

## Bina Swadaya

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### Brief History

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Bina Swadaya, Badan Pengembangan Swadaya Masyarakat (Community Self-Reliance Development Agency) has existed in Indonesia since 1958, through different names and different activities. It is an outgrowth of the organisation Ikatan Petani Pancasila (IPP, Pancasila Farmers Association), who focused on improving people's social and economic condition through a participatory methodology. In 1967, the IPP founded YSMT (Yayasan Sosial Tani Membangun, or Peasant Socio-Economic Foundation) to manage IPP's projects and in 1984, those activities were transferred to the newly-created Bina Swadaya (BS). The philosophy of Bina Swadaya comes from the Pancasila : belief in one supreme God, just and civilized humanity, unity of Indonesia; democracy led by the wisdom of deliberation among Representatives and social justice for the whole of the people of Indonesia.

### Methodology

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BS has been involved in microfinance since the 1970s with the development of self-help groups (SHG) and cooperatives, with a self-reliant, savings-first methodology. 21 branches facilitated the development of SHGs, which was slowed down by a lack of capital. To respond to this capital need, BS participated to the bank - self-help group linkage program (PHBK) starting in 1988, where BS recommended SHGs to banks (BPRs, BRI, Bank Danamon, Bank Budaya) and managed the disbursement of credits.

It then became involved in microbanking by establishing its own four BPRs, with a more pro-poor approach than the rest of the BPRs.

From 2002, Bina Swadaya has adapted a microcredit model from ASA Bangladesh, initially in four branches, later expanded to seven branches, with technical assistance provided by ASA. The program reaches 10,000 clients, partially funded by Cordaid and private banks. The recovery rate has recently declined due to the rapid growth of membership, and a less strict screening/selecting process.

Following the ASA methodology, BS set up offices as service point and living quarters for local staff. Each credit officer visits three groups per day, or 18 groups per week, serving on average 397 clients. The groups are composed of between 15 to 30 members. The credit services provided by Bina Swadaya have the following features:

- No collateral requirement
- One loan maximum per person per year
- Simple application process and documentation
- Credit is given in cash directly to borrower at the branch level

In terms of savings, deposits are collected at clients' doorsteps. Clients deposit a minimum US\$0.25 per week, are remunerated by a competitive interest rate, while saving withdrawal can done at anytime.

## Area of Operations

Bina Swadaya's microfinance program (ASA pilot) operates in areas of high density of population, in economic active regions, where transportation and market infrastructure are good, and where banking facilities are available.

## Clients

BS's microfinance program targets factory workers, small farmers (0.25 ha of land maximum), microentrepreneurs, with a household income under Rp.1 million in rural areas, and Rp.2 million in urban settings. Clients are vulnerable, politically, socially, and physically. In addition to the ASA model, Bina Swadaya also reaches 5,000 clients through its four BPRs and another 50,000 clients through self-help groups.

Active clients	Active savers	Active borrowers	Gender
10,065	10,065	9,532	95%

*ASA pilot program, as of June 2004*

## Poverty Focus

BS chooses to work in areas where many poor families live and where a majority of people have a low level of education, and sanitation systems are deficient or nonexistent.

Average Loan Outstanding	Average outstanding loan size / GNP per capita	Average deposit size
n/a	n/a	n/a

## Distinctive Features

BS is one of the oldest and largest NGOs in Indonesia, involved in a wide range of development and business activities. It has set up four BPRs to provide microfinance services to its clients.

## Innovations

Bina Swadaya has adopted the innovative features of the ASA model of microfinance, initially developed in Bangladesh, which involves standardisation and mainstreaming of procedures, cost-effectiveness and emphasis on sustainability and quality of loan portfolio.

## Financial results

Implementing an ASA methodology since 2002 throughout 7 branches, Bina Swadaya has disbursed Rp.17.8 billion in credit to 431 groups, achieving a 85% recovery rate.

Loan Portfolio	Portfolio at risk	Savings Deposits	OSS / FSS	RoE / RoA
Rp. 7 billion	n/a	n/a	n/a	n/a

*ASA pilot program, as of June 2004*

## Challenges and development plans

In implementing the ASA model, Bina Swadaya has faced a number of challenges, such as the need to have the new system fully accepted and understood by clients and staff, a rapid growth difficult to manage from head-office, and a high turnover of staff.

## Inclusion in financial Sector

Bina Swadaya has been involved in the SHGs-bank linkages as a facilitator, which involved business relationships with commercial banks. It has also set up its own four BPRs to deliver microfinance services more effectively, and to serve its SHGs. Bina Swadaya has also been involved in the drafting of a new law on microfinance.

## Sources

- Financial services for the poor. Bina Swadaya. Presentation by Y. Arihadi, Bina Swadaya during the BWTP and Gema-PKM workshop in Jakarta, August 2004.
- Internal correspondence and interviews with managers and executives of Bina Swadaya
- Bina Swadaya website [www.binaswadaya.org](http://www.binaswadaya.org)