

INDONESIA ECONOMIC POLICY PACKAGE VOLUME 5: COULD IMPACT TO THE ECONOMY?

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Abstract

This study was conducted to analyze each of the points contained in Economic Policy Package Indonesia Volume V released by the Indonesia Financial Services Authority (FSA) in October, where the economic policy consists of three points with respect to the policy of Islamic banking, the elimination of double taxation on property, real estate sector, and a decrease in income tax. The purpose of economic policy is to drive economic growth in Indonesia using an exploratory qualitative approach, in which the phenomena to be observed will be analyzed based on the theories related including previous studies related.

The results of the analysis is the application of banking products and simplification of the opening of the office network to support the advancement of Islamic banking, to achieve high employment and economic growth then the elimination of double taxation for property and real estate sector to encourage the advancement of the sector at a time the country's economy. Meanwhile a lower income tax rate resulted in increased state revenues from taxes. With a series of policies that made the FSA contribution to economic growth, it is clearly seen that the FSA brought significant progress in Indonesia's economic growth.

Key words: *Financial Services, Economic Policy, Monetary, Banking*

1. Introduction

Based on data from the Central Bureau of Statistics of the Republic of Indonesia Indonesia's economic growth slowing from 5.12 percent in the second quarter of 2014, to 4.67 per cent in the same period this year, making Indonesia should change its management system to drive the domestic economy. As a result of the impact of the global economic crisis, the government in 2015 to create a new policy in the form of Economic Policy Package Volume V which aims to trigger domestic economic

development through strengthening the role of the task oversight The Indonesia Agency Financial Services (Pratiwi, 2015), where each package of policies introduced by the FSA does not negatively impact Indonesian macro economy. It means that the role of the FSA is expected only to make policy based on a sector that should be given support and encouragement that can improve the economy of the country (The Republic of Indonesia, 2011)

FSA of Indonesia Republic is a state institution established under

Law No. 21 of 2011 which serves to implement the integrated regulation and supervision of all activities in the financial services sector. Based on the site's official page of the FSA, the FSA stated purpose of establishing inter alia that the overall activity in the financial services sector should be: 1) into a regular basis, fair, transparent, and accountable, 2) able to realize the financial system grows sustainable and stable, and 3) able to protect the interests of consumers and society. (Otoritas Jasa Keuangan, 2011)

While the FSA function is to hold the regulatory and supervisory system that can be integrated to the overall activities in the financial services sector in Indonesia. The FSA in charge of regulation and supervision of financial services activities in the sector of Banking, Capital Markets sector, and non-bank financial sector (Pratiwi, 2015).

The policy content in Volume V consists of three main points. The first is the reduction in income tax rates. If the tax rate (income tax) in the normal revaluation of assets subject to 10 percent, is now up to the asset revaluation December 31, 2015 income tax rates apply to only 3 percent. While the revaluation of assets until June 30, 2016 subject to income tax rates by 4 percent and the revaluation of assets until December 31, 2016 income tax rates enacted only 6 percent (Kemenkeu, 2015).

Second, the elimination of double taxation on the collective contract of real estate investment funds (DIRE) or Real Estate Investment Trusts (REITs). The government revealed the company property and infrastructure Indonesia publishes many REITs in neighboring Singapore. With the

issuance of Ministry of Finance No. 21, double taxation will be eliminated and it is hoped Indonesian companies can publish their REITs in their own country. In addition, government initiatives will encourage property sector, real estate, and infrastructure becomes more advanced. This policy is not only viable in a greater tax revenue in the future, but can stimulate economic growth moving fast.

Then the third regulations relating to Islamic Banking deregulation. In Islamic Banking regulations, there are two things; the first related to the relaxation of Islamic Banking products thus permitting new product expenditures will be simple enough to report it just because it will be made codification system for each of its products (Samad et.al, 2011). The second rule with respect to Islamic Banking is a simplified opening for Islamic Banking office network can use Conventional Banking office. It can boost efficiency, price and interest rates that are affordable for the community.

As for the issue to be faced by the Indonesian government with regard to implementation of package about reduction in income tax rates, double taxation on real estate and housing / real estate, and a new policy on Islamic banking is able to boost economic growth in Indonesia and the extent to which the ability of the Financial Services Authority could encourage growth of economy?

Based on the background and the issue, therefore the purpose of this study was to analyze the impact in terms of the economy of Indonesia with the policy of reduction in income tax rates, the elimination of double

taxation on property and real estate, and a new policy on Islamic Banking, as well as to know the extent to which financial institutions FSA role in the Indonesian economy.

2. Literature Review

Monetary policy is essentially created with the primary goal of price stability. But this policy has five objectives are also important, such as: high employment, economic growth, financial market stability, interest rate stability, and the stability of the foreign exchange market (Khan, 2011).

There are three objectives of making Indonesia Economic Policy Package Volume V by the FSA, which is the first objective which is to strengthen liquidity. In this case through monetary and fiscal policy, with measures of monetary operations, exchange rates and inflation may reach stability can be maintained. In addition, the decline in interest rates has been the main issue entrepreneurs, especially Micro, Small and Medium Enterprises (SMEs), can be achieved. The second objective is to be able to real sector through structural reforms three instruments, namely deregulation which includes rationalization of the rules by eliminating the duplication and redundancy or regulations irrelevant. Third, the economic policy package aimed at law enforcement and business certainty. Given this policy, stakeholders involved with participatory methods stakeholders and many parties participating in the implementation and supervision.

Islamic banking is a banking system based on the implementation of Islamic law, or sharia (Muljawan et.al, 2002). The formation of this

system is based on the prohibition of the Islamic religion to lend or collect any loans with flowers wearing a loan, as well as the prohibition to invest in businesses categorized forbidden. Characteristics of the Islamic banking system that operates on the principle provides an alternative banking system that is mutually beneficial for the community and banks, as well as highlight aspects of fairness in transaction and ethical investment, underlining the values of togetherness and brotherhood in production, and avoid speculative activity in financial transaction (Samad, et.al, 2011). By offering a range of banking products and services are diverse with more varied financial scheme, Islamic banking to be an alternative banking system that is reliable and can be enjoyed by all segments of society without exception. Taken together, the system of Islamic banking and conventional banking synergistically support the mobilization of public funds more widely to improve funding for sectors of the national economy.

Cases of Tariff Reduction and Impacts

Prepare for the ASEAN Economic Community (AEC) in 2015, a number of countries to reform their tax systems. As the name implies, the economic society, MEA level is higher than the free market for MEA 2015 is not only free flow of goods and services, but also aims to ease the flow (free flow) of capital, investment, and employee (Fukunaga, 2015). It has an impact on the integration of ASEAN into a region with high growth economy.

Malaysia end of 2014, began to impose a tax rate of service products. Malaysia set income tax service sector amounted to only 6%, which is the lowest tax rates in the ASEAN (source: worldwidetaxrevie.com). As a result, many services current investment flow to Malaysia compared to Indonesia or other countries. Based on the site tax audits (pemeriksaanpajak.com), Malaysia is noted to be the first investment destination country of the service sector. Given these achievements, it is evident that the tax reduction could trigger investment from other countries. Sourced site tax audit, Singapore at the end of last year also impose a VAT rate of 5% which is the lowest rate of ASEAN. A low tax rate is based safety or the potential impact of lower taxes. Therefore, the transfer of capital and investment focused on Singapore (Rezvanian and Mehdian, 2002). Application of lower VAT rates indicates the potential for the country to increase foreign exchange through foreign investment.

1. Single Tax Enforcement in Singapore

Singapore is still ranked as the country's first targeted investment for global businesses. Given the many tax incentives and the implementation of a single tax rate of 20%, Singapore is considered to be a "haven" for foreign investors (The Investor Daily, 2016). The low level of such taxes will not need to worry to reduce state tax revenue, even with their low tax rates and incentives increase the amount of tax revenue. That is because, the number of companies and individuals who establish a business and the initial public offering (IPO) of the shares and the second deals (secondary offering) tends to increase every year (Rezvanian, and Mehdian, 2002). The Singapore Exchange Annual Report in 2015, Singapore revealed that total retail investors in lion country has reached two million people compared to Indonesia which is only able to attract 300 thousand foreign investors a few years ago. In addition, funds were successfully obtained from the foreign companies on the SGX IPO last year reached 6.5 billion SGD or more than 50% against the Singapore exchange earnings (SGX Ltd. 2016).

2. Islamic Banking in Malaysia

Figure 1. The position of Indonesian Islamic Banking and Other Countries



Source: Indonesia Central Bank, 2015

Islamic banking is playing a very important role in Malaysia. Most of the population depends on the role of Islamic banking is. As a result, each year Islamic banks are always evolving. Government as an organization that the people concerned are also very aware of the importance of the presence of Islamic banks in their countries. Therefore, various policy was created to encourage and support the banking system's growing blossoms for the welfare of the people. With the full support of the government, the Islamic banking in Malaysia can grow up to be the country with the largest Islamic banking (Samad et. al, 2011).

As the figure 1, the development of the statistical data Sharia in Indonesia is still lagging far behind Malaysia, Indonesia needs to issue a policy as a form of encouragement to grow and blossoms Islamic bank in Indonesia (<http://bi.go.id>). With the majority of citizens are Muslims, the increase in demand for Sharia economy increasingly visible role. Therefore, Islamic banks could support and means to reduce poverty and unemployment if its availability and amenities make it easier (Muljawan et.al, 2002).

Principles of Islamic Banking

One of the main characteristics of Islamic banking which distinguishes it from conventional banking and positive impact on the real sector and economic growth are Islamic financial institutions put more emphasis on improving productivity. Islamic financial institutions are financial institutions that emphasize the concept of asset based systems and production as the main idea. Mudharabah and Musharaka is a

major reflection of the idea of the stretcher (Samad et.al, 2011). Mudharabah is a partnership contract with the basic principles of the joint venture to be profitable if capital owners provide capital to the managers of capital to be used in commerce (Samad et.al, 2011 and Muljawan, et.al, 2002). Then both sides will teamed profit or loss according to the terms that have been agreed. So we can conclude that the owners of capital provide capital to the managers and owners of capital in return get a share in profits. However, in case of a loss, the owners of capital who bear the full loss, whereas business managers do not get anything from the dedication he has given. Therefore, participation in profits and losses is a very important part in the contract between the owners of capital to entrepreneurs due to the overall capital loss is borne by the owners of capital while the capital entrepreneurs do not bear the loss of the business.

While Musharaka is a common form of business for the result in which two or more people donate finance and business management, with the proportion may be the same or not. Profits are shared according to the agreement between the partners, and the losses will be shared in proportion to the capita l (Samad et.al,, 2011). Musharaka transactions based on the desire of the parties to work together to increase the value of the assets they own jointly by combining all resources. Musharaka is taken from the Arabic language which means to mix. In this case the mixing of the capital with other capital that cannot be separated from one another.

Through the financing patterns that have been described, then the real sector and the financial sector will move in a balanced manner. It is then an impact on the growth of Islamic banking and a greater contribution to economic performance and growth. Poverty and unemployment will directly resolved through good economic performance.

3. Research Methodology

This research is a exploratory study using a qualitative approach, where data and information is obtained from various sources related literature. As for monetary theory, financial, and banking in particular Sharia Banking systems are the theory behind the study. In addition, some sources of data from Bank Indonesia as the central bank, Indonesian Financial Services Authority, and InsideTax used in describing and assist researchers in analyzing the case.

In order to develop the taxonomy, we used *Procite©* and *Zotero©*, as software tools that supported us in creating the database containing the bibliographical sources we consulted. Citations were identified using a number of methods. Firstly, through citation search in existing conference, journal and working papers and doctoral theses. Secondly, using the abstracting and on-line services ProQuest, EBSCO, researchgate, and google scholar. All the publications stored in the database are retrievable by means of a set of codes (keywords) we created through intensive analysis of 21 leading and cited papers. The papers were classified into two criteria:

1. The *content-oriented criterion*, we will classify the basis using the framework we have developed which will be explained in discussion section;

Our literature approach content analysis enables us to address the scope of fields, where the Monetary Banking system, and Fiscal Policy are identified on this paper.

2. The *methodology-oriented criterion*, using The Law Act 21/2011 about OJK as Financial Services Authority Institution in Indonesia framework which classifies researches as primarily descriptive or prescriptive and empirically or conceptually based. Based on the primary framework (Muljawan, 2002) and Samad (1999), we analyzed of impact of the policy package to Income Tax Rate Reduction, Double Taxation on Property and Real Estate Sector, and finally to the Sharia Policy. This criteria was very helpful not only in developing a literature review with a critical perspective, but also in assessing gaps in current theorizing, methods and empirical finding in the field of study analyzed.

4. Results and Discussion

Impact of Income Tax Rate Reduction

Any policy with regard to the tax created by a state agency would lead to an increase in state revenue from the tax sector. As with the policy of income tax rate (VAT). This policy is intended to be public or taxpayers become more obedient and raise awareness of the rights and fulfill tax obligations. If the goal is reached, then the state revenue from taxes will

increase for their tax compliance in conducting the revaluation.

In addition, the income tax rate reduction is also intended to allow the company's net profit after tax higher, or in other words the corporate tax burden will decrease. With it, enterprises can improve productivity and be able to expand so that the country's economy helped participate. Wasylenko and McGuire (1985) find that higher levels of overall taxation discourage employment growth. Effective income tax rates are shown to have a negative impact on employment growth in the wholesale, retail, and finance industries. However, their corporate tax rate variable does not yield statistically significant results. But Indonesia Central Bank stated that business entities can play a role in the progress of the Indonesian economy by creating jobs for the people of Indonesia that the unemployment rate is reduced, which is reducing 20 percent of income tax the unemployment rate has decreased 0.31 percent from 5.81 percent in early 2015 (Indonesia Central Bank, 2016). Hence, reduced levels of unemployment could indicate increased Gross Domestic Product (GDP) of the country in 4.8 percent (above average economic growth).

Beside that, with the policy package is expected that Private Owned Enterprises also pushed the country's economy by increasing foreign exchange (Mishkin et.al, 2012). Each country's foreign exchange earned from international trade. With the private enterprises that export their products to neighboring countries, the national income will increase.

Tariff reduction policies are also made to compete with neighboring countries, to increase the number of investors, both foreign and domestic to invest in Indonesia. The current income tax rate reduction it is becoming a trend of its own in the administration of various countries. Among the member countries of the G20, the lowest corporate income tax rate for 2015 is occupied by Saudi Arabia, Turkey, Russia, and the United Kingdom by the same percentage, is equal to 20 per cent. Reported by Inside Tax sites, corporate income tax rates in force in Indonesia is still quite low when compared with other G20 countries and which has 25 percent of tax rate and as the third-lowest country in the world after South Korea, at 24.2 percent. Here are the data concerning the corporate income tax rate countries of ASEAN-6 in 2015 (Fukunaga, 2015).

Table 1. Corporate Tax Rates in ASEAN-6, 2015

Countries	Income Tax Tariff
The Philippines	30
Indonesia	25
Malaysia	25
Vietnam	22
Thailand	20
Singapore	17

Source: *InsideTax, and Author's modification, 2015*

Table 1 show that declining corporate income tax rates in the ASEAN region and plans for economic integration of ASEAN or the ASEAN Economic Community (AEC) in 2015, then it should be assumed that there is a tendency ASEAN countries responded to the ASEAN economic integration by lowering the corporate income tax rate. In future, the competition to lower corporate income tax rates in the ASEAN region seems to have ended, given 2015 was a year of enforcement of AECs (Fukunaga, 2015). The Philippines plans to cut corporate income tax rates of up to 20 percent in 2019 to come. While Malaysia will reduce income tax rates by 1 percent to 24 percent and Vietnam lowered to 20 percent in 2016. If the plan for the corporate income tax rate reduction in the neighboring countries is realized and Indonesia did not participate lowering tariffs, Indonesia will become the country with the corporate income tax rate the highest in the ASEAN-6. Therefore, Indonesia has taken considerable steps right to participate in the competitive struggle for investors to increase foreign exchange and advance its economy.

Another positive effect with a reduction in the tax rate are creating compliance, foster a business climate, providing easy, establish justice, and promote economic growth and company or enterprise to go public (Prasad et.al, 2003). This can lead to increased tax revenue by increasing tax compliance. Although, the decreasing can result in potential lost tax revenue, but the decline in revenue is not comparable with the amount of new tax revenue. The fall

in income tax rates can also reduce leakage in the payment of taxes, such as collusion between tax officers with the taxpayer, false financial reporting, no detection of the taxpayer, and others. In general, taxpayers feel burdened by the high level of taxes that reduce their income or net income, so try to avoid taxes and not revalued. Some evidences with using data from 1969 to 1986, Mullen and Williams (1994) found that, given overall tax levels, higher marginal tax rates reduced growth. However, with the issuance of the new policy on this tax, it will be established that honest tax payers.

The policy of reduction in income tax rates play a role in supporting the country's economic growth to reduce the unemployment rate which increased GDP, attract foreign investors to invest and increase foreign exchange, as well as increase the state tax revenue. Goss and Philips (1994) find that personal income taxes reduce employment growth, but corporate taxes do not. Nevertheless, Alm and Rogers (2011) stated that reduction income tax as one of state's fiscal policies have a measurable relationship with per capita income growth, although not always in the expected direction.

Impact Elimination of Double Taxation on Property and Real Estate Sector

The elimination of double taxation policy can bring a very positive impact with brisk capital market investment products and encourage the development of national economy. Goss and Philips (1994) stated that double taxation relating to this financial instrument

into an opportunity that can be exploited by employers, especially dabbling in real estate and housing / real estate. This removal could potentially trigger capital markets as alternative sources of funding, so that the increased investment in the property sector and can provide a secondary effect of the national economic development.

In addition, these policies can increase the interest of industry or company property developers and investors to invest in the product of Real Estate Investment Trusts (REITs) as there is potential for higher returns after the removal of double taxation. Indonesian companies also do not need to seek funding to neighboring Singapore to issue REITs. During the process of developing a means of investment properties through REITs always been hampered because of the high tax rate factors. However, with the abolition of tax instruments or DIRE REITs (Real Estate Investment Trusts) can run well. Changing the tax system into a single tax can also improve the level of development of the entrepreneurs so that the number of new registered tax will increase (Goss et.al, 1994). With a growing number of tax payment, then as well as income tax, state revenue from tax sector will also increase.

This policy was given for the Indonesian capital market product is still relatively limited, so that the capitalization of the Indonesia Stock Exchange is relatively small compared with neighboring countries. For it is necessary to develop products such as KIK for infrastructure and DIRE line with the deepening of financial markets. Collective Investment Contract

(called by KIK in bahasa) is a new tool released REITs. According to the calculations of the Financial Services Authority, the assets in Indonesia, which is sold in the form of KIK-DIRE in Singapore reached 30 trillion IDR (<http://ojk.go.id>). To encourage the development of these products, the government provides tax reduction, namely by eliminating the double tax on the transaction.

Single tax policy is also expected to withdraw funds that had been invested in overseas markets to the domestic financial sector, in addition to encouraging the growth of investment in infrastructure and real estate (Prasad et.al, 2003). The positive impact that can be felt from these tax facilities include increased accumulation of KIK, encouraging the growth of infrastructure and real estate development, and the growth of construction services. Real Estate Investment Based on the study, noted that the property sector is an industry that absorb a large workforce. Growth is happening in the property sector would open up the potential for employment so as to support government programs in an effort to reduce poverty and unemployment rate.

The Impact of Sharia Policy

There are two new regulations with regard to Islamic banking, the first is the relaxation of licensing Islamic banking products, and the second is the simplification of the opening of the office network. In the first point, given the ease for Islamic banking to issue new products which no longer need to be reported which uses the procedure is quite complex and impede the course of Islamic banking in providing the best for the

community. In the absence of reporting, the government still can find new products are issued by the Islamic banking, since the entry into force codification system. The system is built with the provision of the code on each of the products released. FSA believes that every product issued by the Islamic banking aims to contribute to the economic progress of the country through programs that help welfare society (the Republic of Indonesia, 2013). With the use of codification system without reporting to the procedures, Islamic banking has the potential to grow bigger in Indonesia (Muljawan et.al, 2002).

Secondly, simplification opening of this office networks to provide benefits in the subject of public access. Previous number of Islamic banking offices still numbered limited so that its scope becomes not easy. But now with the placement of Islamic banking in conjunction with conventional banking is certainly superior in terms of the number and range of Islamic banking can be found anywhere. So that people have the ease of partnering with Islamic banking (Samad et.al, 2011).

Through these two banking policy has the potential to grow and develop more widely in Indonesia and the public can more easily reach out to the Islamic banking which is now placed in conjunction with conventional banking. The role played by the Islamic banking in encouraging economic progress, both these advantages into the gate that leads to the growth of the national economy. Islamic banking roles are described in the following section.

Role of Islamic Banking in National Development

Shariah Banking industry indicates an important role in national development (Muljawan et.al, 2002). Notching banking is quite reliable in the process of achieving well-being and prosperity of society. This is because the Islamic banks to apply the principle of equitable outcome without applying interest on the transaction.

Development is one of the indicators that determine the progress of a country, and also one of the important things that cannot be separated from the role of national banks, in particular Islamic bank. Islamic banks play an important role in development, with concrete evidence that the incidence of the monetary crisis in 1998 (Muljawan et.al, 2002). At the time the country was hit by the crisis, unlike other conventional banks, Islamic banks are not shaken and counted stable condition.

The development is not solely focused on the development results, but also the subject of development that no other human resources, should be given emphasis. Therefore, the development certainly done with good intention and financing. Islamic banks in the transaction system, which forbids interest, assume that interest with all kinds of species can be detrimental to the community and show the economic gap. The interest rate is also considered creating a chaotic development, where it is seen during the financial crisis; the interest rate that peaked resulted in economic chaos and have an impact on the delay of the development process. While Islamic banks are the main principle of justice, able to survive the crisis without shocks. This clearly proves that the Islamic banks are the

right choice in enhancing the development of Indonesia (Muljawan et.al, 2002).

Islamic banks own role in national development includes three main points. First, the Islamic economic role in the development of the real sector, with Prohibition in interest rates, the bank syariah must distribute the funds under its management to the real sector and the business is lawful (Samad et.al, 1999). Funds were channeled to the real sector, the nation's economic development will be met and the real sector can be more advanced.

Second, the Sharia economy through the financial industry also contributes in attracting foreign investors to invest in Indonesia (Muljawan et.al, 2002), especially from the countries of the Middle East. The existence of various Islamic investment opportunities offered in Indonesia, foreign investment is also flowing in. The addition of the value this investment can increase foreign exchange which can takes the Indonesia to a better economy.

Third, the Islamic economic encourage ethical economic behavior in Indonesia society. The Sharia economy is an economy in favor of truth and justice and reject all forms of economic behavior that are not as good as the system of usury, speculation and uncertainty (Samad et.al, 2011). With the roles played by Islamic banks in national development, the government should give more attention and optimize performance so that financial institutions can thrive.

Role of Islamic Banking in the Micro, Small and Medium Enterprises (SMEs)

It is important to broad the knowledge of various parties that the role of Small, Micro, and Medium Enterprises (SMEs) in the economy of Indonesia(Thanh et.al, 2010). National SME sector is known to have positive characteristics such as sectors that absorb a large workforce, to accommodate the poor and the dominant role in the economic structure (Machikita, 2011). With the scope of business as the dominant activities in the domestic economic environment, do not be surprised if the SME sector has always been a hero of the country's economy when the national economy was dealing with the financial crisis. Therefore, it is reasonable if the government and the parties concerned to encourage the sector to develop better for the sake of economic progress.

Towards the ASEAN Economic Community (AEC), the Small, Micro, and Medium Enterprises (SMEs) in Indonesia showed a positive development (Thanh et.al, 2010). This business sector progress quite rapidly evident from the increasing number of SMEs., but this growth to be very unfortunate if in terms of quantity has not been matched by the quality and competitiveness is good to be on par with competitors from other ASEAN countries. If the SME sector can excel, then the country's economy also rose, which is limited capital to be one of the obstacles (Otoritas Jasa Keuangan, 2014). This is where the role of Islamic banks in the development of Small and Medium Enterprises in Indonesia. In contrast to other banks that lend capital to give flowers or the opening credits, Islamic banks offer alternative banking service with a system of rewards in the form of

profit and loss sharing or profit margin, the profit that applies the principles of justice both for the bank and the customer (The Republic of Indonesia, 2013)

The philosophy underlying the development of Sharia banks in an effort to develop SMEs in the community is the assistance provided without warranty or surety with the target groups of the middle to lower and less capable but has the potential to develop the business economy (Muljawan et.al, 2002). Other provisions are applied is if the member dies, then they are exempt from the payment of credit. In carrying out the program of micro credit services, Islamic banks which organize citizens into small borrowers in small groups consisting of five members. The intention was to strengthen the borrowers so that they have a better capacity to plan and implement decisions at the micro level. While in terms of lending, the priority given to groups of people who really need the funds to support its business success, therefore efforts of Islamic banks in the development of SMEs in the society in terms of assistance, not based on charity or compassion (Samad et.al, 1999). In this case, the credit aid that has been given should be able to prepare the requested requirements and credit procedures in accordance with the conditions of society. In addition, credit assistance provided does not require any collateral or guarantee members. Policies of Islamic banks themselves associated with the management of credit aid itself must be done openly and professionally with the principle of, by, and for the members (Muljawan et.al, 2002). In

the implementation of the program, Islamic banks also utilize existing groups in the community as a suggestion channeling credit assistance.

It means that the policy of the Islamic bank in providing assistance to the poor, can trigger economic growth to reduce unemployment and poverty. The Assistances that given by Islamic banks could be beneficial for people who are unemployed and low income to improve the economy and at the same time the country's economy.

The role of the Financial Services Authority

So far, up to the first quarter of 2015, the Financial Services Authority (FSA) is still showing positive achievements. Recorded in the report issued by the FSA, although Indonesia experienced economic growth of 4.7% in the first quarter of 2015 with a decrease of 0.3% compared to the fourth quarter of 2014, but it was also felt by most developing countries due to the global crisis. FSA report also noted there was a surplus balance of trade amounting to USD 2.4 billion, an increase of USD 1.4 billion from the previous year. This indicates that Indonesia is still in good condition (Otoritas Jasa Keuangan or Financial Services Authority Institution, 2014).

The Composite Stock Price Index (CSPI) on table 2 showed the increasing of 5.6%, resulting in annual stock index grew by 15.7%. This reinforcement is the fifth highest among major exchanges Asia-Pacific region.

Table 2. The Asia Pacific Value Composite Index

Country	The Composite Stock Price Index (CSPI) (point)
China	15.87
Japan	10.06
The Philippines	9.82
Korea	6.55
Indonesia	5.58
Hongkong	5.49
Malaysia	3.95
Singapore	2.43
Thailand	0.55

Source: Indonesia FSA, 2015

5. Conclusions and Recommendations

Indonesia Economic Policy Package Volume V, which was released last October 2015 brought good impact on the country's economy is being weakened by the global crisis and a stronger US dollar. Regulations made by the Financial Services Authority includes three things, where the first, the policy regarding income tax rate (VAT). This policy can help the revival of the country's economy by stimulating the increase in the state income tax sector (Rezvanian, and Mehdian, 2002). This tax revenue could be increased by the construction or expansion of a business entity that is carried out by specific sectors that create employment and reduce unemployment Indonesia (achieving high employment). In addition, the decline in income tax may attract other investors to invest in Indonesia so the impact on the increase in the value of foreign exchange. Awareness of companies or employers in the revaluation also be a reason for increased acceptance in the tax sector which advance the nation's economy.

Second, the policy with regard to the elimination of double taxation in real estate and housing / real estate can encourage investors to invest their shares in this sector. Development will also be a lot going on so that Indonesia can get a list of new taxes that are relatively abundant. The property sector and housing / real estate listed as one of the sectors which are potentially in employment. Third, the convenience for Islamic banking in releasing new products without reporting and simplification of banking network, helping the development of Islamic banking were instrumental in the construction sector and supporting Small and Medium Enterprises (SMEs). Without passing through the special procedure of reporting new products as well as the implementation of the codification system, the Islamic banking can be freely released a new product that would bring benefits to the people of Indonesia (Otoritas Jasa Keuangan or Financial Services Authority Institution, 2013). With the incorporation of Islamic banking and conventional banking, Islamic banks become easier to reach and be able to

serve the people in a broader scope (Muljawan et.al, 2002). The role of the banks themselves is very important in national development and progress of the SME sector as a sector of economic backbone of the country.

With a variety of policies and regulations issued by the FSA, therefore they selves managed to prove the effectiveness of its performance (Otoritas Jasa Keuangan or Financial Services Authority Institution, 2014). Strengthening the sector, the distribution of SMEs, increase in Indonesia Composite Index (Machikita and Ueki, 2011), and various positive achievements FSA has indicated that the FSA does carry an important role in the progress of the Indonesian economy. With all the initiatives the FSA, Indonesia, which was hit by the phenomenon of economic slowdown, have the potential to grow into a country with a strong economy. FSA as a new institution that perform oversight functions in the financial industry gave some hope for the country to move forward. In general, performance has been demonstrated towards achieving the objectives and functions of this establishment. However, it should be noted that the FSA should continue to maintain the consistency of its performance for the stability and progress of the country's economy (The Republic of Indonesia, 2011). Therefore, there should be an analysis of the effect of the policies issued by the institution of the nation's economic conditions as well as their performance reports on a regular basis so that the FSA can be evaluated and continuously strive to improve to provide the best for the

development of the national economy.

In a review of Islamic banking industry by Bank Indonesia, the first quarter of 2015 recorded a decrease in the assets and deposits of 1.5% and 2.2%. Based on this situation, in October 2015 the FSA issued a volume V of economic policy are on simplifying the regulations for Islamic banking (<http://ojk.go.id>). The above description shows that the FSA is quite effective in bringing Indonesia into a country with a better economy. FSA pays attention to every financial aspect and try to improve every sector experienced a decline in performance. So the Indonesia FSA showed a real contribution in the development of the national economy.

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