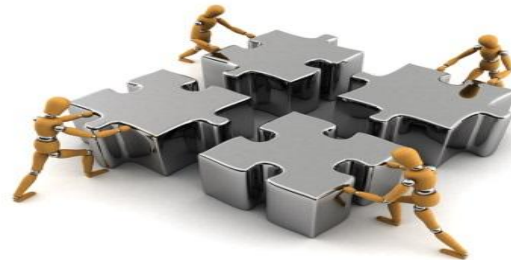


An Introduction to Korea Social Welfare Credit Union



October 2015

AGENDA

I. Introduction

- Socio-demographic profile in Korea
- Social Welfare Sector at a glance

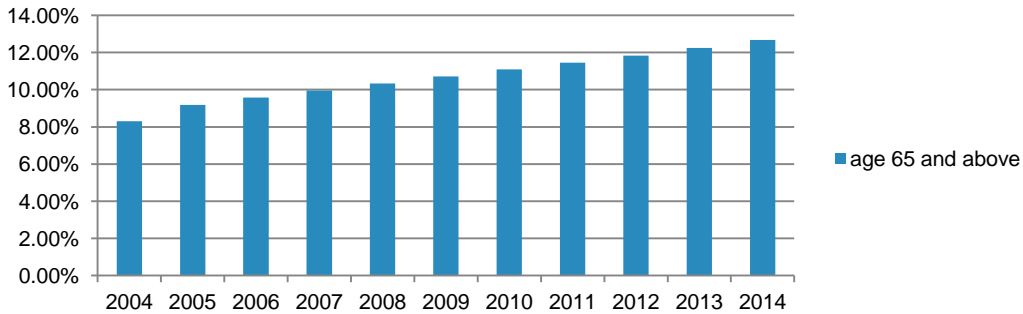
II. Company Overview

- Company profile
- Historic Milestone
- Organization Structure
- Main Business
- Financial Highlight
- Strategic Goal

Socio-demographic profile in Korea

□ Rapidly aging population

Population of age 65 and above



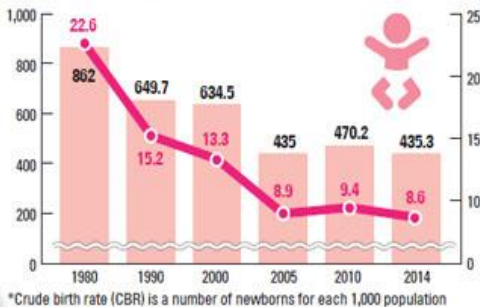
Implication

- According to the latest government projections, 38 percent of Korea's population will be elderly by 2050
- Large pressure on not only the health care system but also the delivery system to provide long-term care

□ Reduced size of family (the lowest fertility)

Fewer newborns

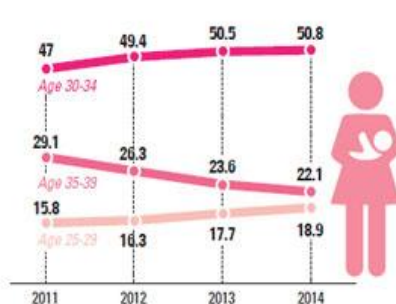
(Unit: 1,000 babies, CBR*)
 ■ No. of newborns ■ CBR



*Crude birth rate (CBR) is a number of newborns for each 1,000 population

Older mothers

(Unit: ratio of new moms in %)



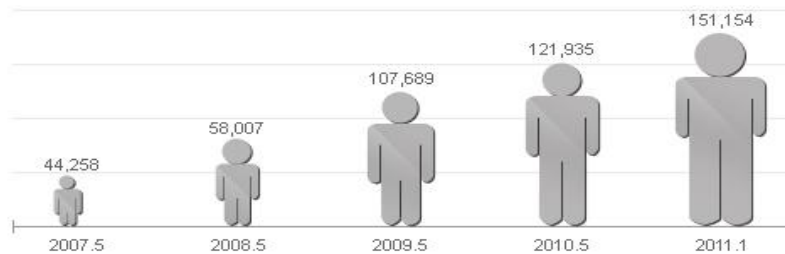
Implication

- The low birth rate is a big concern in Korea, in the long run shrinking the work force, eroding economic growth and increasing the burden on the nation's social welfare system
- Difficulty in balancing work and life and accelerated discontinuance of family relations

□ Diversification in the type of families

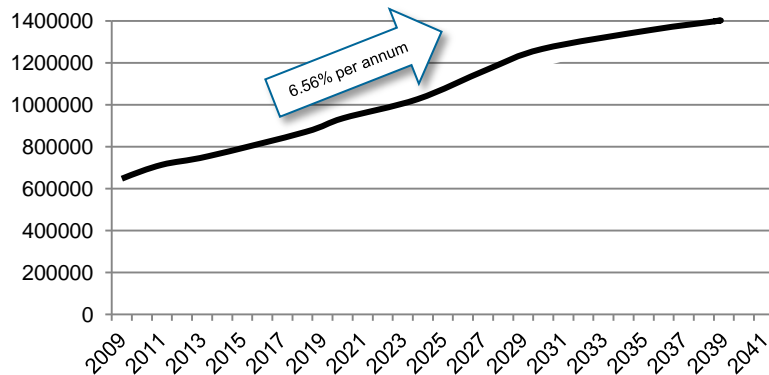
<Figure 1> Number of Children from Multicultural Families

(Unit: persons)



Source: Ministry of Public Administration and Security

□ Social service workforce



In Korea, more than 800,000 persons including the workers of civilian long-term care institutions, are employed in the social welfare sector.

Implication

- It is estimated that there are 1.5 million foreign nationals living in Korea; about 3% of the total population. Due to reasons such as low birth rates among native Koreans and Korea's rapidly aging population, Korea's future survival, both economically and socially, may depend on immigrants.
- Increased demand for social integration with the increasing multicultural families

Implication

- Demand for social work services in South Korea accelerates at a 9% annual rate over 2007-2012, influenced by an aging society and increasing attention to vulnerable social classes.
- Applying the comparison index (GDP vs. % of social service workers of Japan population), it is forecasted that the social service workers in Korea will increase at a 6.56% per annum.

Social Welfare Sector at a glance

□ Social welfare facilities

Total number of facilities: 61,751
 • Residential facilities: 7816
 • Non-residential facilities: 53,935

(Civilian long-term care facilities are not included)

Social welfare facilities by type

- Welfare facilities for the elderly
- Welfare facilities for the children
- Daycare centers for the children
- Social Welfare Centers, Tuberculosis, Hansen facilities
- Rehabilitation facilities for physically disabled persons
- Rehabilitation facilities for persons with mental disorders
- Facilities for the homeless

- Women protection facilities
- Family violence protection facilities
- Single parent families facilities
- Multicultural families support facilities

Related laws

- Social welfare services Act
- Welfare of the aged Act.
- Child welfare Act.
- Act on welfare of persons with disabilities
- Mental health Act.
- Act on support for welfare & self-reliance of the homeless etc.
- Infant care Act

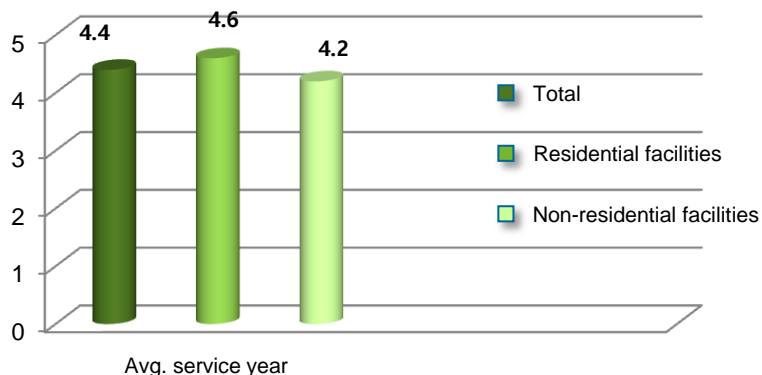
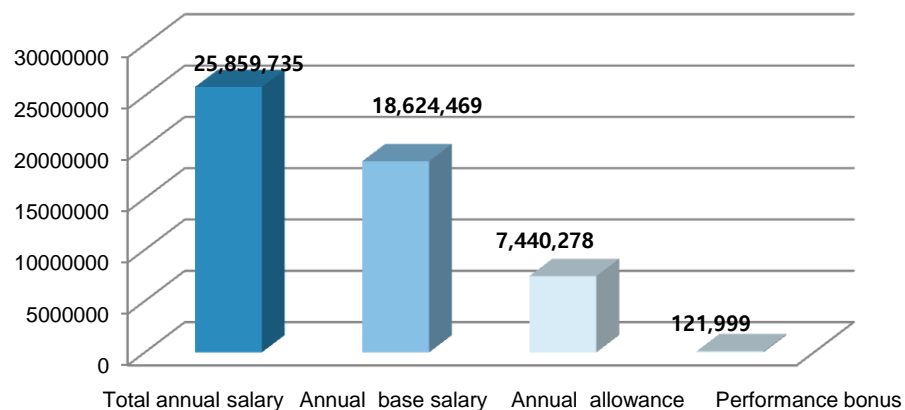
- Act on the prevention of sexual traffic & protection etc. of victims
- Sexual violence prevention & victims protections Act
- Act on the prevention of domestic violence & protection etc. of victims
- Single parent family support Act
- Multicultural family support Act

Ministry of Health & Welfare

Ministry of Gender Equality & Family

□ Social service workforce

• The social service workforce is defined broadly to describe a variety of workers – paid and unpaid, governmental and non-governmental – who staff the social service system and contribute to the care of vulnerable children, adults and families.



Source: Korea institute of health and social affair, 2014

Snapshot of social service workforce

The findings of surveys conducted offer a general snapshot of social service workforce in Korea. According to these findings,

- Average pay is low, at 65% of national average wage.
- Staff turnover is high. On average social workers leave their jobs within 5 years.
- The effectiveness of social work services depends on the quality and quantity of social workers. And both quality and quantity are being affected negatively by staff pay level and turnover.

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Company Profile

Name	• Korea Social Welfare Credit Union
Head Office	• Korea Financial IT Building 8F, Yeoidaepang-ro, Youngdeungpo-gu, Seoul, Korea
Type of Business Entity	• A cooperative financial institution and not-for-profit organization.
Number of employees	• 21 as at the end of October 2015
Number of members	• 117,300 as at the end of October 2015 (Employees of social welfare facilities and social service associations etc.)
Mission	• To provide the economic stability of life for members and to enhance their welfare benefits
Vision	• The best financial institution that gives hope for a brighter future to social welfare workers
Business description	<ul style="list-style-type: none"> • Korea Social Welfare Credit Union engages in insurance, savings and loan business activities. • These business activities include sales of a variety of insurance products such as obligatory liability insurance, accident protection, travel insurance and long-term savings. As for the accident protection plan, 50% of annual premium is being supported by the government . • As Korea social welfare credit union has its non-profit status, it returns surpluses back to members in the form of higher interest rates on savings and lower rates on insurance products and various welfare benefits.

Peer group comparisons

Cooperative	Member	Main Business	Establishment	Regulatory Agency
Korean Teachers' Credit Union	Teacher	Annuity, Savings, Insurance	Jul. 1971	Ministry of Education
Public Officials Benefit Association	Local public officials	Retirement fund, Loan	Feb. 1975	Ministry of Government Administration & Home Affair
Military Mutual & Association	Military personnel	Savings, Loan	Feb. 1984	Ministry of National Defense
Korea Fire officials Credit Union	Fireman	Retirement fund, Loan	Oct. 1984	Ministry of Public Safety & Security
Police Mutual Aid Association	Policeman	Annuity, Savings	Nov. 1991	Korean National Police Agency
Construction Workers Mutual Aid Association	Construction workers	Savings, Insurance	Jan. 1998	Ministry of Employment and Labor
Korea Software Financial Cooperative	Software business man	Loan	Jan. 1998	Ministry of Science, ICT & Future Planning
Korea Scientists & Engineers Mutual Aid Association	Scientist & Engineer	Pension, Savings	Jul. 2003	Ministry of Science, ICT & Future Planning
School Safety & Insurance Federation	School	Insurance	Sep. 2007	Ministry of Education
Children Center Safety & Insurance Association	Day Care Center	Insurance	Dec. 2008	Ministry of health & welfare
Korea Social Welfare Credit Union	Social service workforce	Savings, Insurance	Dec. 2011	Ministry of health & welfare
Korea Medical Association	Doctor	Insurance	Nov. 2013	Ministry of health & welfare

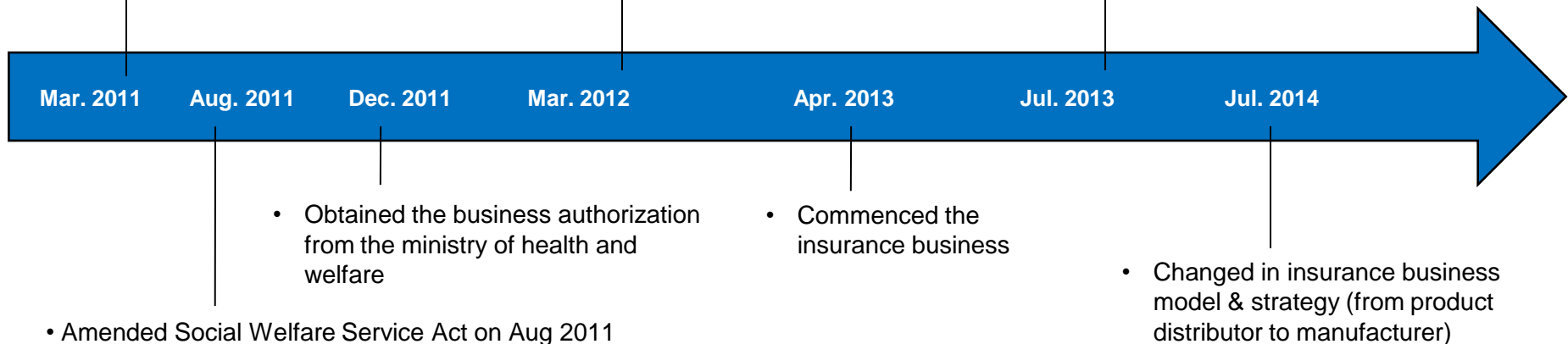
Historic Milestone

- Enacted 『 the Act on Treatment and Promotion of Status of Social Welfare Workers, etc. 』 on Mar. 2011

Article 4 (Korea Social Welfare Credit Union) ① Korea Social Welfare Credit Union can be established with the approval of Minister of Health & Welfare to improve the economic stability and welfare of social service workforce.

- Foundation of Korea Social Welfare Credit Union

- Subsidy was given out by government for accident protection insurance plan

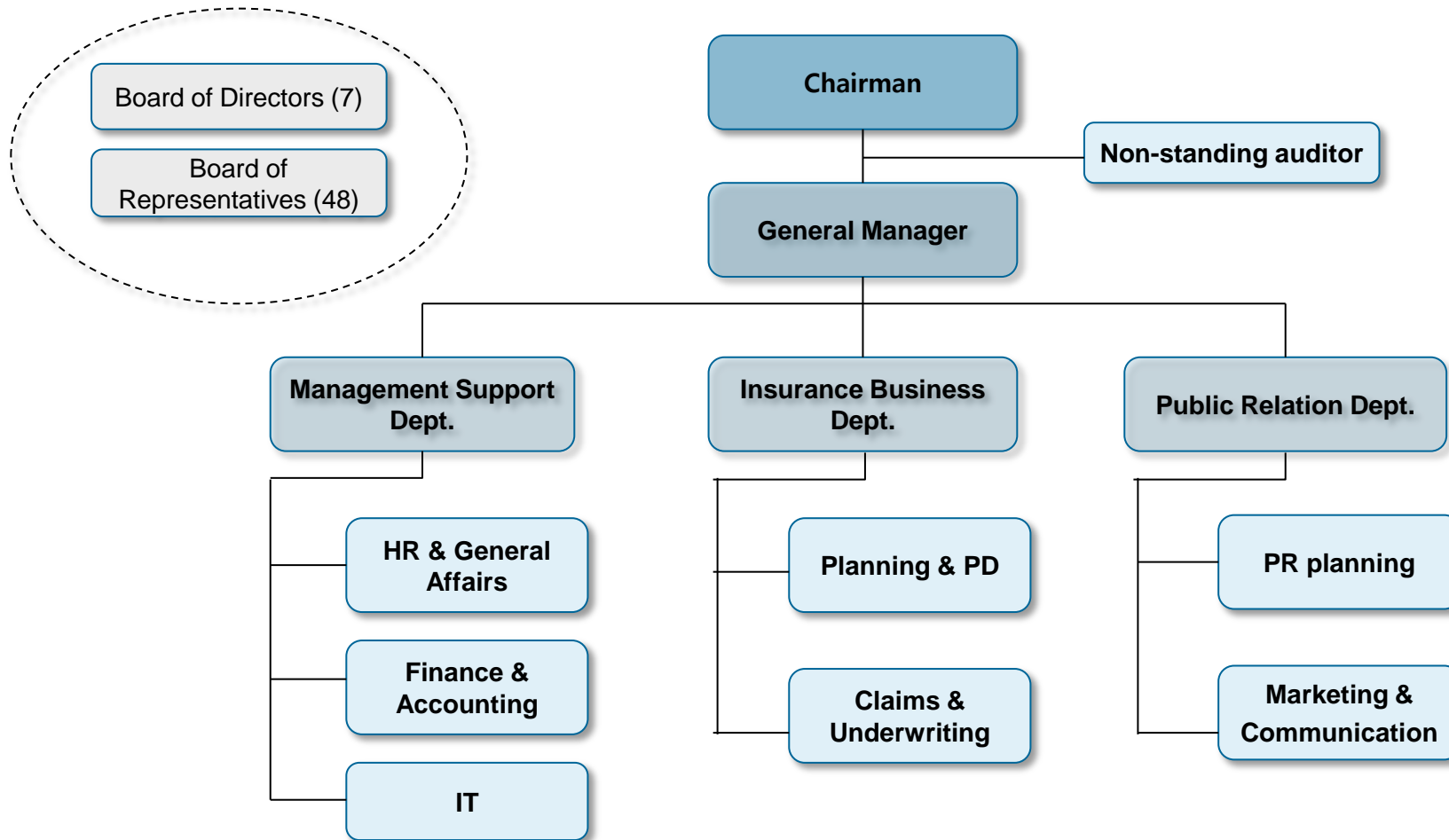


- Amended Social Welfare Service Act on Aug 2011

Article 34-3 (Obligation to Purchase Insurance)(1) The operator of a facility shall purchase liability insurance of a non-life insurance company or enter into a liability mutual aid agreement with the Korea Social Welfare Credit Union under Article 4 of the Act on Treatment and Promotion of Status of Social Welfare Workers, etc. in order to take responsibility for compensating for losses caused by fire.

(2) The State or a local government may provide subsidies to fully or partially cover expenses incurred in purchasing liability insurance or entering into a liability mutual aid agreement under paragraph (1), within budgetary limits.

Organization Structure



(Total number of employee: 21)

Business - Products & Services

❑ Long-term Saving

- The Long-term Saving product is designed with high interest rate so that the members can enjoy comfortable life in their later years after retirement.
- Those who purchase the Long-term Savings product automatically acquires the qualification as a member of KSWCU and can enjoy various welfare benefits.

❑ Insurance

- **Accident protection insurance**
; Accident Protection Insurance Plan provides financial protection against accidental death or injury 24 hours a day.
Coverage: accidental death, disability, hospitalization
- **General Liability Insurance**
; Obligatory insurance products that should be purchased in the social welfare facilities by law, in which Commercial general liability insurance, Fire insurance, Professional Indemnity, Travel Insurance and Financial guarantee are included.

❑ Welfare Service

- Hosting various events for members all through the year; healing concert, opera etc.
- Safety inspection for social welfare facilities on a regular basis and providing consulting service
- Offering exclusive discounts on various products and services as a benefit of membership

Business- Cooperative's Insurance Business Model

❑ As a product distributor

- Cooperative sells non-life insurer's products repackaged under the name of distributor (namely, cooperative) in accordance with a strategic alliance agreement. And the insurance policies sold by cooperative are fully ceded to non-life insurer.
- Non-life insurers usually provide the product with a discounted rate to Cooperative. Then, Cooperative determines the premium level to be marketed. Difference between the marketed premium and ceded premium can be recognized as a sort of sales commission fee.
- Currently, Korea social welfare credit union sells the general liability insurance products as a product distributor, according to the strategic alliance with a few non-life insurers but plans to steadily convert the distributor position into manufacturer position in consideration for the product management infrastructure and the risk capital adequacy.

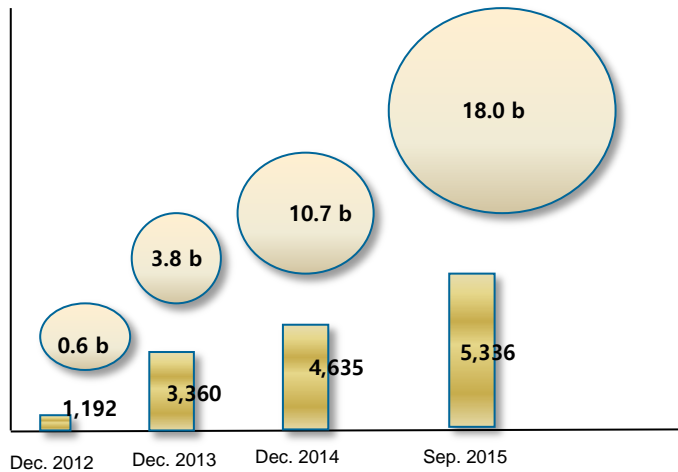
❑ As a product manufacturer

- Cooperative develops and directly sells the product, taking all risks associated with the product, which is the same roles and responsibilities as the insurer typically has.
- Currently, Korea social welfare credit union sells the accident protection product as a product manufacturer.

Business - Performance

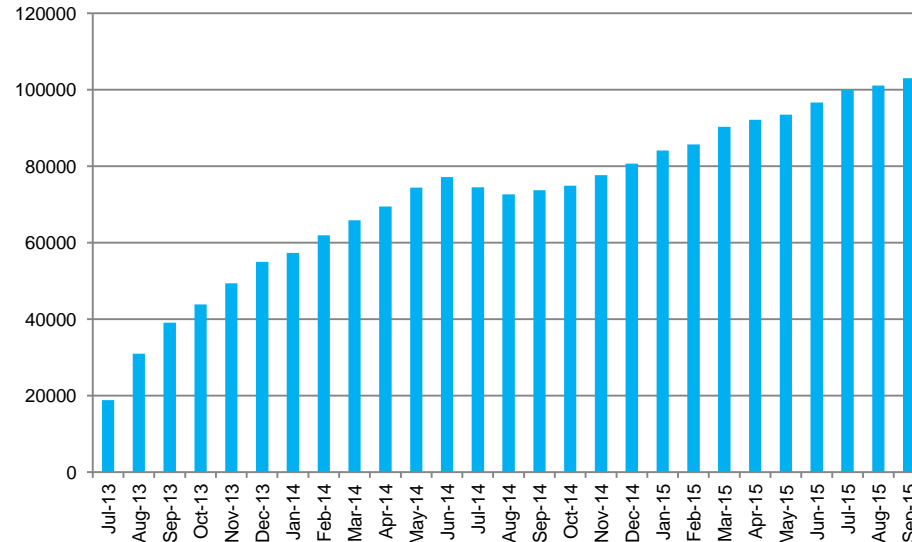
Long-term savings

(Unit: billion KRW/, person)



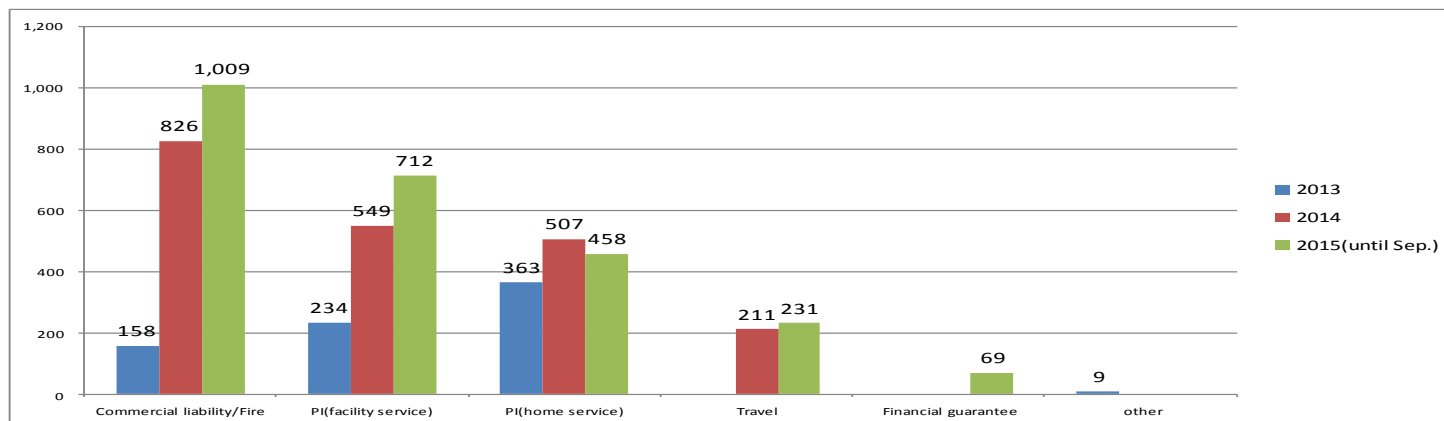
Accident Protection Insurance

(Number of in-force policies)



General Liability Insurance

(Unit: million KRW/)



Financial Highlight

Balance Sheet

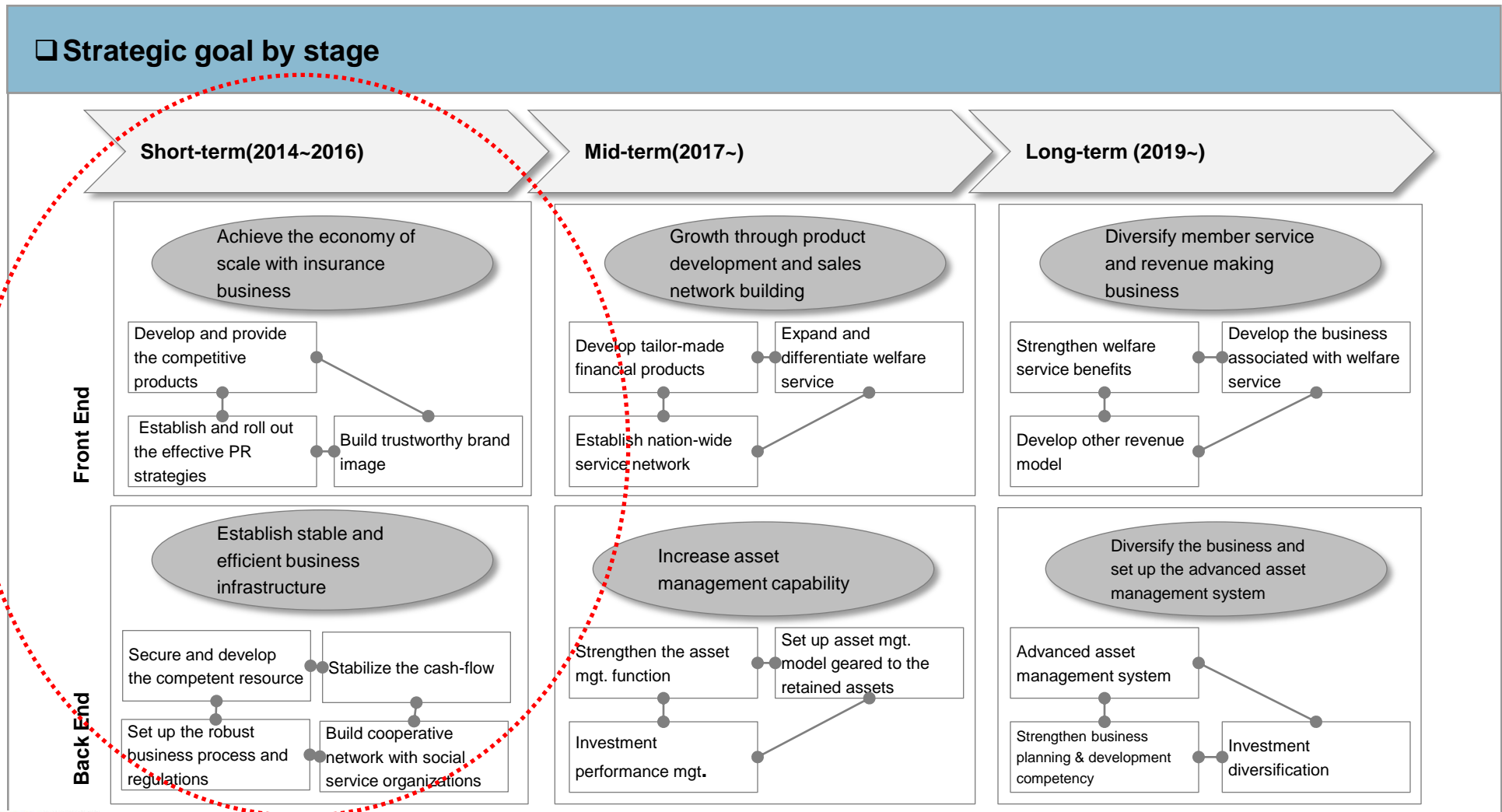
(in million KRW)	Audited 31-Dec-12	Audited 31-Dec-13	Audited 31-Dec-14	Forecast 31-Dec-15
Assets				
Cash & Cash equivalents	251	571	988	1,704
Investments	583	3,877	10,835	20,036
Other assets	439	466	1,035	845
TOTAL ASSETS	1,272	4,915	12,858	22,585
Liabilities				
Short-term debt	404	940	1,284	1,534
Long-term debt	596	3,953	11,338	20,577
Equities				
Capital	434	434	434	434
Retained earnings(deficit)	-162	-412	-197	40
TOTAL LIABILITIES AND EQUITIES	1,272	4,915	12,858	22,585

Profit & Loss

(in million KRW)	Audited 31-Dec-12	Audited 31-Dec-13	Audited 31-Dec-14	Forecast 31-Dec-15
Revenues				
Premiums		292	2,800	3,033
Net investment income	4	50	197	526
Other revenues	14	125	23	131
TOTAL REVENUES	18	467	3,019	3,689
Expenses				
Operating expense	174	689	2,567	3,428
Other expenses	6	28	238	24
TOTAL EXPENSES	180	717	2,805	3,452
Net Income	-162	-250	214	237

Strategic goal

□ Strategic goal by stage



감사합니다.
Thank You



INTRODUCTION TO KOREA SOCIAL WELFARE CREDIT UNION

by Young Kyu Lee

This presentation is to introduce Korea social welfare credit union. Recent trend of South Korea is to increase welfare spending. Along with economic growth and rapid industrialization, however, Korea is experiencing the lowest fertility rates and high life expectancy, which brings about social problems. Under socio-demographic circumstances, the expansion of social welfare programs has been made but the social service workers who would carry out the social welfare program to help either children and families or the aged are economically vulnerable and their retention rate is very low.

Against the backdrop, Korea social welfare credit union was founded on March 2012 in accordance with Social Service Law. Korea social welfare credit union is a cooperative financial institution and aims to offer not only better and reasonable rates on financial products but also other welfare benefits to social service workers. One of the most significant aspects of Korea social welfare credit union is its non-profit status. Korea social welfare credit union returns surpluses back to the members in the form of higher rates on savings and lower rates on insurance products and welfare benefits.

Since its founding, Korea social welfare credit union has experienced tremendous growth both in its membership and its services.

Today, membership had grown to nearly 100,000 and its assets to 20 billion KRW.

Kyobo Life Insurance Co., Ltd: Best Practice Case of Financial Consumer Protection

For International Academy of Financial Consumers
October 31, 2015 at Jeju Conference, Korea
By Kumjoo Huh

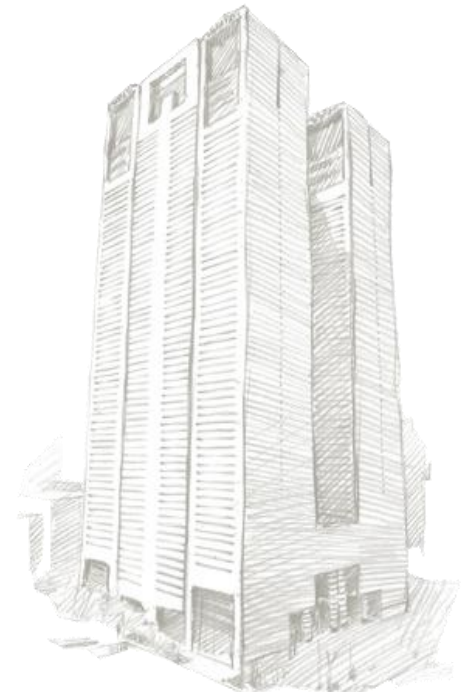


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1 ***Kyobo Life at a Glance***

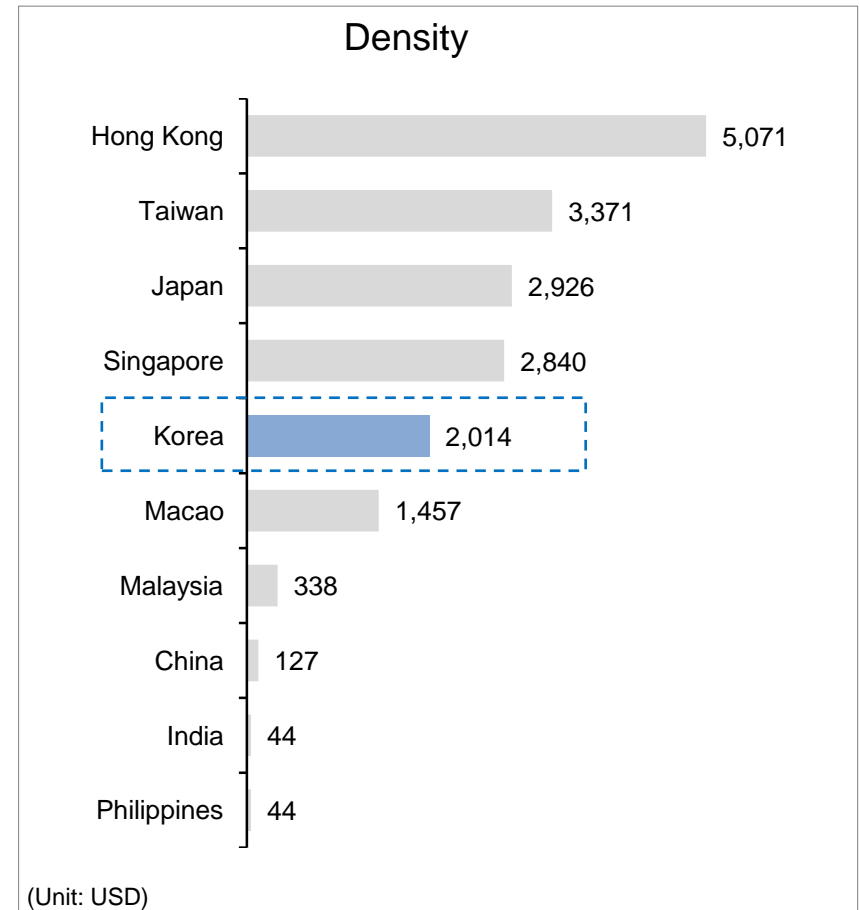
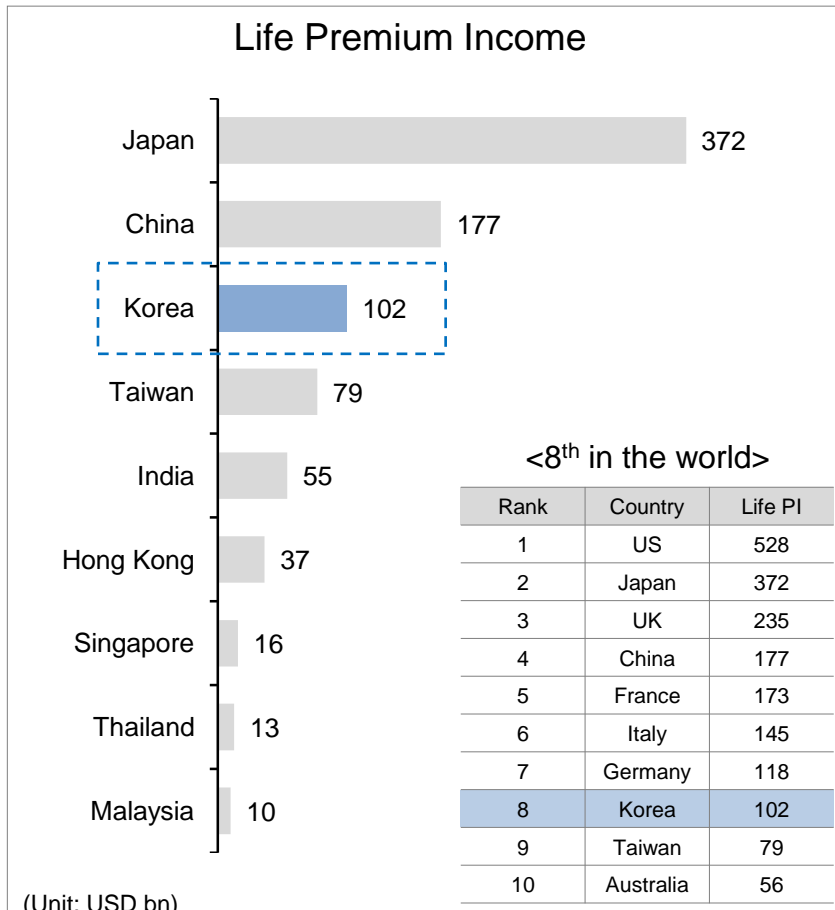
2 *Commitment from Top Management*

3 *Customer Centered Management*

4 *The Success Story*

Korean Life Insurance Position in the Global Place

Korea is the 8th largest market in the world in terms of premium income. Compared to other Asian peers, however, its density is relatively low recording 5th in Asia



About the Speaker: Kumjoo Huh [Kyobo Life]



- 25 Years with Kyobo Life
- Senior VP of Kyobo Life
- Head of B2B Marketing Division
 - Group Insurance
 - Corporate Pension
- Chief Rep for Kyobo Beijing
- Head of Global Strategy
- Managing Director for CCISSR [Center for China Insurance and Social Security Research]
- Co-chair American Chamber of Commerce in Korea, PWC

1. Kyobo Life at a Glance

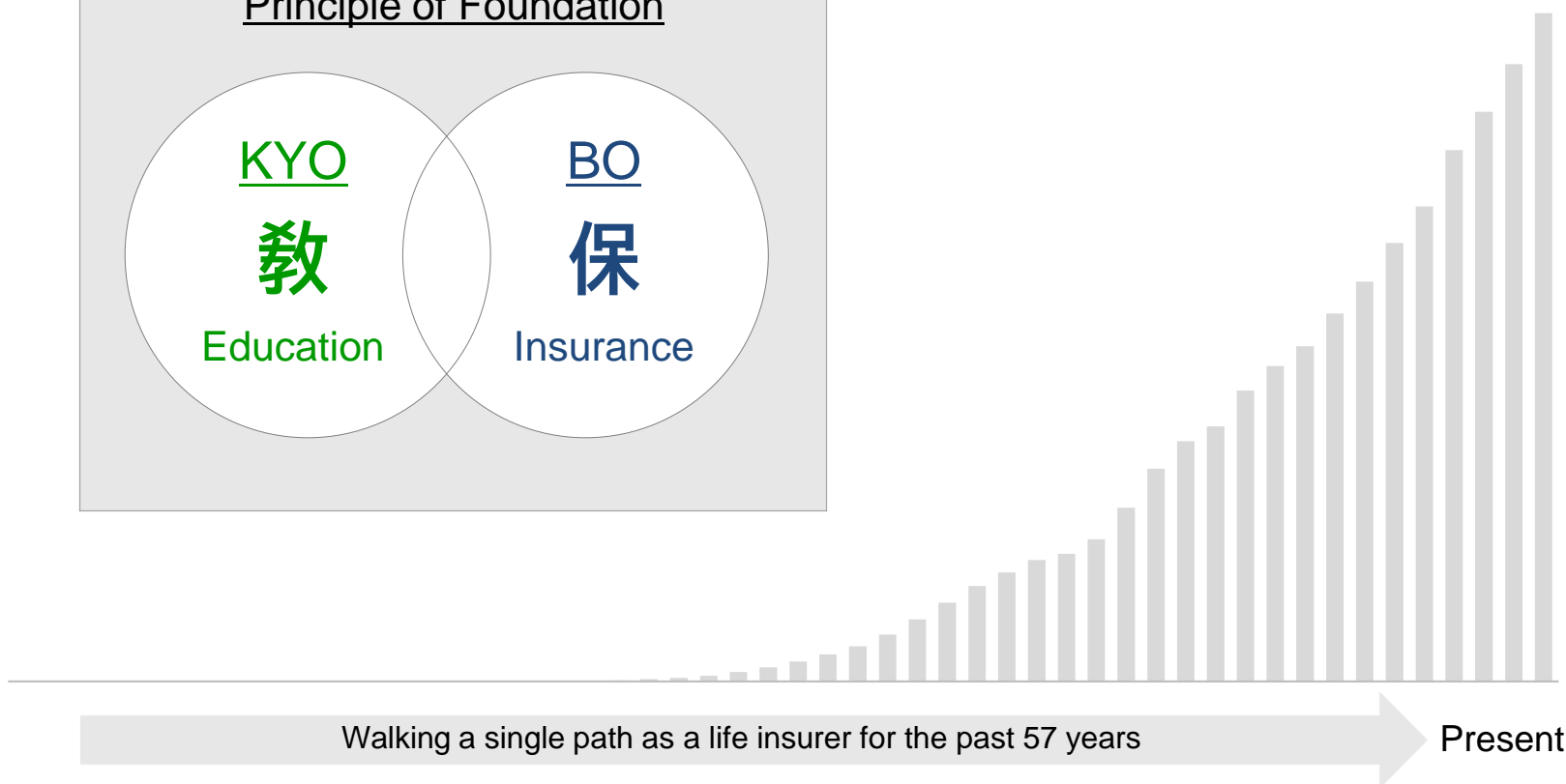
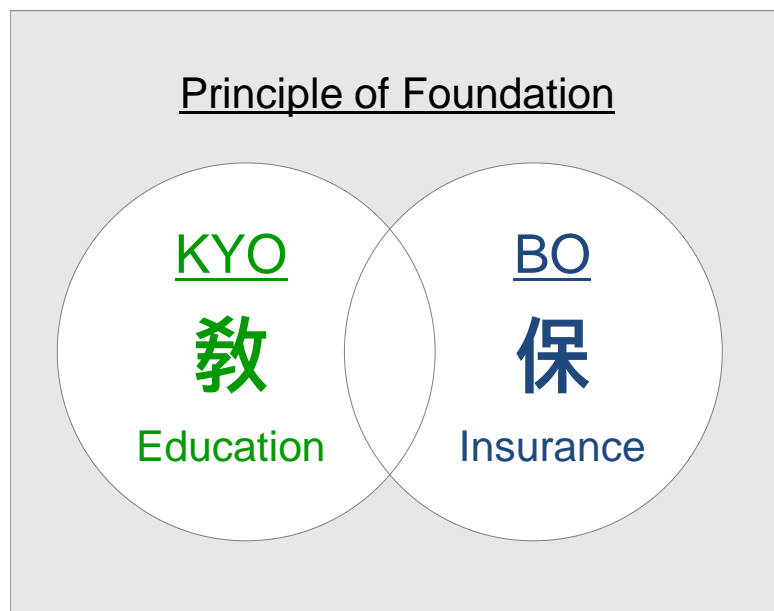
Kyobo Life based on its over five decade of history based on its Founding Mottoes continues to write new chapters in the history of the Korean life insurance industry



- Founded in 1958
- Founding Motto:
 - Promotion of National Education
 - Formation of Domestic Capital
- Total Assets: USD 82 billion
- Total Premium Income: USD 11.7 billion

1. Kyobo Life at a Glance

Kyobo Life is one of the Big 3 players in Korea with a 11% market share. Kyobo Life has 18,929 tied agents, 4231 employees and 605 branches and 9.2 million policies in-force



1. Kyobo Life at a Glance



2014



Porter Prize for Excellence in CSV

2012



Personality of the Year
Asia Insurance Industry Awards 2012

2010



G20 Business Summit
Financial Industry Representative

2010



The Most Admired 50 Companies in Korea
Ranked No.1 among Insurance Companies

2009



Life Insurance Company of the Year
First to win the prize as an Korean Life Insurer

2008



The BEST Transparent Management Award

2005



Ethical Management Award



1. Kyobo Life at a Glance_Credit Ratings

Kyobo Life has been endowed A2 by Moody's for 8 consecutive years, and A+ by Fitch for 3 consecutive years. Kyobo Life is the only life insurer with Moody's, Fitch credit ratings in Korea

FitchRatings

A+

<July 2013 ~ Present>

MOODY'S

A2

<July 2008 ~ Present>

1. Kyobo Life at a Glance_Subsidiaries

(As of end of 2014)

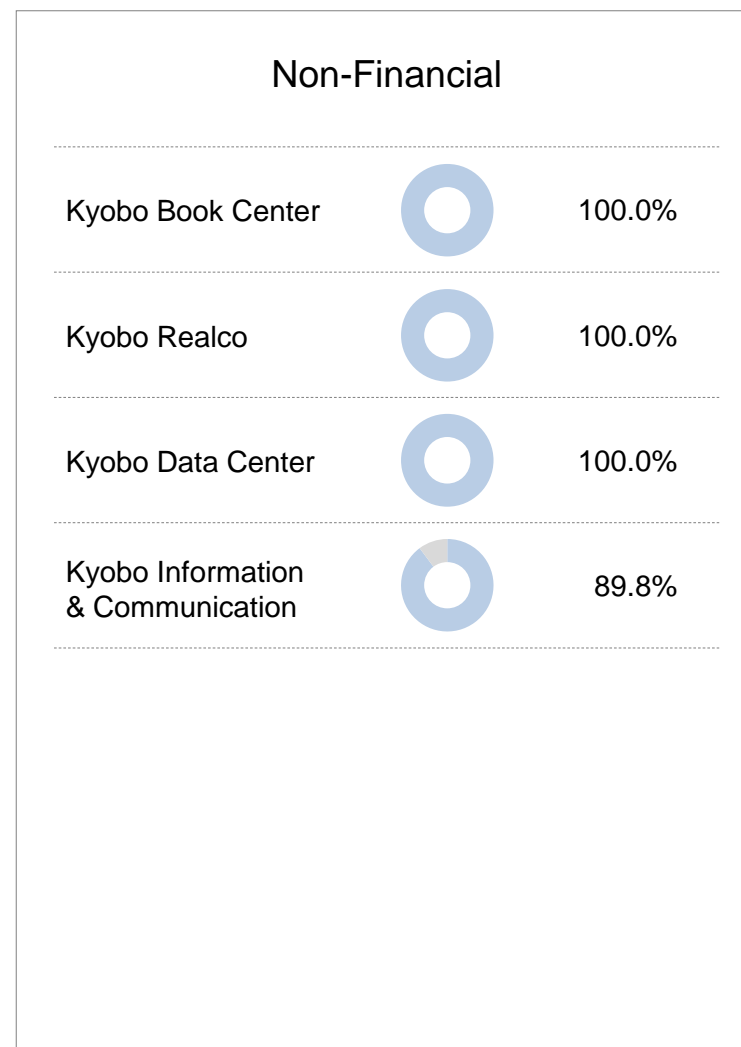
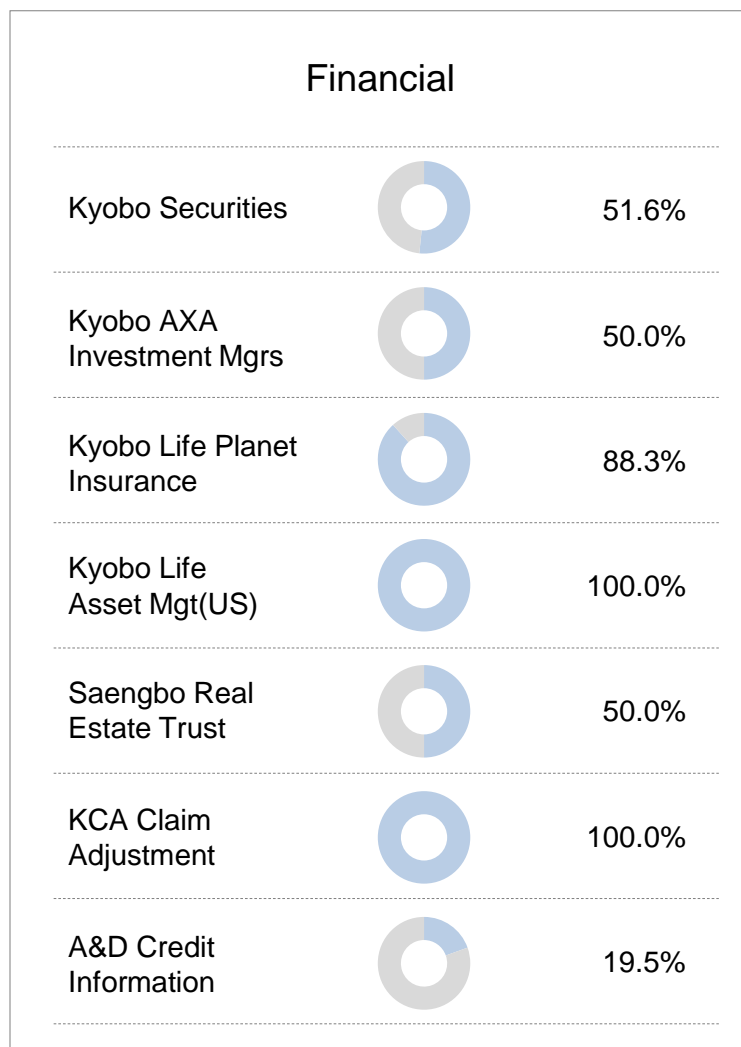


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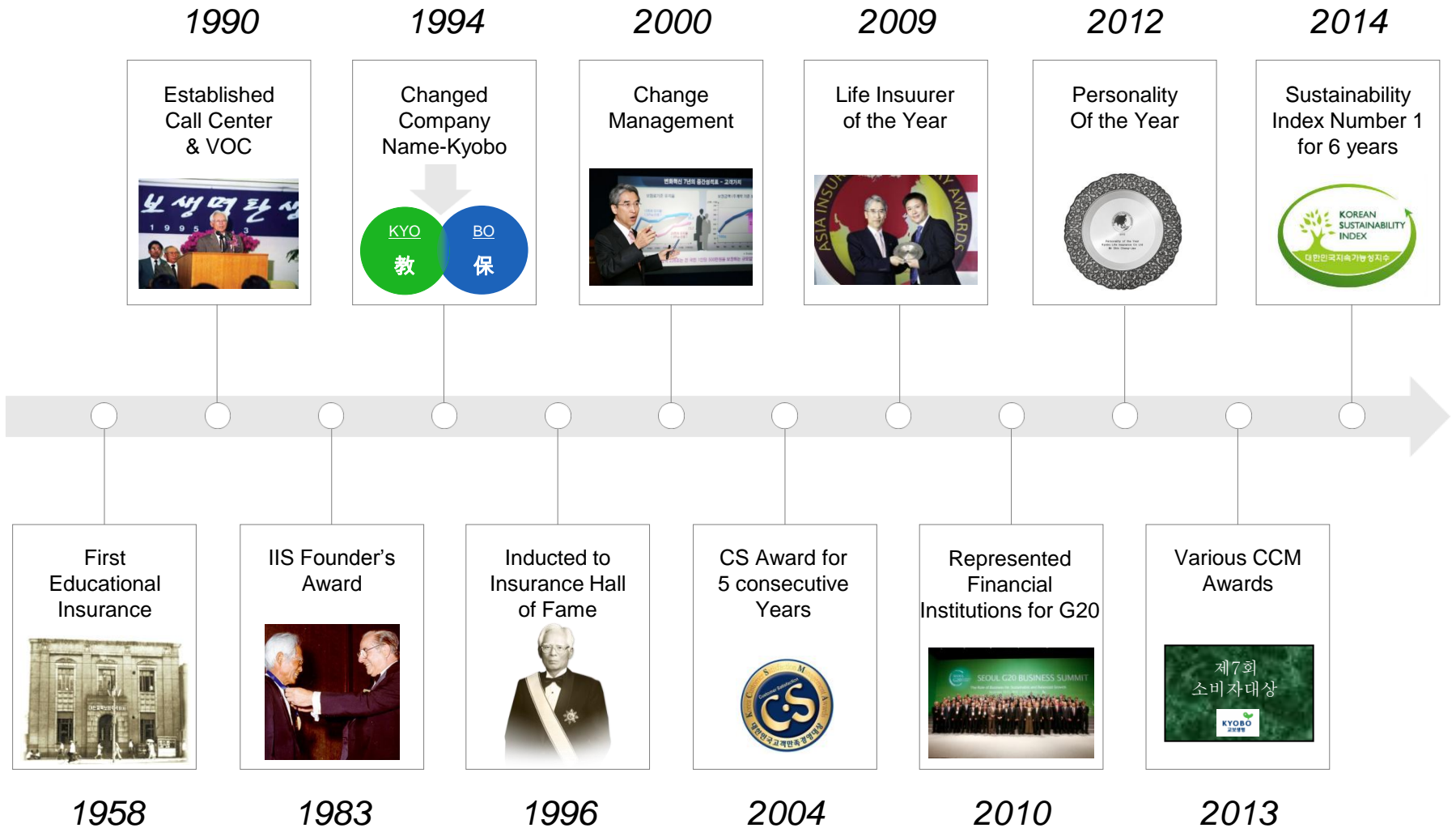
1 *Kyobo Life Introduction*

2 *Commitment from Top Management*

3 *Customer Centered Management*

4 *The Success Story*

2. Commitment of Top Management- History of CCM



2. Commitment of Top Management_Change Mgt

Kyobo Life launched its Change Management program in 2000 with the announcement of the company's new Vision, Mission and Core Values focused on Customer Centered Management

Change Management



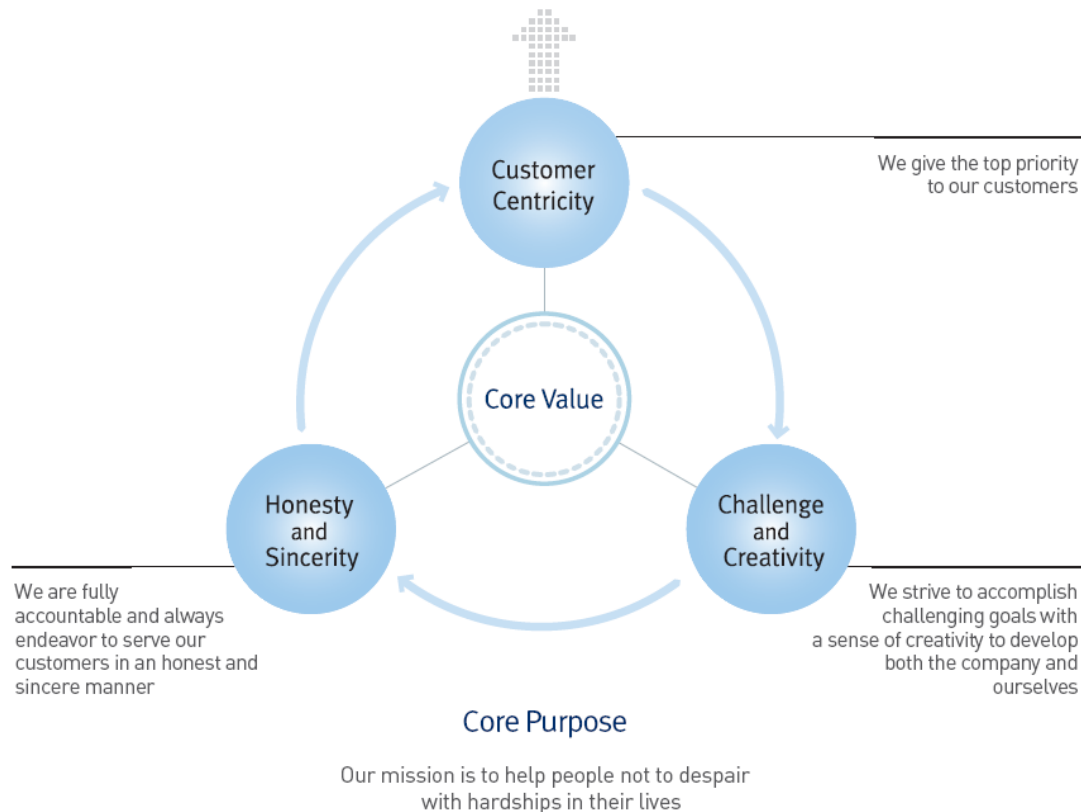
Customer Centered Management

- Ethics Charter for Kyobo
- Kyobo's Vision and CI
- Kyobo's Mission is "to help people not to despair with hardship in their lives"

2. Commitment of Top Management_Vision

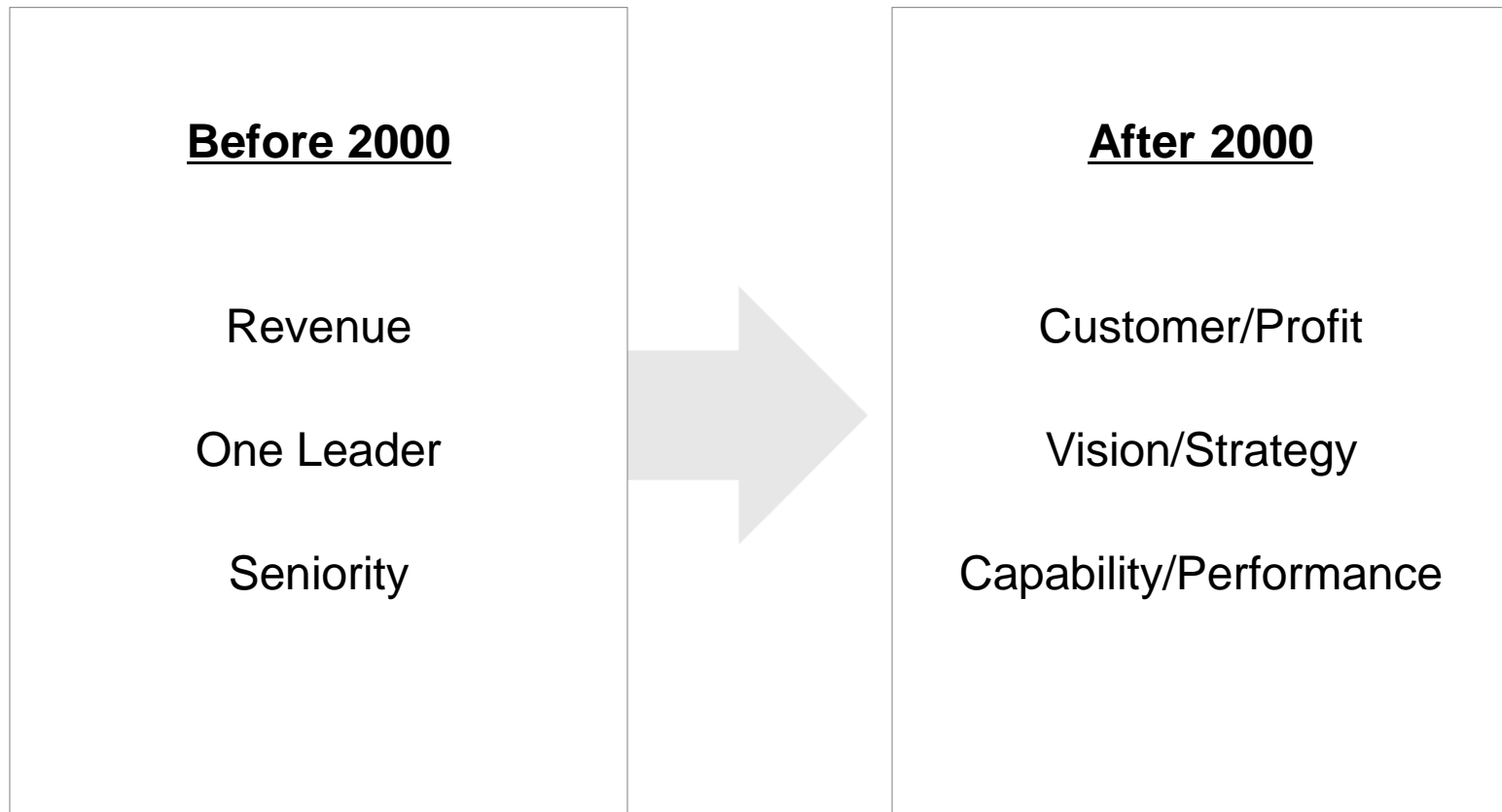
[VISION 2015]

“The company that provides optimum insurance coverage
and on-going services”



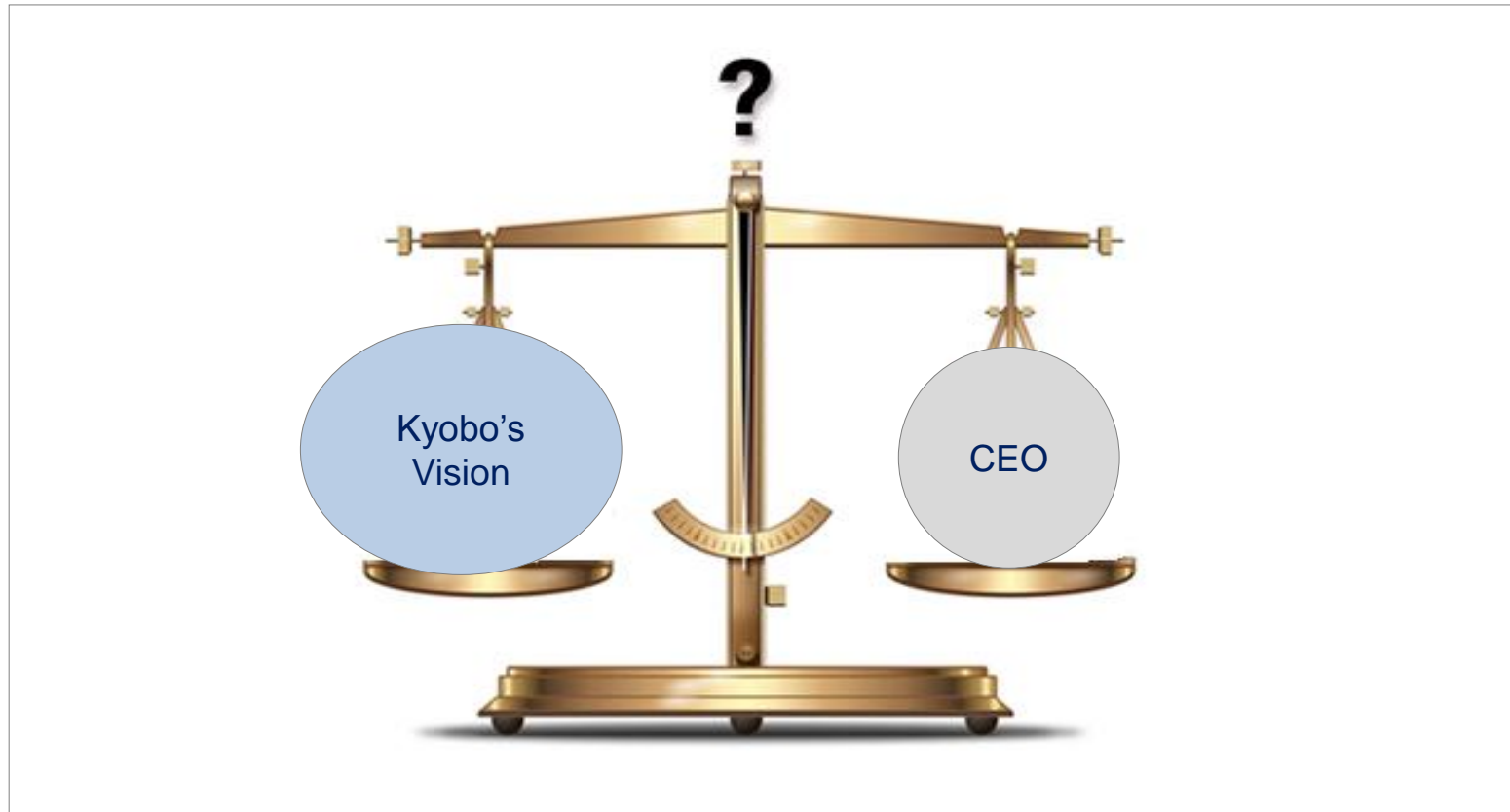
2. Commitment of Top Management_Paradigm Shift

After the launch of the Change Management Program a paradigm shift took place focusing on Customer/Profit, Vision/Strategy, Capability/Performance



2. Commitment of Top Management_ The Culture

Kyobo Life's CEO describes Kyobo's Vision to be the Big Boss, the grounds for making decisions as to whether it is in alignment with the Vision and not the CEO



2. Commitment of Top Management_Embedding

The CEO of Kyobo Life, Dr. Chang-Jae Shin in this many speeches emphasizes the importance of Customer Centric Management and its contribution to the industry

“Kyobo Life cannot exist without its customers. We need to think ahead what the customers want from us and we need to think hard and implement what kind of benefit we can provide to our customers.”

CEO Speech April, 2012.

“VOC Management, we need to execute customer centered management where ideas for new products and services are developed or reflected in the company’s philosophy

CEO Speech, April 2013

“We will lead the life insurance industry by making endeavors to set up a culture that protects customers based on Kyobo Life’s Core values.

CEO Speech, January 2014

“Need to Communicate 700 Times”



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1 *Kyobo Life Introduction*

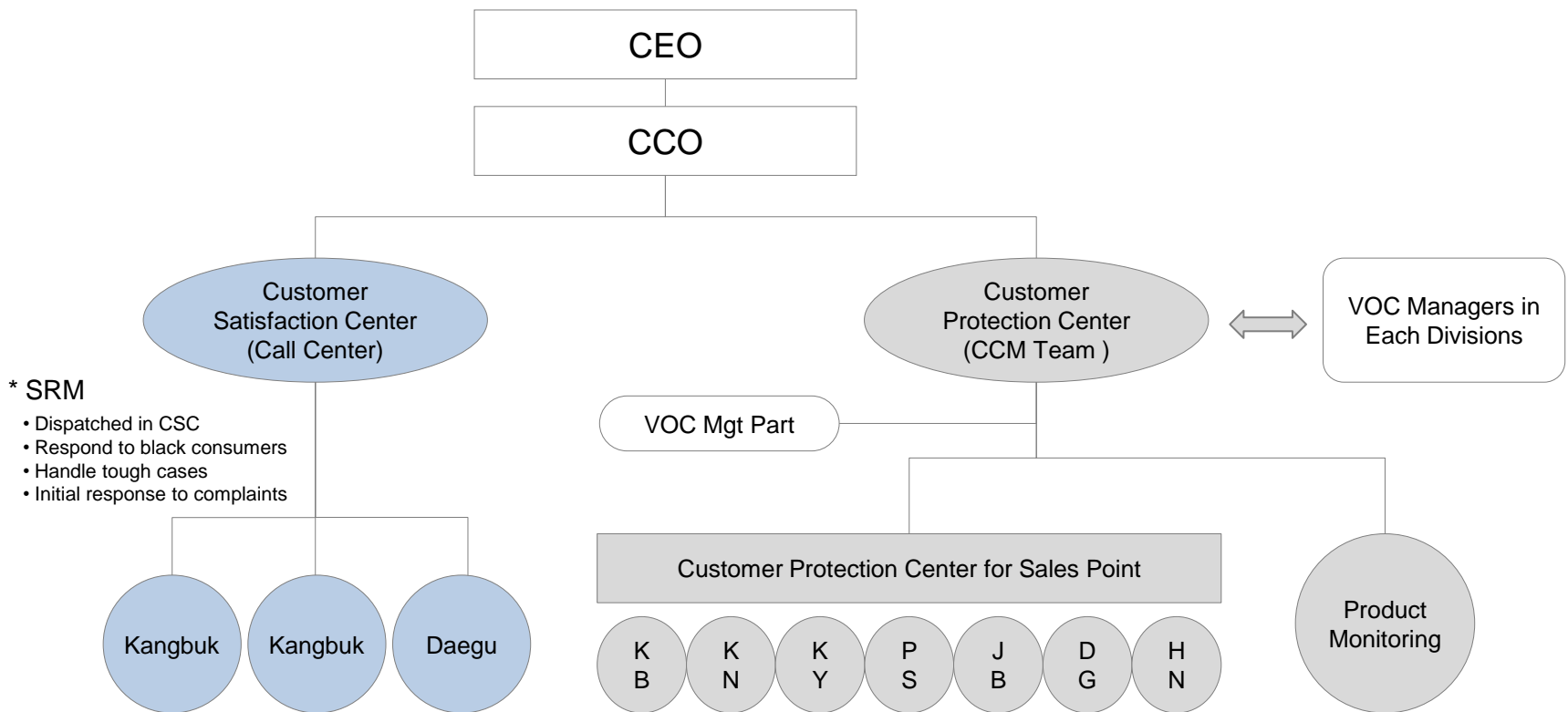
2 *Commitment from Top Management*

3 ***Customer Centered Management***

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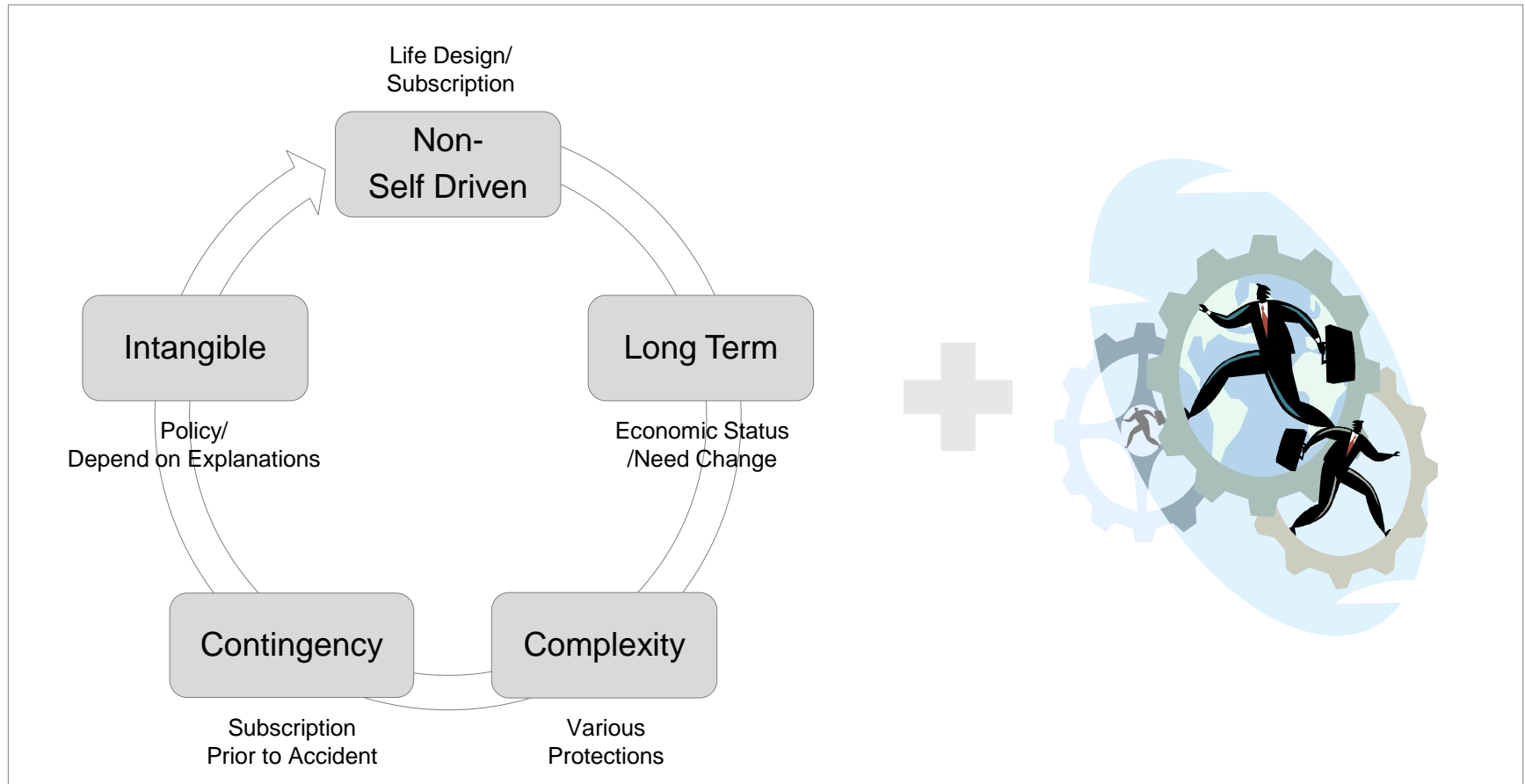
3. Customer Centered Management_Organization

Kyobo Life's CCO reports directly to the company's CEO and the CCO oversees the Customer Satisfaction Center and the Customer Protection Center where customer data is accumulated

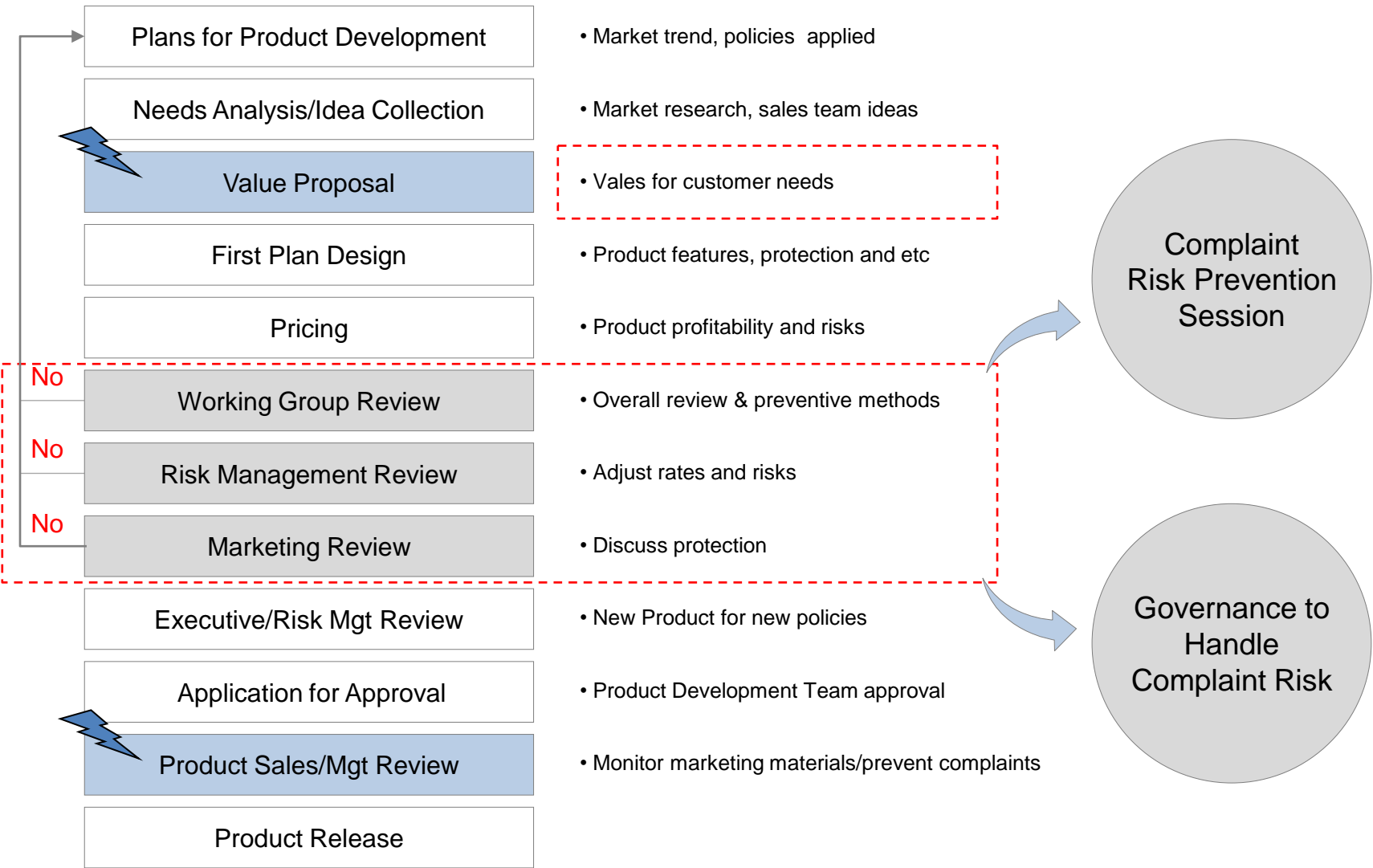


3. Customer Centered Management_Execution

There is a higher possibility of customer complaint for life insurance compared to other financial products and thus subscription, ongoing service and benefit payment is important

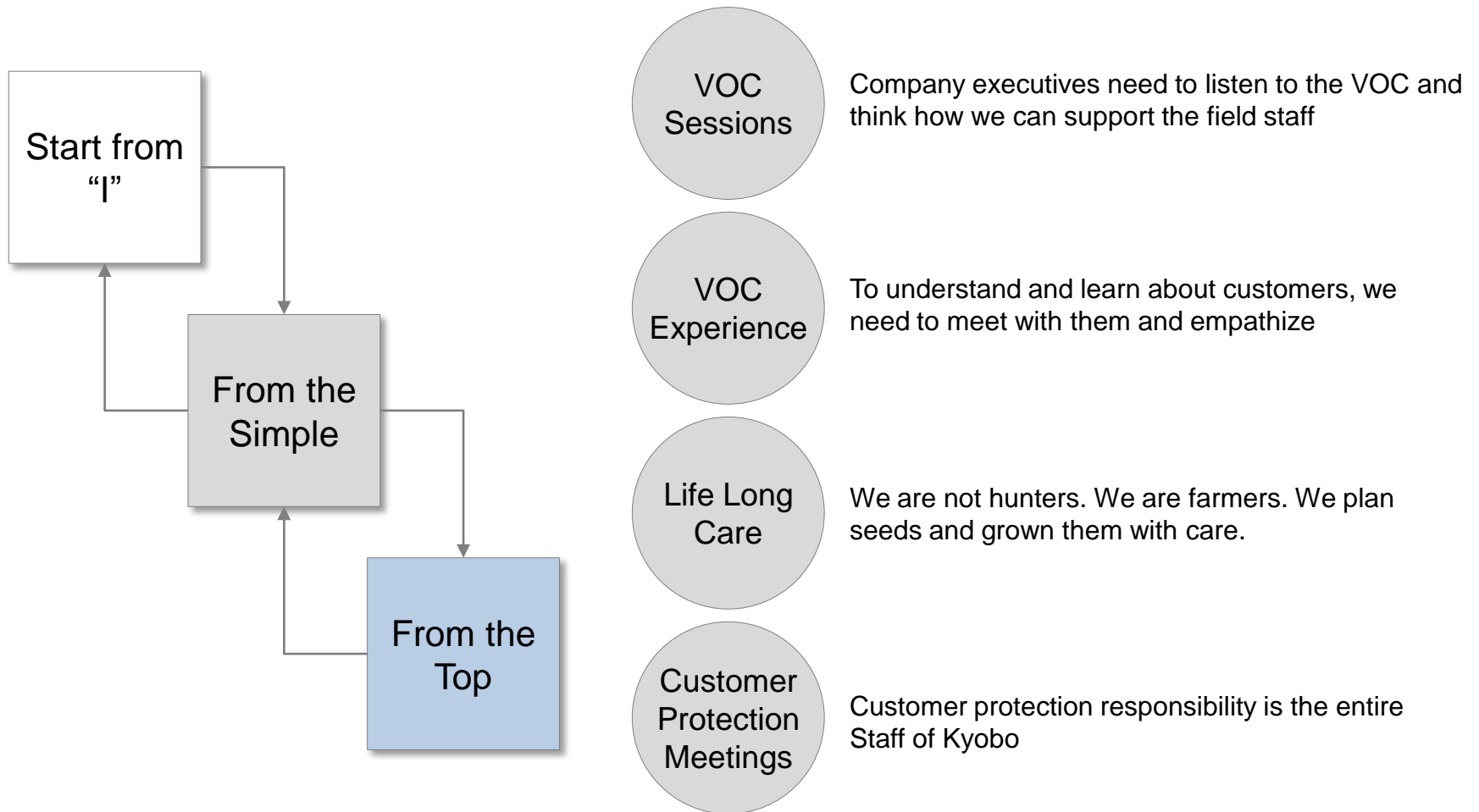


3. Customer Centered Management_Product/Services



3. Customer Centered Management_VOC System

Kyobo Life proactively endeavors to find the answers from within via analysis of the Voice of Customer system ultimately providing lifelong care services to our customers



3. Customer Centered Management_VOC Channel

As for technical capacity, Kyobo Life offers diverse service channels based on our hi-tech IT platform. Kyobo Life offers website and mobile applications for customers to voice their opinion

Website

Any Device



Any OS



Any Browser



Mobile App



“Anytime!”
“Anywhere!”

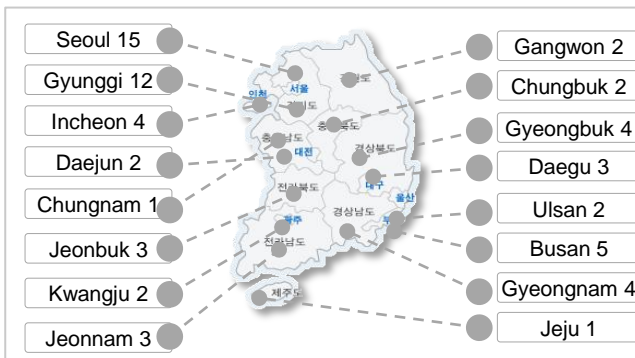


3. Customer Centered Management_VOC Channel

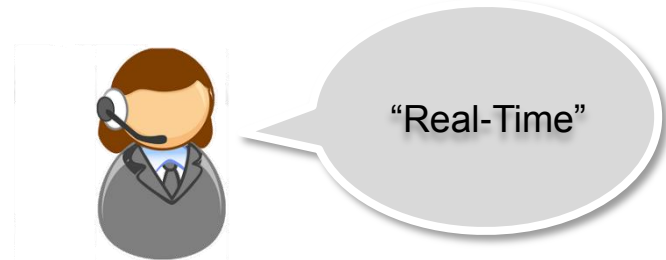
Kyobo Life provides the best quality service to the customer throughout the 65 nation wide customer service plazas and the service call center

Customer Plaza

65 Plazas Nationwide



Kyobo's Call Center



Phone number	1588-1001 [9:00-18:00]	Insurance related Questions
Number	543 Trained Consultants	

3. Customer Centered Management_VOC System

Content of the VOC is reported to the management on a regular basis which is shared with the entire staff so as to design an enhanced training program and changes

Always



VOC Management System [Statistics]

Monthly



Customer Protection Working Group Meeting & Customer Protection Formal Meeting

Bi-Weekly



Customer Protection Report

Quarterly

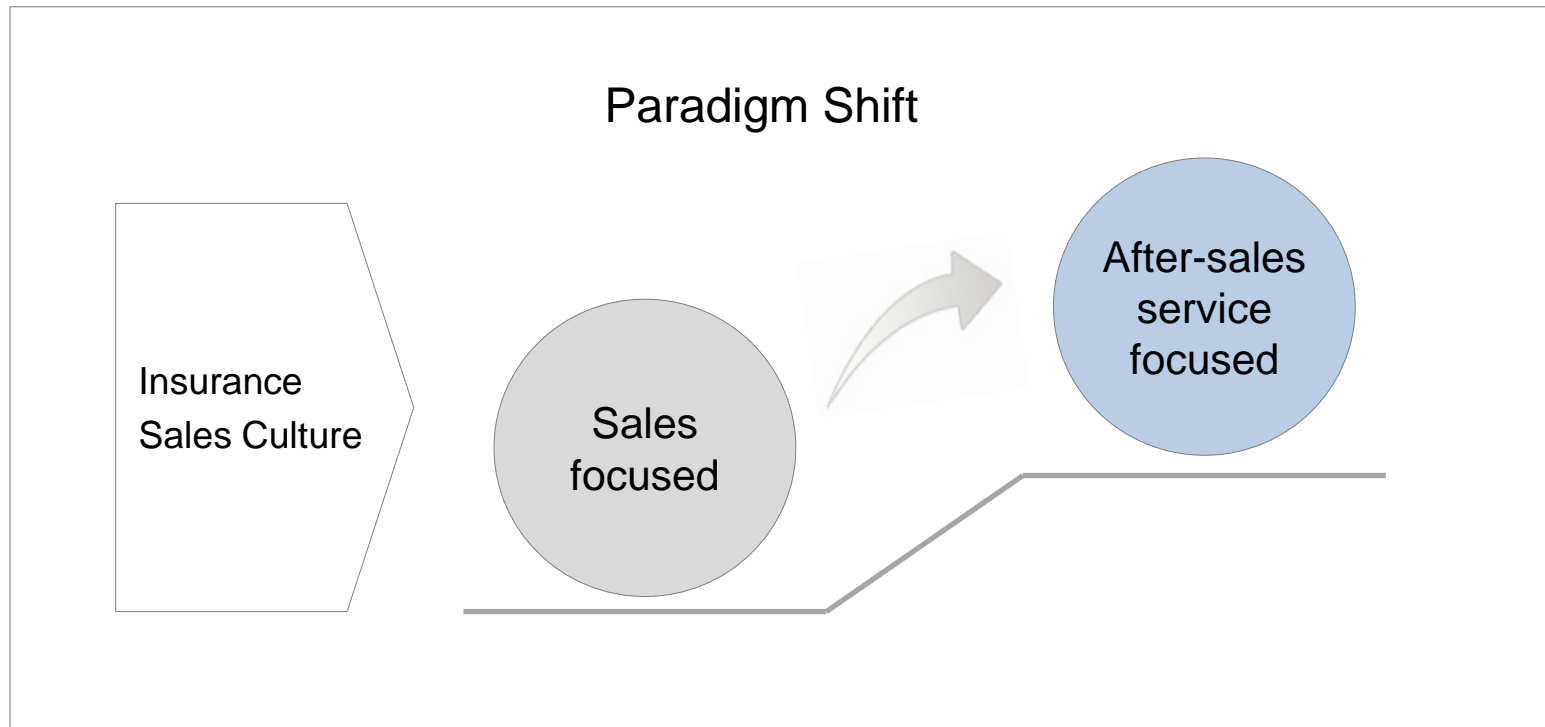


Intranet System [Quarterly Report]

3. Customer Centered Management_Lifelong Care

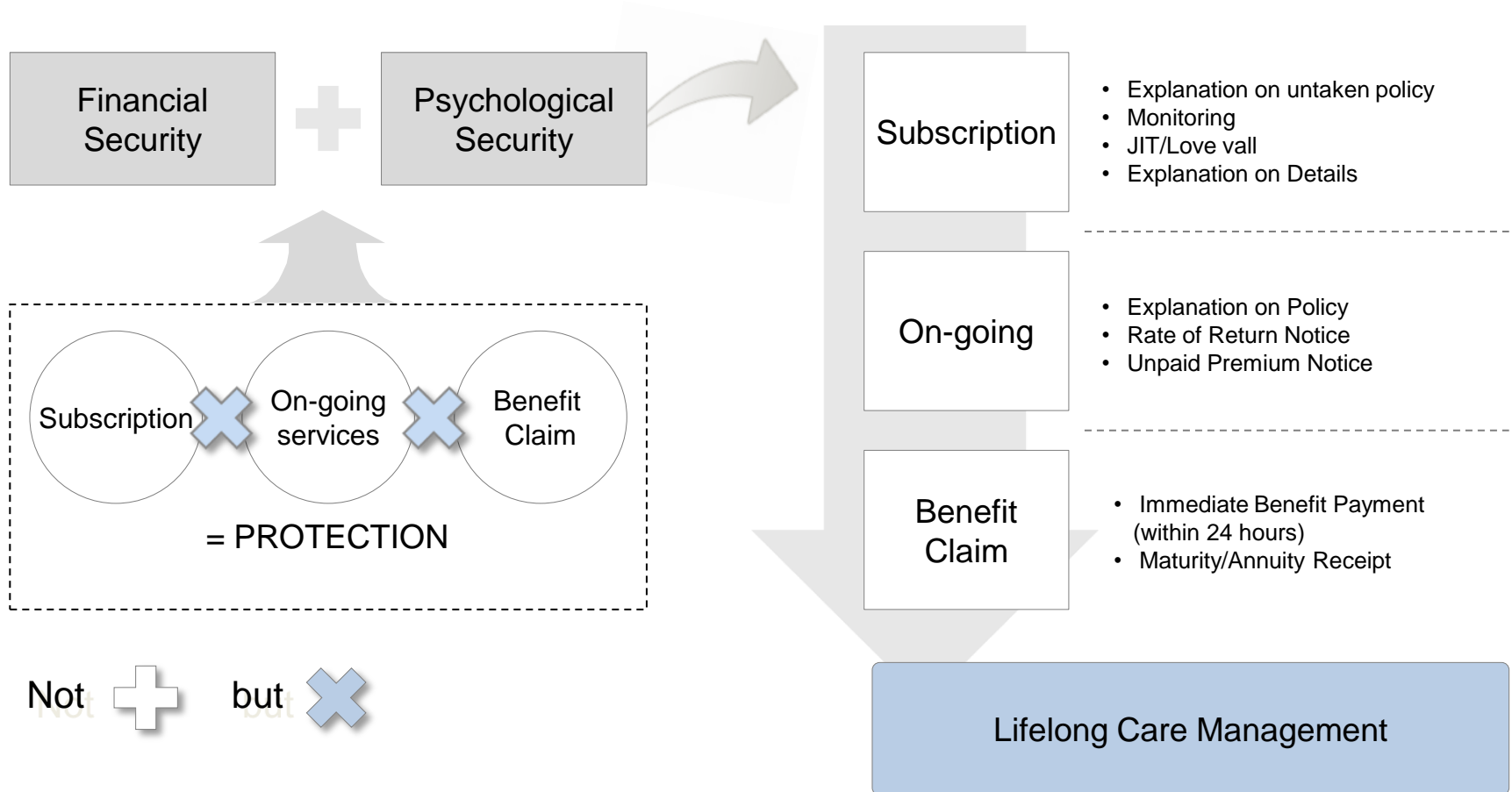
'Lifelong Care Project' represents Kyobo's intention to shift the existing sales culture focused on just selling insurance into the culture focusing on after-sales services

Kyobo is the first company that declare 'Service comes first and foremost' as the company's vision and marketing strategy in the Korean insurance industry

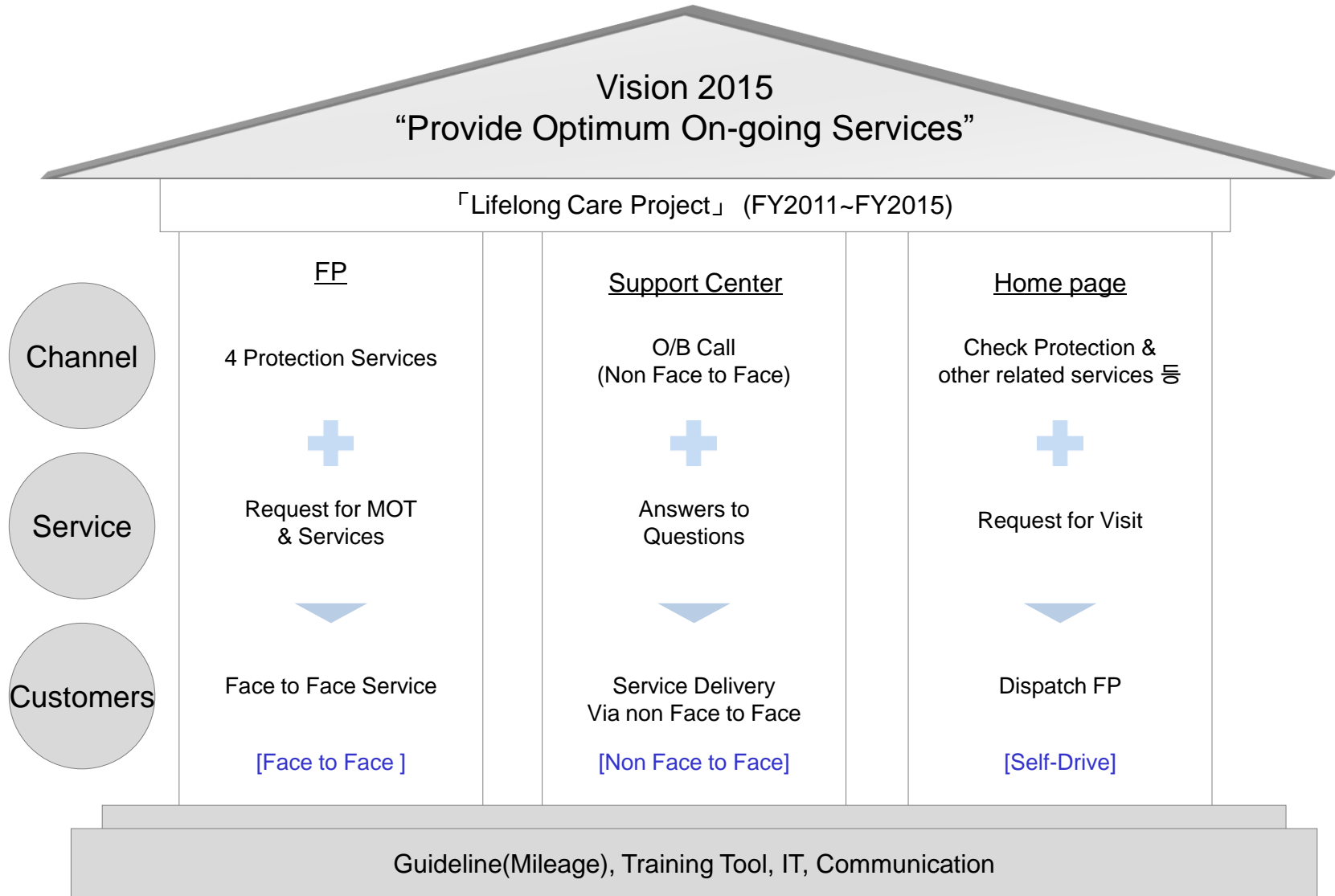


3. Customer Centered Management_Lifelong Care

To meet both the financial security and psychological expectations of our customers we provide lifelong care management from subscription stage to benefit payment



3. Customer Centered Management Platform



3. Customer Centered Management_Reaching Out

Kyobo Life invites its customers for panel discussions and listens to the Financial Planners on ways to improve our services. Customers meet with CEO and also participate on-line

Panel Discussions & Ombudsman



“지난 홈페이지보다 가독성이 높아지고, 필요한 서비스를 찾기가 더 쉬워진 것 같습니다.”

“일기 어려운 보험용어는 좀 더 쉽게 설명해 주시면 좋을 것 같습니다.”

교보생명 고객패널제도 교보생명 특목클럽이 활동을 시작했다. 이들은 지난 23일과 24일 권화문 본사사옥에서 오프라인 패널 20명이 대표로 참석한 가운데 발대식을

가 패널들은 교보생명과 다른 생명보험사의 보험을 각각 한 건 이상 가입한 고객들이다. 고객패널제도는 소비자의 만족도를 높이기 위해 일반고객을 패널로 직접 참여시켜 생생한 목소리를 듣고, 이를 회사 정책에 반영하는 제도다. 교보생명에 대한 고객의 특목투는 생각, 자유로운 토크(Talk)를 경험하겠다는 의미로 패널 명칭도 교보생명 특목클럽으로 정했다.

평생드든 프로젝트 옴부즈만 발대식



지난 10일 영업담당 옴부즈만 본사 관련 담당자 등 10여 명이 참석한 가운데 ‘평생드든 프로젝트 옴부즈만 발대식’이 관악본사에서 열렸다. 평생드든 프로젝트 옴부즈만 발대식이 관악본사에서

제시하고, 영업행정의 개선 요청 사항을 건의하는 대표 컨설턴트를 뜻한다. 우리 회사는 지난해 각 77년 부 별로 PPS원, PP 동 행정 모두 28명의 옴부즈만을 선발했다. 이번 발대식에선 선발된 옴부즈만에게 위촉장을 전달했으며, 첫 정기모임을 통해 프로젝트 관련 지원 사항과 교육과정, 활동의 방안 등에 대한 의견을 들었다. 이들은 앞으로 매 분기별 정기모임에 참여해 지속적으로 현장의 의견과 건의사항을 접할 예정으로, 모의판과 우수사례를 공유할 예정이다.

Rapport & Customer Advise Program



3. Customer Centered Management_ Win Win

Win Win w/ Clients

- Win Win Service



Fair Competition

- Transparency



건강한 사회, 함께하는 세상을 만드는데 앞장서겠습니다



교보생명은 2002년 12월 가족사랑, 이웃사랑, 인간사랑을 몸소 실천하는 기업으로서 더불어 가는 사회, 건강하고 따뜻한 세상을 만들기 하기 위해 교보다솜이 사회봉사단을 발족시켰습니다.

Cultural Support

- Cultural Foundation
- Agricultural Foundation
- Education Foundation

Support Less Privileged

- Premature birth
- Forest Guide
- Habitat
- Fund Raising



다솜이 재단



숲자라미 사업단



소셀벤처 인큐베이팅센터

Cultivate youth

- Sports Tournament
- Economy Learning Camp
- Scholarship
- Long March -College Students



교보생명 희망정학군



사랑의 띠잇기



대학생 동북대정점

3. Customer Centered Management_ Balanced View

There are two posters in the walls of Kyobo Life's meeting rooms. One is an incense burner and one is a poster with all stakeholders representing a balanced perspective

Incense Burner



The Views of Stakeholders

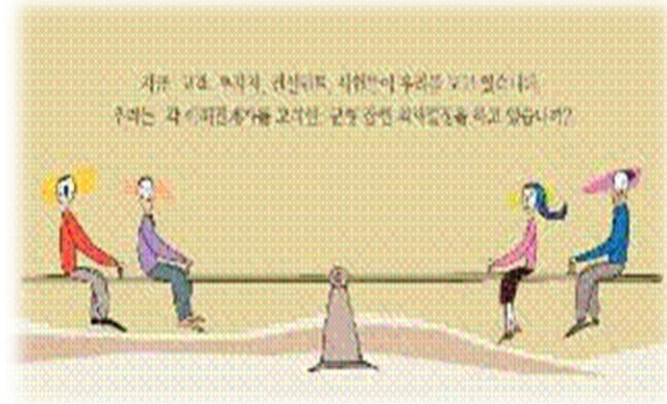


Table of Contents

1 *Kyobo Life Introduction*

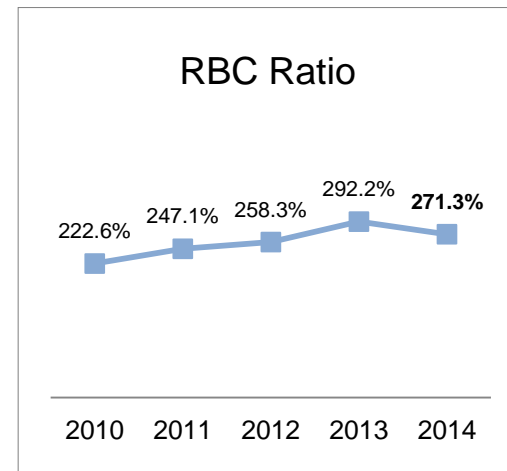
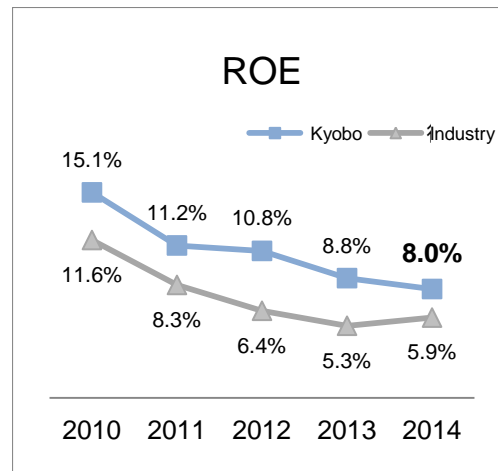
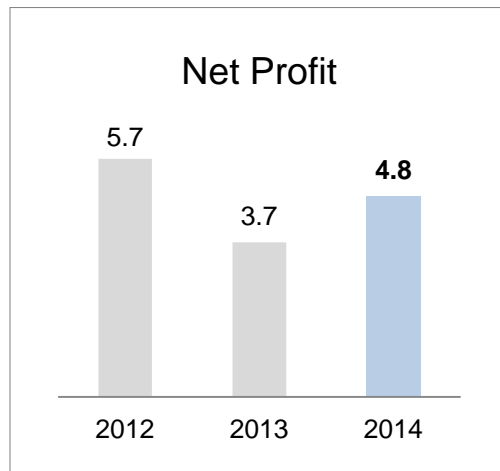
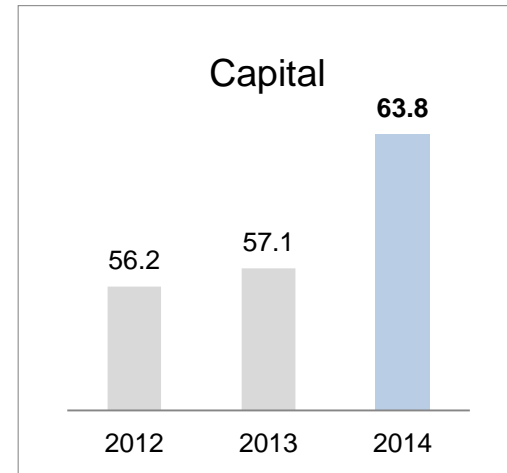
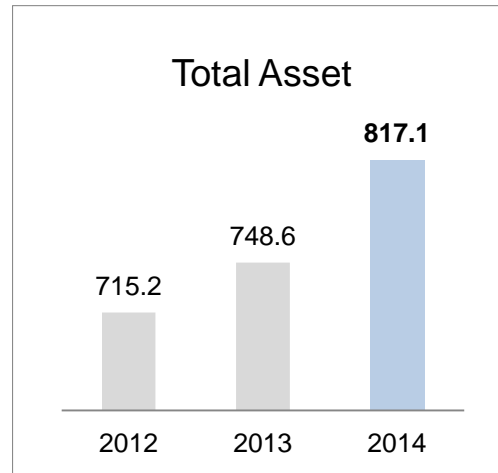
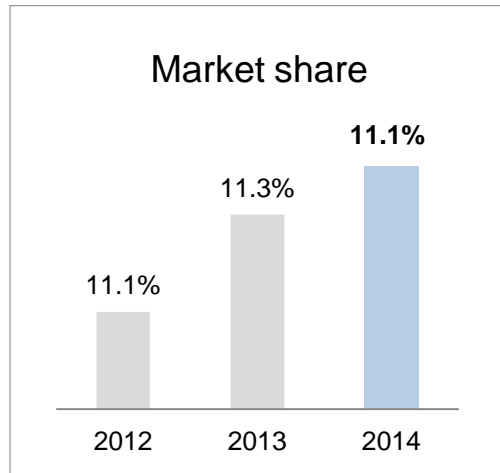
2 *Commitment from Top Management*

3 *Customer Centered Management*

4 ***The Success Story***

4. The Success Story_ Financial Highlights

Despite the slow growth and low interest environment, based on the company Customer Centered Management, profit, growth and stability has continued to improve



4. The Success Story_ Recognitions

Recognitions for Customer Centered Management include receiving the highest rating from the FSS, certification from the CCM and Grand Prize from the Korea Economic Daily



Highest Rating for Customer Complaint Frequency from Financial Supervisory Services [for 2 Consecutive years]



Certification from Consumer Centered Management [for 5 Consecutive years]



Best Call Center [Asia Pacific Call Center Association Leader]

4. The Success Story_ Reaping Awards

Aside from the recognitions and certifications from relevant department, Kyobo Life also won awards for changing the insurance culture and reactivating dormant account

2013 Consumer Award

“Korean Society of Consumer Studies”

2013년 10월 10일 12면 (경제)

매일경제

소비자대상 받는 신창재 교보 회장

“팔고 관리않는 보험문화 고쳐야”

“팔기만 하고 관리는 안 하는 보험문화부터 확 뜯어고치고 싶습니니다. 보험사가 세일즈에만 치중하면 대리점과 다를 게 없잖아요.” 교보생명인 ‘평생든든서비스’로 한국소비자학회가 선정한 2013 소비자대상을 받는다. 한국소비자학회는 국내 최대의 비영리 학술 단체다.

9일 신창재 교보생명 회장(사진)은 수상을 앞두고 매일경제와 인터뷰에서 “평생든든서비스는 판매 중심 영업문화를 바꾸기 위한 첫 단추였다”며 “장기에 걸쳐 생명보험에 가입한 가족을 달성할 수 있도록 ‘고려보장’을 접하는 것이 보험사들이 소비자 보호를 위해 가장 신경 써야 할 영역”이라고 말했다.

우리나라 최대 소비자학술단체인 한국소비자학회는 최현자 서울대 교수와 한상만 성균관대 교수가 학회장을 맡고 있다. 매년 소비자에게 가장 많이 기여한 기업을 선정해 소비자대상을 수여하고 있다. 올해에는 교보생명이 단독 수상하게 됐다.

평생든든서비스는 교보생명이 2011년부터 펼치고 있는 유지서비

스 혁신 프로젝트로 모든 재무설계사(FP)가 모든 고객을 정기적으로 방문해 보장 내용을 다시 설명해 주고 있고 지난해 보험금을 먼저 찾아주는 서비스를 말한다.

교보생명은 신 회장의 경영철학, 소비자 지향적 상품개발, 고객 만족경영 전략 등 주요 평가항목에서 고르게 높은 점수를 획득했다.

평생든든서비스를 시작한 지 3년째, 교보생명의 보험계약 건전성도 상승했다. 보험에 가입한 후 2년이 지나 보험을 꺼지 않은 비율을 뜻하는 25회차 유지율은 2011년 2분기 평균 60.8%에서 올해 2분기에는 72.0%로 올랐다. 신 회장은 “고객을 충성도가 높아진 것은 평생든든서비스의 결과라고 보고 있다”고 설명했다.

교보생명이 평생든든서비스를 시작하자 이를 벤치마킹하는 보험사들도 속속 등장하고 있다.

김유태 기자

2015 Consumer Protection Award

“Grand Prize Financial Consumer Protection”

한국경제 제4회 금융소비자보호대상 / 종합대상 2015년 10월 22일 A10면

교보생명, 설계사가 고객 정기적 방문... '농친 보험금' 320억원 찾아줘

신규 계약보다 고객보장...5년째 '평생든든서비스' 온-오프라인 고객매일 운영...상품-서비스 혁신에 반영

교보생명은 인하여 상대적으로 많은 보험금에서 소비자와 중의 평화를 신드라고 있다는 평가를 받는다. 소비자를 중심으로 한 교보생명의 경영 철학을 보여주는 대표적 사례는 '평생든든서비스'다. 이 서비스는 가입하면 정기 방문 소비자콜 모사라도 있던 가입하면 특별히 관심을 기울이지 않는 보험금에의 관리를 앞서서 재요강기 위해 시작했다.

교보생명은 2011년 '고려보장'을 최초로 접하는 '호사'라는 비영리 전문인인 비영리서비스에 주권을 갖춘 평생든든서비스를 5년째 펼치고 있다. 교보생명이 소속된 모든 재무설계사(FP)가 고객을 정기적으로 찾아가 가입한 보험이 보장대상을 다시 설명하고, 보장을 받을 수 있는 사고나 질병이 없었는지 확인해 소환권을 재확인하는 것이다.

교보생명 재무설계사는 54만 4천 150만명의 고객을 만나 보장대상을 알린다. 이 과정에서 고객이 미리 불만 신청하지 못했던 5만 9000여건의 '농친 보험금' 320억원을 찾아 주기도 했다. 교보생명의 관계자는 "신규 계약 체결을 위한 필요조건이 아니게 여의도 '호사'서비스에 중점을 갖춘 캠페인"이라며 "판매 중심의 영업문화로 고객보장 중심으로 바꾸려는 최고경영자(CEO)의 의지가 반영됐다"고 말했다.

교보생명도 최근에는 소비자 의견을 폭넓게 청취하고 소비자 중심 경영을 구현하는 대표적 제2차 온-오프라인에서 활동하는 130여명의 소비자 패널이 참여하는 평생든든서비스는 물론 실시간 상담을 위한 '비밀번호' 서비스가 아닌 '호사'서비스에 중점을 갖춘 캠페인"이라며 "판매 중심의 영업문화로 고객보장 중심으로 바꾸려는 최고경영자(CEO)의 의지가 반영됐다"고 말했다.

한국경제신문에서 주관하는 금융소비자 보호와 권리

한국경제신문에서 주관하는 금융소비자 보호와 권리

4. The Success Story_ The KASBA Recognition



The Korean Academic Society of Business Administration awarded Kyobo Life CEO for changing the insurance business paradigm from “Sales Oriented” to “Customer Oriented.”

Kyobo Life has successfully established an organizational Culture of Customer Orientation which not only led to the company’s financial improvement but also contributed to development of the Korean life insurance industry.

Kyobo Life's Win-Win Story



Thank you...



Financial Education in Korea & One Company-One School Education Program



October 31, 2015

Jungtae Park

I. Importance of Financial Education

II. Financial Education in Korea

III. One Company-One School Education Program



I. Importance of Financial Education

I. Importance of Financial Education

✓ Most countries recognize the importance of financial education, especially at a young age

- (OECD) Recommends the introduction of financial education as early as possible in individuals' lives preferably through inclusion in the school curriculum (*'High-level Principle on National Strategies For Financial Education'*)
- (US) 17 states require high schools to include financial education in the school curriculum
- (UK) Students aged 11 to 16 required to take financial education



II . Financial Education in Korea

II . Financial Education in Korea

✓ Only 10 hours of financial education through the entire school curriculum

- Primary or middle school : small portion in curriculum (social studies, etc.)
- High school : small portion in elective course(economics), only a few students choose to take
- * More financial education to be included as compulsory through a reform that takes effect in 2017, but still not enough

II . Financial Education in Korea

✓ Most of financial education provided by the FSS or financial firms (71 institutions as of 2014)

- Who provides education?
 - FSS and financial firms such as banks
- Teaching Methods
 - Textbook and PPT (common)
 - Field trips to financial museums and musicals, etc.
 - On-line websites

II . Financial Education in Korea

✓ FSS has an important role in financial education in Korea

- Education program and materials
 - the FSS develops standardized financial education program/materials for students
- Teaching
 - visits schools and provides financial education
- Training teachers
- Cooperating with financial institutions

II . Financial Education in Korea

✓ Not enough educational opportunities for young students

- Taught 920,000 students during 2014
 - 14.8% of 6,290,000 students
- Metropolitan area higher opportunities than local provinces
 - : higher financial literacy level for students in metropolitan area
- Educational opportunities limited to the schools that made a request for financial education to the FSS

II . Financial Education in Korea

✓ What do we need to improve financial literacy?

- Teach practical financial knowledge that can be applied in life
- Provide financial education at a young age
- Give equal opportunities to every youth

⇒ Solution: One Company-One School Educational Program



III. One Company-One School Education Program

III. One Company-One School Education Program

✓ Definition

A branch of a financial firm providing financial education to a nearby school.



III. One Company-One School Education Program

✓ Target

- All schools (primary and secondary schools)
- Branches or head offices of financial firms that wish to participate in the program

✓ Application submission and coordination

- Application submission through on-line website
- FSS liaises a branch of a financial firm to a nearby school and notify the partnership on the website

III. One Company-One School Education Program

✓ Educational Methods

- Basic principle
 - Financial firm its partner school make concerted effort to improve students' financial literacy
 - Financial firms provide education for free
 - The program continues without termination
- Targeted students and time
 - Financial firm and its partner school select students and time
 - Financial firm provides minimum of 2 classes for 4 hours at the least

III. One Company-One School Education Program

- Teaching Methods
 - Financial education at schools
 - Field trips to branches of financial companies and other educational venues
 - Other programs : funding student group activities or holding finance quiz tournaments

- Classroom Programs (for example)
 - How to spend and manage personal allowance
 - Importance of saving and how to open a deposit account
 - Understand how to manage credit

III. One Company-One School Education Program

- Educational Materials
 - A school and a financial firm consult with each other to design educational materials based on recommendations from the FSS

- Termination of the partnership upon:
 - Unsatisfactory teaching
 - Advertisement of financial firms' products in classroom

III. One Company-One School Education Program

✓ Results of applications

- First application submitted between July 12 and Aug. 31, 2015
 - More than 1,500 schools (13.5% of all schools) have partnerships with financial institutions
 - participation by branches of more than 1,200 banks and 120 brokers
- Second application submitted between November 1 and December 11, 2015

III. One Company-One School Education Program

✓ Other things to consider

- For efficient program management
 - Train financial firms' instructors
 - Design or improve educational materials
 - Conduct surveys and analysis

- For wider use of the program
 - Consult with school principals
 - Spread excellent cases
 - Award excellent schools or financial institutions

III. One Company-One School Education Program

✓ Expected benefits

- (Students) Improvement in their financial literacy
- (Financial firms) Establishment of sound relationship with future customers
- (Financial Industry) Laying grounds for better financial industry by fostering prudent consumers

III. One Company-One School Education Program

- ✓ Financial education at schools (for example)



Teaching



Performance before class

III. One Company-One School Education Program

- ✓ Field trips to branches of financial firms (for example)



Compare different bills



Experience banking job

CUSTOMERS' PERCEPTION OF ETHICAL ISSUES IN CORPORATE GOVERNANCE OF ISLAMIC BANKS IN BANGLADESH

**Dr. Muhammad Ziaulhaq Mamun, Professor
Institute of Business Administration
University of Dhaka, Bangladesh**

**Jeju National University, Korea
October 31-November 1, 2015**



RESEARCH BACKGROUND

ISLAMIC BANKING IN BANGLADESH

- Bangladesh entered the Islamic banking system in 1983
- Currently eight full-fledged Islamic banks operating in Bangladesh

CORPORATE GOVERNANCE

- A set of relationships between a company's management, its board, its shareholders & other stakeholders
- An additional layer of governance- Shariah Supervisory Board (SSB)

RESEARCH BACKGROUND (Cont.)

SHARIAH COMPLIANCE

- Financial activities & investments that comply with Islamic law, which prohibits the charging of interest & involvement in any enterprise associated with activities or products forbidden by Islamic law

PROBLEM

- Islamic banks market themselves as providers of ethical finance
- Ethics used only as a label
- Islamic banks do not explicitly spell out what ethics means
- Need for Islamic banks to appeal to the intelligence as well as the beliefs of the client

RESEARCH BACKGROUND (Cont.)

- **Ethics is an integral component of Islamic banking & one of the major determinants of customer patronage**
- **The corporate governance structure & Shariah compliance of Islamic banks play important roles in positioning such institutions in the minds of the customers.**
- **This research will help us understand the awareness of customers regarding the ethical issues facing the corporate governance of Islamic banks**

OBJECTIVES

BROAD

To find out the customers' perception on ethical issues in corporate governance of Islamic banks in Bangladesh.

SPECIFIC

- Awareness of customers about the corporate governance structure & competence**
- Perception of the customers about the level of compliance of Islamic banks with Shariah rules**
- Knowledge of the customers regarding ethical disclosure of information by Islamic banks**

METHODOLOGY

PRIMARY

- **Islamic banks Account-holders (80 at $\alpha=5\%$, $p=0.50$, $d=0.10$)**
- **Non-probabilistic convenience sampling**
- **Limited only to Dhaka city**

SECONDARY

- **Journals**
- **Articles**
- **Reports**

QUESTIONNAIRE DEVELOPMENT

- **Self-administered structured questionnaire using the five point Likert scale +1 (Strongly agree) to +5 Strongly disagree)**
- **Validity: Face Validity (Items to measure variables are chosen from literature review)**
- **Reliability: Cronbach's Alpha = 0.904**
- **Tests: Frequency, Mean Index, Standard deviation, Categorical Response Index, One Sample t-test, Correlation, Chi Square, Factor analysis**

DATA ANALYSIS & FINDINGS



Table 1: Corporate Governance Structure & Competence

Parameter	Complex Variables	Simple Variables	Mean Index	Standard Deviation
Corporate Governance Structure (2.43)	Board of Directors (BOD) (2.51)	1) Clients awareness of the composition of the BOD of the bank	3.23*	1.42
		2) The honorarium of the BOD is in line with company policy	2.44	0.91
		3) The members of the BOD of the bank are accountable to all the stakeholders	2.27	0.95
		4) The members of the BOD of the bank are sufficiently qualified to run the bank	2.09	0.89
	Shariah Supervisory Board (SSB) (2.50)	1) Clients awareness of the composition of the SSB in the bank	3.34	1.34
		2) The members of the SSB of my bank do not sit on the SSB of another bank	2.63	0.83
		3) The SSB is an independent body, not influenced by bank managers	2.56	1.12
		4) The SSB gives a truthful assessment & disclosure of the Shariah compliance of the bank	2.54	0.98
		5) The members of the SSB are experts in the field of Islamic finance	2.46	1.04
		6) The members of the SSB are selected on the proper criteria determined by Bangladesh Bank	2.27	0.90
		7) Clients awareness of the presence of a SSB in the bank	2.24	1.28
	Top Management (2.28)	8) The SSB is responsible for ensuring Shariah compliance of the bank	1.99	0.79
		1) The top management takes part in ethical decision making in line with Shariah compliance	2.41	0.74
2) The top management has appropriate training in Shariah rules		2.28	0.82	
		3) The top management ensures ethical behaviour among employees of the bank	2.16	0.68

*Not significantly different from 3 (Indifferent) at $\alpha = 5\%$

PARAMETER 1:

CORPORATE GOVERNANCE STRUCTURE & COMPETENCE

Complex Variable	Findings
Board of Directors (BOD)	<ul style="list-style-type: none">• Respondents are not aware of the composition of the board of directors of the bank• Respondents found that the members of the board of directors are competent for their job, the Board of directors are accountable & their honorarium is in line with the company policy
Shariah Supervisory Board (SSB)	<ul style="list-style-type: none">• Customers are aware of the Shariah Supervisory Board of the bank• Customers are not aware of the composition of it• Customers agreed that the SSB members are qualified & responsible enough• Customers are neutral to the aspects of independence & accountability of the SSB
Top Management	<ul style="list-style-type: none">• Customers agreed that the top management has appropriate training in Shariah rules, they takes part in ethical decision making in line with Shariah compliance & they also ensures ethical behavior among employees of the bank

Table 2: Compliance to Shariah Rules

Parameter	Complex Variables	Simple Variables	Mean Index	Standard Deviation
Compliance & regulation to Shariah Rules (2.41)	Compliance of Shariah laws by the banks (1.81)	1) Bank gives interest-free loans	2.44	1.395
		2) I am familiar with the Shariah rules	2.20	1.072
		3) Bank is not involved in any speculative activities	1.84	.863
		4) On acceptance of business risk financing bank entitles a customer the return	1.81	1.020
		5) Bank does not invest in any venture producing haram products	1.73	.954
		6) Bank pays the obligatory payment of income & wealth (zaqaah)	1.71	.944
		7) Bank follows all the major principles in Islamic banking	1.66	.913
		8) Bank does not receive interest	1.63	1.123
		9) Bank does not invest in any haram services	1.60	.894
		10) Bank does not pay interest	1.54	1.072
	Influence of regulatory bodies on the compliance of Shariah Rules (3.00)	1) I know the functions of Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI)	3.99	1.225
		2) I know the functions of Islamic Financial Services Board (IFSB)	3.59	1.338
		3) Government plays an important role in regulation of Islamic banks in Bangladesh	2.30	.877
		4) Bangladesh Bank plays a major role in regulating the Islamic banks in Bangladesh	2.11	.751

PARAMETER 2: COMPLIANCE TO SHARIAH RULES

Complex Variable	Findings
Perceived level of compliance by the Islamic banks	<ul style="list-style-type: none">• Customers strongly agreed that their bank follows all the Islamic principles in their operations• They also responded positively to the statement that they know about the Shariah rules• Customers strongly agreed that their bank follows the Shariah rules, such as - no payment & receipt of interest, involvement in speculative activities, haram service or product, payment of profit-free loans & zakaah.
Influence of regulatory bodies on the Islamic banks	<ul style="list-style-type: none">• Customers replied positively to the statements that Bangladesh Bank & Government play an important role in regulation of Islamic banks in Bangladesh• Customers disagreed that they know the functions of Islamic Financial Services Board (IFSB) & Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI) which are the two regulatory authorities of Islamic financing.

Table 3: Disclosure of Information

Parameter	Complex Variables	Simple Variables	Mean Index	Standard Deviation
Ethical Disclosure of Information (2.57)	Corporate & Social reporting (2.40)	1) The bank sometimes mistakenly issues information that is potentially misleading to the stakeholders	3.51	1.31
		2) The bank makes undisclosed profit at the expense of its clients	3.21	0.92
		3) The bank never deliberately issues information that is potentially misleading to the stakeholders	2.85	1.58
		4) The bank discloses the amount it is obligated to deposit with others as compensating balances	2.48	0.83
		5) The bank is transparent about conflicts while making clear what mechanisms are in place to manage them properly	2.36	0.98
		6) The bank has appropriate safeguard against occurrences due to lack of due care	2.32	0.79
		7) The bank recognizes all expected profit or losses when reasonably measurable	2.26	0.82
		8) The bank has an effective procedure to handle complaints	2.24	0.92
		9) The bank provides General disclosure about credit risk in its financial statements	2.19	0.86
		10) The bank informs clients about its obligation to make full disclosure of facts relevant to the proposed transaction before signing any documents	2.08	0.73
		11) The bank never manipulates price	2.03	0.73
		12) The bank never misleads clients by withholding material information	2.01	0.80
		13) The bank conducts its business in a socially responsible manner	1.61	0.81
	Measures to notify clients about the disclosed information (2.74)	1) I check the bank's website for price-sensitive information	3.10	1.50
		2) I check mails/e-mails for price-sensitive information of the bank	3.01	1.51
		3) I check newspaper for price-sensitive information of the bank	2.54	1.54
		4) The bank sends invitation to its share-holders to annual general meetings	2.33	1.50

PARAMETER 3: ETHICAL DISCLOSURE OF INFORMATION

Complex Variable	Findings
Corporate & Social Responsibility	<ul style="list-style-type: none">• Customers responded positively that the bank is ethical in the disclosure of information• Customers agreed that their banks make them aware of the credit, investment & liquidity risks• Customers agreed that the banks do not manipulate price, withhold information or provide misleading information & make full disclosure before signing a document• Customers also agreed that their banks have appropriate safeguard & effective complaint handling procedure• Customers also responded positively to the statements that their banks are transparent in conflicts & are socially responsible
Measures taken to notify clients about the disclosed information	<ul style="list-style-type: none">• Respondents agreed that the bank sends them invitation attend to annual general meetings (AGMs)• They are neutral to the statements that they check newspaper, bank's website or e-mails for price-sensitive information of their bank.

OVERALL PERCEPTION TOWARDS ETHICAL ISSUES IN CORPORATE GOVERNANCE

Scores	Frequency	Percent
Strongly Agree (1)	17	21.5
Agree (2)	51	64.6
Neither agree nor disagree (3)	8	10.1
Strongly disagree (4)	3	3.8
Disagree (5)	-	-
Total	79	100.0

- ✓ Mean Index is 1.96 (Std. deviation=0.82)
- ✓ Customers agreed that their bank is overall ethical in corporate governance

Bivariate Analysis (chi-square)

Parameters	Overall Ethical Standard
Age	Not Associated
Gender	Not Associated
Average Monthly income	Not Associated
Level of Education	Not Associated
Formal Islamic Education Background	Associated
Length of Relationship with Islamic Bank	Not Associated

Bivariate Analysis (Correlation)

Parameters	Overall Ethical Standard	
Age	Negatively Correlated	Weak Correlation (-.073)
Gender	Negatively Correlated	Weak Correlation (-.125)
Average Monthly income	Negatively Correlated	Weak Correlation (-.246)
Level of Education	Negatively Correlated	Weak Correlation (-.169)
Formal Islamic Education Background	Positively Correlated	Weak Correlation (.205)
Length of Relationship with Islamic Bank	Negatively Correlated	Weak Correlation (-.215)

Factor Analysis

- ✓ Kaiser-Meyer-Olkin (KMO) = 0.54 > 0.5 assures the sampling adequacy & Bartlett's test of sphericity (significance level = 0.000 assures validity)
- ✓ The analysis reduced the 46 survey variables into 13 factors with Eigen value > 1 explaining 79.91% of the variability

Factors	Eigen value	Variance (%)	Cumulative Variance (%)
1. Compliance of shariah rules	9.991	21.719	21.719
2. Corporate governance structure & competence	5.523	12.006	33.725
3. Shariah Supervisory Board Structure & Competence	3.727	8.103	41.828
4. Regulatory bodies of the banks	3.160	6.869	48.697
5. Disclosed information to clients	2.623	5.703	54.400
6. Corporate & social reporting	2.070	4.500	58.900
7. Corporate & social reporting	2.024	4.400	63.301
8. Corporate & social reporting	1.748	3.800	67.101
9. Government regulation	1.470	3.196	70.297
10. Corporate & social reporting	1.192	2.591	72.888
11. Corporate & social reporting	1.115	2.424	75.312
12. Shariah Supervisory Board	1.100	2.392	77.704
13. Corporate Reporting & bank regulation	1.016	2.208	79.912

Regression Analysis with the determined factors

- ✓ **Co-efficient of correlation, $R = +0.492$**
- ✓ **Co-efficient of determination, $R^2 = 0.243$**
- ✓ **Adjusted $R^2 = 0.058$**
- ✓ **Overall ethical standards (the dependent variable) can be explained 5.8% by the factors determined in the research (not very significant)**

Conclusion

- **Majority of the customers are aware of the corporate governance structure & competence of the Islamic banks**
- **Majority of the customers are aware of their banks' compliance to Shariah rules.**
- **Customers think their bank is ethical in social reporting & the bank takes adequate measure to notify the customers about disclosed information**
- **Customers overall perception towards ethical standards maintained by Islamic banks in corporate governance is positive**
- **Other factors, such as- age, gender, income, level of education, etc., do not affect customers' perception towards overall ethical standard in corporate governance (Exception Formal Islamic education background)**

Thank You

Improving Consumer Protection: Indonesian Experience

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Abstract

After the 1998 financial crisis and great loss of banking and fraudulent cases afterwards, Indonesia is showing commitment to the more prudent financial system. It was started with the creation of LPS (Lembaga Penjamin Simpanan - Deposit Insurance Corporation) in 2005, the creation of OJK (Otoritas Jasa Keuangan - Financial Service Authority) in 2011 and SIPF (Securities Investor Protection Fund) in 2014. Alongside, Bank Indonesia (the Central Bank of Indonesia) and Ministry of Finance carried the mission of making more inclusion to the financial service by giving more prudent service and protections. In coherent with OECD/G20 Financial Consumer Protection Framework Objectives that emphasizes transparency, fair treatment, risk mitigation and effective recourse, OJK still need to catch some best practices such as making more emphasize to detailing and tailoring the service to customer needs, increasing the number of supervisors, make clear amount of fine and sanctions. On top of these, it will increase the financial deepening and financial access through financial inclusion and consumer protection programme.

1 Introduction

1.1 Rejuvenating Banks from Financial Crisis

With a growing financial markets, Indonesia has proven to be one of the main destination for investment. Since Asian Financial Crisis in 1998, Indonesia has showing a regain in economic condition, and in 2012, got the investment grade from Moody's rating body.

One of the factor in economic recovering, was the commitment to make a safer investment atmosphere to give confident to investors. It was done by increasing supervision, preventing fraud, increasing capital of financial institution,

and giving guarantee to the investors. To increase the customer confidence, the LPS (Lembaga Penjamin Simpanan - Indonesia Deposit Insurance Corporation) was founded in 2004.

In the 1998 financial crisis, due to the failure in currency management under the New Order, Indonesian Rupiah has been slumped into the lowest rate. The monetary policy at that time despite has been changed from Fixed Rate (1971-1978) to Managed Float (1978-1997) has made Rupiah into overvalued position [McLeod, 1998]. In July 2007, the effect of currency crisis affected to the banking system which overloaded with foreign loan. A sudden slump in Rupiah, that was the worst among Asian currencies (see table below), has create many default loan.

Countries	06/30/97	12/31/97	Change (%) 06/30/97 - 12/31/97	05/08/98	Change (%) 01/01/98 - 05/08/98	Cumulative Change (%) 06/30/97 - 05/08/98
Thailand	4.05	2.08	-48.7	2.59	24.7	-36
Malaysia	39.53	25.7	-35	26.25	2.1	-33.6
Indonesia	0.04	0.02	-44	0.01	-53	-73.8
Philippines	3.79	2.51	-33.9	2.54	1.3	-33
Hong Kong	12.9	12.9	0	12.9	0	0
South Korea	0.11	0.06	-47.7	0.07	21.9	-36.2
Taiwan	3.6	3.06	-14.8	3.1	1.2	-13.8
Singapore	69.93	59.44	-15	61.8	4	-11.6

Table 1: Asian Currency at Asian Crisis (USD/100 Local Currency)

With the bad management, a lot of banks was collapsed began with 16 banks liquidated in August, 1 1997, realizing their banks are about to collapse, customers was rushing to withdraw their money from the banks. It was parallel with the findings of [Diamond and Dybvig, 1983], that low confidence about a specific banks condition during a crisis, combined with the first-come-first-serve nature of demand deposits, which implies that depositors want to obtain their funds before bank liquidity runs dry, could lead depositors to panic and massively withdraw their deposits. If a series of bank runs happen, liquidity in the banking system could be drained and the whole financial system could collapse.

Then government was trying to repair the reputation of the banking system. In January 15, 1998, by the recommendation of IMF the blanket guarantee for the customers was ruled to all of the bank debts including deposits. Despite successfully braking the rush, the cost of blanket guarantee was high, in the end of 1999, the government had issued government bonds valued at IDR 198.3 trillion, that was about 18 percent of GDP at that time.

Started with the formation of BPPN (Badan Penyehatan Perbankan Nasional - Indonesian Bank Restructuring Agency) in February 1998, the restructuring projects was started. The main tasks are restructuring the banks, restructuring the assets and returning the government's money that lost in the banking system. In the same time, a new constitution titled Act No. 10 of 1998 about banking system was amended, it stated about the establishment of

saving guarantee bodies, it is the basic of LPS (Lembaga Penjamin Simpanan - Indonesia Deposit Insurance Corporation) and the Financial System Safety Net blueprint in 2004.

In 2002, after four years of establishment, BPPN had successfully taking over mismanaged assets, restructuring financially systemic banks, and create merger between banks, it planned to be dissolved. In February 2004, BPPN was dissolved and September 22, 2004 LPS was established. One year after, LPS was fully operated and it marked the end of the blanket guarantee and Indonesia was shifting into limited guarantee.

Banks are required to pay the 0.1% premium to LPS twice a year. The premium is calculated by six months average of the balance of deposits of a bank. Unlike blanket guarantee, LPS is not covering the bank's debts, the operations divided into three stages. At stage one, September 2005 to March 2006 LPS guarantee all bank deposits. At stage two, March to September 2006 the maximum amount of deposit guaranteed was IDR 5 billion per depositor per bank. At stage three, September 2006 to March 2007 the maximum amount was down again to IDR 100 million per depositor per bank.

At 2008 the financial crisis was hit the world again, and despite neighbouring countries like Australia, Thailand, Hong Kong, Taiwan and South Korea are removing their insurance caps even Singapore and Malaysia gave blanket guarantee, Indonesia was staying in limited guarantee and only increase caps to IDR 2 Billion in October 2008.

Meanwhile the banking system was also hit by Century Bank case, which taking the consumer's deposit by moving it to a fictive mutual fund account. At that time the supervisory board of Banking and Non Bank Financial Institution still on two different bodies the Bank Indonesia and Securities Exchange Commission respectively. This lead to strengthening the supervisory and incorporate Banks and Non Banks Supervising into one board, OJK (Otoritas Jasa Keuangan - Indonesia Financial Service Authority). Beside financial regulation and supervision, OJK also has a main job to create consumer education and protection.

1.2 Evolution of Capital Market Rules in Indonesia

The capital market of Indonesia was in a revolution between 1995 to 2001, there are several addition and changes. First was the establishment of KPEI (Kliring Penjaminan Efek Indonesia - Indonesia Stock Guarantee Clearing) at August 5, 1995 which purpose is to guarantee the transaction settlement. The transaction also started to be automated with the new system called JATS (Jakarta Automated Trading System), the system could accommodate the transaction faster, it can be seen from the table. Along with that the prices decision on IPO that previously decided by the Securities Exchange Commission was transferred to underwriters and the company itself, it created the IPO booming in 1990s.

In 1997, KSEI (Kustodian Sentral Efek Indonesia - Indonesia Central Securities Depository) was established with the purpose of handling the securities settlements such as securities account administration, transaction settlements

	Before JATS	After JATS	Change
Regular			
Volume	14,778,231	18,092,814	22.46%
Value (IDR 1,000)	46,041,559	58,271,771	26.56%
Frequency	1,606	2,268	41.22%
Non Regular			
Volume	19,268,097	24,735,488	28.38%
Value (IDR 1,000)	61,082,164	81,919,216	34.11%
Frequency	174	222	27.59%
Total			
Volume	34,048,328	48,828,302	25.79%
Value (IDR 1,000)	107,123,723	140,190,987	30.87%
Frequency	1,780	2,490	38.89%

Table 2: Transaction Before and After JATS - 1995

and corporate actions distribution. KSEI was fully operational at November 11, 1998. In 2001, the sub account policy and auto rejection system was established even it will be used intensively later.

Then the 2008 Global Financial Crisis hit the world including Indonesia. It turned the financial market into unstable condition. According to [Liu et al., 2013] the volatility effect is higher when in the downward pressure (bearish) rather than in the upward pressure (bullish) and emerging market tend to have higher volatility in than developed market. The cause of pressures according to [Johansen and Sornette, 2010] the crash could be caused from the external impact that popped the preceding bubble but also because of the market linkage. Unfortunately the main investors in Indonesia financial market is foreign investors and the local investors always follow their movement.

Indonesian market is not fully efficient, research from [Suleman et al., 2010], [Kim and Shamsuddin, 2008], and [Worthington and Higgs, 2005] shows that Asia Pacific Markets including Indonesia mostly failed to reach Weak Form Efficiency and there are big return predictability. A technical analysis based trading could give a significant return in Indonesian market and information based trading would give a bigger one. In Indonesia margin trading and short selling are allowed, a small crowding out in the market could be followed by more investor making it a multiple effect in the market because of the speculative trading.

From 2007 because of the Subprime Mortgage Crisis world's market was in panic, there are rush everywhere including Indonesia, which experienced a continuous selling pressure. At October 8, 2008 Indonesian Market was down 41% because of the panicking and the government decided to suspend the market for three days. The government was working fast to reduce the effect of the crisis, in June 30, 2008 Securities Exchange Commission ruled out Keputusan Kepala Bapepam No Kep-258/BL/2008 about the short selling. The short selling activities are still allowed but more strictly ruled, such as the investor need to have

a special account for margin trading along with the regular trading account, stock that available for short sell have to be selected previously by the market authority.

The Indonesia Stock Exchange (IDX) also utilize the auto-rejection system which already exist from 2001. The auto-rejection system is not a Trading Curb mechanism that functioned as a circuit breaker to shut down the market a while from panicking. In the time of trading curb there will be an information dissemination so investor could get more information and act more rational rather than noisy trader. According to [Greenwald and Stein, 1988] the circuit breaker main function should be to re inform the market participants and produce the new price balance, but if not carefully designed, the effect could be worse than before. [Lee et al., 1994] said that there are no such difference between the volatility of pre and past halt, even after a halt there were an increase in both volume and volatility.

Auto-rejection is not functioning like trading curb, while trading curb will halt the market. It rather functioning as price limit. Although according to [Chung, 1991] in the Korean Market and [Chen, 1993] in the Taiwan market got result that despite there are price limit system, but the volatility remains the same. [Phylaktis et al., 1999] is having a more moderate result, that despite that in Greece Market the price limit does not have effect in the volatility, but it can slow down the process of price adjustment. In the auto-rejection The auto-rejection limit and system are subject to change by IDX (Indonesian Stock Exchange), before October 2008 the lower and upper limit is 10%, because of the crisis hit, IDX quickly update the system and create the asymmetric auto rejection with 10% in lower limit and 20% in the upper limit. After several months it was changed again with symmetrical multi level auto rejection with 35% limit for IDR 50-200 priced stock, 25% limit for IDR 200-5,000 stock and 20% for more than IDR 5,000 stock. The auto rejection system along with the buyback, is proven effectively to reduce the effect of speculative trading and stock selling in 2008 and 2015. In the same time IDX also ruled the new regulation on step price to control the drastic upward and downward movement.

Then in 2012 there was initiation to establish the protection fund for stock exchange following the previous countries that already applied it.

In the beginning SIPF covered maximum IDR 25 million for each investors and it was only for fraud. Later in 2015 SIPF increased the coverage to IDR 100 million. According to [Giannetti and Koskinen, 2010] there is positive links in investment portfolio selection with the application of investor protection scheme. The participation of individual domestic investor and the capital inflow in the country with no protection scheme is lower than the country that applied it.

1.3 Forming the Financial Service Authority

In 1999 there was an initiation of establishing the Financial Service Authority. Through the law Act. No. 23 of 1999 it was stated that the Financial Service Authority would be established in 2002, until that time the banking supervision will be done by Bank Indonesia. But until 2002 there was still no movement

Country	Institution	Founded	Coverage
Canada	Canada Investor Protection Fund	1969	CND 1 Million
USA	Securities Investor Protection Corporation	1970	USD 500,000
Australia	National Guarantee Fund	1987	No Cap
South Korea	Korea Deposit Insurance Corporation	1996	KRW 50 Million
Malaysia	Compensation Fund of Bursa Securities	1997	MYR 100,000
Japan	Japan Investor Protection Fund	1998	JPY 10 Million
Russia	Investor Protection Association	1999	n.a
Hong Kong	Investor Compensation Fund	2003	HKD 150,000
Singapore	Securities Exchange Fidelity Fund	2001	SGD 50,000
Thailand	Securities Investor Protection Fund	2005	THB 1 Million
China	China Securities Investor Protection Fund	2005	RMB 100,000
Nigeria	Investor Protection Fund	2007	n.a
Indonesia	Indonesia Securities Investor Protection Fund	2012	IDR 25 Million

Table 3: List of Securities Investor Protection Funds

from the government about Authority initiation.

Along with Global Financial Crisis, in 2008 Indonesia also hit with the Century Bank Case. Started from 2004, Century Bank is the merged bank from the 1998 restructuring program, the merging banks are CIC Bank, Pikko Bank and Danpac Bank. From 2002, CIC bank has already sell the mutual fund from Antaboga Delta Securities, and subsequently continued to Century Bank. CIC Bank and Antaboga Delta Securities has same owner, Robert Tantular.

In 2005 Antaboga was default, the case came to public, and it was later known that the mutual fund was not listed at Securities Exchange Commission. There was a war between Bank Indonesia and Ministry of Finance (Securities Exchange Commission is a unit of Ministry of Finance) about whom was the negligence one in doing supervision. Century Bank was under the supervision of BI while Antaboga Securities as non banking financial institution was under the supervision of Securities Exchange Commission.

The case continued that in November 13, 2008 there were rush in the Century Bank Customer, and Century could not provide the money because of Antaboga Default. Century Bank later was bailed out by LPS for about IDR 4.97 trillion, it was later become a big case. BI and Securities Exchange Commission was accused failed to run the supervision.

The year of 2008 was exacerbated with the Sarijaya Permana Securities and Bakrieliflife Insurance Case. In the Sarijaya case, the chairman Herman Ramli was using 17 accounts with other people's name to make transaction without consent of the account holder. The transaction also manipulated and making the company into IDR 235 Billions liquidity trouble.

These series of case from various institution, banking, capital market and insurance have re triggered the initiation of Financial Service Authority.

An integrated financial service authority is not a new thing to the world, Norway is listed as the first country to adopt the integrated system in supervising banking, securities and insurance at 1986, at the end of 2002 at least 46 countries had adopted the system [De Luna-Martinez and Rose, 2003].

Some authors arguing that it will be more effective to separate the su-

pervising body, like [Goodhart, 2002]. Because the reason that a specialized agency may be better than integrated one to recognize and properly address the unique characteristic of each financial intermediary. While Some authors argue that the authorized supervising body needs to mirror the industry it supervises [Abrams and Taylor, 2000]. If a country's system going to the direction of universal banking, in which banks are allowed to offer large varieties of financial products with a few restrictions, it maybe good reason to adopt integrated supervision instead of having multiple agencies.

In 2011, based on Act No. 21 of 2011 the OJK (Otoritas Jasa Keuangan - Financial Service Authority) was established, Securities Exchange Commission was merged into it along with the transfer of banking supervising function from Bank Indonesia to OJK. The new wave that people relied on OJK is related to consumer education and protection. Prior to the formation of OJK, investor complaints are relied on YLKI (Yayasan Lembaga Konsumen Indonesia - Indonesia Consumer Board Foundation) which actually not a representative body of the government but an independent NGO.

2 Customer Protection and Financial Inclusion

Many approach had been used to suggest the ideal way of Consumer Protection. In the behavioural economic approach, mostly Consumer Protection is related to financial literacy. Findings such as in [Benartzi and Thaler, 2002] and [Bertrand et al., 2004] that customers are subject to certain behavioural biases and can get confused if presented with too many alternatives. Customers can make a systematic mistakes and this thing is usually exploited by service providers. This is really happened in Indonesia as it can be seen in the introduction, Indonesian financial costumers usually become the victim of fraudulent financial services.

In the other side, studies like [La Porta et al., 2000] shows that better consumer protection in the financial markets resulted in:

1. Encourage the development of financial markets;
2. More firms listed in the market [La Porta et al., 1997];
3. Increasing firm value [La Porta et al., 2002];
4. Larger listed firms in terms of sales or assets [Kumar et al., 1999];
5. Higher dividend payout ratio [La Porta et al., 2000];
6. Higher valuation of the firm relative to their assets [Claessens et al., 2002] [La Porta et al., 2002];
7. Lower concentration of ownership and control [La Porta et al., 1999] [Claessens et al., 2000];
8. Lower private benefits of control [Zingales, 1994]; and

9. Higher correlation between investment opportunities and actual investments [Wurgler, 2000].

Regarding the exploitation, Indonesia has experienced in 1998 financial crisis, that caused many banks to be liquidated, mainly because of the mismanagement. The Bank Indonesia Liquidity Support (BLBI - Bantuan Liquiditas Bank Indonesia) that intended to solve the liquidity crisis in the banks also has misuse and transparency issues [Djiwandono, 2002]. The following Century Bank case in 2008 which one of the fraud was making a fake mutual funds and subsequently transfer the customers' money to the mutual funds is taking a long time to solve and victims still could not get the money back [Kohar, 2013].

Realizing the importance of Financial Consumer Protection, the G20/OECD has made Task Force on Financial Consumer Protection in 2010, it developed the *High-Level Principles on Financial Consumer Protection* [Wehinger, 2012]. The principles is based on the important objectives that including:

- Transparency
Consumers understand the prices, terms and conditions, and risks associated with use of financial services.
- Fair treatment
The financial products on offer are not deceptive or unsafe and the conduct of financial service providers and their employees and agents is not abusive or aggressive, reflects appropriate ethics, and is respectful of consumers rights.
- Risk mitigation
Financial service providers take reasonable steps to identify, monitor and mitigate customer risks such as fraud or inadequate handling of customer data, which evolve with innovations in products and business models and with the entry of new market actors.
- Effective recourse
when customers have queries, complaints or other problems, financial service providers have access and effective systems in place to address them

Financial inclusion has been regarded important in reducing poverty and making economic growth. Studies such as [Aportela, 1998] shows that financial inclusions has increased the average savings in Mexico and the effect of financial inclusions was higher in poorer households.

However financial inclusion is just one step to reach the ideal market. The classic theories such as Efficient Market Hypothesis [Fama, 1970] suggest that information is important in the market, or else everyone who is ahead of information will take advantage.

Indonesia has five pillars of National Strategy for Financial Inclusion: Financial education, Financial eligibility, Supportive regulation, Facilitating intermediation, and Distribution channels. Since 2011 it has been formulated by Bank Indonesia.

We could see the effort of the financial inclusion on the Banking sector by the increase in number of bank account.

Year	Total Account	Growth	Total Value (Billion IDR)	Growth
2008	82,725,930		1,768,615	
2009	88,086,017	6.48%	1,995,790	12.84%
2010	97,204,863	10.35%	2,370,983	18.80%
2011	101,503,564	4.42%	2,830,323	19.37%
2012	119,917,930	18.14%	3,277,154	15.79%
2013	147,626,510	23.11%	3,706,609	13.10%
2014	160,881,757	8.98%	4,168,558	12.46%

Table 4: Total Bank Account Number and The Value - Yearly

In the yearly measure, the bank account usually grow two digits except in 2008, 2011 and 2012. In the term of value the growth is stable, usually around 12 to 19%.

Year	Q	Number	Value (IDR Billion)
2011	Q1	98,909,698	2,381,978
	Q2	99,553,678	2,467,294
	Q3	100,324,722	2,586,980
	Q4	101,503,564	2,830,323
2012	Q1	101,097,601	2,879,534
	Q2	111,011,366	3,010,181
	Q3	115,525,552	3,104,251
	Q4	119,917,930	3,277,154
2013	Q1	123,124,821	3,307,495
	Q2	126,795,614	3,434,159
	Q3	130,943,737	3,599,133
	Q4	147,626,510	3,706,609
2014	Q1	148,368,993	3,671,553
	Q2	152,393,557	3,893,057
	Q3	155,988,838	4,066,085
	Q4	160,881,751	4,168,558
2015	Q1	163,591,483	4,279,063
	Q2	171,905,609	4,411,686

Table 5: Total Bank Account Number and The Value - Quarterly

Excluding 2015 which just only available until Q2, the Bank Account number

grew 14.43% per quarter during the 5 year period 2010-2014 and the nominal value was growing in higher number by 18.96%. If the value is compared by the GDP of Indonesia, the constant price in 2014 was IDR 11,218,440 Billion. Then the value of Bank Account compared to GDP in 2014 was 37.16%. Compared to 2011 when GDP was IDR 6,848,749 Billion then the Value of Bank Account compared to GDP was 41.33%. In the percentage, if compared to GDP, the value is going down, this could be caused by the increasing of consumption compared to savings (Marginal Propensity to Save) was getting lower during the increasing period of GDP.

In the insurance sector, the numbers of gross premium are:

	2011	2012	2013	2014
Life Insurance	38.83	108.33	106.03	130.04
General Insurance	93.99	44.57	51.37	61.10
Social Insurance	13.54	7.8	16.95	69.33
Compulsory Insurance	6.75	17.37	9.71	10.23
Total	153.13	178.07	184.06	270.72

Table 6: Gross Premium for Indonesian Insurance Industry

During four years period, the gross premium has grown for 76.79% or 22.24% per year in average. The increase in premium is considerably fast, as the penetration of insurance in Indonesia is just about 2.14% in 2015 according to OJK data. It is lower compared to Thailand (4.7%), Malaysia (4.9%) and Singapore (6.5%).

Since the merger of Jakarta Stock Exchange (JSX) and Surabaya Stock Exchange (SSX) into Indonesian Stock Exchange (IDX) in 2007. The forming of IDX made the market activity centralized and boost the transaction.

	2009	2010	2011	2012	2013	2014
Company Listed	398	420	440	459	483	506
Trading Value (IDR Billion)	975,135	1,176,237	1,223,441	1,116,113	1,522,122	1,453,392
Market Caps (IDR Billion)	2,019,375	3,247,097	3,537,294	4,126,995	4,219,020	5,228,043
Listed Bonds (Government)	78	81	89	92	95	90
Listed Bonds (Corporate)	223	242	299	347	381	385
Outs. Bonds-G (IDR Bil)	581,748	641,215	723,606	820,266	995,252	1,209,961
Outs. Bonds-C (IDR Bil)	88,452	114,817	146,969	187,461	218,220	223,464

Table 7: Data for Stock Exchange

During five years from 2009 to 2014, companies listed has been increased by 108 from 398 companies in 2009 to 506 companies in 2014. IDX has also doubling the market caps in just 5 years and increasing trading value by 49%. In the term of Bond Trading, the Outstanding Bonds especially the Corporate Bonds has almost tripled from 88,452 billion IDR in 2009 to 223,464 billion IDR in 2014.

Year	SID	Growth	Sub Account	Growth	Assets Listed (IDR Trillion)	Growth
2001			45,067			
2002			58,677	30.20%	154.84	
2003			74,194	26.44%	281.16	81.58%
2004			92,631	24.85%	454.49	61.65%
2005			111,423	20.29%	537.69	18.31%
2006			142,385	27.79%	781.05	45.26%
2007			215,025	51.02%	1,298.25	66.22%
2008			302,447	40.66%	757.63	-41.64%
2009			360,960	19.35%	1,276.43	68.48%
2010			321,521	-10.93%	2,044.55	60.18%
2011			365,651	13.73%	2,286.18	11.82%
2012	281,256		359,333	-1.73%	2,762.22	20.82%
2013	320,506	13.96%	408,045	13.56%	2,626.34	-4.92%
2014	364,465	13.72%	466,250	14.26%	3,198.03	21.77%

Table 8: Total Investor ID, Sub Account, and Assets Listed in KSEI

To grab the local retail investors, in 1995 the SEC gave the incentive in mutual fund products, there was no return tax for five years and whenever investor want to redeem their mutual fund, the investment manager ought to pay for it. SEC want to educate local investors through this regulation. That's why this products was doing well in the market.

Year	Mutual Fund	Growth	NAV	Growth
2003	186		69,380.06	
2004	246	32.26%	103,444.25	49.10%
2005	328	33.33%	28,846.63	-72.11%
2006	403	22.87%	50,896.68	76.44%
2007	473	17.37%	89,987.54	76.80%
2008	567	19.87%	72,251.01	-19.71%
2009	610	7.58%	108,354.13	49.97%
2010	612	0.33%	143,861.59	32.77%
2011	646	5.56%	162,672.10	13.08%
2012	754	16.72%	204,541.97	25.74%
2013	823	9.15%	183,112.33	-10.48%
2014	894	8.63%	230,304.09	25.77%

Table 9: Mutual Fund Number and NAV

KSEI is the administrator for the sub account, investor ID as well as the amount investor submitted into financial market. The single investor ID was enforced in 2012 to make more centralized administration and in order to eliminate the zombie accounts. Actually the enforcement to eliminate the zombie accounts was started from 2010. In the term of assets listed, there are two slumps, that was in 2008 because of global financial crisis, and in 2013 because

of the 160% price increase of subsidized gasoline because of oil pressure. In the average, the Investor Single ID (SID) is growing 13.84% every year, Sub Account is growing 20.73% every year and Assets Listed is growing 34.13% every year.

In the term of mutual fund number, the average growth during 2003-2014 is 15.79% and in the term of NAV the average growth is 22.49%. The NAV was in a big slump in 2005, at that time the world oil hike created a big push to the gasoline price in Indonesia. At October 1, 2015 the government announced the price increase, but rather than the 30%-40% expectation, the increase was really high, reaching 160%. It create a mini economic crisis in Indonesia and mutual fund investor which mainly retail consumers, redeem their mutual funds in order to get cash to anticipate goods price hike.

After 2005, it was a big recovery in the next two years with back to back 76% increase in NAV before it was down 19.71% because of Global Financial Crisis. The 2013 slump mostly because of the profit taking, in May 2013, Indonesian stock market has reached the peak, indicated by Jakarta Composite Index with the value of 5,214, rose about 5 times in 5 years after 2008 hit. After reach the peak then investors started to take profit, including the mutual fund investors.

2.1 Sharia Economics

Indonesia has paid attention to it's sharia economics development, since the establishment of Bank Muamalat, the first Islamic bank in Indonesia at 1991, the sharia financial instruments and institutions has grown rapidly. In 1992, the constitution has regulated Act No. 7/1992 that allowed Indonesia to have dual banking system, the interest based or conventional bank and profit sharing based or sharia bank. In 1998 there was more effort in the regulation in Act No. 10/1998 that allow a conventional bank to have sharia business unit which later could be spun off to be a separated full sharia banking. In 2002, Bank Indonesia as regulator and supervisory institution at that time, launched the Blue Print of Indonesia Sharia Banking Development [Indonesia, 2002].

The data for sharia banks in Indonesia is as follows:

Year	Islamic Bank		Islamic Units	
	Number	Office	Number	Office
2005	3	304	19	154
2006	3	349	20	183
2007	3	401	26	196
2008	5	581	27	241
2009	6	711	25	287
2010	11	1,215	23	262
2011	11	1,401	24	336
2012	11	1,745	24	517
2013	11	1,998	23	590
2014	12	2,151	22	320

Table 10: Networks of Sharia Banks and Sharia Business Unit

The number of Sharia Business Unit was going down in the late year because of the spin off from Sharia Business Unit to fully Sharia Banks, means that the Sharia Banks are now act as different entities from the conventional bank. In the shareholder structure, the conventional parents still hold the majority of the shares.

	2008	2009	2010	2011	2012	2013	2014
Fund Disbursement							
- Conventional	2,015,221	2,282,179	2,765,912	3,412,463	4,712,672	4,823,303	5,468,910
- Sharia	48,264	64,355	94,884	140,980	188,562	233,345	262,708
- % Sharia	2.39%	2.82%	3.43%	4.13%	4.52%	4.84%	4.80%
Sources of Funds							
- Conventional	1,990,345	2,180,934	2,563,562	3,093,848	3,542,518	4,070,018	4,595,876
- Sharia	40,591	57,762	83,184	126,409	165,404	204,571	232,671
- % Sharia	2.04%	2.65%	3.24%	4.09%	4.67%	5.03%	5.06%
Total Assets							
- Conventional	2,310,557	2,534,106	3,008,853	3,652,832	4,262,587	4,954,467	5,615,150
- Sharia	49,555	66,090	97,519	145,467	195,018	242,276	272,343
- % Sharia	2.14%	2.61%	3.24%	3.98%	4.58%	4.89%	4.85%
Number of Banks							
- Conventional	124	121	122	120	120	120	119
- Sharia	32	31	34	34	35	34	34
- % Sharia	7.27%	7.77%	10.67%	11.50%	13.40%	13.76%	12.39%
Total Offices							
- Conventional	10,868	12,837	13,837	14,797	16,625	18,558	19,948
- Sharia	790	998	1,477	1,702	2,227	2,554	2,471
- % Sharia	7.27%	7.77%	10.67%	11.50%	13.40%	13.76%	12.39%

Table 11: Sharia Compared to Conventional Banks (IDR Billion except %)

But compared to conventional banks, the operation size of sharia banks is not moving significantly. During the seven years span, right now sharia banking still just around four to five percent to the size of conventional banks.

	2010	2011	2012	2013	2014
CAR					
- Conventional	17.18%	16.05%	17.43%	18.13%	19.57%
- Sharia	16.76%	16.63%	14.14%	14.42%	15.74%
ROA					
- Conventional	2.86%	3.03%	3.11%	3.08%	2.85%
- Sharia	1.59%	1.59%	1.94%	1.58%	0.41%
Opr. Exp./Opr. Inc.					
- Conventional	86.14%	85.42%	74.10%	74.08%	76.29%
- Sharia	82.38%	81.65%	76.35%	82.16%	81.32%
NIM or NOM (Sharia)					
- Conventional	5.73%	5.91%	5.49%	4.89%	4.23%
- Sharia	1.77%	1.20%	2.04%	1.82%	2.92%
LDR					
- Conventional	75.21%	78.77%	83.58%	89.70%	89.42%
- Sharia	87.60%	91.41%	120.65%	95.87%	86.66%

Table 12: Operational Ratio Sharia and Conventional Banks

In terms of operational ratio, sharia banks also could not catch the operational excellence of the conventional counterparts. Despite of increasing margins in later years to around 2.90% but the margin is not as high as conventional banks that could reach 4% or more. It affect the ROA which is half size of conventional banks. In order to attract customers, sharia banks need to increase their profitability of their operation.

The first sharia mutual fund was introduced in 1995 by National Commercial Bank in Saudi Arabia. In the same time, the Financial Market Constitution No 8: 1(27) was ruled out in 1995 as the basis of mutual funds sales in Indonesia. Regarding of the characteristic, sharia mutual fund has distinguish characteristics from ordinary mutual funds [Soemitra, 2009]:

1. Has Sharia Board to supervise and give guidance for investment manager to work according to the sharia rule
2. The contract relationship is *Mudharaba* which the investment manager act as he got trust from the investor who trust the money to them. The investor maximum risk is their amount of money trusted and the investment manager is not the one who bear the loss except for the negligence case
3. Investment could not be placed into non sharia instruments, for example the investment manager could not buy the beer company stock

During 11 years lately, the number of sharia mutual funds has increased significantly, the numbers are:

Year	Sharia Mutual Fund	Total Mutual Fund	Sharia to Total	Sharia NAV	Total NAV	Sharia NAV to Total NAV
2003	4	186	2.15%	66.94	69,447.00	0.10%
2004	11	246	4.47%	592.75	104,037.00	0.57%
2005	17	328	5.18%	559.10	29,405.73	1.90%
2006	23	403	5.71%	723.40	51,620.08	1.40%
2007	26	473	5.50%	2,203.09	92,190.63	2.39%
2008	36	567	6.35%	1,814.80	74,065.81	2.45%
2009	46	610	7.54%	4,629.22	112,983.35	4.10%
2010	48	612	7.84%	5,225.78	149,087.37	3.51%
2011	50	646	7.74%	5,564.79	168,236.89	3.31%
2012	58	754	7.69%	8,050.07	212,592.04	3.79%
2013	65	823	7.90%	9,432.19	192,544.52	4.90%
2014	74	894	8.31%	11,158.00	241,462.69	4.65%

Table 13: Sharia Mutual Fund (in Number) and NAV (IDR Billions) to All Mutual Funds

In the term of number, slowly but sure, the sharia mutual fund is getting much bigger, from 2003 where there were just 4 sharia mutual funds, then 11 years later it's already 74 sharia mutual funds in 2014, the proportion has increased from 2.15% to 8.31%. In the average, the growth of sharia mutual funds from 2003 to 2014 was 35.87% while the average growth of ordinary mutual funds was 15.08%. However, in the term of Net Active Value (NAV) the penetration of sharia mutual funds is not so high, just around 4.6% compared to the number which the penetration now is around 8.3%.

2.2 Result of Financial Inclusion so Far

In 2014, OJK made the survey of financial literacy. The survey area including 20 provinces of Indonesia, and surveyed 2,000 respondent. Asking about the financial literacy on several services, banking, insurance, financing, retirement fund, financial market and pawn. According to the survey, there are four levels of financial literacy:

1. Well literate

Have knowledge and trust to the financial institutions, financial products and financial services. Including the features, benefits, risks, rights and obligation related to the products and services. As well as having ability to use financial products and services

2. Sufficiently Literate

Have knowledge and trust to the financial institutions, financial products and financial services. Including the features, benefits, risks, rights and obligation related to the products and services.

3. Less Literate

Only have knowledge about the financial institutions, financial products and financial services.

4. Not Literate

Does not have knowledge and rust to the financial institutions, financial products and financial services. Including the features, benefits, risks, rights and obligation related to the products and services. And not having ability to use financial products and services

The financial inclusion level according to the survey us as follows:

	Bank	Ins	Fin	Ret	FM	Pawn
Well Literate	21.80%	17.84%	9.80%	7.13%	3.79%	14.85%
Sufficient Literate	75.44%	41.69%	17.89%	11.74%	2.40%	38.89%
Less Literate	2.04%	0.68%	0.21%	0.11%	0.03%	0.83%
Not Literate	0.73%	39.80%	72.10%	81.03%	93.79%	45.44%

Table 14: Utilization of Financial Services

Bank is already known and most of the Indonesian citizens (75.44%) already sufficiently literate, and 21.8% are well literate. Insurance has made significant penetration into the citizens and it is the second best after bank with 41.69% sufficiently literate and 17.84% well literate. Pawn come in the third best, with 38.89% sufficiently literate and 14.85% is well literate. We could see that the history of pawn in Indonesia already established from a long time from the colonial era in year 1746 by the foundation of Bank van Leening (the Bank of Loan) [Jajuli, 2015] and also the system is easy to understand. Retirement funds and Financial Market are still not understood by many citizens of Indonesia.

The utilization level for the financial services are as follows:

	Utility
Banking	57.28%
Insurance	11.81%
Financing	6.33%
Retirement	1.53%
Financial Market	0.11%
Pawn	5.04%

Table 15: Utilization of Financial Services

These tables show that most of Indonesian customers has known sufficiently about the banking, insurance and pawns. But in terms of utilization, beside the bank, the make use of other financial services is still low.

2.3 Approach the Unbankeds

Based on the survey we know that just 57.28% of Indonesians using banking system. The fact is, Indonesia is a big country with an unbalanced development

that concentrated on the Java and Sumatera islands. There are still a lot of unbanked population that still lies on the rural areas.

According to the 2010 survey by Bank Indonesia, 13.3% Indonesian lived below poverty line, 64.25% of them lived in the rural areas, and from that number, 60% don't have banking access . [Honohan and Beck, 2007] said that 58% of Indonesian adults do not have bank account yet. In the term of business 99.91% of Indonesian population are doing Micro and SME business, around 60-70% from 51.3 millions Micro and SMEs are not yet connected to the bank.

At November 5, 2007 the government has launched KUR (Kredit Usaha Rakyat) a microfinance credit aimed to the Micro and SMEs. And later in February 20, 2010 collaborating with several banks, the government launched Tabunganku, a simple saving account, with no monthly administration and could be started by initial saving of IDR 20,000 (around USD 2).

To push for more rural areas, there are some obstacles. Electricity, high speed data connection, until the high price of concrete making it hard for banks to reach the unbanked populations in rural area. Then in March 27, 2015, the government launched Laku Pandai, a branchless banking that recruit agents as the banking officer without need any physical office. The banking transactions like transferring money could be done by using mobile phone. In the beginning there are 128,038 agents recruited then in the next year it targeted to recruit 350,000 agents.

3 Conclusions

From the 1998 crisis, Indonesia financial sector must accept a bitter fact that it was under a miss management for a long time. During the next ten years, Indonesia was struggling to repair the financial system especially banking which got the hardest hit but then after a new Global Financial Crisis in 2008, the non banks financial institution was showing signs of fraudulent and miss management as well.

The establishment of LPS (Indonesia Deposit Insurance Corporation), OJK (Financial Service Authority) and SIPF (Securities Investor Protection Fund) show the effort of Indonesian government to revitalize the reputation of financial institutions as well as making investors feel safer.

Done with the supply side, now Indonesia moving to the demand side by dealing with financial literacy. Since 2011, financial literacy issues has been included to the concern of Bank Indonesia and OJK. With the 2011 National Strategy of Financial Inclusions and the later Laku Pandai in 2015, according to World Bank, Indonesia still need to catch the best practices such as as making more emphasize to detailing and tailoring the service to customer needs, increasing the number of supervisors, make clear amount of fine and sanctions.

But until now there is always a new way to fraud and manipulation. Therefore a strong supervision is needed.

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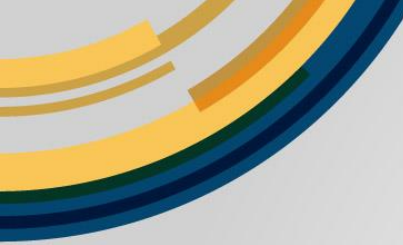


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- 2.** Preferential market access
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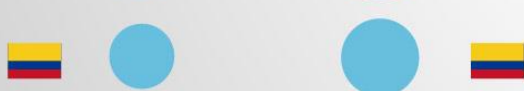
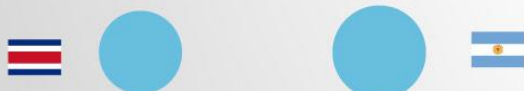
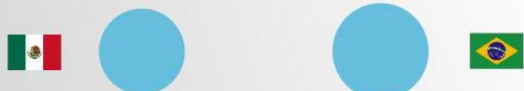
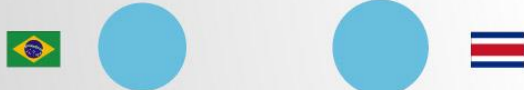
<u>Ranking</u>	<u>Uruguay in Latin America</u>
Democracy Index (Economist Intelligence Unit, 2014)	#1
Global Peace Index (Institute for Economics & Peace, 2014)	#1
Low corruption (Transparency International, 2014)	#1
Prosperity Index (Legatum Institute, 2014)	#1
Rule of Law Index (World Justice Project, 2014)	#1
Press Freedom (Reporters without borders, 2014)	#2
Worldwide Governance Indicators (World Bank, 2014)	#2
Economic Freedom (Heritage Foundation, 2015)	#3

highest and most evenly distributed income

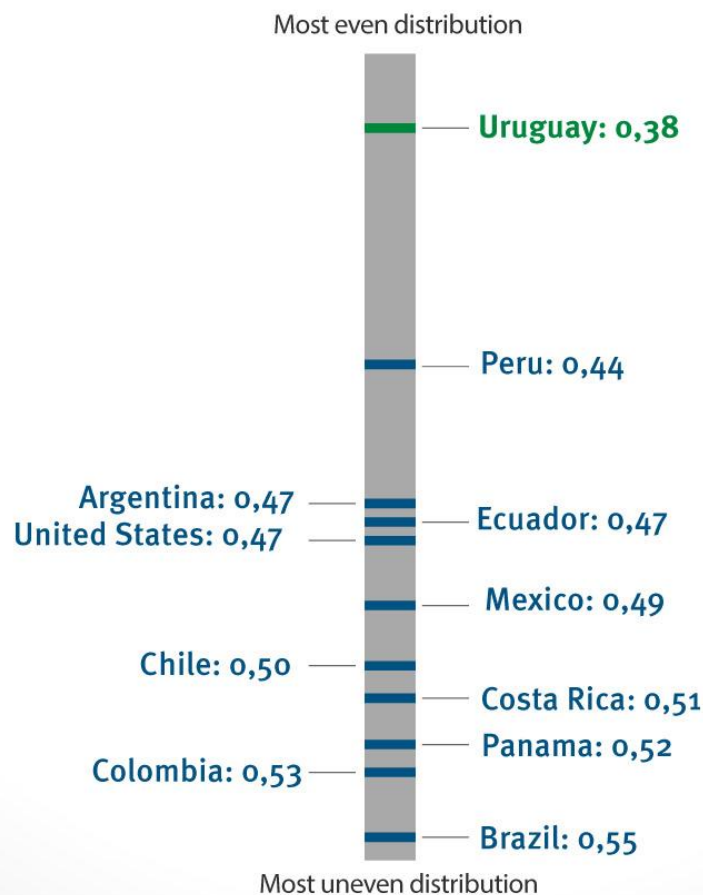
GDP per capita (current USD)

2014

2019



Income distribution in the region
(Gini Index, 2014)



Uruguay
investment grade

**STANDARD
& POOR'S**

The McGraw-Hill Companies

FitchRatings



MOODY'S

In May 2015, Moody's ratifies the investment grade of Uruguay due to two reasons: The absence of macroeconomic imbalances that limit vulnerabilities in a context of economic deceleration, and the commitment on fiscal sustainability of the new government.

Uruguay

some foreign companies operating in Uruguay






main export destinations in 2014

 **United States 4%**
Meat, leather, wood and wood products

 **Mexico 3%**
Syrup for beverages, leather, soybeans

 **Canada 1%**
Meat, fruits, fish

 **The Netherlands 4%**
Wood pulp, meat, fruits

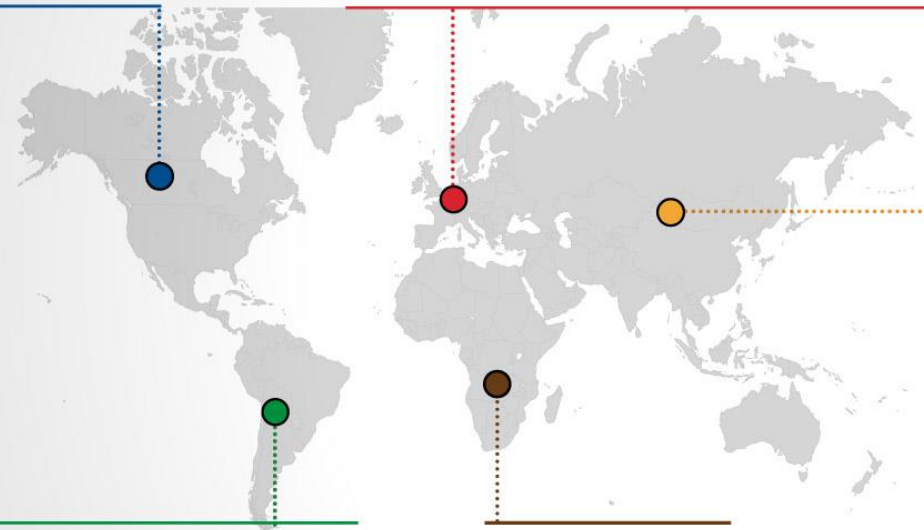
 **Germany 3%**
Meat, leather, wool

 **Italy 3%**
Wood pulp, soybeans, meat

 **Spain 1%**
Meat, wood and wood products, fruits

 **Switzerland 1%**
Gold, beef, poultry

 **United Kingdom 1%**
Meat, wood and wood products, fruits



 **China 22%**
Soybeans, wood pulp, meat

 **Russia 3%**
Meat, dairy, meat preparations

 **Iraq 2%**
Cereals

 **Israel 1%**
Meat, meat preparations, fish

 **Philippines 1%**
Syrup for beverages, dairy, fur products


 **Japan 1%**
Syrup for beverages, wool, soy


 **Vietnam 1%**
Leather, wheat, wood and wood products

 **Hong Kong 1%**
Meat preparations, leather and wood pulp

 **Brazil 18%**
Cereals, automobiles and auto parts, plastics

 **Argentina 5%**
Automobiles and auto parts, paper and cardboard, wood pulp

 **Venezuela 4%**
Dairy, meat, pharmaceutical products

 **Paraguay 1%**
Tobacco, pharmaceutical products, fertilizers

 **Chile 1%**
Meat, dairy, pharmaceutical products

 **Peru 1%**
Cereals, pharmaceutical products, meat preparations

 **Egypt 2%**
Soybeans, live animals

 **Tunisia 1%**
Soybeans, live animals

 **South Africa 1%**
Cereals, leather, fats and oils

preferential access to important markets

Uruguay is a Mercosur member and has a Free Trade Agreement with Mexico. Together, these markets represent:



69% of Latin America's trade



398 million people

GDP

76% of Latin America's GDP



Uruguay

ease of doing business

No limits on the amount of foreign capital in companies



No restrictions on the repatriation of profits



No foreign exchange restrictions

No discrimination between foreign and domestic investors



No local counterpart, prior authorization or registration required



Single taxation system throughout the country



priority sectors with additional benefits



Shared services Center



Call centers



Shipbuilding



Software



Renewable energies



Tourism



Biotechnology



**Agricultural machinery
and equipment**



**Cargo vehicles
and equipment**

Uruguay

free ports and airports



The only free-trade ports on South America's Atlantic coast



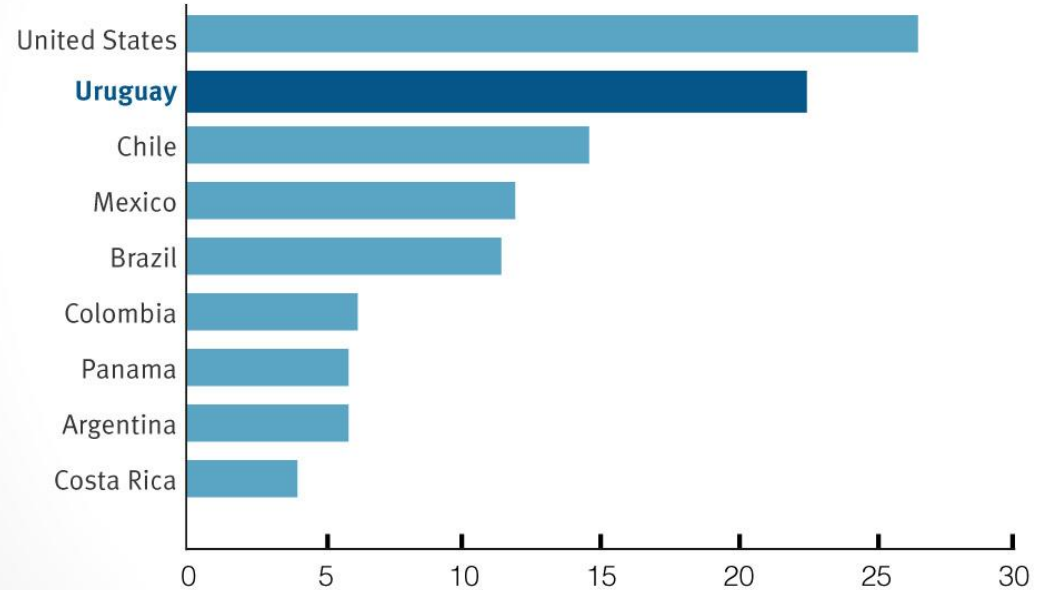
The only free airport in South America and one of only 7 free airports in world

- » **Goods exempt** from domestic taxes and import surcharges
- » **Free circulation** of goods without authorizations or formal processes
- » Foreign legal entities **exempt** from Wealth Tax and Corporate Income Tax
- » **Automated operations**

Internet penetration
(fixed broadband)



Internet download speed
(Kbps, 2014 average)



laptops for every student and teacher



Plan Ceibal

1st country in the world to provide laptop computers to **all** public school students and teachers from pre-K through high school through Uruguay's One Laptop Per Child Program, Plan Ceibal.

Fiber optic access

100% of schools and technical universities

Households with Internet

Reduced by 92% of households.
(2005 – 2015)

Learning English

Language learning platforms for users.



Uruguay

high educational levels

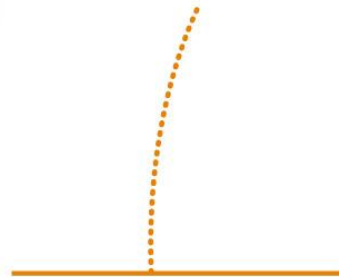


Public universities are free in Uruguay



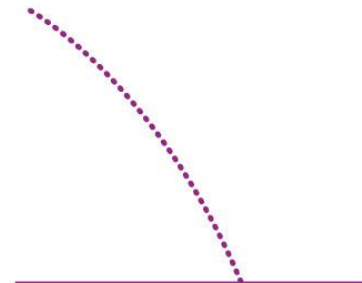
43% of students study business-related careers

32% of students study life sciences and technology-related careers



75% of students read in English

55% of students speak English



36% of students read in Portuguese

21% of students speak Portuguese

Uruguay

the best place to live



**BEST PLACE
TO LIVE**

–
#1 in Latin America

Quality of life

City	# Latin America
Montevideo	1
Buenos Aires	2
Santiago	3
Brasilia	6
Asuncion	9
Río de Janeiro	10
Sao Pablo	11
Lima	12
Mexico City	13

Uruguay

the best place to live

RESPECT FOR THE RULE OF LAW INDEX

#1 in South America



EMPLOYMENT OPPORTUNITIES

#1 in South America



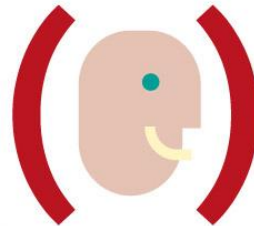
REGULATORY FRAMEWORK

#1 in Latin America



DEVELOPMENT OF INFORMATION TECHNOLOGIES

#1 in South America



SAFETY

#1 in Latin America



EDUCATIONAL SYSTEM

#1 in Latin America



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