

POLICY, REGULATION, AND SYSTEM NEEDED TO SUPPORT SUSTAINABLE MICROFINANCE FOR THE POOR

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MICRO ENTERPRISES SIMILAR, NOT THE SAME

Community Groupings	Income/Day/ Person	Size of the credit
The poorest	< US\$ 0.50	Up to Rp 500 thousands.
The poor	US\$ 0.5-1	Rp 1-2 million
Low Income	US\$ 1-2	Rp 2-5 million
Middle Income	> US\$2	More than Rp 5 million

Is SME categorization fit?



Micro Enterprises Vs. SME

Category of the poor	Economically active poor	SME
Access to financial institution	Do not have unless to moneylenders	Do have access
Physical collateral	Do not have	Do have
Saving	Do not have	Do have
Number of entities	39 million entities	1,5 million entities
Impact to the poverty	Directly and measurable	Job Creation



MICRO FINANCE

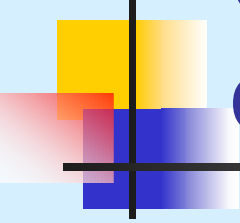
- A proven effective instrument to empower micro enterprises to increase income and life quality, and ensuring to pay the loan from the margin of its economic activities.
- Developing micro enterprises is strategic choice to alleviate poverty and country development.



MICRO FINANCE PARAMETER

- Reaching the poor and the poorest as much as possible
- Mainly women
- Immediate and measurable impact
- Sustainable for the MFIs, micro enterprises, and facilitators.

Approaches: groups or individual



Characteristics of micro enterprises owned by the poor and the poorest

- Lacking working capital caused by continuous increase of life cost and inflation.
- Most of them are conservative, doing business using same methods without innovation, business for survival.
- No access to any financial institution.
- Do not have collateral.
- Some of them already organized into self help groups and cooperatives.



Women must be prioritized

- In the family, women is the one who suffered most
- When the income of the family increase, women will put the needs of the family and household as the priority. They do not selfish.
- By nature, women is loyal and committed to family. It also happen when they borrow money.
- Challenges: do not have time, must ask husband' permission, lack of mobility,
- The challenges do not negate the importance of women
- Double role of the women should not be double burden.



The Role of Government

- The government acted as unsustainable financial direct provider. It contradict the principle of microfinance as continuous services.
- The borrower always want to repay the loan in hoping to borrow bigger loan. It is an universal pattern, not unique characteristic.
- Government program/project distort the market since it apply subsidized interest rate.
- Based on past experience, government should not be direct provider, their role is as policy maker, facilitator, and monitoring authority.



No Collateral Micro Enterprise Credit (KUM-LTA)

Model 1 : Direct : Bank Mandiri – Micro Enterprise

Model 2 : Bank Mandiri Linkage : Bank Mandiri - BPR - Micro Enterprise

Model 3 : KKMB : Bank Mandiri - KKMB - Micro Enterprise

Model 4 : Linkage through KKMB : Bank Mandiri-BPR-KKMB- Micro Enterprise

Model 5 : Cooperation 1: Bank Mandiri-PT.PNM-LKM-KKMB- Micro Enterprise

Model 6 : Cooperation 2 : Bank Mandiri- PT.PNM- LKM - Micro Enterprise

Model 7 : Linkage PT PNM 1: PT. PNM - LKM - Micro Enterprise

Model 8 : Linkage PT. PNM 2 : PT. PNM - KSP/ USP/ Koperasi/ BMT -
Micro Enterprise.



GEMA PKM AND MCI SURVEY

Respondents: 55 LKM

- 100% : Need Wholesaler
- 40% : credit
- 32.6% : Technical assistance
- 19.3% : Capacity building (individual)
- 8.1% : Rating



Size of The Loan And Interest Rate

52.6%: 100 – 500 million

22.8%: 500 – 1.000 million

15.8%: > 1.000 million

8.8%: 100 – 500 million

35%: 5 – 10%/thn effective

30%: 10 – 15%/thn
effective

15%: 15 – 20%/thn
effective

15%: <5%/thn effective

1% : 20 – 25%/thn
effective



TINGKAT PENGEMBALIAN DAN KOLATERAL

32.7%: 95 – 100 %

9.1% : 90 – 95 %

18.2%: 85 – 90 %

14.5%: < 85 %

60 % do not have collateral

36.4 % do have collateral



CONCLUSION

- Wholesaler is needed, it should be independent, and able to service MFI to reach wider poor micro enterprises more.
- The institution is financially feasible