed by movable assets. Yet a few more challenges remain in scaling up and transforming the overall SME financing landscape, such as:

- Recommended amendments to the Fiducia Law have just been sent to the Parliament for approval. This will be followed by a need to establish effective implementing regulations and respective functions in the Fiducia Registry;

- Weak or absent enforcement of regulations around financing operations involving Fiducia. For example, regulation provides a sound foundation for creditors to repossess pledged vehicles without needing a court order on defaulted loans on the Fiducia basis, but law enforcement personnel are generally unaware of this regulation and very often protect the defaulted borrowers from creditors collecting the pledged assets;

- Challenges in coordinating the various policies and initiatives to support MSMEs by a number of ministries and agencies of the Government of Indonesia sometimes lead to only partial and fragmented implementation of policies, and thus do not provide as much fundamental support for the secured transactions reform needed to increase the use of movable assets to access finance by MSMEs;

- Access to finance for the MSME sector has not increased yet, and it may be argued that the Fiducia Registry's sensitization campaign has so far only scratched the surface in a country with over 120 commercial banks, 1,600 rural banks, 200 multi-finance companies, and close to 10,000 savings and loans cooperatives. Only 3.7 percent of banks use Fiducia security to secure their financing, compared to a majority of non-bank financial institutions and some 99 percent of financing of motor vehicles.

These remaining challenges form the rationale for the World Bank Group's continued partnership with the Ministry of Law and Human Rights, Government of Indonesia agencies and financial regulators to expand finance for under-financed MSMEs. A second phase of the project aims to continue the capacity building of the Ministry of Law and Human Rights, and to inform and educate users and beneficiaries of the online registry to increase financing for MSMEs.

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