

recommended².

6.3.2 Financial Analysis

At the end of 5 years, MFI will have Rp.37 million of own capital for 50 members, and Rp.47 million for 100 members (depends on the repayment schedule and internal rules and regulations on financial management). This means Rp.472,000 to Rp.747,000 per member.

This may be enough capital if income generating activity is conducted as group business, on the other hand, if each member has his/her own business, they may require Rp. 1-2 million at least. Even assuming utilizing their own savings, the members need to have access to another source of funding. Then the utilization of SP-3 as a link to the access to formal financial institution is recommended.

The figures are minimum amount expected to be raised from the Implementation Plan. During the intervention, it is also recommended to (i) increase members and capital base, (ii) consider transforming some portion of compulsory savings into shares, (iii) prepare to register as formal MFI, and (iv) develop other services such as agribusiness marketing for members, so that the capital or asset will be increased more than the amount mentioned above.

² MOA's suggested SP-3 scheme for 2007 has four categories: (i) Micro I Enterprise , loan amount maximum Rp. 10 million per person via LKM-A, interest rate 12% p.a., and risk sharing 90%, (ii) Micro II Enterprise, loan amount Rp. 10 million to Rp. 50 million, and risk sharing 40%, (iii) Small I Enterprise, loan amount Rp. 50 million to Rp. 250 million, and risk sharing 30%, and (iv) Small II Enterprise, loan amount Rp. 250 million to Rp. 500 million. For (ii) to (iv), the interest rate is 2-3% below commercial interest rate applied by the Executing Bank.

Table 6-2-1: Summary of Investment and Profit in Processing and Marketing Improvement Plan Project

Kelompok Tani	Member	Business model	Soft Loan (Direct Cost)	C (Grants & Support Assistance)	D=B+C Total Project Cost	E Savings Collateral (3%)	F=D+E Total Project including KI contribution	G Sales per annum	H Net Profits per annum	I Net Profits per 5 years	J=H/G Net profits ratio	K=H/A Net Profits per member	L Incentive for Members or Capital 5 years	M Savings Collateral after 5 years
West Java														
Cirebon														
	7	Revival and new comer	66,000	58,000	124,000	3,300	127,300	221,000	36,300	181,500	16.4%	5,190	4,620	4,630
	20	Expansion of business scale & renewal of technologies	450,000	174,000	624,000	22,500	646,500	705,900	84,200	421,000	11.9%	4,210	31,500	31,600
	36	Expansion of business scale & renewal of technologies	550,000	212,000	762,000	27,500	789,500	1,578,800	228,200	1,141,000	14.5%	6,340	38,500	38,600
Majalengka														
	30	Cottage level food processing (Traditional products)	45,000	51,500	96,500	2,250	98,750	375,000	117,400	587,000	31.3%	3,920	3,150	3,160
	16	Cottage level food processing (Traditional products)	45,000	51,500	96,500	2,250	98,750	600,000	182,300	911,500	30.4%	11,400	3,150	3,160
Kuningan														
	25	Primary Processing & marketing	200,000	153,000	353,000	10,000	363,000	810,000	179,800	899,000	22.2%	7,190	14,000	14,000
	20	Cottage level food processing (Sambal sauce)	67,000	58,000	125,000	3,350	128,350	360,000	80,000	400,000	22.2%	4,000	4,690	4,700
	20	Cottage level food processing (tee Cream, Cake)	43,000	58,000	101,000	2,150	103,150	90,000	24,400	122,000	27.1%	1,220	3,010	3,020
East Java														
Kediri														
	45	Fruit processing and marketing (Dried mango chips)	40,000	241,000	281,000	2,000	283,000	600,000	90,100	450,500	15.0%	2,000	2,800	2,810
	30	Fruit processing and marketing (Juice/puree)	40,000	232,000	272,000	2,000	274,000	396,000	93,500	467,500	23.6%	3,120	2,800	2,810
Mojokerto														
	11	Expansion of business scale (Young duck meat)	190,000	60,000	250,000	9,500	259,500	1,035,500	197,500	987,500	19.1%	18,000	13,300	13,300
	28	Revival and new comer	300,000	120,000	420,000	15,000	435,000	797,900	163,900	819,500	20.5%	5,850	21,000	21,000
	47	Model for introduction of new technologies	0	200,000	200,000	0	200,000	-	-	-	-	-	-	-
TOTAL	335	Total	2,036,000	1,669,000	3,705,000	101,800	3,806,800	7,570,100	1,477,600	7,388,000	19.5%	-	142,520	142,790
		per Household	6,078	4,982	11,060	304	11,364	22,597	-	-	-	4,411	425	426

*The number of member indicated here is the members who expressed their willingness to participate in the Plan. Thus the number for Mitra Binangkit 2, Makmur Jaya, and Budidaya is different from the total number of members obtained during the Field Survey.

Table6-2-2 Financial Analysis West Jawa Loan 100% (1/8)

Kabupaten Cirebon
Sigranala Indah
Duck (Model for revival and new comer)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Layer Duck (Female+Male)	22,400	0	0	0	0	0
Equipment & Tools	33,600	0	0	0	0	0
Initial Material and Fuel	10,000	0	0	0	0	0
Total	66,000	0	0	0	0	0
Soft Loan	66,000	0	0	0	0	0
Self-Contribution (frozen savings)	3,300	0	0	0	0	0
Grant Portion	58,000	0	0	0	0	0
Total Project Cost	127,300	0	0	0	0	0
Depreciation						
Layer Duck	14,933	14,933	14,933	14,933	14,933	14,933
Equipment & Tools	6,720	6,720	6,720	6,720	6,720	6,720
Total	21,653	21,653	21,653	21,653	21,653	21,653
Operation Cost						
Duck Layer Breeding	72,080	72,080	72,080	72,080	72,080	72,080
Salty Eggs Production	16,372	16,372	16,372	16,372	16,372	16,372
DOD Production	54,890	54,890	54,890	54,890	54,890	54,890
Total	143,342	143,342	143,342	143,342	143,342	143,342
Sales						
DOD, Fema	126,000	126,000	126,000	126,000	126,000	126,000
DOD, Male	54,000	54,000	54,000	54,000	54,000	54,000
Salty Eggs	35,200	35,200	35,200	35,200	35,200	35,200
Culling Duck	5,760	5,760	5,760	5,760	5,760	5,760
Total	220,960	220,960	220,960	220,960	220,960	220,960
Profit	77,618	77,618	77,618	77,618	77,618	77,618
Loan Interest & Repayment						
Principle	66,000	66,000	49,500	33,000	16,500	0
Interest	0	16,500	16,500	16,500	16,500	0
Total	9,240	9,240	6,930	4,620	2,310	0
Profit - Loan Interest & Repayment	68,378	51,878	54,188	56,498	58,808	77,618
Depreciation	21,653	21,653	21,653	21,653	21,653	21,653
Profit after Depreciation	46,725	30,225	32,535	34,845	37,155	55,965
Asset Building	6,675	4,318	4,648	4,978	5,308	7,995
Incentive 2% out of 14% interest rate payment	1,320	1,320	990	660	330	4,620
5% contribution (frozen savings)	3,300	3,531	3,778	4,043	4,326	member ↑
1 year time deposit interest rate 7%	231	247	264	283	303	←
Principal after interest rate	3,531	3,778	4,043	4,326	4,628	KT

Note: In case KT grow DOD up to pullets for egg production, the depreciation cost for Layer Duck can be minimized but additional expenses for DOD raising is incurred.
DOD raising for own pullets is more economical than that of purchasing pullets from outside. So the profit ratio will be improved.

Table 6-2-2 Financial Analysis West Jawa Loan 100% (2/8)

Kabupaten Cirebon
Bebek Jaya

Duck (Model for expansion of business scale)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Layer Duck (Female+Male)	119,000	0	0	0	0	0
Equipment & Tools	254,500	0	0	0	0	0
Initial Material and Fuel	76,500	0	0	0	0	0
Total	450,000	0	0	0	0	0
Soft Loan	450,000	0	0	0	0	0
Self-Contribution (frozen savings)	22,500	0	0	0	0	0
Grant Portion	174,000	0	0	0	0	0
Total Project Cost	646,500	0	0	0	0	0
Depreciation						
Layer Duck	79,333	79,333	79,333	79,333	79,333	79,333
Equipment & Tools	50,900	50,900	50,900	50,900	50,900	50,900
Total	130,233	130,233	130,233	130,233	130,233	130,233
Operation Cost						
Duck Layer Breeding	300,800	300,800	300,800	300,800	300,800	300,800
Salty Eggs Production	56,523	56,523	56,523	56,523	56,523	56,523
Total Cost	357,323	357,323	357,323	357,323	357,323	357,323
Sales						
Fertile egg	464,100	464,100	464,100	464,100	464,100	464,100
Salty Eggs	210,600	210,600	210,600	210,600	210,600	210,600
Culling Duck	31,200	31,200	31,200	31,200	31,200	31,200
Total	705,900	705,900	705,900	705,900	705,900	705,900
Profit	348,577	348,577	348,577	348,577	348,577	348,577
Loan Interest & Repayment						
Principle	450,000	450,000	337,500	225,000	112,500	0
Repayment	0	112,500	112,500	112,500	112,500	0
Interest	63,000	63,000	47,250	31,500	15,750	0
Total	63,000	175,500	159,750	144,000	128,250	0
Profit - Loan Interest & Repayment	285,577	173,077	188,827	204,577	220,327	348,577
Depreciation	130,233	130,233	130,233	130,233	130,233	130,233
Profit after Depreciation	155,344	42,844	58,594	74,344	90,094	218,344
	7,767	2,142	2,930	3,717	4,505	10,917
Asset Building						
Incentive 2% out of 14% interest rate payment	9,000	9,000	6,750	4,500	2,250	31,500
5% contribution (frozen savings)	22,500	24,075	25,760	27,563	29,493	member ↑
1 year time deposit interest rate 7%	1,575	1,685	1,803	1,929	2,065	
Principal after interest rate	24,075	25,760	27,563	29,493	31,557	← KT

Note: In case KT grow DOD for egg production, the depreciation cost for Layer Duck can be minimized but additional expenses for DOD raising cost is incurred. DOD raising for egg production is more economical than that of purchasing pulets from outside. So the profit ratio will be improved.

Table6-2-2 Financial Analysis West Jawa Loan 100% (3/8)

Kabupaten Cirebon
Tigan Mekar

Duck (Model for expansion of business scale)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Layer Duck (Female+Male)	160,000	0	0	0	0	0
Equipment & Tools	375,000	0	0	0	0	0
Initial Material and Fuel	15,000	0	0	0	0	0
Total	550,000	0	0	0	0	0
Soft Loan	550,000	0	0	0	0	0
Self-Contribution (frozen savings)	27,500	0	0	0	0	0
Grant Portion	212,000	0	0	0	0	0
Total Project Cost	789,500	0	0	0	0	0
Depreciation						
Layer Duck	106,667	106,667	106,667	106,667	106,667	106,667
Equipment & Tools	75,000	75,000	75,000	75,000	75,000	75,000
Total	181,667	181,667	181,667	181,667	181,667	181,667
Operation Cost						
Duck Layer Breeding	531,400	531,400	531,400	531,400	531,400	531,400
DOD Production	342,082	21,7%				
Salty Eggs Production	131,595	13,1%	131,595	131,595	131,595	131,595
Total	1,005,077	63,7%	662,995	662,995	662,995	662,995
Sales						
DOD, Female	899,500	57,0%	899,500	899,500	899,500	899,500
DOD, Male	385,500	24,4%				
Salty Eggs	252,000	16,0%	252,000	252,000	252,000	252,000
Culling Duck	41,792	2,6%	41,792	41,792	41,792	41,792
Total	1,578,792	100,0%	1,193,292	1,193,292	1,193,292	1,193,292
Profit	573,715	36,3%	530,297	530,297	530,297	530,297
Loan Interest & Repayment						
Principle	550,000	34,8%	412,500	275,000	137,500	0
Repayment	0	0,0%	137,500	137,500	137,500	0
Interest	77,000	4,9%	57,750	38,500	19,250	0
Total	77,000	214,500	195,250	176,000	156,750	0
Profit - Loan Interest & Repayment	496,715	31,5%	335,047	354,297	373,547	530,297
Depreciation	181,667	31,5%	181,667	181,667	181,667	181,667
Profit after Depreciation	315,048	20,0%	153,380	172,630	191,880	348,630
	8,751	3,726	4,281	4,795	5,330	9,684
Asset Building						
Incentive 2% out of 14% interest rate payment	11,000	11,000	8,250	5,500	2,750	38,500
5% contribution (frozen savings)	27,500	29,425	31,485	33,689	36,047	member ↑
1 year time deposit interest rate 7%	1,925	2,060	2,204	2,358	2,523	
Principal after interest rate	29,425	31,485	33,689	36,047	38,570	KT ←

Table 6-2-2 Financial Analysis West Jawa Loan 100% (4/8)

Kabupaten Majalengka
Mitra Binagkit

Sweet Potato (Model for cottage level food processing and marketing)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Rehabilitation of cottages	0					
Equipment & Tools	26,200	0	0	0	0	0
Initial Material and Fuel	18,800	0	0	0	0	0
Total	45,000	0	0	0	0	0
Soft Loan	45,000	0	0	0	0	0
Self-Contribution (frozen savings)	2,250	0	0	0	0	0
Grant Portion	51,500	0	0	0	0	0
Total Project Cost	98,750	0	0	0	0	0
Depreciation						
Building	0	0	0	0	0	0
Equipment & Tools	5,240	5,240	5,240	5,240	5,240	5,240
	5,240	5,240	5,240	5,240	5,240	5,240
Operation Cost						
Raw material	103,910	103,910	103,910	103,910	103,910	103,910
Labor cost	117,000	117,000	117,000	117,000	117,000	117,000
Transportation cost	12,000	12,000	12,000	12,000	12,000	12,000
Sundry cost	6,000	6,000	6,000	6,000	6,000	6,000
Total Cost	238,910	238,910	238,910	238,910	238,910	238,910
Sales						
Snacks	375,000	375,000	375,000	375,000	375,000	375,000
15,000 packs x 10 month						
Total	375,000	375,000	375,000	375,000	375,000	375,000
Profit						
Loan Interest & Repayment	136,090	136,090	136,090	136,090	136,090	136,090
Principle	45,000	45,000	33,750	22,500	11,250	0
Repayment	0	11,250	11,250	11,250	11,250	0
Interest	6,300	6,300	4,725	3,150	1,575	0
Total	6,300	17,550	15,975	14,400	12,825	0
Profit - Loan Interest & Repayment	129,790	118,540	120,115	121,690	123,265	136,090
Depreciation	5,240	5,240	5,240	5,240	5,240	5,240
Profit after Depreciation	124,550	113,300	114,875	116,450	118,025	130,850
	4,152	3,777	3,829	3,882	3,934	4,362
Asset Building						
30 members						
Incentive 2% out of 14% interest rate payment	900	900	675	450	225	3,150
5% contribution (frozen savings)	2,250	2,408	2,576	2,756	2,949	member ↑
1 year time deposit interest rate 7%	158	169	180	193	206	
Principal after interest rate	2,408	2,576	2,756	2,949	3,156	← KT

Table 6-2-2 Financial Analysis West Jawa Loan 100% (5/8)

Kabupaten Majalengka
Derima II

Sweet Potato (Model for cottage level food processing and marketing)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Rehabilitation of cottages	0	0	0	0	0	0
Equipment & Tools	31,000	0	0	0	0	0
Initial Material and Fuel	14,000	0	0	0	0	0
Total	45,000	0	0	0	0	0
Soft Loan	45,000	0	0	0	0	0
Self-Contribution (frozen savings)	2,250	0	0	0	0	0
Grant Portion	51,500	0	0	0	0	0
Total Project Cost	98,750	0	0	0	0	0
Depreciation						
Building	0	0	0	0	0	0
Equipment & Tools	6,200	6,200	6,200	6,200	6,200	6,200
Total	6,200	6,200	6,200	6,200	6,200	6,200
Operation Cost						
Raw material	241,368	241,368	241,368	241,368	241,368	241,368
Labor cost	124,800	124,800	124,800	124,800	124,800	124,800
Spare parts & packaging materials	13,910	13,910	13,910	13,910	13,910	13,910
Transportation cost	12,000	12,000	12,000	12,000	12,000	12,000
Sundry cost	6,000	6,000	6,000	6,000	6,000	6,000
Total	398,078	398,078	398,078	398,078	398,078	398,078
Sales						
Snacks	600,000	600,000	600,000	600,000	600,000	600,000
Rp 60,000,000/m x 10month	600,000	600,000	600,000	600,000	600,000	600,000
Total	201,922	201,922	201,922	201,922	201,922	201,922
Profit						
Loan Interest & Repayment	45,000	45,000	33,750	22,500	11,250	0
Principle	0	0	11,250	11,250	11,250	0
Repayment	6,300	6,300	4,725	3,150	1,575	0
Interest	6,300	17,550	15,975	14,400	12,825	0
Total	195,622	184,372	185,947	187,522	189,097	201,922
Profit - Loan Interest & Repayment	6,200	6,200	6,200	6,200	6,200	6,200
Depreciation	189,422	178,172	179,747	181,322	182,897	195,722
Profit after Depreciation	11,839	11,136	11,234	11,333	11,431	12,233
16 members						
Asset/Building						
Incentive 2% out of 14% interest rate payment	900	900	675	450	225	3,150
5% contribution (frozen savings)	2,250	2,408	2,576	2,756	2,949	member ↑
1 year time deposit interest rate 7%	158	169	180	193	206	
Principal after interest rate	2,408	2,576	2,756	2,949	3,156 ←	KT

Table 6-2-2 Financial Analysis West Jawa Loan 100% (6/8)

Kabupaten Kuningan
Andavarasa

Sweet Potato (Model for primary processing and marketing)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Working storage	36,000	0	0	0	0	0
Equipment & Tools	154,000	0	0	0	0	0
Initial Material and Fuel	10,000	0	0	0	0	0
Total	200,000	0	0	0	0	0
Soft Loan	200,000	0	0	0	0	0
Self-Contribution (frozen savings)	10,000	0	0	0	0	0
Grant Portion	153,000	0	0	0	0	0
Total Project Cost	363,000	0	0	0	0	0
Depreciation						
Building	1,800	1,800	1,800	1,800	1,800	1,800
Equipment & Tools	30,800	30,800	30,800	30,800	30,800	30,800
Total	32,600	32,600	32,600	32,600	32,600	32,600
Operation Cost						
Raw material (Fresh sweet potato)	500,000	500,000	500,000	500,000	500,000	500,000
Fuel & electricity	10,400	10,400	10,400	10,400	10,400	10,400
Labor cost	0	0	0	0	0	0
Other materials (spare parts, packaging)	18,800	18,800	18,800	18,800	18,800	18,800
Transportation	20,000	20,000	20,000	20,000	20,000	20,000
Total	549,200	549,200	549,200	549,200	549,200	549,200
Sales						
Dried chips	810,000	810,000	810,000	810,000	810,000	810,000
Total	810,000	810,000	810,000	810,000	810,000	810,000
Profit						
Loan Interest & Repayment	260,800	260,800	260,800	260,800	260,800	260,800
Principle	200,000	200,000	150,000	100,000	50,000	0
Repayment	0	50,000	50,000	50,000	50,000	0
Interest	28,000	28,000	21,000	14,000	7,000	0
Total	28,000	78,000	71,000	64,000	57,000	0
Profit - Loan Interest & Repayment	232,800	182,800	189,800	196,800	203,800	260,800
Depreciation	32,600	32,600	32,600	32,600	32,600	32,600
Profit after Depreciation	200,200	150,200	157,200	164,200	171,200	228,200
Asset Building	8,008	6,008	6,288	6,568	6,848	9,128
Incentive 2% out of 14% interest rate payment	4,000	4,000	3,000	2,000	1,000	14,000
5% contribution (frozen savings)	10,000	10,700	11,449	12,250	13,108	member ↑
1 year time deposit interest rate 7%	700	749	801	858	918	
Principal after interest rate	10,700	11,449	12,250	13,108	14,026	KT ←

25 members
 6,848
 1,000
 13,108
 918
 14,026 ← KT

Kabupaten Kuningan
Bina Karya
Sweet Potato (Model for cottage level food processing and marketing, specialized product)

Table 6-2-2 Financial Analysis West Jawa Loan 100% (7/8)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Rehabilitation of cottages	27,000	0	0	0	0	0
Equipment & Tools	23,000	0	0	0	0	0
Initial Material and Fuel	17,000	0	0	0	0	0
Total	67,000	0	0	0	0	0
Soft Loan	67,000	0	0	0	0	0
Self-Contribution (frozen savings)	3,350	0	0	0	0	0
Grant Portion	58,000	0	0	0	0	0
Total Project Cost	128,350	0	0	0	0	0
Depreciation						
Building	1,350	1,350	1,350	1,350	1,350	1,350
Equipment & Tools	4,600	4,600	4,600	4,600	4,600	4,600
	5,950	5,950	5,950	5,950	5,950	5,950
Operation Cost						
Raw material (Fresh sweet potato)	64,800	64,800	64,800	64,800	64,800	64,800
Fuel	19,440	10,400	10,400	10,400	10,400	10,400
Labor cost	12,000	158,400	158,400	158,400	158,400	158,400
Other materials (seasoning, packaging)	157,800	26,700	26,700	26,700	26,700	26,700
Total Cost	254,040	260,300	260,300	260,300	260,300	260,300
Sales						
Sambal sauc	360,000	360,000	360,000	360,000	360,000	360,000
Total	360,000	360,000	360,000	360,000	360,000	360,000
Profit	105,960	99,700	99,700	99,700	99,700	99,700
Loan Interest & Repayment						
Principle	67,000	67,000	50,250	33,500	16,750	0
Repayment	0	16,750	16,750	16,750	16,750	0
Interest	9,380	9,380	7,035	4,690	2,345	0
Total	9,380	26,130	23,785	21,440	19,095	0
Profit - Loan Interest & Repayment	96,580	73,570	75,915	78,260	80,605	99,700
Depreciation	5,950	5,950	5,950	5,950	5,950	5,950
Profit after Depreciation	90,630	67,620	69,965	72,310	74,655	93,750
	4,532	3,381	3,498	3,616	3,733	4,688
Asset Building						
Incentive 2% out of 14% interest rate payment	1,340	1,340	1,005	670	335	4,690
5% contribution (frozen savings)	3,350	3,585	3,835	4,104	4,391	member ↑
1 year time deposit interest rate 7%	235	251	268	287	307	←
Principal after interest rate	3,585	3,835	4,104	4,391	4,699	KT

Kabupaten Kuningan
Lingga Sari II
Sweet Potato (Model for cottage level food processing and marketing, specialized product)

Table 6-2-2 Financial Analysis West Java Loan 100% (8/8)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Rehabilitation of cottages	10,000	0	0	0	0	0
Equipment & Tools	27,700	0	0	0	0	0
Initial Material and Fuel	5,300	0	0	0	0	0
Total	43,000	0	0	0	0	0
Soft Loan	43,000	0	0	0	0	0
Self-Contribution (frozen savings)	2,150	0	0	0	0	0
Grant Portion	58,000	0	0	0	0	0
Total Project Cost	103,150	0	0	0	0	0
Depreciation						
Building	500	500	500	500	500	500
Equipment & Tools	5,540	5,540	5,540	5,540	5,540	5,540
Total	6,040	6,040	6,040	6,040	6,040	6,040
Operation Cost						
Raw material	34,000	34,000	34,000	34,000	34,000	34,000
Labor cost	8,000	8,000	8,000	8,000	8,000	8,000
Transportation cost	2,400	2,400	2,400	2,400	2,400	2,400
Sundry cost	2,400	2,400	2,400	2,400	2,400	2,400
Total Cost	46,800	46,800	46,800	46,800	46,800	46,800
Sales						
Ice Cream	50,000 cups @1,800	90,000	90,000	90,000	90,000	90,000
Total	90,000	90,000	90,000	90,000	90,000	90,000
Profit	43,200	43,200	43,200	43,200	43,200	43,200
Loan Interest & Repayment						
Principle	43,000	43,000	32,250	21,500	10,750	0
Repayment	0	10,750	10,750	10,750	10,750	0
Interest	6,020	6,020	4,515	3,010	1,505	0
Total	6,020	16,770	15,265	13,760	12,255	0
Profit - Loan Interest & Repayment	37,180	26,430	27,935	29,440	30,945	43,200
Depreciation	6,040	6,040	6,040	6,040	6,040	6,040
Profit after Depreciation	31,140	20,390	21,895	23,400	24,905	37,160
	1,557	1,020	1,095	1,170	1,245	1,858
Asset Building						
Incentive 2% out of 14% interest rate payment	860	860	645	430	215	3,010
5% contribution (frozen savings)	2,150	2,301	2,462	2,634	2,818	member ↑
1 year time deposit interest rate 7%	151	161	172	184	197	←
Principal after interest rate	2,301	2,462	2,634	2,818	3,015	KT

Table 6-2-3 Financial Analysis East Java Loan 100% (1/4)

Makmur Jaya
Mango Processing

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Renovation of Warehouse	80,000	0	0	0	0	0
Equipment & Tools	110,000	0	0	0	0	0
Initial Material and Fuel	10,000	0	0	0	0	0
Total	200,000	0	0	0	0	0
Self Loan	40,000	0	0	0	0	0
Grant (Portion-Trial Fee)	160,000	0	0	0	0	0
Self-contribution (frozen savings)	2,000	0	0	0	0	0
Grant Portion-Technical Assistance	81,000	0	0	0	0	0
Total Project Cost	283,000	0	0	0	0	0
Depreciation						
Warehouse	2,000	2,000	2,000	2,000	2,000	2,000
Equipment & Tool:	11,000	11,000	11,000	11,000	11,000	11,000
20 years 1/2 year						
5 years 1/2 year	13,000	13,000	13,000	13,000	13,000	13,000
Operation Cost						
Fresh Mango	150,000	150,000	150,000	150,000	150,000	150,000
Materials and Fuels	143,700	143,700	143,700	143,700	143,700	143,700
Labor Cost	113,200	113,200	113,200	113,200	113,200	113,200
Transportation & Miscellaneous	78,095	78,095	78,095	78,095	78,095	78,095
Total Cost	484,995	484,995	484,995	484,995	484,995	484,995
Sales: 15,000 kg @40,000 /kg	600,000	600,000	600,000	600,000	600,000	600,000
Profit	115,005	115,005	115,005	115,005	115,005	115,005
Loan Interest & Repayment						
Principle	40,000	40,000	30,000	20,000	10,000	0
Repayment	0	10,000	10,000	10,000	10,000	0
Interest	5,600	5,600	4,200	2,800	1,400	0
Total	5,600	15,600	14,200	12,800	11,400	0
Profit - Loan Interest & Repayment	109,405	99,405	100,805	102,205	103,605	115,005
Depreciation	13,000	13,000	13,000	13,000	13,000	13,000
Profit after Depreciation	96,405	86,405	87,805	89,205	90,605	102,005
	2,142	1,920	1,951	1,982	2,013	2,267
Income from Mango per member	3,333	3,333	3,333	3,333	3,333	3,333
Income from Labor per member	2,516	2,516	2,516	2,516	2,516	2,516
Total income per member	7,991	7,769	7,800	7,831	7,862	8,116
45 members						
Asset Building						
Incentive 2% out of 14% interest rate payment	800	800	600	400	200	2,800
5% contribution (frozen savings)	2,000	2,140	2,290	2,450	2,622	member
1 year time deposit interest rate 7%	140	150	160	172	184	KT
Principal after interest rate	2,140	2,290	2,450	2,622	2,805	

Table 6-2-3 Financial Analysis East Jawa Loan 100% (2/4)

Budi Daya Mango Processing		1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment							
Renovation of Warehouse		80,000	0	0	0	0	0
Equipment & Tools		90,000	0	0	0	0	0
Initial Material and Fuel		21,000	0	0	0	0	0
Total		191,000	0	0	0	0	0
Soft loan	20%	40,000	0	0	0	0	0
Grant Portion - Initial Fee	60%	151,000	0	0	0	0	0
Self Contribution (frozen savings)	5%	2,000	0	0	0	0	0
Grant Portion - Technical Assistance		81,000	0	0	0	0	0
Total Project Cost		274,000	0	0	0	0	0
Depreciation							
Warehouse	20 years 1/2 year	2,000	2,000	2,000	2,000	2,000	2,000
Equipment & Tools	5 years 1/2 year	9,000	9,000	9,000	9,000	9,000	9,000
Total		11,000	11,000	11,000	11,000	11,000	11,000
Operation Cost							
Fresh Mango	Rp 600/kg, 100Ton	60,000	60,000	60,000	60,000	60,000	60,000
Materials and Fuels		100,650	100,650	100,650	100,650	100,650	100,650
Labor Cost		83,625	83,625	83,625	83,625	83,625	83,625
Transportation & Miscellaneous		35,314	35,314	35,314	35,314	35,314	35,314
Total Cost		279,589	279,589	279,589	279,589	279,589	279,589
Sales	330,000 cups @1,200 /cup	396,000	396,000	396,000	396,000	396,000	396,000
Profit		116,411	116,411	116,411	116,411	116,411	116,411
Loan Interest & Repayment							
Principle		40,000	40,000	30,000	20,000	10,000	0
Repayment	25%	0	10,000	10,000	10,000	10,000	0
Interest	14%	5,600	5,600	4,200	2,800	1,400	0
Total		5,600	15,600	14,200	12,800	11,400	0
Profit - Loan Interest & Repayment		110,811	100,811	102,211	103,611	105,011	116,411
Depreciation		11,000	11,000	11,000	11,000	11,000	11,000
Profit after Depreciation		99,811	89,811	91,211	92,611	94,011	105,411
		3,327	2,994	3,040	3,087	3,134	3,514
Income from Mango per member	30 members	2,000	2,000	2,000	2,000	2,000	2,000
Income from Labor per member		2,788	2,788	2,788	2,788	2,788	2,788
Total income per member		8,115	7,781	7,828	7,875	7,921	8,301
Asset Building							
Incentive 2% out of 14% interest rate payment		800	800	600	400	200	2,800
5% contribution (frozen savings)		2,000	2,140	2,290	2,450	2,622	member
1 year time deposit interest rate 7%		140	150	160	172	184	184
Principal after interest rate		2,140	2,290	2,450	2,622	2,805	KT

Table 6-2-3 Financial Analysis East Java Loan 100% (3/4)

Kabupaten Mojokerto
Karya Tani
Duck (Strengthening of Duck Supply)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Layer Duck (Female+Male)	35,000	0	0	0	0	0
Equipment & Tools	103,000	0	0	0	0	0
Initial Material	20,000	0	0	0	0	0
Hatchery house	32,000	0	0	0	0	0
Total	190,000	0	0	0	0	0
Soft Loan	190,000	0	0	0	0	0
Self-Contribution (frozen savings)	9,500	0	0	0	0	0
Grant Portion	60,000	0	0	0	0	0
Total Project Cost	259,500	0	0	0	0	0
Depreciation						
Layer Duck	23,333	23,333	23,333	23,333	23,333	23,333
Equipment & Tool	20,600	20,600	20,600	20,600	20,600	20,600
Hatchery house	1,600	1,600	1,600	1,600	1,600	1,600
Total	45,533	45,533	45,533	45,533	45,533	45,533
Operation Cost						
Duck Layer Breeding	136,800	136,800	136,800	136,800	136,800	136,800
DOD Production	124,453	124,453	124,453	124,453	124,453	124,453
Meat Duck raising	474,555	474,555	474,555	474,555	474,555	474,555
Total	735,808	735,808	735,808	735,808	735,808	735,808
Sales						
Meat Duck	1,021,535	1,021,535	1,021,535	1,021,535	1,021,535	1,021,535
Infertile Eggs	4,851	4,851	4,851	4,851	4,851	4,851
Culling Duck	9,120	9,120	9,120	9,120	9,120	9,120
Total	1,035,506	1,035,506	1,035,506	1,035,506	1,035,506	1,035,506
Profit	299,698	299,698	299,698	299,698	299,698	299,698
Loan Interest & Repayment						
Principle	190,000	190,000	142,500	95,000	47,500	0
Repayment	0	47,500	47,500	47,500	47,500	0
Interest	26,600	26,600	19,950	13,300	6,650	0
Total	26,600	74,100	67,450	60,800	54,150	0
Profit - Loan Interest & Repayment	273,098	225,598	232,248	238,898	245,548	299,698
Depreciation	45,533	43,933	43,933	43,933	43,933	43,933
Profit after Depreciation	227,565	181,665	188,315	194,965	201,615	255,765
	20,688	16,515	17,120	17,724	18,329	23,251
11 members						
Asset Building	3,800	3,800	2,850	1,900	950	13,300
Incentive 2% out of 14% interest rate payment	9,500	10,165	10,877	11,638	12,453	member†
5% contribution (frozen savings)	665	712	761	815	872	
1 year time deposit interest rate 7	10,165	10,877	11,638	12,453	13,324	KT
Principal after interest rate						

Table 6-2-3 Financial Analysis East Jawa Loan 100% (4/4)

Kabupaten Mojokerto
Tani Mulyo
Duck (New Corner)

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year
Initial Investment						
Layer Duck (Female+Male)	90,000	0	0	0	0	0
Equipment & Tools	172,000	0	0	0	0	0
Initial Material and Fuel	38,000	0	0	0	0	0
Total	300,000	0	0	0	0	0
(Self Loan)	300,000	0	0	0	0	0
(Self Contribution (frozen savings))	15,000	0	0	0	0	0
Grant Portion	120,000	0	0	0	0	0
Total Project Cost	435,000	0	0	0	0	0
Depreciation						
Layer Duck	60,000	60,000	60,000	60,000	60,000	60,000
Equipment & Tool	34,400	34,400	34,400	34,400	34,400	34,400
Total	94,400	94,400	94,400	94,400	94,400	94,400
Operation Cost						
Duck Layer Breeding	240,400	240,400	240,400	240,400	240,400	240,400
Salty Egg Production	51,088	51,088	51,088	51,088	51,088	51,088
DOD Production	158,758	158,758	158,758	158,758	158,758	158,758
Total Cost	450,246	450,246	450,246	450,246	450,246	450,246
Sales						
Salty Eggs	140,800	140,800	140,800	140,800	140,800	140,800
DOD Female	331,200	331,200	331,200	331,200	331,200	331,200
DOD Male	302,400	302,400	302,400	302,400	302,400	302,400
Culling Duck	23,520	23,520	23,520	23,520	23,520	23,520
Total	797,920	797,920	797,920	797,920	797,920	797,920
Profit	347,674	347,674	347,674	347,674	347,674	347,674
Loan Interest & Repayment						
Principle	300,000	300,000	225,000	150,000	75,000	0
Repayment	0	75,000	75,000	75,000	75,000	0
Interest	42,000	42,000	31,500	21,000	10,500	0
Total	42,000	117,000	106,500	96,000	85,500	0
Profit - Loan Interest & Repayment	305,674	230,674	241,174	251,674	262,174	347,674
Depreciation	94,400	94,400	94,400	94,400	94,400	94,400
Profit after Depreciation	211,274	136,274	146,774	157,274	167,774	253,274
	7,546	4,867	5,242	5,617	5,992	9,046
Asset Building						
28 members						
Incentive 2% out of 14% interest rate payment	6,000	6,000	4,500	3,000	1,500	21,000
5% contribution (frozen savings)	15,000	16,050	17,174	18,376	19,662	member
1 year time deposit interest rate 7	1,050	1,124	1,202	1,286	1,376	KT
Principal after interest rate	16,050	17,174	18,376	19,662	21,038	←

Table 6-3 Cost Breakdown of Rural Microfinance Scheme
 Strengthening Rural Non-Bank Embryo Micro Finance Institutions (Rural Embryo MFIs) Developed from
 Self-Help Group (SHG) Formed under Previous Project.

A Operational Activity				
FIELD TRIP				
Coordination with relevant institution for preparation of activities	16	OP	1,500,000	24,000,000
Coordination with relevant institutions for preparation of program (administration and finance)	2	Paket	4,800,000	9,600,000
Preparation of Annual Report	2	Paket	2,500,000	5,000,000
Document Multiplication and Despatch	2	Paket	1,500,000	3,000,000
			total	41,600,000
B Socialisation of Pilot Project				
FEE				
Fee for Speaker / Socialization Facilitator	20	OJ	275,000	5,500,000
Fee for Local Socialization Committee	8	OH	50,000	400,000
Fee for Operational Labor	480	OB	300,000	144,000,000
FIELD TRIP				
Preparation of Socialization	20	OP	1,500,000	30,000,000
Implementation of Socialization	40	OP	1,500,000	60,000,000
OTHERS				
Coordination with relevant institutions for preparation of socialization material	2		4,800,000	9,600,000
Multiplication of socialization material	80		15,000	1,200,000
Implementation of Socialization	2		10,000,000	20,000,000
Preparation of socialization result report	2		1,500,000	3,000,000
			total	273,700,000
C				
1 Capacity Building				
FEE				
Fee for Speaker / Training Facilitator	144	OJ	275,000	39,600,000
Fee for Training Committee	8	OH	50,000	400,000
FIELD TRIP				
Preparation for Training	20	OP	1,500,000	30,000,000
Implementation of Training	40	OP	1,500,000	60,000,000
OTHERS				
Coordination with relevant institutions for preparation of Training Module	2	Paket	4,800,000	9,600,000
Multiplication of Training Module	80	Expl	15,000	1,200,000
Implementation of Training	2	Paket	30,000,000	60,000,000
Preparation of training result report	2	Paket	1,500,000	3,000,000
			sub-total	203,800,000
2 OJT at Advanced LKM (OJT=on the job training)				
FEE				
Fee for OJT Facilitator	40	OB	1,500,000	60,000,000
FIELD TRIP				
OJT participants to location	300	OP	200,000	60,000,000
Local committee as supporting assistance to location	40	OP	260,000	10,400,000
OTHERS				
Implementation of OJT	10	OH	200,000	2,000,000
Preparation of OJT result report by OJT executors	2	Paket	1,000,000	2,000,000
			sub-total	134,400,000
			total	338,200,000
D Infrastructure and Capital Assistance for MFI				
CAPITAL IMPROVEMENT ASSISTANCE				
Loan fund for Kelompok Tani revolved at BPD	10	MFIs	100,000,000	1,000,000,000
INFRASTRUCTURE ASSISTANCE FOR LKM				
Infrastructure Assistance for LKM + Despatch	10	Unit	10,500,000	105,000,000
MONITORING AND EVALUATION SUPPORT ASSISTANCE				
FIELD TRIP				
Supporting Assistance to LKM by local Dinas	40	OP	250,000	10,000,000
Monitoring and Evaluation to LKM by Central	60	OP	1,500,000	90,000,000
OTHERS				
Coordination meeting with LKM for supporting assistance	2	Paket	4,800,000	9,600,000
Preparation of monitoring and evaluation result report	2	Paket	2,500,000	5,000,000
			total	1,219,600,000
E Assistance to LKM				
FEE				
Fee for Supporting Assistance	48	OB	1,000,000	48,000,000
FIELD TRIP				
Supporting Assistance to location	20	OP	1,500,000	30,000,000
OTHERS				
Preparation of supporting assistance result report	2	Paket	2,000,000	4,000,000
Meeting with local Dinas and supporting assistants	2	Paket	4,800,000	9,600,000
Preparation of Final Report	2	Paket	2,500,000	5,000,000
Multiplication of report result	100	Expl	15,000	1,500,000
			total	98,100,000
			GRAND TOTAL	1,971,200,000

Table 6-4 Finance Model Financial Projection Summary

Type	A	B	C	D	E	F
No. of Members	50	50	50	100	100	100
Frozen savings per person	200,000	200,000	200,000	100,000	100,000	100,000
LKM loan repayment form	5 year, declining balance			5 year, declining balance		
Profit allocation focus	Capital Accumulation	Balanced	Incentive for repayment	Capital Accumulation	Balanced	Incentive for repayment
Operation and Admin. (inc. salary)	20%	30%	25%	20%	30%	25%
Capital accumulation	60%	30%	25%	60%	30%	25%
Profit sharing reserve	20%	40%	50%	20%	40%	50%
Frozen savings balance	14,025,517	14,025,517	14,025,517	14,025,517	14,025,517	14,025,517
Capital accumulation from loan	15,804,225	6,674,360	5,408,529	18,210,650	7,776,492	6,313,895
Compulsory savings balance	7,500,000	7,500,000	7,500,000	15,000,000	15,000,000	15,000,000
Own capital after 5 years	37,329,743	28,199,877	26,934,046	47,236,167	36,802,009	35,339,412
Increase after 5 years	27,329,743	18,199,877	16,934,046	37,236,167	26,802,009	25,339,412

Assumption

Loan amount	Rp. 100 million
Frozen savings - collateral (10%)	Rp. 10 million
Compulsory savings per month	Rp. 2,500
LKM interest rate payable	1% per month
Member interest rate payable	1.5% per month
No. of member growth	None (same)
Frozen savings at time deposit	interest rate: 7% per year

Table 6-4 Finance Model Financial Projection A 100mil 1.5-1% 50 decline(1)

Item	Condition	Year 1				Year 2				ALL	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	ALL		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4												
Working capital loan (utilized amount)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	95,000,000	100,000,000	100,000,000	85,000,000	90,000,000	95,000,000	100,000,000	100,000,000	ALL	
Loan principal repayment		0	0	0	0	0	0	0	0	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000		
Net loan fund		100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	90,000,000	95,000,000	95,000,000	80,000,000	85,000,000	85,000,000	90,000,000	90,000,000		
Capital accumulation incorporated		0	905,063	1,844,687	2,819,806	1,844,687	2,819,806	2,819,806	2,819,806	4,745,388	5,649,201	4,745,388	3,831,378	3,831,378	6,542,542	5,649,201	4,745,388	3,831,378	3,831,378		
Saving amount per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500		
Savings		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000		
Savings accumulation		375,000	750,000	1,125,000	1,500,000	1,125,000	1,500,000	1,500,000	1,500,000	1,875,000	2,250,000	1,875,000	1,875,000	1,875,000	3,000,000	2,625,000	2,250,000	1,875,000	1,875,000		
Savings balance incorporated into the loan fund		187,500	562,500	937,500	1,312,500	937,500	1,312,500	1,312,500	1,312,500	1,687,500	2,062,500	1,687,500	1,687,500	1,687,500	2,812,500	2,437,500	2,062,500	1,687,500	1,687,500		
Membership	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50		
Loan Fund Total		100,187,500	101,467,563	102,782,187	104,132,306	102,782,187	104,132,306	104,132,306	104,132,306	100,518,878	96,807,888	93,086,701	93,086,701	93,086,701	89,355,042	89,355,042	96,807,888	100,518,878	100,518,878		
Loan fund per member		2,003,750	2,029,351	2,055,644	2,082,646	2,055,644	2,082,646	2,082,646	2,082,646	2,010,378	1,936,158	1,861,734	1,861,734	1,861,734	1,787,101	1,861,734	1,936,158	2,010,378	2,010,378		
Income - interest spread	1.5%/month	4,508,438	4,566,040	4,625,198	4,685,954	4,625,198	4,685,954	4,685,954	4,685,954	18,385,630	18,385,630	18,385,630	18,385,630	18,385,630	4,020,977	4,188,902	4,356,355	4,523,350	4,523,350		
Interest Payment	1.0%/month	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	2,500,000	2,700,000	2,850,000	3,000,000	3,000,000		
Interest Spread		1,508,438	1,566,040	1,625,198	1,685,954	1,625,198	1,685,954	1,685,954	1,685,954	1,523,350	1,506,355	1,488,902	1,488,902	1,488,902	1,470,977	1,488,902	1,506,355	1,523,350	1,523,350		
Operation and Admin. (inc. salary)	20.00%	301,688	313,208	325,040	337,191	325,040	337,191	337,191	337,191	1,277,126	1,277,126	1,277,126	1,277,126	1,277,126	294,195	297,780	301,271	304,670	304,670		
Capital accumulation	60.00%	905,063	939,624	975,119	1,011,572	975,119	1,011,572	1,011,572	1,011,572	3,831,378	3,831,378	3,831,378	3,831,378	3,831,378	882,586	893,341	903,813	914,010	914,010		
Profit sharing reserve	20.00%	301,688	313,208	325,040	337,191	325,040	337,191	337,191	337,191	1,277,126	1,277,126	1,277,126	1,277,126	1,277,126	294,195	297,780	301,271	304,670	304,670		
Cost Total		1,508,438	1,566,040	1,625,198	1,685,954	1,625,198	1,685,954	1,685,954	1,685,954	6,385,630	6,385,630	6,385,630	6,385,630	6,385,630	1,470,977	1,488,902	1,506,355	1,523,350	1,523,350		
Net Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Profit sharing		0	0	0	0	0	0	0	0	1,277,126	1,277,126	1,277,126	1,277,126	1,277,126	0	0	0	0	0		
Profit sharing per member		0	0	0	0	0	0	0	0	25,543	25,543	25,543	25,543	25,543	0	0	0	0	0		

Frozen savings (acts as loan loss reserve)	10,000,000																			
		Time Deposit Interest																		
		Total own capital	10,000,000	700,000	10,700,000	10,700,000	10,700,000	10,700,000	10,700,000	11,449,000	11,449,000	11,449,000	11,449,000	11,449,000	11,449,000	11,449,000	11,449,000	11,449,000	11,449,000	
		Capital accumulation balance	3,831,378																	
		Compulsory savings balance	1,500,000																	
		Own capital after	16,031,378																	
		Own capital before	10,000,000																	
		Own capital increase	6,031,378																	
		Earning rate per year	60%																	

Voluntary savings per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	
Voluntary savings per person per quarter		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	
Savings accumulation		375,000	750,000	1,125,000	1,500,000	1,125,000	1,500,000	1,500,000	1,500,000	1,875,000	2,250,000	1,875,000	1,875,000	1,875,000	3,000,000	2,625,000	2,250,000	1,875,000	1,875,000	

Table 6-4 Finance Model Financial Projection A 100mit 1.5-1% 50 decline(t)

Item	Condition	Year 3				Year 4				ALL	ALL	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Working capital loan (utilized amount)	100,000,000	80,000,000	75,000,000	70,000,000	65,000,000	60,000,000	52,500,000	45,000,000	37,500,000	30,000,000	25,000,000	18,750,000
Loan principal repayment		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Net loan fund		75,000,000	70,000,000	65,000,000	60,000,000	52,500,000	45,000,000	37,500,000	30,000,000	25,000,000	18,750,000	13,750,000
Capital accumulation incorporated		7,425,128	8,296,669	9,156,866	10,005,414	10,841,998	11,598,794	12,318,649	13,000,565	13,643,518	14,287,473	14,931,418
Saving amount per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Savings		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
Savings accumulation		3,375,000	3,750,000	4,125,000	4,500,000	4,875,000	5,250,000	5,625,000	6,000,000	6,375,000	6,750,000	7,125,000
Savings balance incorporated into the loan fund		3,187,500	3,562,500	3,937,500	4,312,500	4,687,500	5,062,500	5,437,500	5,812,500	6,187,500	6,562,500	6,937,500
Membership	50	50	50	50	50	50	50	50	50	50	50	50
Loan Fund Total		85,612,628	81,859,169	78,094,366	74,317,914	68,029,498	61,661,294	55,256,149	48,813,065	42,358,981	35,904,897	29,450,813
Loan fund per member		1,712,253	1,637,183	1,561,887	1,486,358	1,360,590	1,233,226	1,105,123	976,261	847,409	718,557	589,705
Income - interest spread	1.5%/month	3,852,568	3,683,663	3,514,246	3,344,306	3,061,327	2,774,758	2,486,527	2,196,588	1,906,649	1,616,710	1,326,771
Interest Payment	1.0%/month	2,400,000	2,250,000	2,100,000	1,950,000	1,800,000	1,575,000	1,350,000	1,125,000	900,000	675,000	450,000
Interest Spread		1,452,568	1,433,663	1,414,246	1,394,306	1,261,327	1,199,758	1,136,527	1,071,588	1,011,649	941,710	876,771
Operation and Admin. (inc. salary)	20.00%	290,514	286,733	282,849	278,861	252,265	239,952	227,305	214,318	201,331	188,344	175,357
Capital accumulation	60.00%	871,541	860,198	848,548	836,584	756,796	719,855	681,916	642,953	604,000	565,047	526,094
Profit sharing reserve	20.00%	290,514	286,733	282,849	278,861	252,265	239,952	227,305	214,318	201,331	188,344	175,357
Cost Total		1,452,568	1,433,663	1,414,246	1,394,306	1,261,327	1,199,758	1,136,527	1,071,588	1,011,649	941,710	876,771
Net Profit		0	0	0	0	0	0	0	0	0	0	0
Profit sharing per member		0	0	0	0	0	0	0	0	0	0	0
Profit sharing per member						22,779						18,677

Frozen savings (acts as loan loss reserve)	10,000,000				11,449,000							12,250,430
		Time Deposit Interest			801,430							857,530
		Total own capital			12,250,430							13,107,960
		Capital accumulation balance			10,841,998							13,643,518
		Compulsory savings balance			4,500,000							6,000,000
		Own capital after			27,592,428							32,751,478
Savings per member before	100,000	Own capital before			11,449,000							12,250,430
		Own capital increase			16,143,428							20,501,048
		Earning rate per year			141%							167%

Voluntary savings per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Voluntary savings per person per quarter		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
Savings accumulation		3,375,000	3,750,000	4,125,000	4,500,000	4,875,000	5,250,000	5,625,000	6,000,000	6,375,000	6,750,000	7,125,000

Table 6-4 Finance Model Financial Projection A 100mil 1.5-1% 50 decline(1) Year 5

Item	Condition	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	30,000,000	22,500,000	15,000,000	7,500,000	
Loan principal repayment		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		22,500,000	15,000,000	7,500,000	0	
Capital accumulation incorporated		13,643,518	14,246,455	14,808,297	15,327,934	
Saving amount per person per month		2,500	2,500	2,500	2,500	
Savings		375,000	375,000	375,000	375,000	
Savings accumulation		6,375,000	6,750,000	7,125,000	7,500,000	
Savings balance incorporated into the loan fund		6,187,500	6,562,500	6,937,500	7,312,500	
Membership	50	50	50	50	50	
Loan Fund Total		42,331,018	35,808,955	29,245,797	22,640,434	
Loan fund per member		846,620	716,179	584,916	452,809	
Income - interest spread	1.5%/month	1,904,896	1,611,403	1,316,061	1,018,820	5,851,179
Interest Payment	1.0%/month	900,000	675,000	450,000	225,000	2,250,000
Interest Spread		1,004,896	936,403	866,061	793,820	
Operation and Admin. (inc. salary)	20.00%	200,979	187,281	173,212	158,764	720,236
Capital accumulation	60.00%	602,937	561,842	519,637	476,292	2,160,708
Profit sharing reserve	20.00%	200,979	187,281	173,212	158,764	720,236
Cost Total		1,004,896	936,403	866,061	793,820	3,601,179
Net Profit		0	0	0	0	0
Profit sharing		0	0	0	0	720,236
Profit sharing per member						14,405

Frozen savings (acts as loan loss reserve)	10,000,000				13,107,960	
					917,557	
			Total own capital		14,025,517	
			Capital accumulation balance		15,804,225	
			Compulsory savings balance		7,500,000	
			Own capital after		37,329,743	
Savings per member before	100,000		Own capital before		13,107,960	
			Own capital increase		24,221,783	
			Earning rate per year		185%	

Voluntary savings per person per month	2,500	2,500	2,500	2,500	2,500	Savings
Voluntary savings per person per quarter	375,000	375,000	375,000	375,000	375,000	per person
Savings accumulation	6,375,000	6,750,000	7,125,000	7,500,000	7,500,000	150,000

Total asset 44,829,743

Table 6-4 Finance Model Financial Projection B 100mil 1.5-1% 50 decline(2)

Item	Condition	Year 1				Year 2					
		Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	85,000,000	85,000,000
Loan principal repayment		0	0	0	0	0	0	5,000,000	5,000,000	5,000,000	5,000,000
Net loan fund		100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	85,000,000	80,000,000	80,000,000
Capital accumulation incorporated		0	452,531	916,234	1,391,260	1,877,760	2,308,391	2,727,398	3,134,625	3,134,625	3,134,625
Saving amount per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Savings		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
Savings accumulation		375,000	750,000	1,125,000	1,500,000	1,875,000	2,250,000	2,625,000	3,000,000	3,000,000	3,000,000
Savings balance incorporated into the loan fund		187,500	562,500	937,500	1,312,500	1,687,500	2,062,500	2,437,500	2,812,500	2,812,500	2,812,500
Membership	50	50	50	50	50	50	50	50	50	50	50
Loan Fund Total		100,187,500	101,015,031	101,863,734	102,703,760	103,565,260	94,370,891	90,164,898	85,947,125	81,718,942	81,718,942
Loan fund per member		2,003,750	2,020,301	2,037,075	2,054,075	1,971,305	1,887,418	1,803,298	1,718,942	1,652,150	1,652,150
Income - interest spread	1.5%/month	4,508,438	4,545,676	4,583,418	4,621,669	4,435,437	4,246,690	4,057,420	3,867,621	3,678,168	3,678,168
Interest Payment	1.0%/month	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	2,850,000	2,700,000	2,550,000	2,400,000	2,400,000
Interest Spread		1,508,438	1,545,676	1,583,418	1,621,669	1,435,437	1,396,690	1,357,420	1,317,621	1,278,168	1,278,168
Operation and Admin. (inc. salary)	30.00%	452,531	463,703	475,025	486,501	430,631	419,007	407,226	395,286	382,150	382,150
Capital accumulation	30.00%	452,531	463,703	475,025	486,501	430,631	419,007	407,226	395,286	382,150	382,150
Profit sharing reserve	40.00%	603,375	618,271	633,367	648,668	574,175	558,676	542,968	527,048	511,667	511,667
Cost Total		1,508,438	1,545,676	1,583,418	1,621,669	1,435,437	1,396,690	1,357,420	1,317,621	1,278,168	1,278,168
Net Profit		0	0	0	0	0	0	0	0	0	0
Profit sharing		0	0	0	0	0	0	0	0	0	0
Profit sharing per member					50,074						44,057

Frozen savings (acts as loan loss reserve)	10,000,000				10,000,000				10,700,000		
		Time Deposit interest			700,000				749,000		
		Total own capital			10,700,000				11,449,000		
		Capital accumulation balance			1,877,760				3,529,911		
		Compulsory savings balance			1,500,000				3,000,000		
		Own capital after			14,077,760				17,978,911		
Savings per member before	100,000	Own capital before			10,000,000				10,700,000		
		Own capital increase			4,077,760				7,278,911		
		Earning rate per year			41%				68%		

Voluntary savings per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Voluntary savings per person per quarter		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000
Savings accumulation		375,000	750,000	1,125,000	1,500,000	1,875,000	2,250,000	2,625,000	3,000,000	3,000,000	3,000,000

Table 6-4 Finance Model Financial Projection B 100mil 1.5-1% 50 decline(2)

Year 3 Year 4

Item	Condition	Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	80,000,000	75,000,000	70,000,000	65,000,000		60,000,000	52,500,000	45,000,000	37,500,000	
Loan principal repayment		5,000,000	5,000,000	5,000,000	5,000,000		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		75,000,000	70,000,000	65,000,000	60,000,000		52,500,000	45,000,000	37,500,000	30,000,000	
Capital accumulation incorporated		3,529,911	3,913,036	4,284,016	4,642,507		4,988,399	5,287,774	5,562,503	5,812,253	
Saving amount per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Savings		375,000	375,000	375,000	375,000		375,000	375,000	375,000	375,000	
Savings accumulation		3,375,000	3,750,000	4,125,000	4,500,000		4,875,000	5,250,000	5,625,000	6,000,000	
Savings balance incorporated into the loan fund		3,187,500	3,562,500	3,937,500	4,312,500		4,687,500	5,062,500	5,437,500	5,812,500	
Membership	50	50	50	50	50		50	50	50	50	
Loan Fund Total		81,717,411	77,475,596	73,221,516	68,955,007		62,175,899	55,350,274	48,500,003	41,624,753	
Loan fund per member		1,634,348	1,549,512	1,464,430	1,379,100		1,243,518	1,107,005	970,000	832,495	
Income - interest spread	1.5%/month	3,677,283	3,486,402	3,294,968	3,102,975		2,797,915	2,490,762	2,182,500	1,873,114	
Interest Payment	1.0%/month	2,400,000	2,250,000	2,100,000	1,950,000		1,800,000	1,575,000	1,350,000	1,125,000	
Interest Spread		1,277,283	1,236,402	1,194,968	1,152,975		997,915	915,762	832,500	748,114	
Operation and Admin. (inc. salary)	30.00%	383,185	370,921	358,490	345,893		299,375	274,729	249,750	224,434	
Capital accumulation	30.00%	383,185	370,921	358,490	345,893		299,375	274,729	249,750	224,434	
Profit sharing reserve	40.00%	510,913	494,561	477,987	461,190		399,166	366,305	333,000	299,246	
Cost Total		1,277,283	1,236,402	1,194,968	1,152,975		997,915	915,762	832,500	748,114	
Net Profit		0	0	0	0		0	0	0	0	
Profit sharing		0	0	0	0		0	0	0	0	
Profit sharing per member							38,893				

Frozen savings (acts as loan loss reserve)	10,000,000				11,449,000						12,250,430
					801,430						857,530
					12,250,430						13,107,960
					Capital accumulation balance						6,036,687
					Compulsory savings balance						6,000,000
					Own capital after						25,144,647
Savings per member before	100,000				11,449,000						12,250,430
					Own capital increase						12,894,217
					Earning rate per year						105%

Voluntary savings per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Voluntary savings per person per quarter		375,000	375,000	375,000	375,000		375,000	375,000	375,000	375,000	
Savings accumulation		3,375,000	3,750,000	4,125,000	4,500,000		4,875,000	5,250,000	5,625,000	6,000,000	

Table 6-4 Finance Model Financial Projection B 100mil 1.5-1% 50 decline(2)

Year 5

Item	Condition	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	30,000,000	22,500,000	15,000,000	7,500,000	
Loan principal repayment		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		22,500,000	15,000,000	7,500,000	0	
Capital accumulation incorporated		6,036,687	6,235,463	6,408,236	6,554,653	
Saving amount per person per month		2,500	2,500	2,500	2,500	
Savings		375,000	375,000	375,000	375,000	
Savings accumulation		6,375,000	6,750,000	7,125,000	7,500,000	
Savings balance incorporated into the loan fund		6,187,500	6,562,500	6,937,500	7,312,500	
Membership	50	50	50	50	50	
Loan Fund Total		34,724,187	27,797,963	20,845,736	13,867,153	
Loan fund per member		694,484	555,959	416,915	277,343	
Income - interest spread	1.5%/month	1,562,588	1,250,908	938,058	624,022	4,375,577
Interest Payment	1.0%/month	900,000	675,000	450,000	225,000	2,250,000
Interest Spread		662,588	575,908	488,058	399,022	
Operation and Admin. (inc. salary)	30.00%	198,777	172,773	146,417	119,707	637,673
Capital accumulation	30.00%	198,777	172,773	146,417	119,707	637,673
Profit sharing reserve	40.00%	265,035	230,363	195,223	159,609	850,231
Cost Total		662,588	575,908	488,058	399,022	2,125,577
Net Profit		0	0	0	0	0
Profit sharing		0	0	0	0	850,231
Profit sharing per member						17,005

Frozen savings (acts as loan loss reserve)	10,000,000				13,107,960	
			Time Deposit Interest		917,557	
			Total own capital		14,025,517	
			Capital accumulation balance		6,674,360	
			Compulsory savings balance		7,500,000	
			Own capital after		28,199,877	
Savings per member before	100,000		Own capital before		13,107,960	
			Own capital increase		15,091,917	
			Earning rate per year		115%	

Voluntary savings per person per month	2,500	2,500	2,500	2,500	2,500	Savings
Voluntary savings per person per quarter	375,000	375,000	375,000	375,000	375,000	per person
Savings accumulation	6,375,000	6,750,000	7,125,000	7,500,000	7,500,000	150,000

Total asset 35,699,877

Table 6-4 Finance Model Financial Projection C 100mil 1.5-1% .50 decline(3)

Item	Condition	Year 1					Year 2				
		Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000		100,000,000	95,000,000	90,000,000	85,000,000	
Loan principal repayment		0	0	0	0		5,000,000	5,000,000	5,000,000	5,000,000	
Net loan fund		100,000,000	100,000,000	100,000,000	100,000,000		95,000,000	90,000,000	85,000,000	80,000,000	
Capital accumulation incorporated		0	377,109	762,680	1,156,807		1,559,587	1,914,866	2,259,612	2,593,704	
Saving amount per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Savings		375,000	375,000	375,000	375,000		375,000	375,000	375,000	375,000	
Savings accumulation		375,000	750,000	1,125,000	1,500,000		1,875,000	2,250,000	2,625,000	3,000,000	
Savings balance incorporated into the loan fund		187,500	562,500	937,500	1,312,500		1,687,500	2,062,500	2,437,500	2,812,500	
Membership	50	50	50	50	50		50	50	50	50	
Loan Fund Total		100,187,500	100,939,609	101,700,180	102,459,307		98,247,087	93,977,366	89,697,112	85,406,204	
Loan fund per member		2,003,750	2,018,792	2,034,004	2,049,386		1,964,942	1,879,547	1,793,942	1,708,124	
Income - interest spread	1.5%/month	4,508,438	4,542,282	4,576,508	4,611,119	18,238,347	4,421,119	4,228,981	4,036,370	3,843,279	16,529,750
Interest Payment	1.0%/month	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000	3,000,000	2,850,000	2,700,000	2,550,000	11,100,000
Interest Spread		1,508,438	1,542,282	1,576,508	1,611,119		1,421,119	1,378,981	1,336,370	1,293,279	
Operation and Admin. (inc. salary)	25.00%	377,109	385,571	394,127	402,780	1,559,587	355,280	344,745	334,093	323,320	1,357,437
Capital accumulation	25.00%	377,109	385,571	394,127	402,780	1,559,587	355,280	344,745	334,093	323,320	1,357,437
Profit sharing reserve	50.00%	754,219	771,141	788,254	805,559	3,119,173	710,559	689,491	668,185	646,640	2,714,875
Cost Total		1,508,438	1,542,282	1,576,508	1,611,119	6,238,347	1,421,119	1,378,981	1,336,370	1,293,279	5,429,750
Net Profit		0	0	0	0	0	0	0	0	0	0
Profit sharing		0	0	0	0	3,119,173	0	0	0	0	2,714,875
Profit sharing per member						62,383					54,297

Frozen savings (acts as loan loss reserve)	10,000,000				10,000,000					10,700,000	
			Time Deposit Interest		700,000					749,000	
			Total own capital		10,700,000					11,449,000	
			Capital accumulation balance		1,559,587					2,917,024	
			Compulsory savings balance		1,500,000					3,000,000	
			Own capital after		13,759,587					17,366,024	
Savings per member before	100,000		Own capital before		10,000,000					10,700,000	
			Own capital increase		3,759,587					6,666,024	
			Earning rate per year		38%					62%	

Voluntary savings per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Voluntary savings per person per quarter		375,000	375,000	375,000	375,000		375,000	375,000	375,000	375,000	
Savings accumulation		375,000	750,000	1,125,000	1,500,000		1,875,000	2,250,000	2,625,000	3,000,000	

Table 6-4 Finance Model Financial Projection C 100mil 1.5-1% 50 decline(3)

Item	Condition	Year 3					Year 4				
		Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	80,000,000	75,000,000	70,000,000	65,000,000		60,000,000	52,500,000	45,000,000	37,500,000	
Loan principal repayment		5,000,000	5,000,000	5,000,000	5,000,000		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		75,000,000	70,000,000	65,000,000	60,000,000		52,500,000	45,000,000	37,500,000	30,000,000	
Capital accumulation incorporated		2,917,024	3,229,450	3,530,859	3,821,128		4,100,132	4,339,618	4,557,891	4,754,715	
Saving amount per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Savings		375,000	375,000	375,000	375,000		375,000	375,000	375,000	375,000	
Savings accumulation		3,375,000	3,750,000	4,125,000	4,500,000		4,875,000	5,250,000	5,625,000	6,000,000	
Savings balance incorporated into the loan fund		3,187,500	3,562,500	3,937,500	4,312,500		4,687,500	5,062,500	5,437,500	5,812,500	
Membership	50	50	50	50	50		50	50	50	50	
Loan Fund Total		81,104,524	76,791,950	72,468,359	68,133,628		61,287,632	54,402,118	47,499,391	40,567,215	
Loan fund per member		1,622,090	1,535,839	1,449,367	1,362,673		1,225,753	1,088,042	949,908	811,344	
Income - interest spread	1.5%/month	3,649,704	3,455,638	3,261,076	3,066,013		2,757,943	2,448,095	2,137,293	1,825,525	
Interest Payment	1.0%/month	2,400,000	2,250,000	2,100,000	1,950,000		1,800,000	1,575,000	1,350,000	1,125,000	
Interest Spread		1,249,704	1,205,638	1,161,076	1,116,013		957,943	873,095	787,293	700,525	
Operation and Admin. (inc. salary)	25.00%	312,426	301,409	290,269	279,003		239,486	218,274	196,823	175,131	
Capital accumulation	25.00%	312,426	301,409	290,269	279,003		239,486	218,274	196,823	175,131	
Profit sharing reserve	50.00%	624,852	602,819	580,538	558,007		478,972	436,548	393,646	350,262	
Cost Total		1,249,704	1,205,638	1,161,076	1,116,013		957,943	873,095	787,293	700,525	
Net Profit		0	0	0	0		0	0	0	0	
Profit sharing per member		0	0	0	0		0	0	0	0	
							47,324				
							2,366,215				
							47,324				

Frozen savings (acts as loan loss reserve)	10,000,000												
		Time Deposit Interest											12,250,430
		Total own capital											857,530
		Capital accumulation balance											13,107,960
		Compulsory savings balance											4,929,846
		Own capital after											6,000,000
		Own capital before											24,037,806
		Own capital increase											12,250,430
		Earning rate per year											11,787,376
													96%
Voluntary savings per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500			2,500
Voluntary savings per person per quarter		375,000	375,000	375,000	375,000		375,000	375,000	375,000	375,000			375,000
Savings accumulation		3,375,000	3,750,000	4,125,000	4,500,000		4,875,000	5,250,000	5,625,000	6,000,000			6,000,000

Table 6-4 Finance Model Financial Projection C 100mil 1.5-1% 50 decline(3)
Year 5

Item	Condition	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	30,000,000	22,500,000	15,000,000	7,500,000	
Loan principal repayment		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		22,500,000	15,000,000	7,500,000	0	
Capital accumulation incorporated		4,929,846	5,083,041	5,214,053	5,322,633	
Saving amount per person per month		2,500	2,500	2,500	2,500	
Savings		375,000	375,000	375,000	375,000	
Savings accumulation		6,375,000	6,750,000	7,125,000	7,500,000	
Savings balance incorporated into the loan fund		6,187,500	6,562,500	6,937,500	7,312,500	
Membership	50	50	50	50	50	
Loan Fund Total		33,617,346	26,645,541	19,651,553	12,635,133	
Loan fund per member		672,347	532,911	393,031	252,703	
Income - interest spread	1.5%/month	1,512,781	1,199,049	884,320	568,581	4,164,731
Interest Payment	1.0%/month	900,000	675,000	450,000	225,000	2,250,000
Interest Spread		612,781	524,049	434,320	343,581	
Operation and Admin. (inc. salary)	25.00%	153,195	131,012	108,580	85,895	478,683
Capital accumulation	25.00%	153,195	131,012	108,580	85,895	478,683
Profit sharing reserve	50.00%	306,390	262,025	217,160	171,790	957,365
Cost Total		612,781	524,049	434,320	343,581	1,914,731
Net Profit		0	0	0	0	0
Profit sharing per member		0	0	0	0	957,365
						19,147

Frozen savings (acts as loan loss reserve)	10,000,000				13,107,960	
			Time Deposit Interest		917,557	
			Total own capital		14,025,517	
			Capital accumulation balance		5,408,529	
			Compulsory savings balance		7,500,000	
			Own capital after		26,934,046	
Savings per member before	100,000		Own capital before		13,107,960	
			Own capital increase		13,826,086	
			Earning rate per year		105%	

Voluntary savings per person per month	2,500	2,500	2,500	2,500	2,500	Savings
Voluntary savings per person per quarter	375,000	375,000	375,000	375,000	375,000	per person
Savings accumulation	6,375,000	6,750,000	7,125,000	7,500,000	7,500,000	150,000

Total asset 34,434,046

Table 6-4 Finance Model Financial Projection D 100mil 1.5-1% 100 decline(1)

Year 1 Year 2

Item	Condition	Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000		100,000,000	95,000,000	90,000,000	85,000,000	
Loan principal repayment		0	0	0	0		5,000,000	5,000,000	5,000,000	5,000,000	
Net loan fund		100,000,000	100,000,000	100,000,000	100,000,000		95,000,000	90,000,000	85,000,000	80,000,000	
Capital accumulation incorporated		0	910,125	1,865,073	2,866,055		3,914,314	4,876,125	5,839,156	6,803,438	
Saving amount per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Savings		750,000	750,000	750,000	750,000		750,000	750,000	750,000	750,000	
Savings accumulation		750,000	1,500,000	2,250,000	3,000,000		3,750,000	4,500,000	5,250,000	6,000,000	
Savings balance incorporated into the loan fund		375,000	1,125,000	1,875,000	2,625,000		3,375,000	4,125,000	4,875,000	5,625,000	
Membership	100	100	100	100	100		100	100	100	100	
Loan Fund Total		100,375,000	102,035,125	103,740,073	105,491,055		102,289,314	99,001,125	95,714,156	92,428,438	
Loan fund per member		1,003,750	1,020,351	1,037,401	1,054,911		1,022,893	990,011	957,142	924,284	
Income - interest spread	1.5%/month	4,516,875	4,591,581	4,666,303	4,747,097	18,523,856	4,603,019	4,455,051	4,307,137	4,159,280	17,524,486
Interest Payment	1.0%/month	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000	3,000,000	2,850,000	2,700,000	2,550,000	11,100,000
Interest Spread		1,516,875	1,591,581	1,666,303	1,747,097		1,603,019	1,605,051	1,607,137	1,609,280	
Operation and Admin. (inc. salary)	20.00%	303,375	318,316	333,661	349,419	1,304,771	320,604	321,010	321,427	321,856	1,284,897
Capital accumulation	60.00%	910,125	954,948	1,000,982	1,048,258	3,914,314	961,811	963,030	964,282	965,568	3,854,692
Profit sharing reserve	20.00%	303,375	318,316	333,661	349,419	1,304,771	320,604	321,010	321,427	321,856	1,284,897
Cost Total		1,516,875	1,591,581	1,666,303	1,747,097	6,523,856	1,603,019	1,605,051	1,607,137	1,609,280	6,424,486
Net Profit		0	0	0	0	0	0	0	0	0	0
Profit sharing		0	0	0	0	1,304,771	0	0	0	0	1,284,897
Profit sharing per member						13,048					12,849

Frozen savings (acts as loan loss reserve)	10,000,000				10,000,000						10,700,000
					700,000						749,000
					10,700,000						11,449,000
					Capital accumulation balance						7,769,006
					Compulsory savings balance						6,000,000
					Own capital after						25,218,006
					Own capital before						10,700,000
					Own capital increase						14,518,006
					Earning rate per year						136%

Voluntary savings per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Voluntary savings per person per quarter		750,000	750,000	750,000	750,000		750,000	750,000	750,000	750,000	
Savings accumulation		750,000	1,500,000	2,250,000	3,000,000		3,750,000	4,500,000	5,250,000	6,000,000	

Table 6-4 Finance Model Financial Projection D 100mill 1.5-1% 100 decline(1)
Year 5

Item	Condition	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	30,000,000	22,500,000	15,000,000	7,500,000	
Loan principal repayment		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		22,500,000	15,000,000	7,500,000	0	
Capital accumulation incorporated		15,125,620	15,935,637	16,720,274	17,478,846	
Saving amount per person per month		2,500	2,500	2,500	2,500	
Savings		750,000	750,000	750,000	750,000	
Savings accumulation		12,750,000	13,500,000	14,250,000	15,000,000	
Savings balance incorporated into the loan fund		12,375,000	13,125,000	13,875,000	14,625,000	
Membership	100	100	100	100	100	
Loan Fund Total		50,000,620	44,060,620	38,095,274	32,103,846	
Loan fund per member		500,006	440,606	380,953	321,038	
Income - interest spread	1.5%/month	2,250,028	1,982,729	1,714,287	1,444,673	7,391,717
Interest Payment	1.0%/month	900,000	675,000	450,000	225,000	2,250,000
Interest Spread		1,350,028	1,307,729	1,264,287	1,219,673	
Operation and Admin. (inc. salary)	20.00%	270,006	261,546	252,857	243,935	1,028,343
Capital accumulation	60.00%	810,017	784,637	758,572	731,804	3,085,030
Profit sharing reserve	20.00%	270,006	261,546	252,857	243,935	1,028,343
Cost Total		1,350,028	1,307,729	1,264,287	1,219,673	5,141,717
Net Profit		0	0	0	0	0
Profit sharing per member		0	0	0	0	1,028,343
						10,283

Frozen savings (acts as loan loss reserve)	10,000,000				13,107,960	
			Time Deposit Interest		917,557	
			Total own capital		14,025,517	
			Capital accumulation balance		18,210,650	
			Compulsory savings balance		15,000,000	
			Own capital after		47,236,167	
Savings per member before	100,000		Own capital before		13,107,960	
			Own capital increase		34,128,207	
			Earning rate per year		260%	

Voluntary savings per person per month	2,500	2,500	2,500	2,500	2,500	Savings
Voluntary savings per person per quarter	750,000	750,000	750,000	750,000	750,000	per person
Savings accumulation	12,750,000	13,500,000	14,250,000	15,000,000	15,000,000	150,000

Total asset 62,236,167

Table 6-4 Finance Model Financial Projection E 100mil 1.5-1% 100 decline(2)

Item	Condition	Year 1				Year 2				ALL	Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4											
Working capital loan (utilized amount)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	85,000,000	85,000,000	100,000,000	95,000,000	90,000,000	85,000,000	85,000,000	85,000,000
Loan principal repayment		0	0	0	0	0	0	0	0	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Net loan fund		100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	85,000,000	80,000,000	80,000,000	95,000,000	90,000,000	85,000,000	80,000,000	80,000,000	80,000,000
Capital accumulation incorporated		0	455,063	926,393	1,414,212	926,393	1,414,212	1,414,212	1,414,212	1,918,742	2,372,707	2,820,426	3,261,814	3,261,814	1,918,742	2,372,707	2,820,426	3,261,814	3,261,814	3,261,814
Saving amount per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Savings		750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Savings accumulation		750,000	1,500,000	2,250,000	3,000,000	2,250,000	3,000,000	3,000,000	3,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	6,000,000
Savings balance incorporated into the loan fund		375,000	1,125,000	1,875,000	2,625,000	1,875,000	2,625,000	2,625,000	2,625,000	3,375,000	4,125,000	4,875,000	5,625,000	5,625,000	3,375,000	4,125,000	4,875,000	5,625,000	5,625,000	5,625,000
Membership	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Loan Fund Total		100,375,000	101,580,063	102,801,393	104,039,212	102,801,393	104,039,212	104,039,212	104,039,212	100,293,742	96,497,707	92,695,426	88,886,814	88,886,814	100,293,742	96,497,707	92,695,426	88,886,814	88,886,814	88,886,814
Loan fund per member		1,003,750	1,015,801	1,028,014	1,040,392	1,028,014	1,040,392	1,040,392	1,040,392	1,002,937	964,977	926,954	888,868	888,868	1,002,937	964,977	926,954	888,868	888,868	888,868
Income - interest spread	1.5%/month	4,516,875	4,571,103	4,626,063	4,681,765	4,626,063	4,681,765	4,681,765	4,681,765	4,513,218	4,342,397	4,171,294	3,999,907	3,999,907	4,513,218	4,342,397	4,171,294	3,999,907	3,999,907	3,999,907
Interest Payment	1.0%/month	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	2,850,000	2,700,000	2,550,000	2,550,000	3,000,000	2,850,000	2,700,000	2,550,000	2,550,000	2,550,000
Interest Spread		1,516,875	1,571,103	1,626,063	1,681,765	1,626,063	1,681,765	1,681,765	1,681,765	1,513,218	1,492,397	1,471,294	1,449,907	1,449,907	1,513,218	1,492,397	1,471,294	1,449,907	1,449,907	1,449,907
Operation and Admin. (inc. salary)	30.00%	455,063	471,331	487,819	504,529	487,819	504,529	504,529	504,529	453,966	447,719	441,388	434,972	434,972	453,966	447,719	441,388	434,972	434,972	434,972
Capital accumulation	30.00%	455,063	471,331	487,819	504,529	487,819	504,529	504,529	504,529	453,966	447,719	441,388	434,972	434,972	453,966	447,719	441,388	434,972	434,972	434,972
Profit sharing reserve	40.00%	606,750	628,441	650,425	672,706	650,425	672,706	672,706	672,706	605,287	596,959	586,518	579,963	579,963	605,287	596,959	586,518	579,963	579,963	579,963
Cost Total		1,516,875	1,571,103	1,626,063	1,681,765	1,626,063	1,681,765	1,681,765	1,681,765	1,513,218	1,492,397	1,471,294	1,449,907	1,449,907	1,513,218	1,492,397	1,471,294	1,449,907	1,449,907	1,449,907
Net Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit sharing		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit sharing per member		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
																				23,707

Frozen savings (acts as loan loss reserve)	10,000,000																			
		Time Deposit Interest																		10,700,000
		Total own capital																		749,000
		Capital accumulation balance																		11,449,000
		Compulsory savings balance																		3,696,786
		Own capital after																		6,000,000
		Own capital before																		21,145,786
		Own capital increase																		10,700,000
		Earning rate per year																		98%

Voluntary savings per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Voluntary savings per person per quarter		750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Savings accumulation		750,000	1,500,000	2,250,000	3,000,000	2,250,000	3,000,000	3,000,000	3,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	6,000,000

Table 6-4 Finance Model Financial Projection E 100mil 1.5-1% 100 decline(2)

Year 3 Year 4

Item	Condition	Year 3				Year 4					
		Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	80,000,000	75,000,000	70,000,000	65,000,000		60,000,000	52,500,000	45,000,000	37,500,000	
Loan principal repayment		5,000,000	5,000,000	5,000,000	5,000,000		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		75,000,000	70,000,000	65,000,000	60,000,000		52,500,000	45,000,000	37,500,000	30,000,000	
Capital accumulation incorporated		3,696,786	4,125,255	4,547,134	4,962,333		5,370,762	5,738,579	6,087,738	6,417,985	
Saving amount per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Savings		750,000	750,000	750,000	750,000		750,000	750,000	750,000	750,000	
Savings accumulation		6,750,000	7,500,000	8,250,000	9,000,000		9,750,000	10,500,000	11,250,000	12,000,000	
Savings balance incorporated into the loan fund		6,375,000	7,125,000	7,875,000	8,625,000		9,375,000	10,125,000	10,875,000	11,625,000	
Membership	100	100	100	100	100		100	100	100	100	
Loan Fund Total		85,071,786	81,250,255	77,422,134	73,587,333		67,245,762	60,863,579	54,462,738	48,042,985	
Loan fund per member		850,718	812,503	774,221	735,873		672,458	608,636	544,627	480,430	
Income - interest spread	1.5%/month	3,828,230	3,656,261	3,483,996	3,311,430		3,026,059	2,738,881	2,450,823	2,161,934	
Interest Payment	1.0%/month	2,400,000	2,250,000	2,100,000	1,950,000		1,800,000	1,575,000	1,350,000	1,125,000	
Interest Spread		1,428,230	1,406,261	1,383,996	1,361,430		1,226,059	1,163,881	1,100,823	1,036,934	
Operation and Admin. (inc. salary)	30.00%	428,469	421,878	415,199	408,429		367,818	349,158	330,247	311,080	
Capital accumulation	30.00%	428,469	421,878	415,199	408,429		367,818	349,158	330,247	311,080	
Profit sharing reserve	40.00%	571,292	562,505	553,598	544,572		490,424	465,544	440,329	414,774	
Cost Total		1,428,230	1,406,261	1,383,996	1,361,430		1,226,059	1,163,881	1,100,823	1,036,934	
Net Profit		0	0	0	0		0	0	0	0	
Profit sharing		0	0	0	0		2,231,967	0	0	0	
Profit sharing per member							22,320				
Frozen savings (acts as loan loss reserve)	10,000,000				11,449,000					12,250,430	
			Time Deposit Interest		801,430			Time Deposit Interest		857,530	
			Total own capital		12,250,430			Total own capital		13,107,960	
			Capital accumulation balance		5,370,762			Capital accumulation balance		6,729,065	
			Compulsory savings balance		9,000,000			Compulsory savings balance		12,000,000	
			Own capital after		26,621,192			Own capital after		31,837,025	
Savings per member before	100,000		Own capital before		11,449,000			Own capital before		12,250,430	
			Own capital increase		15,172,192			Own capital increase		19,586,595	
			Earning rate per year		133%			Earning rate per year		160%	
Voluntary savings per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Voluntary savings per person per quarter		7,500,000	7,500,000	7,500,000	7,500,000		7,500,000	7,500,000	7,500,000	7,500,000	
Savings accumulation		6,750,000	7,500,000	8,250,000	9,000,000		9,750,000	10,500,000	11,250,000	12,000,000	

Table 6-4 Finance Model Financial Projection E 100mil 1.5-1% 100 decline(2)

		Year 5				
Item	Condition	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	30,000,000	22,500,000	15,000,000	7,500,000	
Loan principal repayment		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		22,500,000	15,000,000	7,500,000	0	
Capital accumulation incorporated		6,729,065	7,020,720	7,292,687	7,544,701	
Saving amount per person per month		2,500	2,500	2,500	2,500	
Savings		750,000	750,000	750,000	750,000	
Savings accumulation		12,750,000	13,500,000	14,250,000	15,000,000	
Savings balance incorporated into the loan fund		12,375,000	13,125,000	13,875,000	14,625,000	
Membership	100	100	100	100	100	
Loan Fund Total		41,604,065	35,145,720	28,667,687	22,169,701	
Loan fund per member		416,041	351,457	286,677	221,697	
Income - interest spread	1.5%/month	1,872,183	1,581,557	1,290,046	997,637	5,741,423
Interest Payment	1.0%/month	900,000	675,000	450,000	225,000	2,250,000
Interest Spread		972,183	906,557	840,046	772,637	
Operation and Admin. (inc. salary)	30.00%	291,655	271,967	252,014	231,791	1,047,427
Capital accumulation	30.00%	291,655	271,967	252,014	231,791	1,047,427
Profit sharing reserve	40.00%	388,873	362,623	336,018	309,055	1,396,569
Cost Total		972,183	906,557	840,046	772,637	3,491,423
Net Profit		0	0	0	0	0
Profit sharing		0	0	0	0	1,396,569
Profit sharing per member						13,966

Frozen savings (acts as loan loss reserve)	10,000,000				13,107,960	
			Time Deposit Interest		917,557	
			Total own capital		14,025,517	
			Capital accumulation balance		7,776,492	
			Compulsory savings balance		15,000,000	
			Own capital after		36,802,009	
Savings per member before	100,000		Own capital before		13,107,960	
			Own capital increase		23,694,049	
			Earning rate per year		181%	

Voluntary savings per person per month		2,500	2,500	2,500	2,500	Savings
Voluntary savings per person per quarter		750,000	750,000	750,000	750,000	per person
Savings accumulation		12,750,000	13,500,000	14,250,000	15,000,000	150,000

Total asset 51,802,009

Table 6-4 Finance Model Financial Projection F 100mil 1.5-1% 100 decline(3)

Item	Condition	Year 1				Year 2				ALL	Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4											
Working capital loan (utilized amount)	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	85,000,000	85,000,000	100,000,000	95,000,000	90,000,000	85,000,000	85,000,000	85,000,000
Loan principal repayment		0	0	0	0	0	0	0	0	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Net loan fund		100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	95,000,000	90,000,000	85,000,000	80,000,000	80,000,000	95,000,000	90,000,000	85,000,000	80,000,000	80,000,000	80,000,000
Capital accumulation incorporated		0	379,219	771,141	1,175,910	1,593,671	1,968,318	2,336,868	2,699,251	1,593,671	1,968,318	2,336,868	2,699,251	2,699,251	1,593,671	1,968,318	2,336,868	2,699,251	2,699,251	2,699,251
Saving amount per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Savings		750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Savings accumulation		750,000	1,500,000	2,250,000	3,000,000	3,750,000	4,500,000	5,250,000	6,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	6,000,000
Savings balance incorporated into the loan fund		375,000	1,125,000	1,875,000	2,625,000	3,375,000	4,125,000	4,875,000	5,625,000	3,375,000	4,125,000	4,875,000	5,625,000	5,625,000	3,375,000	4,125,000	4,875,000	5,625,000	5,625,000	5,625,000
Membership	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Loan Fund Total		100,375,000	101,504,219	102,646,141	103,800,910	104,968,671	106,149,590	107,344,534	108,553,915	99,968,671	98,093,318	96,221,868	94,352,251	92,483,632	99,968,671	98,093,318	96,221,868	94,352,251	92,483,632	90,614,013
Loan fund per member		1,003,750	1,015,042	1,026,461	1,038,009	1,049,687	1,061,496	1,073,445	1,085,539	999,687	960,933	922,119	883,243	844,367	999,687	960,933	922,119	883,243	844,367	805,501
Income - interest spread	1.5%/month	4,516,875	4,567,690	4,619,076	4,671,041	4,723,006	4,775,000	4,827,023	4,879,086	4,498,590	4,324,199	4,149,534	3,974,591	3,800,000	4,498,590	4,324,199	4,149,534	3,974,591	3,800,000	3,625,000
Interest Payment	1.0%/month	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	2,850,000	2,700,000	2,550,000	2,400,000	3,000,000	2,850,000	2,700,000	2,550,000	2,400,000	2,250,000
Interest Spread		1,516,875	1,567,690	1,619,076	1,671,041	1,723,006	1,775,000	1,827,023	1,879,086	1,498,590	1,474,199	1,449,534	1,424,591	1,400,000	1,498,590	1,474,199	1,449,534	1,424,591	1,400,000	1,375,000
Operation and Admin. (inc. salary)	25.00%	379,219	391,922	404,769	417,760	430,897	444,184	457,621	471,208	374,648	368,550	362,384	356,148	350,000	374,648	368,550	362,384	356,148	350,000	343,750
Capital accumulation	25.00%	379,219	391,922	404,769	417,760	430,897	444,184	457,621	471,208	374,648	368,550	362,384	356,148	350,000	374,648	368,550	362,384	356,148	350,000	343,750
Profit sharing reserve	50.00%	758,438	783,845	809,538	835,520	861,794	888,368	915,247	942,416	749,295	737,100	724,767	712,296	700,000	749,295	737,100	724,767	712,296	700,000	687,500
Cost Total		1,516,875	1,567,690	1,619,076	1,671,041	1,723,006	1,775,000	1,827,023	1,879,086	1,498,590	1,474,199	1,449,534	1,424,591	1,400,000	1,498,590	1,474,199	1,449,534	1,424,591	1,400,000	1,375,000
Net Profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit sharing		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit sharing per member																				
Frozen savings (acts as loan loss reserve)	10,000,000				10,000,000															
			Time Deposit Interest		700,000															
			Total own capital		10,700,000															
			Capital accumulation balance		1,593,671															
			Compulsory savings balance		3,000,000															
			Own capital after		15,293,671															
			Own capital before		10,000,000															
			Own capital increase		5,293,671															
			Earning rate per year		53%															
Voluntary savings per person per month		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Voluntary savings per person per quarter		750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Savings accumulation		750,000	1,500,000	2,250,000	3,000,000	3,750,000	4,500,000	5,250,000	6,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	3,750,000	4,500,000	5,250,000	6,000,000	6,000,000	6,000,000

Table 6-4 Finance Model Financial Projection F 100mil 1.5-1% 100 decline(3)

Year 3 Year 4

Item	Condition	Q1	Q2	Q3	Q4	ALL	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	80,000,000	75,000,000	70,000,000	65,000,000		60,000,000	52,500,000	45,000,000	37,500,000	
Loan principal repayment		5,000,000	5,000,000	5,000,000	5,000,000		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		75,000,000	70,000,000	65,000,000	60,000,000		52,500,000	45,000,000	37,500,000	30,000,000	
Capital accumulation incorporated		3,055,399	3,405,241	3,748,706	4,085,723		4,416,219	4,711,995	4,991,411	5,254,283	
Saving amount per person per month		2,500	2,500	2,500	2,500		2,500	2,500	2,500	2,500	
Savings		750,000	750,000	750,000	750,000		750,000	750,000	750,000	750,000	
Savings accumulation		6,750,000	7,500,000	8,250,000	9,000,000		9,750,000	10,500,000	11,250,000	12,000,000	
Savings balance incorporated into the loan fund		6,375,000	7,125,000	7,875,000	8,625,000		9,375,000	10,125,000	10,875,000	11,625,000	
Membership	100	100	100	100	100		100	100	100	100	
Loan Fund Total		84,430,399	80,530,241	76,623,706	72,710,723		66,291,219	59,836,995	53,366,411	46,879,283	
Loan fund per member		844,304	805,302	766,237	727,107		662,912	598,370	533,664	468,793	
Income - interest spread	1.5%/month	3,799,368	3,623,861	3,448,067	3,271,983	14,143,278	2,983,105	2,692,665	2,401,489	2,109,568	10,186,826
Interest Payment	1.0%/month	2,400,000	2,250,000	2,100,000	1,950,000	8,700,000	1,800,000	1,575,000	1,350,000	1,125,000	5,850,000
Interest Spread		1,399,368	1,373,861	1,348,067	1,321,983		1,183,105	1,117,665	1,051,489	984,568	
Operation and Admin. (inc. salary)	25.00%	349,842	343,465	337,017	330,496	1,360,820	295,776	279,416	262,872	246,142	1,084,206
Capital accumulation	25.00%	349,842	343,465	337,017	330,496	1,360,820	295,776	279,416	262,872	246,142	1,084,206
Profit sharing reserve	50.00%	699,684	686,930	674,033	660,991	2,721,639	591,552	558,832	525,744	492,284	2,168,413
Cost Total		1,399,368	1,373,861	1,348,067	1,321,983	5,443,278	1,183,105	1,117,665	1,051,489	984,568	4,336,826
Net Profit		0	0	0	0	0	0	0	0	0	0
Profit sharing per member		0	0	0	0	2,721,639	0	0	0	0	2,168,413
						27,216					21,684
Frozen savings (acts as loan loss reserve)	10,000,000				11,449,000					12,250,430	
					801,430					857,530	
					12,250,430					13,107,960	
					4,416,219					5,500,425	
					9,000,000					12,000,000	
					25,666,649					30,608,385	
	100,000				11,449,000					12,250,430	
					14,217,649					18,357,955	
					124%					150%	
					2,500					2,500	
Voluntary savings per person per month		750,000	750,000	750,000	750,000		750,000	750,000	750,000	750,000	
Voluntary savings per person per quarter		6,750,000	7,500,000	8,250,000	9,000,000		9,750,000	10,500,000	11,250,000	12,000,000	
Savings accumulation											

Table 6-4 Finance Model Financial Projection F 100mil 1.5-1% 100 decline(3)

Year 5

Item	Condition	Q1	Q2	Q3	Q4	ALL
Working capital loan (utilized amount)	100,000,000	30,000,000	22,500,000	15,000,000	7,500,000	
Loan principal repayment		7,500,000	7,500,000	7,500,000	7,500,000	
Net loan fund		22,500,000	15,000,000	7,500,000	0	
Capital accumulation incorporated		5,500,425	5,729,649	5,941,764	6,136,577	
Saving amount per person per month		2,500	2,500	2,500	2,500	
Savings		750,000	750,000	750,000	750,000	
Savings accumulation		12,750,000	13,500,000	14,250,000	15,000,000	
Savings balance incorporated into the loan fund		12,375,000	13,125,000	13,875,000	14,625,000	
Membership	100	100	100	100	100	
Loan Fund Total		40,375,425	33,854,649	27,316,764	20,761,577	
Loan fund per member		403,754	338,546	273,168	207,616	
Income - interest spread	1.5%/month	1,816,894	1,523,459	1,229,254	934,271	5,503,879
Interest Payment	1.0%/month	900,000	675,000	450,000	225,000	2,250,000
Interest Spread		916,894	848,459	779,254	709,271	
Operation and Admin. (inc. salary)	25.00%	229,224	212,115	194,814	177,318	813,470
Capital accumulation	25.00%	229,224	212,115	194,814	177,318	813,470
Profit sharing reserve	50.00%	458,447	424,230	389,627	354,635	1,626,939
Cost Total		916,894	848,459	779,254	709,271	3,253,879
Net Profit		0	0	0	0	0
Profit sharing		0	0	0	0	1,626,939
Profit sharing per member						16,269

Frozen savings (acts as loan loss reserve)	10,000,000				13,107,960	
			Time Deposit Interest		917,557	
			Total own capital		14,025,517	
			Capital accumulation balance		6,313,895	
			Compulsory savings balance		15,000,000	
			Own capital after		35,339,412	
Savings per member before	100,000		Own capital before		13,107,960	
			Own capital increase		22,231,452	
			Earning rate per year		170%	

Voluntary savings per person per month	2,500	2,500	2,500	2,500	Savings
Voluntary savings per person per quarter	750,000	750,000	750,000	750,000	per person
Savings accumulation	12,750,000	13,500,000	14,250,000	15,000,000	150,000

Total asset 50,339,412

Appendix (a)
Report on
Major Laws and Regulations
related to Microfinance

REPORT ON MAJOR LAWS AND REGULATIONS RELATED TO MICROFINANCE

1. Laws for Banks

1.1 Legal Base for Banks

The basic law for banks is the Banking Law (Law No. 7 year 1992), as amended by Law No. 10 year 1998. It recognizes two types of Banks: General Commercial Bank and Rural Credit Bank (BPR). The amendment of the Banking Act in 1998 is intended to accommodate the growing Syariah banking industry and to regulate banking operations based on Islamic principles more adequately.

BPR activities consist of:

- a. Collecting fund from the people in the form of time deposits, saving account or other similar types.
- b. Extending Credits
- c. Providing fund based on syariah principles
- d. Placement of the fund in SBI, time deposits, CD and/or saving in other banks.

BPR is established to extend financial services to low income level community especially in rural areas. Non bank financial institutions had been granted licenses from Ministry of Finance might transform their business into banks maximum within one year. Meanwhile, for non bank financial institutions could get license as BPR by fulfilling the requirement stipulated by government.

The activities of BPR are also regulated more by Bank Indonesia Regulation No. 6/22/PBI/2004.

1.2 Syariah Banking

(1) Syariah-based Banks and Banking Offices

Based on Act No. 10/1998 concerning Banking System, it is possible to carry out banking activities based on Islamic Principle. Then, based on Act No. 23/1999 amended by Act No. 3 /2004, Bank Indonesia (BI) has the obligation to supervise and guide Syariah Banking. At that time, Bank Muamalat Indonesia has been established and was the only Syariah Bank in Indonesia.

Currently, there are three Syariah Banks in Indonesia: (i) Bank Syariah Mandiri, (ii) Bank Muamalat Indonesia, and (iii) Bank Syariah Mega Indonesia. Besides, there are 19 divisions of Syariah banking in National Banks (commercial banks became able to operate Shariah banking offices) and 104 Syariah-based BPRs (BPR Syariah).

(2) Historical background

The establishment of Bank Syariah was initiated by the former President Suharto. This establishment was conducted after carrying out a research to about 5,000 respondents in Central, West and East Java. More than 40% of those respondents believe that interest rate is against the Islam principle. Many of them do not want to put their idle money in the Bank to avoid sin. They prefer to put their money on the roof. The results indicated that Islamic bank would be very potential, especially in East Java, South Sulawesi and North Sumatera.

(3) Principles of Syariah Finance

There are two considerations in understanding and developing Syariah Bank: (a) legal issue, where the idea of interest is prohibited, and (b) economic issue, where justice in economy is emphasized. In conventional banking, depositors obtain interests whether the bank gets profit or not. However, in Syariah banking, there is profit and loss sharing. Syariah Banks invest the funds to the real sector, they are not allowed to put in the speculative sector, which is not stable.

(4) Dissemination Activities of BI

BI has Shariah Banking Division and it has socialization program concerning Syariah Banking addressed to academic people and Islamic schools. The instructors are from BI and some Syariah experts. In dealing with farmers, BI believes that it is important to assist them in three aspects; technology assistance, financial assistance, and spiritual assistance.

1.3 Laws on MSME Credit by Banks

Other related regulations, among others are:

- (1) Ministry of Finance Regulation No. 40/KMK.06/2003 revised by No. 12/PMK.06/2005 concerning Micro and Small Enterprise Credit Financing. It stipulates the source of fund and the extension pattern of Micro, Small, and Medium Enterprises (MSMEs) Credit. Fund extended to MSMEs originated from Government Securities.
- (2) BI Regulation No. 3/2/PBI/2001 concerning Small Enterprise Credit. It promotes and encourages Banks to channel loans to MSMEs.
- (3) BI Regulation No. 5/18/PBI/2003 revised by No. 7/39/PBI/2005 concerning The Technical Assistance to develop MSMEs, such as: training for banks and for supporting institutions, as well as providing information support for MSMEs.

1.4 Supervision of Banks in Microfinance Sector

(1) BRI Unit

The BRI unit system is a strategic business unit of BRI. The Units operate at the sub-district level under the supervision of BRI branches at the district level. They are separate profit centers with their own financial statement, but their financial operations are included in the financial statements of BRI.

BRI district branches are responsible for the supervision of units in their area of operation. The Branch Manager is obliged to visit the units and is authorized to take any necessary actions, including direct warnings and penalties for employee. Off-site supervision is carried out based on the management reports provided by the units. On-site supervision is carried out once a month for each unit and takes up to five days. These inspections are based on a standard report format that helps to examine financial and human resources aspects, including recommendations and a follow up plan for the units. BRI itself maintain about 11 regional inspection offices that carry out on-site audits once in 18 months

(2) BPR

BI is the supervisor of BPR. It is under BI's BPR Supervision Department and carried out by BI branches. Basically, the supervision is done by BI Head Offices for BPR in Jakarta and its surrounding area, and by BI branches for BPR located outside Jabotabek area. The supervision task consists of on-site and off-site supervision. On-site inspections are conducted periodically or at anytime it is necessary, but usually it was conducted once a year. Meanwhile, off-site supervision is based on the bank's obligation to submit monthly reports and any information required by BI.

On-site Inspection

BPR are required to conduct business comply with prudential principles, among others are:

- (i) CAR: 8% of risk weighted assets
- (ii) Earning Assets Quality:
- (iii) Allowance for Earning Assets Losses
- (iv) Legal Lending Limits: the limit is 20% of BPR capital for parties not connected to BPR and 10% of BPR capital for parties connected to BPR respectively.
- (v) Audited by Public Accountant firm for BPR with total assets more than Rp 10 billions.

BPR soundness is evaluated through capital, assets quality, management, rentability and liquidity (CAMEL) as follow:

- (i) Capital, weight 30%
- (ii) Earning Assets, weight: 30%
- (iii) Management, weight: 20%
- (iv) Rentability, weight: 10%
- (v) Liquidity, weight: 10%

The Bank will be categorized into 4 categories, namely: Sound, Fairly Sound, Poor, and Unsound. Factors that may affect the bank soundness are the violations of Legal Lending Limit and Judgment factors. Judgment comprises factors that may reduce bank soundness to Unsound in the event of internal disputes, third party's intervention, window dressing, bank within bank practices, financial difficulties, and other irregular banking practices.

Off-site Inspection, Requirement Report

(i) BPR Monthly Report

It is in the form of Financial Report, which consists of: Balance Sheet, Profit & Loss, Administrative Accounts and detail of each account. BPR monthly report should be submitted to BI not later than the 14th each month. Meanwhile monthly consolidated report prepared by BPR which has branch offices, should be submitted to BI not later than the 16th each month.

(ii) Legal Lending Limit

The report should cover all credit facilities which above the Legal Lending Limit and All credit facilities given to related parties. This report should be submitted to BI not later than the 14th each month.

(iii) Annual Work Plan

It is a budget and activity plan for one year prepared by Director after it is approved by the Board of Commissioners (BoC). This plan should be submitted to BI by the end of January each year. This Work Plan should consist of:

- Funding plan
- Credit plan
- Balance Sheet and P/L projection for the next two semesters.
- Human resource development plan
- Efforts to improve bank's performance and solve the existing problems.

(iv) Work Plan Implementation Report

BoC of BPR should control the implementation of work plan implementation conducted by Director and report it to BI twice a year by end of August and December. The report should at least cover:

- The evaluation of work plan implementation and some factors affected target achievement.
- Description of problems occurred and some efforts that have been made and will be made to solve them.

(v) Annual Financial Report

It consists of Balance Sheet, Commitment and Contingencies Report, P/L and Retained Earning, Cash Flow Report, and notes of Financial Report. The Financial Report of BPR with Total Asset above Rp 10 billion, should be audited by the Public Accountant completed with opinion letter. This annual financial report should be submitted by the end of April on the following year. Meanwhile, the Financial Report of BPR with Total Asset below Rp. 10 billion is not obliged to be audited by Public Accountant. It only has to be approved by GMoS or Members Meeting and submitted to BI at least 2 months after the year end.

(vi) Published Financial Report

It consists of Balance Sheet, Commitment and Contingencies Report, P/L and Retained Earning, and other published information. It should be published at least twice a year through newspaper or BPR information board.

1.5 Laws to Regulate Interest Rates

Based on the Regulation of Deposit Insurance Agency (LPS) No. 1/PLPS/2006 (Article 38), concerning Deposit Protection Program, LPS sets the maximum of interest rates protected for October – November 2006 is as follows:

- Commercial Bank: Rupiah is 10.75% and US\$ is 5,00%
- BPR: Rupiah is 14.75%

Since 1980's, BI gave the authority to Banking Industry to set their own policy on the credit interest rates.

Based on 2006 Indonesian Financial Statistic issued by BI, The Interest Rate of Rupiah Credit by group of Banks is as follow:

Table 1: INTEREST RATE OF RUPIAH CREDIT BY GROUP OF BANKS (%)*

	State Banks			Regional Government Banks			Private National Banks		
	W.C.	Invest.	Cons.	W.C.	Invest.	Cons.	W.C.	Invest.	Cons.
2001	19.15	17.11	16.43	20.48	17.76	17.72	19.16	19.02	21.55
2002	18.85	17.50	16.80	19.93	17.89	17.40	18.21	18.30	21.67
2003	16.18	15.54	16.04	19.08	17.20	16.82	14.66	15.75	18.80
2004	14.32	14.10	14.62	17.54	16.24	15.10	13.13	13.91	15.93
2005	15.71	14.98	15.23	16.85	15.51	14.19	16.95	16.23	16.06
2006	15.70	15.16	15.43	16.79	15.49	14.19	16.87	16.52	17.48
	Commercial Banks			Foreign & Joint Venture Banks					
	W.C.	Invest.	Cons.	W.C.	Inv.	Cons.			
2001	19.19	17.90	19.85	19.09	18.55	32.91			
2002	18.25	17.82	20.21	15.71	16.09	34.61			
2003	15.07	15.68	18.69	11.02	12.60	34.50			
2004	13.41	14.05	16.57	9.33	11.44	32.90			
2005	16.23	15.66	16.83	14.50	15.55	32.01			
2006	16.14	15.91	17.87	13.61	15.83	34.86			

Note 1: W.C.=Working Capital, Inv.=Investment, Cons.=Consumption

Note 2: Using weighted average interest rates. 2006 figure is based in July, 2006.

Source: BI, Indonesian Financial Statistic, August 2006

1.6 Laws on Loan to Deposit Ratio (LDR)

The performance of the bank is considered as a sound bank if for the last three years the Bank has met some criteria as follows: (i) Tier I Capital is more than Rp 100 billion; (ii) Has level of soundness at composite 2 with CAMELS criteria, supported by a good management (iii) Capital Adequacy Ratio (CAR) minimum of 10% (iv) Good rating on corporate governance. The performance of each bank is evaluated by BI every time.

A sound bank that met the above criteria has the opportunity to become Anchor Bank if it meets some criteria as follows: (i) It has a capacity to grow, supported by a strong and stable capital, and has the capability to absorb risks and support business activities. This is reflected on the minimum CAR of 12% and Tier I Capital ratio of 6%; (ii) It has capability to generate good profitability which is reflected on its Return on Asset ratio (ROA) at minimum of 1,5%; (iii) The real credit expansion growth is minimum 22% annually, or Loan to Deposit Ratio (LDR) is above 50% and Non Performing Loan (NPL) is below 5% (net); (iv) It has become a public listed bank or has a plan to be a public listed bank in the near future.; (v) It has a capability and capacity to be a consolidator by still maintaining its status as a sound bank.

1.7 Laws on Collateral

BI Regulation No. 7/2/PBI/2005 concerning the Asset Quality Valuation for Commercial Banks and No. 8/19/PBI/2006 concerning Earning Assets Quality and Allowance for Earning Assets Losses for Rural Banks, stimulate bank lending to small and medium enterprises (SMEs) and micro businesses.

(1) BI Regulation No. 7/2/PBI/2005

(i) It stipulates that cash collateral used to guarantee the productive assets (earning assets) is in the form of:

- a. Demand deposits, time deposits, saving deposits, guarantee deposits, and/or gold.
- b. SBI and/or Government Securities
- c. Blanket Guarantee of the Government of Indonesia
- d. Standby L/C from a prime bank, issued under the applicable UCP or ISP.

(ii) A Bank shall submit claim for encashment of cash collateral within seven days after the debtors default.

(iii) In the event that the Bank set aside Provision for Asset Losses in respect of Productive and Non Productive Assets, the eligible collateral used for subtracting the provision of asset losses are as follows:

- a. Securities and shares actively traded on a stock exchange in Indonesia.
- b. Land, residential property, and building bound under deed of mortgage
- c. Aircraft or ship with certain classification and bound under hypothec
- d. motor vehicles and inventory bound under fiduciary transfer

(iv) The value of the eligible collateral shall be determines as follows:

- a. For Securities and shares actively traded on a stock exchange in Indonesia, no more than 50% of the closing price at the end of the month.
- b. For land, buildings, residential property, aircraft, marine vessels, motor vehicles, and inventory, no more than:
 - 70% of appraisal value, if appraisal has been conducted during the last 12 months.
 - 50% of appraisal value, if appraisal was conducted more than 12 months ago but no more than 18 months ago.
 - 30% of appraisal value, if appraisal was conducted more than 18 months ago but no more than 24 months ago.
 - 0% of appraisal value, if appraisal was conducted more than 24 months ago.

(v) BI has the right to recalculate the value of collateral mentioned above, if the bank fails to comply with the regulation.

(2) BI Regulation No. 8/19/PBI/2006

It stipulates that BPR is required to appraise collateral to find out its economic value. The values of the eligible collateral used for subtracting the provision of asset losses are as follows:

- a. 100% (one hundred percent) of liquid collateral, comprising SBIs, saving deposits, and time deposits which are blocked at the concerned bank equipped with a power of attorney to disburse, gold, and precious metal.
- b. 80% (eighty percent) of mortgage value for collateral comprising land, building, and house with a right of ownership certificate (SHM) or a right to build certificate (SHGB) bound with mortgage.
- c. 60% (sixty percent) of tax object sale value for collateral comprising land, building, and house with a SHM or a SHGB, right to use without mortgage.
- d. 50% (fifty percent) of tax object sale value for collateral comprising land with ownership evidence in the form of custom land title letter C equipped with latest tax statement (SPPT).

- e. 50% (fifty percent) of market value for collateral comprising vehicle equipped with ownership evidence and bound in accordance with applicable stipulations.

1.8 Status of Deposit Insurance System

In 2004, the Government of Indonesia announced a plan to gradually reduce the guaranteed amounts of deposits in order to decrease public spending and subject the banking industry to market discipline. On September 2005, The Government of Indonesia established Deposit Insurance Agency known as Lembaga Penjamin Simpanan (LPS). This Deposit Protection is valid only for Commercial Banks and BPRs.

Law No. 24/2004 concerning LPS, provides the basis for establishment of the LPS, the function of which is to guarantee bank customers' deposits, and actively to protect the stability of the banking system. LPS is an independent, transparent, and accountable institution in implementing its function and authority.

Function of LPS is to reimburse depositors up to a certain monetary limits if the bank fails and liquidated, and to actively maintain the stability of banking system in accordance to its authority.

Based on LPS regulation No. 1/2006:

- Since 22 September 2005 until 21 March 2006, all deposits are still guaranteed.
- Since 22 March 2006 until 21 September 2006, the amount of money guaranteed is maximum Rp 5 billion.
- Since 22 September 2006 until 21 March 2007, the amount of money guaranteed is maximum Rp 1 billion.
- Since 22 March 2007, the amount of money guaranteed is maximum Rp 100 million.

Table 2: Phases of Guarantee System

OBLIGATION:	BLANKET GUARANTEE		DEPOSIT INSURANCE BY LPS			
	per account		per depositor per bank			
Others	100%					
Inter-Bank Money Market	100%					
Deposits	100%		100%	Rp 5 billion	Rp 1 billion	Rp 100 million
Phase	until 17/4/2005	18/4/2005 - 21/9/2005	22/9/05 - 21/3/06	22/3/06 - 21/9/06	22/9/06 - 21/3/07	22/3/07 ~

Source: UP3, Ministry of Finance

Each Bank which carries out its business within the territory of Republic Indonesia should be a member of LPS. Branch offices of Banks located in Indonesia that carry out its banking activities outside the territory of Republic Indonesia, are not included on the guarantee program.

Deposits guaranteed by LPS include:

- (i) Demand Deposits, Time Deposits, Certificate Deposits, Saving Account and other similar deposits.
- (ii) Bank Customers' Deposits which cover:
 - a. Demand Deposit based on Wadiah Principle
 - b. Saving Account based on Wadiah Principle
 - c. Saving Account based on Mudharabah Muthlaqah and Mudharabah Muqayyadah Principle which its risks are borne by the Bank.

- d. Time Deposits based on Mudharabah Muthlaqah and Mudharabah Muqayyadah Principle which its risks are borne by the Bank.
 - e. Saving Account based on other Syariah Principle determined by LPS.
- (iii) Deposits guaranteed are customers' deposits and other deposits originated from other banks.
- (iv) The amount of deposits guaranteed is the amount recorded on the date of the revocation of bank's business license.
- (v) The amount guaranteed are as follows:
- a. Nominal value plus profit sharing which is the right of customer, for deposits based on Syariah Principle.
 - b. Nominal value plus interest which is the right of customer, for deposits with interest component.
 - c. Current value as per date of the revocation of bank's business license by using discount rate stated on the certificate, for deposits with discounted component.
- (vi) The amount guaranteed for each customer in one bank is the total amount of all customers' accounts on that bank, both single and joint account.

In connection with the enactment of Act concerning LPS, BI intends to improve its regulation on BPR exit policy, in order to create a sound BPR industry. Based on the current provision, a BPR under Special Surveillance (DPK) is a BPR which possesses a CAR < 4% and or Cash Ratio (CR) < 3% for the past 6 months. BPRs under special surveillance will be obliged to take actions to recover its condition within 6 months. In the case that BPR can not improve its performance within 6 months, it will be transferred to LPS.

A BPR which has already been transferred to LPS shall be evaluated by LPS for recuperation or getting its business license revoked.

1.9 Safety Net for Natural Disasters

The major problem faced by micro finance institutions, such as: rural banks and others, located in the natural disaster area, are liquidity constraints. They have lost part of their portfolio. Their documentations containing customer information were destroyed. Their customers who have outstanding loans are either deceased or moved to other safe place, or had lost all of their business. Meanwhile, most customers who have some deposits withdrew their money. Therefore, totally the economic conditions in the surrounded area have slowed down.

In order to support the recovery of economic condition in the area hit by natural disaster, the Government of Indonesia through Ministry of Finance issued Decree No. 31/PMK.07/2005 and Government Policy No. 14/2005. These regulations let the State Owned Banks, namely: BRI, BPD, Bank Mandiri and BNI, to write off some of its loans in Aceh after tsunami. In this case, the Government does not inject any liquidity for the write offs, but it must follow the regulation that write off is off set by capital reserve.

BI that has the authority in the banking system in Indonesia deems it necessary to provide special treatment for credit in the form of relaxation in assessment of credit quality and the requirements for regular reporting to BI. Then, BI issued regulations to support the recovery of banking activities in the area hit by natural disaster. The regulations issued are as follows:

- (i) PBI No. 7/17/PBI/2005 concerning Special Treatment for Rural Banks following the National Disaster in Aceh Province and Nias Regency, North Sumatera Province.

It regulates that credit quality for rescued debt shall be classified current commencing from action taken for rescue until January 31, 2008. Debt rescue can be carried out by:

- Rescheduling which is the amendment of credit's terms and conditions related to payment schedule and/or its term.
- Reconditioning which is the amendment of credit's terms and conditions in a whole or in part, but it does not involve the change in the maximum balance of credit.
- Restructuring which is the amendment of credit's terms and conditions with regard to:
 - a. Additional fund of rural banks
 - b. Conversion of interest arrears in a whole or in part to credit, which may be accompanied by rescheduling and/or reconditioning.

- (ii) PBI No. 7/5/PBI/2005 concerning Special Treatment for Commercial Bank Credit following the National Disaster in Aceh Province and Nias Regency, North Sumatera Province.

It regulates that credit quality for restructured debt shall be classified current commencing from the restructuring through the end of January 2008. The classification of credit quality or other provision of fund from a bank for debtors with an overall ceiling of maximum Rp 5 billion shall be based only on prompt repayment of principal and interest.

- (iii) PBI No. 8/10/PBI/2006 concerning Special Treatment for Bank Credit following the Natural Disaster in Yogyakarta and nearby areas in Central Java Province.

It regulates that the quality of restructured commercial bank credit and rural bank credit shall be classified current commencing from the restructuring until the end of June 2009. Credit restructuring can be applied only to commercial bank credit and rural bank credit which meet the following requirements:

- Disbursed to debtors with project locations or places of business in Yogyakarta and in nearby areas in Central Java Province
- Difficulties in repayment of loan principal and/or interest have or are likely to arise by reason of the impact of natural disaster.
- Restructured after natural disaster

- (iv) PBI No. 8/15/PBI/2006 concerning Special Treatment for Bank Credit for Certain Indonesia Areas hit by Natural Disaster.

It regulates that the quality of restructured commercial bank credit and rural bank credit shall be classified current commencing from the restructuring until three years after natural disaster. The other provisions are similar with the above regulations.

Until today, there is no specific insurance available for farmers who suffer by the natural disaster. Some banks have added their services by providing insurance which completed banks products with protection, such as: Life Insurance or Health Insurance. BRI through its rural credit products, for example, KEPEDES, has provided Credit Life Insurance scheme cooperated with PT.

Asuransi Bringin Life¹. Meanwhile, Bank Mandiri has also provided Credit Life Insurance scheme for all of its micro, small and medium credit customers by cooperating with PT. Asuransi Jiwasraya. Some of rural banks have also provided this scheme for their credit customers but it is still uncommon for most of BPRs.

2. Laws on Guarantee Institutions

2.1 Legal Base for Guarantee Institutions

Based on Ministry of Finance Decree No. 486/KMK.017/1996 concerning Guarantee Institution, the Guarantee Institution should be in the form of Limited Liability Company or Cooperative and obtain the license from Ministry of Finance. Licenses granted to Guarantee Institution is conducted in two phases:

- 1st Phase: Principle Approval is approval to prepare the establishment of Guarantee Institution.
- 2nd Phase: Business Permit, is licenses given to carry out business after the accomplishment of the 1st Phase.

The amount of paid up capital required for Guarantee institution is Rp 10 billion at minimum.

Based on Ministry of Finance decree No. 479/KMK.06/2003, Ministry of Finance stop giving licenses to the Guarantee Institution. Based on this decree, the application for establishing new Guarantee Institution submitted to Ministry of Finance which has not obtained the approval until 23 October 2003, was rejected. This decree also postponed the establishment of Regional Guarantee Institution (LPD).

2.2 Examples of Guarantee Institutions

(1) Perum Sarana Pengembangan Usaha

Perum Sarana Pengembangan Usaha is a state owned company, which was established in November 2000. This company was formed from the merger of Credit Guarantee Institution for Cooperatives (LJKK) and Perum PKK, based on Government Regulation No. 95/2000.

The target group of Perum Sarana Pengembangan Usaha has been expanded not only limited to cooperatives, but also to small and medium enterprises. The services provided consist of guaranteeing the credit from the banks and other financing from non bank institutions, such as leasing, factoring, consumer financing and profit sharing loan, guaranteeing the purchasing of goods with installment, guaranteeing some of contractual service transactions, providing profit sharing loan, management assistance and consultation, issuing surety bonds and other related activities in order to achieve the goals of the company. Meanwhile, its main services are as follows:

- Commercial Credit Guarantee
- Multi Purpose Credit Guarantee
- Agribusiness Credit Guarantee
- Micro Credit Guarantee
- Construction Credit Guarantee
- BPR Credit Guarantee

¹ This was confirmed by an interview with the Legal Information Division of BI (through the phone) on the liquidity regulation for banks located in the natural disaster area. According to BI, Government of Indonesia did not inject any liquidity fund to those banks; it is only in the form of write-off of some of their loans and relaxation of credit quality.

- Distribution Credit Guarantee
- Syariah Financing Guarantee
- Counter Credit Guarantee

As a guarantor, Perum Sarana Pengembangan Usaha has cooperated with many partners, such as: Commercial Banks (13), Regional Development Banks (14), and Non Bank Financial Institutions (8).

Perum Sarana has about 11 branch offices all over Indonesia and is considering opening other branches, in order to provide the best, quick and satisfaction services.

(2) Asuransi Kredit Indonesia (ASKRINDO)

ASKRINDO was established by the Government of Indonesia (the Ministry of Finance and BI) in 1971, as part of its efforts to develop Small and Medium Enterprises (SMEs). Initially, ASKRINDO carried out its business by providing Bank Credit Insurance. Then, in its later development, its activities were expanded to other products, especially in providing guarantee services.

ASKRINDO has assisted more than 6 million SMEs in strengthening their organization structure, especially in financial matters. Now, ASKRINDO has about 22 branches all over Indonesia. Services provided by ASKRINDO are as follows:

- Bank Credit Insurance
- Credit Guarantee Services
- Credit Management Services
- Surety Bond
- Custom Bond
- Import L/C and Working Capital Loan Credit Export Guarantees

3. Laws for Non-Bank Financial Institutions

3.1 Laws for Cooperatives

(1) Legal Base for Cooperatives

Law No. 25 Year 1992 concerning Cooperative. It recognized the general provision of cooperative sector. This law is supported by Government Regulation No. 9 year 1995 and Ministerial Decree No. 351 KEP/M/XII/1998, concerning The Implementation of Saving and Credit Activities by Cooperative.

(2) Guidance and Supervision of Saving and Credit Cooperative (KSP) and Saving and Credit Unit (USP)

The guidance and supervision of KSP/USP are carried out by the Ministry of Cooperatives. The Ministry has the authority to carry out inspections, to provide advice related to capital requirements, change of management, mergers with other cooperatives, sale of fixed assets, and to liquidate KSP/USP when problem can not be solved.

Supervision to KSP/USP comprises off-site inspection, on-site inspection, and an assessment of KSP soundness. KSP/USP have to submit quarterly reports one month after the calendar quarter by latest and annual reports in June of the following year at the latest. Audits by Public

Accountants or Audit Cooperatives are required for KSP/USP with loan disbursement more than Rp 1 billion.

Control of KSP/USP operating at the district level is conducted by the district offices of the Ministry. The Provincial offices of the Ministry are responsible to control KSP/USP at the provincial level. Meanwhile, KSP/USP operating at the national level are controlled by the Ministry's head office.

The assessment of KSP/USP soundness is carried out at the end of financial year. The Ministry determines CAMEL instruments to evaluate the soundness of KSP/USP. These instruments consist of 9 financial ratios, 25 questions in management fields. The overall rating weights are as follows:

- (i) Capital: 20%
- (ii) Asset Quality: 30%
- (iii) Management: 25%
- (iv) Earnings: 15%
- (v) Liquidity: 10%

(3) Government Programs for Cooperatives

(i) P3KUM

This Ministry has often facilitated various events conducted by MSMEs, including the Poverty Alleviation Action Program by empowering MSMEs in Indonesia. Through utilization of the 2006 National Budget, it is expected that the Productive Empowerment Project for Medium Business Loans or *Proyek Pemberdayaan Produktif Kredit Usaha Menengah* (P3KUM) can become one of the attempts in alleviating poverty and unemployment. Through this project, it is expected that Rp100 million would be made available to a cooperative in each sub-district.

In conducting P3KUM program, the Ministry cooperates with Banks to administer fund. For Conventional System, the Ministry cooperates with BPD (Regional Development Bank). Meanwhile for Syariah System, the Ministry cooperates with Bank Muamalat Indonesia and Bank Syariah Mandiri.

Each selected cooperative gets Rp 100 million from the GoI through the Banks. The period of repayment is 10 years with 16% of interest. Out of this 16% of interest, 4% is for the bank as the fee for providing services to the cooperative, 2% is back to cooperative for its internal operation activities, and 10% is for principal repayment. Then, this principal amount repaid will be extended to other cooperative (revolving fund).² The member of cooperative usually borrows about Rp 2 million in average. The repayment is good. The Bad debt is almost zero (especially woman cooperative).

(ii) MAP (Modal Awal dan Padanan)

MAP means "Seed Capital and Matching Fund". It is Government program where Ministry Cooperative and SME funds are extended to Micro, Small and Medium Enterprises through KSP/USP, Micro Financial Institutions, Venture Capital and Incubator.

² Information is quoted from Media BPR No. 10, June-July 2006 Edition, <http://profi.or.id> and interview with Ministry of Cooperative and SME)

Its objective is to provide fund to Cooperatives and MSMEs. Seed Capital is fund provided to support Cooperative and SME. Meanwhile, Matching Fund is provided to finance Micro and Small Enterprises that is developing or will develop their business.

Cash Disbursement is made through KSP/USP, Venture Capital and Incubators, and the final beneficiary is cooperatives and MSMEs to finance their prospective business. Until June 2006, MAP fund has grown by 34.86% with the amount of Rp 447.6 billion³.

MAP is based on the three Minister Decree as follows:

- (a) Minister Decree No. 81.1/Kep/M.KUKM/VIII/2002 concerning Technical Guidance on the Strengthening of Cooperative and SME' Capital by providing MAP through Venture Capital, the target of MAP program is:

To extend MAP fund to a minimum of 48 Cooperative and SME through 4 Regional Venture Capital in Jambi, Bali, South Kalimantan and North Sulawesi Province.

The amount disbursed is Rp. 1,250,000,000 for each Regional Venture Capital, and it should be extended to a minimum 12 Cooperative and SME business partner with the amount of maximum Rp. 150,000,000 for each.

Criteria are as follows:

Venture Capital:

- Operates in the province stipulated above.
- Has good performance and is recommended by PT. Bahana Artha Ventura
- Provides matching fund as capital investment or financing to SME business partners.

Cooperative and SME business partners:

- Has a good business based on the evaluation of Regional Venture Capital
- Has own matching fund, minimum 20% of fund needed
- Has competitive advantage (export oriented or import substitution)
- Uses local sources
- Technology and Innovation bases

- (b) Minister Decree No. 81.3/Kep/M.KUKM/VIII/2002 concerning Technical Guidance on the Strengthening of Cooperative and SME' Capital by providing MAP through Incubator, the target of MAP program is:

To extend MAP fund to a minimum of 40 small enterprises – partners on 4 incubator at 4 State Universities, namely: University of Jenderal Soedirman in Central Java, State University of Jember in East Java, Makassar State University in South Sulawesi, and Andalas University in West Sumatera.

The amount disbursed to each Incubator is Rp 500,000,000, which should be extended to a minimum 10 small enterprises – partners with maximum amount for each small enterprise is Rp 100,000,000

Criteria are as follows:

³ http://www.depkop.go.id/index.php?option=com_content&task=view&id=894&Itemid=169&lang=en

Incubator:

- 2 years of experiences
- Has permanent staff who handle incubator
- Has sustainable budget to finance the routine activities
- Has capable incubator manager
- Has successful experience on small enterprises incubation
- Has supporting infrastructure, such as: office and access to market and technology information and management consultation.

Small Enterprises's Partners

- Business operation in 1 to 3 years
- Provides it own fund (cash or fixed asset) minimum of 10% of the proposed fund
- etc

- (c) Minister Decree No. 27.1/Kep/M.KUKM/III/2002 concerning Technical Guidance on The Development of SME Center/Cluster, Facilitation of BDS Strengthening and MAP Providing, the target of MAP is:

To increase SME's capital on the center/cluster that has inadequate financing from the existing financial institution.

The amount disbursed to each KSP/USP is Rp 200,000,000, which should be extended Rp 15,000,000 to each micro and small enterprise.

Criteria are as follows:

KSP/USP:

- In the form of legal entity
- The minimum number of members who submit credit for the first time was 20 people who engaged in productive/non consumptive business.
- Prepares 3 years Business Plan of MAP fund management.
- Its Location is reachable by micro and small enterprise within selected center.
- Has its own capital, minimum 7.5% of MAP fund received or at least Rp 15 million.

Micro and Small Enterprises:

- Located within the center
- Has its own capital, minimum 20% of fund needed from MAP

- (iii) State Ministry for State Owned Enterprises (SOEs)

The State Ministry for SOEs has played a role in the issuance of regulations for the development of MSMEs through its Environment Partnership Creation Program or *Program Kemitraan Bina Lingkungan* (PKBL). Allocation of State Owned Enterprises (SOEs) profits through this program has been stipulated in the Decree from the State Ministry for Government Owned Business Entities No.236/MBU/2003. This program represents attempts made to enhance the capacity of small enterprises in order for them to become solid and independent. In the framework of maximizing the channeling of PKBL funds, the writing-off of bad loans as well as creating synergies among SOEs, the State Ministry for State Owned Enterprises has revised the said Decree.

As an effort in optimizing MSME managements and programs through partnership among SOEs, a common decree has recently been issued between the Ministry for State Owned Enterprises and the State Ministry for Cooperatives and SMEs, concerning the optimization of funds management

in the SOEs partnership program with SMEs and cooperatives. It is expected that in 2006, total PKBL funds will increase to approximately Rp. 800 billion to Rp. 1 trillion compared with last year's profit which was Rp. 550.52 billion.

3.2 Laws for State Owned Pawnshop

The legal base for the State Owned Pawnshop is the Law No. 103 Year 2000 Pawnshop. It has a duty and authority to provide financing to the people, especially to the middle and lower income level, with the pawning legal basis.

Pawnshop in Indonesia is called Perum Pegadaian and has a status as a state owned company. It has functions as follows:

- (i) To supervise rural economic condition by extending credit based on pawning law to:
 - Productive farmers, fishermen, small traders and industries.
 - Consumptive and low income labor, civil servants
- (ii) To avoid illegal credit extension.
- (iii) To create beneficial credit pattern and expand its operational scope.

Perum Pegadaian has about 822 conventional and 28 syariah operational units, supported by 1,391 employees (as per September 2006)

Table 3: Number of Clients

Description	2000	2001	2002	2003	2004	2005 (April)
Farmers	3,625,537	3,795,458	3,341,500	2,799,381	2,416,638	803,394
Fishermen	682,800	803,826	571,879	651,064	642,760	126,476
Small Industry	631,410	859,965	581,172	700,543	608,260	120,535
Trader	3,020,568	3,850,213	2,825,770	2,673,203	2,308,271	665,688
Others	5,021,991	6,382,767	4,758,004	7,493,784	9,421,779	4,868,107
Total	12,982,306	15,692,229	12,078,325	14,317,975	15,397,708	6,564,200

Source: www.pegadaian.co.id

Table 4: Credit Extended (KCA) and Collateral

Description	2000	2001	2002	2003	2004	2005 (April)
Amount of Credit Extended (in thousand Rp)	4,218,394	5,953,996	7,803,837	8,750,305	10,045,660	3,976,446
Number of Collateral (in thousand)	20,027	22,066	22,962	20,839	19,372	6,830

Source: www.pegadaian.co.id

3.3 Current Status of Rural Credit Association (BKD)

BKDs are owned by the village government, and the Board of BKD, which makes lending decisions and is responsible for the quality of the portfolio, is appointed by Village Head. Each BKD is supervised by Bank Rakyat Indonesia, on behalf of BI.

BRI managers at regional and head offices define the business of BKDs. BKD records are prepared weekly by an accountant hired by the BKD unit. BKDs are supervised by BRI staff or contract workers. It generally receives at least one supervision visit each month. The records inspected are book keeping, cash handling, and portfolio quality. The supervisors arrange for

BKD funds to be deposited with BRI branches, organize BRI loans to BKDs, and facilitate BKD units' lending to each other.

BKD operation is legally recognized by the Government Gazette of 1929 of Java Island Finance Department under Dutch Colonial time. To comply with Banking Law No. 7/1992, which was amended by Banking Law No. 10/1998, BKDs were granted a number of collective BPRs licenses, as they were too small to be individually licensed.

3.4 Current Status of Rural Credit Financing Institution (LDKP)

LDKP is the non-bank micro credit institution established by the government in the provincial level. It is established in some area government under area development project. Every area has different name of LDKP. Originally, LDKP operate based on each government decision letter and it has not had business license as a bank from Ministry of Finance. All LDKP was established based on Regional Regulation and supervised and controlled by Regional Development Bank (BPD) in the related province. Based on Government Regulation No. 71/1992 and Banking Law No. 7/1992, all LDKP are required to convert their status into BPR within five years until October 1997. But, then, most of them have not been able to fulfill the licensing requirements or are not willing to convert the status to BPR.

4. Influence of Decentralization to the Supervision System

Law No. 22/1999 gives the authority to local government to govern and administer the interest of the local people according to its own initiatives based on people's aspiration. Local government is required to be more responsive and accommodative in handling the demand and aspiration of its local people.

Based on Government Regulation No. 25/2000, the authority of Central Government to Cooperatives and SMEs are as follow:

- (i) To stipulate the accounting guideline of cooperatives and SMEs.
- (ii) To stipulate the guideline of capital participation procedure on cooperative
- (iii) To facilitate distribution system development for cooperatives and SMEs
- (iv) To facilitate the cooperation between cooperatives and SMEs and other institutions.

Out of the above authorities are the responsibility of local government, including supervision to cooperatives and SMEs. In this case, local government plays its role in governing and administering the interest of local people, including the interest of local cooperatives and SMEs. The supervision activities conducted by local government are formulated in a certain pattern that can empower and support the improvement of cooperatives and SMEs. Those supervision activities consider the condition of global, regional and national strategic development and the experience of supervision activities of cooperatives and SMEs conducted before.

Meanwhile, BI as the central Bank in Indonesia has an initiative known as "Regionalized Central Banking" to enlarge its contribution on the development of local government economy by transforming its role and responsibility mainly to 37 of its branches in the region, in order to empower the local economy. This initiative is expected to establish a solid and dynamic cooperation between BI branches and stakeholders in developing local government economy.

5. Current Status of Draft Microfinance Institution (MFI) Law

In 2001, the Initiative Team consisted of BI, the State Ministry of Cooperative, the Ministry of Finance, and the State Secretary proposed a Draft Law of Micro Finance Institution. Until 2003, the status of this draft was still under discussion among the stakeholders. Now the preparation of finishing this draft involves the Regional Representatives Council (DPD), in order to accommodate the need of microfinance institution (MFI) in the region. DPD would like to reopen the discussion of this Draft Law through some socialization. DPD through its Ad Hoc Team has prepared the Academic Script for the Draft Law of MFI (in Indonesian, LKM). The essence of the Script is shown in Box 1 below:

BOX 1: Essence of the Academic Script for the Draft MFI Law

1. The objectives of the Academic Script are as follows:

- (1) To reveal the inconsistency of the existing regulation with the need of Micro Finance Institution Non Bank Non Cooperative.
- (2) To provide general description of Micro Finance Institution Non Bank Non Cooperative completely.
- (3) To provide some inputs of the legal certainty for Micro Finance Institution Non Bank Non Cooperative

2. The main topics of the proposed Draft Law concerning Micro Finance Institution (LKM) are as follows:⁴

- (1) The LKM regulated on the Law is only in the form of LKM B3K (Micro Finance Institution Non Bank Non Cooperative).
- (2) Business coverage of LKM are as follow: 1) Credit Extension or Financing to micro individual or group; 2) Saving; 3) Other financial services that is not against the existing regulations.
- (3) Business operational principle can be in the form of Syariah or Conventional.
- (4) LKM can operate only within a village/kelurahan, kecamatan (sub-district), kabupaten/kota (district/municipal) based on the given permit.
- (5) LKM can be in the form of: a) Group of minimum 20 people (Indonesia citizens) without any family relationship and descent to the second degree; b) Indonesia legal entity wholly owned by Indonesian citizens, such as: PT, PD or Village Owned Enterprise.
- (6) The amount of minimum paid up capital is determined by Ministry of Finance based on business coverage area.
- (7) Fund mobilization will be based on strata of LKM which is regulated by Ministry of Finance.
- (8) The supervision of LKM is conducted by Ministry of Finance. In implementing this task, Ministry of Finance can delegate its authority to other party.
- (9) The LKM that violates the provision of the Law shall be subject to sanctions (fines or criminal sanction).
- (10) LKM obliges to protect its clients (depositors and debtors)
- (11) LKM supervision and development efforts conducted by Ministry, Government Institution and others still can be continued in order to support the work program of those institutions.
- (12) Coordinating Committee of Micro Finance Development will be established by the Government Regulation
- (13) LKM B3K, including BKD and LDKP that are not fulfilling the requirement as a Bank, should comply to this law with in 12 months at the latest.

Based on the experience, micro business and poor people really need LKM B3K due its service flexibility, therefore LKM B3K need a regulation that can make them operate their business sustainable.

⁴ Draft Law of Micro Finance Institution – Academic Script, prepared by AD HOC II Committee, Regional Representative Council of RI.

Appendix (a) of Appendix A

To fill the urgent need of Micro Finance Law, currently, Ministry of Cooperative and SME is initiating the draft of President Regulation concerning Strategic and National Policy of Micro Finance Institution, which is coordinated by Coordinating Ministry of Economic. This draft will be submitted to Ministry of Finance and proposed to President, and is expected to be issued as President Regulation by the end of this year. This President Regulation will be considered as the umbrella to the rapid growth of existing LKM and also, to fill the inexistence of LKM regulation, since the draft Law of LKM is still in the process and will be scheduled to be put in the National Legislation Program in 2007.

Appendix (b)
Report on
Major Commercial Banks
in Microfinance Sector

REPORT ON MAJOR COMMERCIAL BANKS IN MICROFINANCE SECTOR

1. Information on Commercial Banks

1.1 BANK RAKYAT INDONESIA (BRI)

1.1.1 Ownership, Management and Organization

Bank Rakyat Indonesia (BRI) was established on 16 December 1895 as a small financial institution in Purwokerto, Central Java. Based on Government Regulation No. 1/1946, BRI was considered as the first state owned bank in Indonesia. In 1960, BRI was changed into Bank Koperasi, Tani dan Nelayan (Bank for Cooperative, Farmers and Fishermen). Based on Law No. 21/1968, the function of BRI was changed as a commercial bank. In 1992, based on Law No. 7/1992, the status of BRI was changed into PT. Bank Rakyat Indonesia (Persero) and the Government of Indonesia still owned 100% of its shares. Then, in 2003, BRI conducted the Initial Public Offering which divested 30% of its shares to the public. By the end of 2005, the composition of its shares is as follows:

Shareholder	Percentage of Ownership
Government	58.16%
Public	41.84%
- Domestic	5.25%
- Foreign	36.58%

As of end December 2005, BRI had a total of 37,545 employees and 4,693 BRI's network as follows:

BRI's Network	Number
Head Office	1
Regional Offices	13
Inspection Offices	11
Branch Offices	326
Special Branch Offices	1
Sub-Branch Offices	186
Sharia Brand Offices	27
Sub-Sharia Branch Offices	16
BRI Unit	4,112
Total	4,693

BRI management consists of one President Director, one Vice President Director, and 5 Directors (Director of Micro & Retail Business, Directors of Medium Scale Business, Director of Compliance, Director of Credit Controls, and Director of Operations). The management was supported by one President Commissioner, 3 Commissioners, and two Independent Commissioners.

1.1.2 Strategy

In its Corporate Plan, BRI has set a long term plan which is aiming to be the best bank in Indonesia by the end of 2007. To implement this plan, BRI has set up a number of programs and strategies as follows:

- Focus on the core business: Micro, Small and Medium Enterprises
- Expand operational coverage
- Strengthen risk management
- Use Information technology for operational efficiency

As a public listed bank, BRI comply with the good corporate governance principles. The bank also has set some guidance of good corporate governance in line with international best practices.

1.1.3 Scope of Operation

As a commercial bank, BRI provides general services to meet clients' needs, such as: Saving, Credit (Micro Credit, Retail credit and Medium Scale Credit) and Syariah saving. The Bank also provides Business and Financial Service.

1.1.4 Operational Performance

BRI total productive assets grew every year from Rp 76,195 billion in 2001 to Rp 122,776 billion in 2005. The assets were dominated by loans (including Syariah business). Within the last five years, the portion of loans to total assets increased from about 40% in 2001 to more than 60% at the end of 2005.

In line with BRI's commitment to focus its business on Micro, Small and Medium enterprises (MSMEs), the majority of the loans were disbursed to this sector. BRI strives to maintain Loans to MSMEs at least 80% of Total Loan. It was proven that from 2002 until 2005, its loan disbursed to MSMEs were about 82.6%, 85.3%, 86.4% and 86.8% respectively.

The quality of productive assets was also reflected by the decrease of NPL, where BRI was able to reduce its NPL to 4.68% at the end of 2005. It is below the indicative percentage required by BI at 5%. Meanwhile, in order to strengthen its financial intermediary function, BRI was able to increase its LDR from 56.08% in 2001 to 77.83% at the end of 2005.

BRI implemented a policy to gradually reduce its portfolio in Government Bond with the objective was to achieve growth in the loans with a better yield. This was reflected by the declining outstanding of Government Bonds within the last five years, from Rp 28,436 billion in 2001 to 17,722 billion in 2005. Therefore, the ratio of Government Bonds to Total Assets also decreased from 37% in 2001 to 14% in 2005.

BRI Summary Balance Sheet

IDR Billion

Description	Full Year				
	2001	2002	2003	2004	2005
Total Assets	76,195	86,345	94,710	107,040	122,776
- Gross Loans (incl. syariah)	33,529	39,373	47,599	62,368	75,533
- Government Bonds (Recap)	28,436	28,394	27,579	22,686	17,722
Total Earning Assets	70,015	79,864	84,165	97,962	111,731
Earning Assets Provisions	(3,244)	(4,189)	(4,403)	(5,172)	(5,478)
Total Non Earning Assets	10,104	10,394	14,858	14,250	16,523
Total Liabilities & Equity	76,195	86,345	94,710	107,040	122,776
Total Customer Deposits	57,759	69,627	76,316	82,400	97,046
- Demand Deposits	7,516	11,459	14,112	13,364	17,384
- Saving Deposits	26,529	28,673	35,803	44,569	49,372
- Time and Certificate Deposits	23,714	29,495	26,402	24,467	30,290
Other Interest Bearing Liabilities	8,596	5,655	5,726	6,384	5,597
Non Interest Bearing Liabilities	9,840	5,269	5,466	5,806	6,779
Tier I Capital	3,446	4,133	7,532	8,506	10,519
Total Shareholder's Equity	4,814	5,794	8,454	12,450	13,353

Source: PT. Bank Rakyat Indonesia (Persero) Tbk., Full Year 2005 Financial Result

1.1.5 Financial Performance

During the last five years, BRI has made a lot of progress in its financial performance, which was driven by the significant increases in all of its revenue streams. BRI was able to improve the ratios in its important financial indicators. Most of the Interest Income came from Loans, which was increasing in amount and portion toward total Interest Income. Consequently, the Interest Income from Loans still dominated of Total Interest Income compared to the interest from Government Bonds

Concerning the Rentability Ratio, BRI posted a lot of progress. All Rentability Indicators, such as ROA, ROE and NIM were all improved and on the healthy side. Return on Asset in 2005 stood at 5.04%, which was increased more than 3 times compared to 2001. It was also happened to ROE, which slightly increased from 30.36% in 2001 to 37.92% in 2005. With the high growth of loans followed by maintained loan quality, BRI was able to maintain its NIM on the favorable level.

BRI was able to maintain its CAR far above BI's 8% minimum requirement. From 2001 to 2005, the CAR showed 13.32%, 12.62%, 19.64%, 16.19%, and 15.29% respectively.

BRI Summary Income Statement

Description	Full Year				
	2001	2002	2003	2004	2005
Interest Income	10,968	13,454	15,069	15,531	17,254
Interest Expense	(6,006)	(7,373)	(7,043)	(4,273)	(4,817)
Net Interest Income	4,962	6,081	8,026	11,258	12,437
Fee and Other Operating Income	1,153	1,045	939	1,447	969
Gross Operating Income	6,115	7,126	8,965	12,704	13,406
Other Operating Expenses	(3,396)	(3,908)	(5,810)	(5,887)	(7,680)
Pre Provision Operating Profit	2,719	3,218	3,155	6,817	5,726
Provision	(1,603)	(1,755)	75	(1328)	(413)
Non Operating Profit/Loss	25	8	406	444	296
Profit Before Tax and Minor Interest	1,141	1,471	3,636	5,933	5,608
Net Profit	1,064	1,525	2,502	3,633	3,809
EPS	-	-	-	306.6	321.7

IDR Billion

Source: PT. Bank Rakyat Indonesia (Persero) Tbk., Full Year 2005 Financial Result

1.1.6 Microfinance Related Information

Lending Policy and Portfolio in Microfinance

Based on the size of the loan disbursed, the lending facilities at BRI can be grouped into 4 categories, namely:

(1) Micro Loans

Credit facilities disbursed through BRI Units with a ceiling of Rp 50 million. The target of these loans is micro businesses and fixed income employees that require funds, and within the maximum limit amount stated in the Kupedes Manual.

(2) Small Scale Loans

It is known as Retail Loans. It is credit facilities disbursed through the Branch Offices with a ceiling of Rp 5 billion. This loans consists of Small Scale Commercial Loans and Small Scale Consumer Loans.

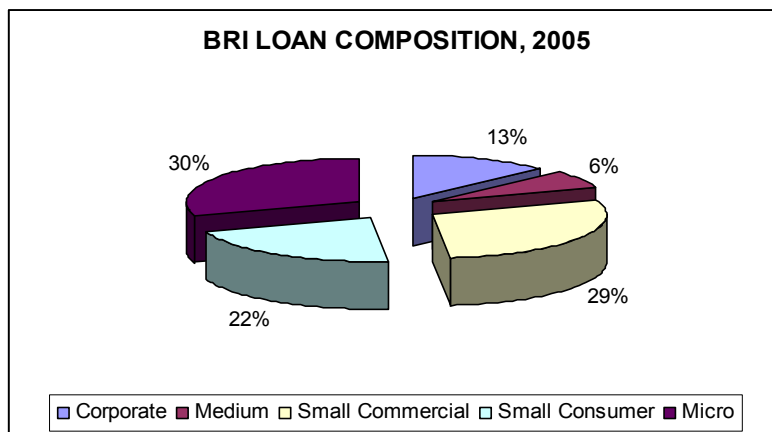
(3) Medium Scale Loans

Credit facilities disbursed to customers with exposures from Rp 5 billion to Rp 50 billion and initiated by the Branch Offices, Regional Offices and Head Offices.

(4) Corporate Loans

Credit facilities initiated only by the Head Office with an exposure of more than Rp 50 billion.

Since it was established, BRI has always been committed to focus its business to Micro and Small-Medium Enterprise. BRI always maintain its loan portfolio at least 80% of total loan portfolio to finance Micro and Small-Medium Enterprise. Meanwhile, BRI still commits to maintain Micro Loans by at least 30% of Total Loans.

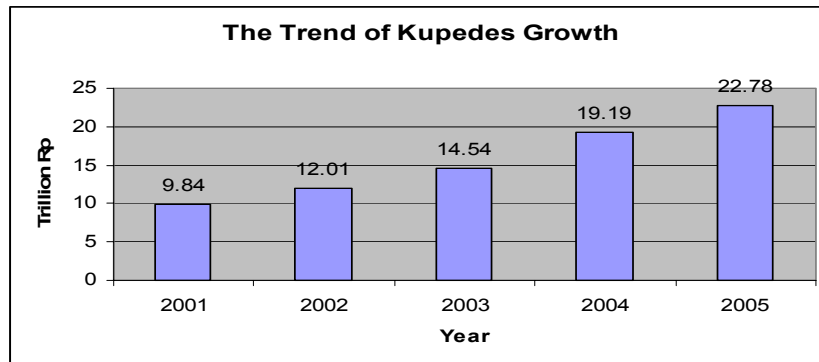


Micro Loans are served by BRI Unit through Kupedes (Kredit Umum Pedesaan or Rural General Credit). Kupedes is classified into two categories, namely: Working Capital Kupedes and Investment Kupedes. It finances some sectors, such as: agriculture, industry, trade and other services. The minimum loan term period is one month and the maximum is 24 months for working capital loans or 36 months for investment loans. Loans can be repaid in monthly, quarterly or bi-annually instalments.

The other descriptions of Kupedes are as follows:

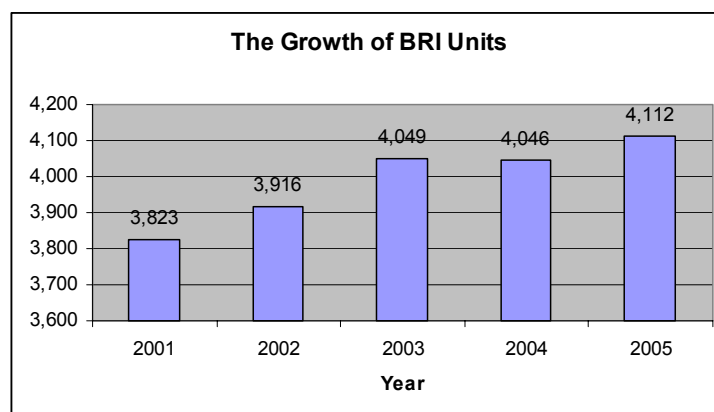
- Convenient bank locations
Kupedes customers lives in the area where a BRI unit operates
- Simple loan procedures
- Quick processes
- Flexible terms
Loan maturities and repayment plans are customized to each borrower's needs. Borrowers who repay their loans on time are eligible to have access to larger loans, up to a certain limit. BRI allows a wide range of collaterals to be presented by borrowers to access loans, such as: land title, fixed and movable assets, savings and payroll deductions.

Every year, Kupedes shows an encouraging growth trend, despite the fact that Indonesia's national economy is still unstable.



BRI's Role in Micro and Small-Medium Enterprise

BRI Unit is the micro finance arm of Bank Rakyat Indonesia, and offers microfinance loan across rural and urban parts of Indonesia. Besides offering micro finance loan, BRI units also mobilizing funds from the people. Simpedes is the first saving product of the BRI unit directly targeted at rural people.



BRI units were first established in the agricultural areas, which was aimed primarily to act as channeling agents for the Mass Guidance (BIMAS) credit program, a government program for achieving national rice self sufficiency. Since it was not established based on general banking principles, BRI unit failed and the BIMAS credit program was finally discontinued.

Then, BRI designed Kupedes to fill the gap between the existing financial service system and the needs of rural people. By providing Kupedes, BRI units have consistently shown how microfinance can operate sustainable and profitably as well as provide lot of benefits to rural people. They have successfully outreached the rural area extensively.

There are many factors contributed to the success of BRI units, namely:

- **Simplicity**
The system implemented by BRI units on products, procedure, accounting system and supervision, was set to be simple, efficient and effective. Most micro borrowers are considered not-bankable by conventional banking standards, therefore Kupedes procedures are set in a simple way to allow micro borrowers access to the products.
- **Accessibility**
BRI units are easy to be found, since they are located in the rural and urban areas

- **Demand's Driven**
The features of the products meet the needs and choices of micro borrowers in rural areas.
- **Transparency**
To ensure that the simplicity principle is carried out in the proper way, BRI units are transparency managed.
- **Cost Recovery**
All expenses related to the activities of BRI units can be covered by the income received. Mobilizing saving from the rural people is one of the stable sources of funds to finance BRI units.
- **Sustainability**
So far, BRI units are capable to be a sustainable and profitable microfinance institution in rural area.
- **Continuous Training**
Continuous training is provided to develop professional staff and also to convey a corporate culture to all BRI staff.
- **Supervision**
BRI units implement supervision system procedure in order to ensure that all staff carries out their jobs based on prudent banking principle.

Current Situation and Management Policy of NPL

So far, BRI succeeded in maintaining an NPL below the maximum limit set by BI, especially NPL of Micro Credit which was maintained below 3% for the last 5 years. This accomplishment was partly the result of the loan restructuring program by the management and the result of the improvement in the quality of loans as they were channeled to the productive sectors.

BRI NPL by Business Segments

NPL by Segment (%)	2001	2002	2003	2004	2005
Micro	1.03	1.55	2.79	2.1	1.55
Consumer	0.74	0.96	1.19	1.22	1.62
Small Commercial	2.4	3.4	3.0	3.2	4.0
Medium	19.5	15.8	14.2	6.8	7.48
Corporate	14.28	26.59	23.43	15.08	16.93

Source: BRI Full Year 2005 Financial Result

BRI will still focus its business to Micro, since there was no significant increase of NPL in this segment.

1.2 BANK BUKOPIN

1.2.1 Ownership, Management and Organization

Bank Bukopin was established on 10 July 1970 which was focused on Cooperative, Micro, Small and Medium Enterprises. During its operational activities, Bank Bukopin expanded its business by entering commercial and consumer segment. Now, Bank Bukopin sets these three segments as its main business pillars. In 1993, the bank changed its status from cooperative banks into a limited liability company. In 1999, Bank Bukopin was one of the private national banks included into the Government's Banking Recapitalization Program and it successfully completed the program in 2001.

On July 2006, the bank carried out an Initial Public Offering by offering about 32% of its shares. Total fund raised by Bank Bukopin in the IPO were about Rp. 295 billion. The Bank uses the fund proceeds to boost loans to SMEs, expand its branches and to improve human resource quality.

By the end of 2005, the composition of Bank Bukopin's shareholding is as follows:

Shareholder	Percentage of Ownership
Government	18.47%
BULOG Employee Cooperative	39.98%
Yanatera BULOG	12.24%
Others	29.31%
Total	100.00%

As of December 2005, Bank had 38 branch offices (including 4 Syariah branch offices), 84 sub-branch offices (including 2 Syariah sub-branch offices), 132 cash offices, and 36 payment center offices.

Bank Bukopin management consists of one President Director and 5 Directors (Operation, Commercial, Cooperative-Small and Micro, Risk Management and Compliance, Consumer Banking). These Directors are supervised by 6 Commissioners (including 3 Independent Commissioners).

1.2.2 Strategy

To anticipate the implementation of Indonesian Banking Architecture (API), bank emphasize its business activities more into retail segment which consist of Micro, Small and Medium Enterprises (UMKM) and consumer without disregarding the commercial segment potential. To achieve that objective, the bank has determined the objectives, policy and strategy for short and long term as it is stated in 2006-2008 Business Plans. Bank will also continue its productivity and efficiency in all aspects, and this will be used as base policy for 2006 which will be achieved through 6 strategic actions as follows:

- (1) Reorganize the focus of business segmentation on funding and lending activities into prospective business segment.
- (2) Enhance work flow mechanism related to the lending and funding activities which will then be followed by organization structure adjustment.
- (3) Improve productivity for existing outlets as the bank business points by conducting evaluation on them.
- (4) Optimize the current human resources by conducting job evaluation.
- (5) Enforce higher standard of working discipline and evaluate the implementation of the policy (through reward and penalty scheme).
- (6) Increase the bank's fee base income in order to prevent deteriorating of net interest margin.

1.2.3 Scope of Operation

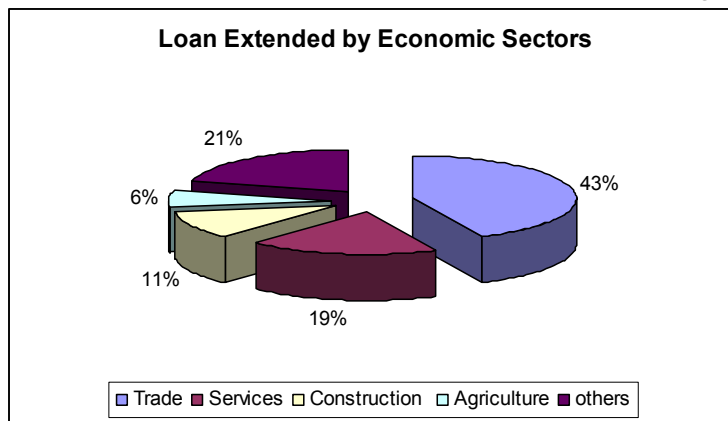
Bank Bukopin provides general banking services, such as: Saving, Credit, and others including Syariah banking services. Credits provided among others are: Investment, Working Capital, Consumption, Syndication, Revolving Fund (BBM Subsidize), Swamitra Saving and Credit.

Bank Bukopin is also appointed by Ministry of Finance to manage the State Budget and Regional Budget. It was appointed to be the Operational Bank for State and Regional Expenditure, civil servants' payroll, and administrating the subsidiary loan. It was also appointed to manage Aceh Moratorium Fund for Aceh Reconstruction and Rehabilitation.

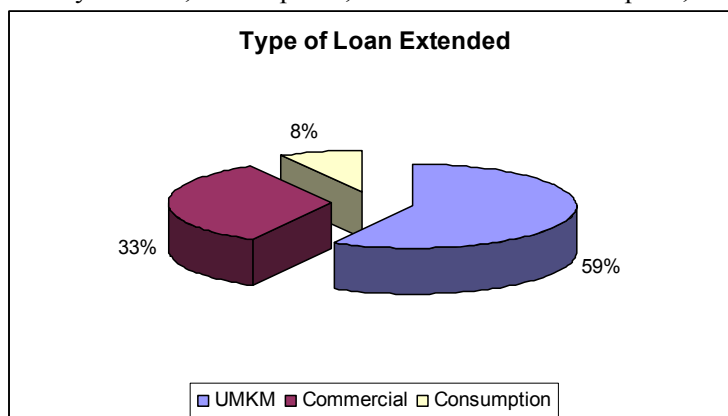
1.2.4 Operational Performance

Within the last five years, Bank Bukopin's total asset has increased almost 3 times, from about Rp. 9,600 billion in 2001 to Rp. 24,684 billion in 2005. If we compared to 2004, total assets increased by 34.04%. This condition was in line with the increase of bank's productive assets by 25.88% from Rp. 17,072 billion in 2004 to Rp. 21,490 billion in 2005.

Total credit extended by the bank increased by 6.51% from Rp. 12,977 billion in 2004 to Rp. 13,821 in 2005. The increase on credit extended was contributed mainly by the increase of investment credit. In order to minimize risks, the bank distributed the credit to some prospective economic sectors, such as: trade, services, construction and agriculture.



Although the number of bad debt increased by 4.52% in 2005, Bank Bukopin was able to lower its NPL ratio from 3.43% in 2004 to 3.37% in 2005. Meanwhile, the LDR ratio of the Bank decreased by 16.74%, from 85.13% in 2004 to 68.39% in 2005, due to the increase on third party fund by 32.49%, from Rp.. 15,237 billion in 2004 to Rp. 20,188 billion in 2005.



Bank Bukopin – Balance Sheet Summary*in billion Rp.*

Description	Full Year		
	2003	2004	2005
Total Assets	17,557.86	18,415.44	24,683.89
Cash	219.74	147.15	158.11
Current Account with BI	2,181.03	1,027.67	2,565.54
Current Account with other banks	29.35	47.90	41.92
Securities	1,737.03	1,724.74	3,476.16
Loans	13,428.32	12,976.55	13,820.75
Other Assets	222.86	276.08	346.22
Total Liabilities & Equity	17,557.86	18,415.44	24,683.89
Total Customer Deposits	14,610.33	15,237.10	20,188.38
- Demand Deposits		5,159.98	7,700.51
- Saving Deposits		1,751.68	1,728.29
- Time and Certificate Deposits		8,325.45	10,759.58
Other Liabilities	236.26	360.37	343.58
Total Shareholder's Equity	885.36	1,041.88	1,193.33

*Source: PT. Bank Bukopin, Tbk - 2005 Annual Report***1.2.5 Financial Performance**

Within the last five years, the net interest income increased significantly. Most of the interest income came from loans extended by Bank Bukopin.

Bank Bukopin recorded a lot of progress on its Rentability ratio. Return on Assets (ROA) in 2005 achieved 2.09%, increased by 0.18% compared to 2004. This achievement was because of the increase of net profit by 21.97%. Meanwhile, Net Interest Margin (NIM) stood at 5.86%, increased by 0.28% compared to 2004, due to the increase of net interest income.

Bank Bukopin was able to maintain its CAR above BI's minimum requirement. From 2001 until 2005, the CAR was recorded at 16.80%, 14.13%, 14.89%, 15.09% and 13.08% respectively.

Bank Bukopin - Income Statement Summary*in billion Rp.*

Description	Full Year		
	2003	2004	2005
Interest Income	1,954.54	1,774.62	2,076.07
Interest Expense	-1,188.29	-876.48	-1,053.12
Net Interest Income	766.25	898.14	1,022.95
Fee and Other Operating Income	84.72	93.94	109.05
Gross Operating Income	681.53	804.20	913.90
Other Operating Expenses	-469.65	-622.79	-724.24
Non Operating Profit/Loss	-8.44	-13.74	2.39
Profit Before Tax and Minor Interest	258.86	306.49	375.15
Net Profit	179.76	210.45	256.68

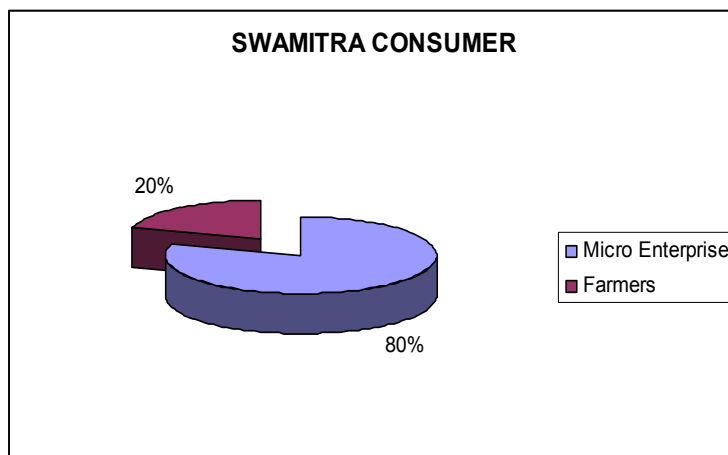
Source: PT. Bank Bukopin, Tbk - 2005 Annual Report

1.2.6 Microfinance Related Information

Bank Bukopin has experiences more than 30 years in giving services to Micro, Small and Medium Enterprises (UMKM). Total fund collected by the bank from UMKM was about Rp. 8.58 trillion, increased by 29.02% compared to year 2004. Meanwhile, the realization of credit extended to UMKM was about Rp. 8.03 trillion, decreased by 3.25% compared to year 2004. The credit extended to UMKM segment contributed about 58% of total bank's credit.

Related to financial assistance to Micro enterprises, The Bank established "Swamitra" as a form of partnership between Bank Bukopin and Cooperatives. The "Swamitra" program was initiated in 1998 in response to Government regulations which is requiring commercial banks to allocate 22.5% of their portfolio to small businesses and to the deteriorated public image of government-led cooperatives. "Swamitra" are cooperatives or other micro-financial institutions that have entered into a business relationship with Bank Bukopin and are supported by the bank's management, financial and training system. Through "Swamitra", the members of cooperatives are able to access to capital, effective liquidity management and efficient financial transaction through the bank's on-line system.

In order to improve the economic level of the people in the coastal area, Bank Bukopin has also initiated cooperation with fishermen cooperatives/fishery cooperatives, called "Swamitra Mina"



As of December 2005, Bank Bukopin has established 420 Swamitra, of which 325 were connected On-Line. These Swamitra had about 142,071 clients with number of debtors were 42,816. Most of Swamitra's Consumers are Micro Enterprises. Due to low NPL (less than 5%), total credit extended by Swamitra grew each year, from 171 billion in 2002 to 301 billion in 2005.

SWAMITRA DATA UNTIL JULY 31, 2006

	Dec 02	Dec 03	Dec 04	Dec 05	June 06	July 06
Number of Swamitra Non Mina On-Line	236	242	254	280	294	294
Number of Swamitra Mina On-Line	0	1	44	45	51	51
Number of Swamitra Mina Offline	0	0	94	95	94	94
Total Number of Swamitra (On-Line)	236	243	293	325	345	345
Total Asset (billion)	193	226	297	374	458	470
Total Lending (billion)	171	193	230	301	356	364
Total Saving (billion)	80	99	146	167	189	199
Total Credit extended by BUKOPIN (billion)	84	90	120	159	206	207
Total Current Net Income (SHU) (billion)	(1.60)	8,573	9,170	12,629	8,001	9,399
Number of Debtors	26,506	28,290	32,600	42,816	51,618	52,793
Number of Clients	86,662	97,260	116,017	142,071	160,121	163,122

Source: Bank Bukopin

1.3 BANK DANAMON

1.3.1 Ownership, Management and Organization

Bank Danamon was established on 1985 under the name of PT. Bank Kopra Indonesia. In 1976, the Bank's name was changed to the present name, Bank Danamon Indonesia. The Bank became the first Indonesian private foreign exchange bank in 1988, and in the following year, it became a publicly listed bank by conducting IPO in 1989. In 1997, the bank was placed under the supervision of the Indonesian Bank Restructuring Agency (IBRA) as taken over bank (BTO) and was recapitalized and restructured. In 2003, Bank Danamon was acquired by the Asia Financial Indonesia Consortium which took a majority controlling shares in the Bank. By the end of 2005, the composition of its shares is as follows:

Shareholder	Percentage of Ownership
Public	23.6%
Asia Financial (Indonesia) Pte., Ltd.	69.6%
Morgan Stanley Securities, Ltd.	6.8%
Total	100%

By the end of 2005, Bank Danamon had a total of 1,113 branch offices, 779 ATMs and is well-supported by more than 28,900 employees.

The management of Bank Danamon consists of one President Director, one Vice President Director and 5 Directors. These directors were supported one by President, one Vice President Commissioner, 3 Commissioners and 3 Independent Commissioners.

1.3.2 Strategy

Bank Danamon is focusing its efforts on 5 strategic priorities, as follows:

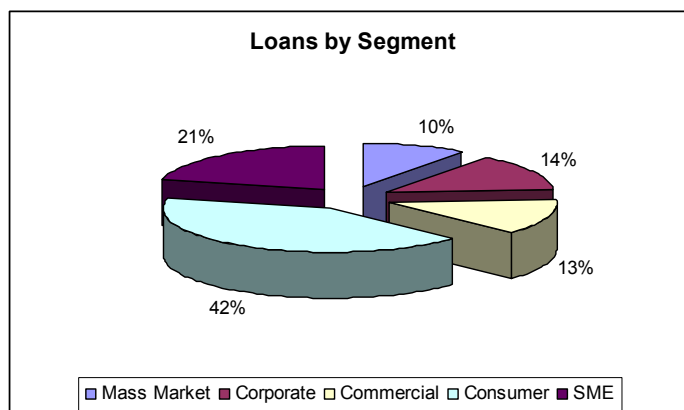
- (1) To maximize Net Interest Margin by continuing to invest in high margin businesses and products.
- (2) To enhance funding franchise by diversifying sources of funding and improving its entire delivery platform in terms of distribution, products and marketing.
- (3) To be a low cost producer by substantially reducing unit transaction costs
- (4) To build world-class technology by investing in reliable, scaleable and flexible systems
- (5) To become an employer of choice by building the right attributes that will attract and retain the best talent.

1.3.4 Scope of Operation

The Bank provides a range of products and services, including Consumer Banking, Small to Medium-Sized Enterprise (SME) and Commercial, Trade Finance, Treasury Product, Cash Management, Other Services, Financial Planning and e-Banking. Danamon Syariah is the Bank's business unit that provides its customers with syariah banking products and services. The Bank also operates Danamon Simpan Pinjam (DSP), which caters to micro banking customers.

1.3.5 Operational Performance

In 2005, Bank Danamon's Total Assets grew by 15% compared to year 2004, mainly due to the Loan growth. The Loan increased by 22% as of December 2005 from Rp. 29,416 billion in 2004 derived from higher yielding consumer and mass market loans. Consumer loans contributed about 42% of Total Loan, and it grew by 24% in 2005, mainly supported by a strong growth in Auto financing. Meanwhile, the mass market loan contributed about 10% of the Bank's loan portfolio and it grew by over 5 times in 2005.



The quality of Bank's loan has improved as indicated by the NPL ratio that maintained below 5% for the last 2 years. In 2005, the Bank's NPL declined to 2.6% from 4.0% in 2004. Meanwhile, the LDR ratio of the Bank increased by 8.3% from 72.5% in 2004 to 80.8% in 2005, due to the increase on Loan distributed.

Bank Danamon - Balance Sheet Summary

in billion Rp

Description	Full Year				
	2001	2002	2003	2004	2005
Total Assets	52,680.35	46,911.35	52,681.94	58,820.81	67,803.45
Cash	820.32	1,052.19	1,011.87	753.26	640.04
Current Account with BI	2,104.77	1,747.82	2,152.95	2,662.10	3,563.31
Current Account with other banks	1,495.61	342.19	665.78	645.55	1,157.12
Securities	4,769.56	6,709.94	4,463.08	3,228.54	2,475.56
Loans	10,477.00	17,695.00	20,849.00	29,416.00	35,995.00
Other Assets	2,244.45	2,098.19	1,454.00	1,877.42	1,928.52
Total Liabilities & Equity	52,680.35	46,911.35	52,681.94	58,820.81	67,803.45
Total Customer Deposits	39,799.05	34,897.66	39,799.61	40,282.72	44,350.48
- Demand Deposits	4,181.09	4,571.72	4,945.49	5,184.06	4,428.59
- Saving Deposits	6,914.53	10,090.60	11,531.55	11,155.66	8,552.32
- Time and Certificate Deposits	28,703.44	20,235.34	23,322.57	23,943.00	31,369.57
Other Liabilities	3,866.23	2,318.72	1,652.49	1,837.67	1,392.86
Total Shareholder's Equity	4,170.58	4,652.81	6,822.20	7,803.94	8,588.95

1.3.6 Financial Performance

Bank Danamon posted a net profit after tax of Rp. 2,003 billion in year 2005. It was a decrease by 16.8% compared to the previous year, mainly caused by the reduction in non-recurring items from gain on sale of government bonds and loan recovery.

For the last five years, Bank Danamon has been able to maintain its Capital Adequacy Ratio (CAR) above the minimum level required by BI. Its CAR for year 2001 to 2005 was 35.5%, 25.3%, 26.8%, 27% and 23.5% respectively. The Net Interest Margin of the bank expanded from 3.9% in 2001 to 8.9% in 2005.

Bank Danamon - Income Statement Summary

in billion Rp

Description	Full Year				
	2001	2002	2003	2004	2005
Interest Income	6,956.90	6,560.60	5,789.43	6,394.79	8,129.13
Interest Expense	5,419.13	4,823.69	3,238.49	2,376.40	3,526.08
Net Interest Income	1,608.91	2,018.39	3,016.43	4,584.25	5,142.09
Fee and Other Operating Income	579.25	581.06	1,287.44	613.87	872.17
Gross Operating Income	2,188.61	2,599.45	4,303.87	5,198.12	6,014.26
Other Operating Expenses	1,526.36	1,596.92	2,961.98	1,704.67	2,739.77
Non Operating Profit/Loss	92.66	-13.25	230.66	-115.22	276.26
Profit Before Tax and Minor Interest	754.47	989.28	1,572.54	3,378.24	2,998.24
Net Profit	723.31	948.4	1,529.58	2,408.08	2,003.20

Source: PT. Bank Danamon, Tbk - 2005 Annual Report

1.3.7 Microfinance Related Information

Bank Danamon established Danamon Simpan Pinjam (DSP) to provide financial services to micro and small enterprises in 2004. All products, process, branch offices, and services in DSP are designed and developed only to cover micro and small entrepreneur needs. The commitment to serve customer in every segment reflected in DSP Unit Service grouping that is divided in 2, namely:

- (1) DSP to serve and help enterprise in Micro and Small Scale
- (2) DSP for Individual Customer with fixed income.

In the beginning, DSP focus to serve all traders in traditional market. Then, it has developed a business model to serve fisherman. Through DSP, Bank Danamon would like to give its real and direct contribution to every micro and small entrepreneurs community in place where the DSP units are located.

Until the end of 2005, there were about 739 DSP Units and over 6,600 DSP employees hired. The employees are recruited from the community and understand the market very well. DSP has approved over Rp. 3.6 trillion in new micro credits. Its share was about 10% of total loan portfolio in 2005. Meanwhile, fund allocated from DSP was about 20% of total third party fund. It was not too much, since DSP focuses more on extending Loan to micro and small enterprises. The average loan size is about Rp. 20 million, with the smallest scheme available is Rp. 1 million. The effectiveness of DSP is evident in the level of its NPL which at the end of 2005 was just 2%.

The Characteristic of DSP

- (1) Simplicity
Simple requirement and process, interpreted in flexible and simple requirements of guarantee and documentation. A simple transaction process by using finger tips scanning (biometric technology)
- (2) Speed
Credit approval process in two days for credit below Rp. 50 million and three days for credit over Rp. 50 million.
- (3) Convenience
Branch location in served community, transaction can be done at customer place, cash pick up service every day to accelerate intensive saving habit.
- (4) Total Solution
DSP serves all customer banking needs whether business or consumptive by range of products and services.

1.4 BANK MANDIRI

1.4.1 Ownership, Management and Organization

Bank Mandiri was established in 1999 as a result of the merger of four state owned banks – Bank Bumi Daya, Bank Dagang Negara, Bank Exim and Bapindo. On July 2003, Bank Mandiri conducted IPO by offering 20% of its shares to the public. Then, on March 2004, the Government of Indonesia divested an additional 10% of its ownership in Bank Mandiri through a secondary offering.

By the end of 2005, the composition of its shares is as follows:

Shareholder	Percentage of Ownership
Government of Republic Indonesia	69.12%
JP Morgan Chase Bank US Resident	9.65%
Public	21.23%
Total	100.00%

Currently, Bank Mandiri is the largest bank in Indonesia in terms of total assets, loan and deposits. The bank was supported by more than 21,000 staffs and had 909 branches plus 2,560 ATM.

Management of Bank Mandiri consists of one President Director, one Vice President Director, and 8 Directors (Corporate Banking, Consumer Banking, Treasury & International, Small Business & Micro Banking, Human Capital & Compliance, Distribution Network, Risk Management Coordinator, Commercial Banking Coordinator, and Information Technology). The management was supported by one President Commissioner.

1.4.2 Strategy

Bank Mandiri has successfully integrated and implemented the Performance Measurement System as a main tool for the management in making strategic decision. This PMS analyzes the profitability of business units, branches, and clients regularly.

In order to solve the existing problems, the management of Bank Mandiri has formulated 5 pillars of consolidated strategy, namely:

- (i) To reduce NPL and consolidate the Corporate Banking business units.
- (ii) To improve its corporate image by implementing Good Corporate Governance Principles and to increase its capability.
- (iii) To continue business development in all targeted segments.
- (iv) To increase operational efficiency
- (v) To develop human resources professionalism by improving corporate values, to create work culture based on performance and sales and risk culture.

1.4.3 Scope of Operation

Bank Mandiri offers a comprehensive range of financial solutions to both private and state owned corporate entities, commercial, small and micro businesses as well as retail customer.

1.4.4 Operational Performance

Total Asset of Bank Mandiri as of December 2005 was Rp. 263.38 trillion or around 18% of Total Asset in the banking system in Indonesia. These asset were dominated by Loan extended by the Bank, which contributed more than 40% to Total Assets. The portion of Loans to Total Assets increased significantly within the last five years, from 16% in 2001 to 41% in 2005. Total third party fund also increased by 17% from Rp. 175.84 trillion to Rp. 206.29 trillion. This amount contributed more than 17% of total third party fund in national banking system.

In 2005, the non performing loan (NPL) increased from 1.6% in 2004 to 15.3%, due to the worsening of economic condition on the second semester and the issuance of new BI regulation concerning the evaluation of commercial banks assets' quality. Since 2001, Bank Mandiri has been able to increase its LDR from 25.3% to 51.8% in 2005. Compared to year 2004, there was a slight decrease on LDR, due to the increase of third party fund significantly.

Bank Mandiri - Balance Sheet Summary

in billion Rp

Description	Full Year				
	2001	2002	2003	2004	2005
Total Assets	262,290.99	250,394.69	249,435.55	248,155.83	263,383.35
Cash	1,735.26	2,164.65	2,228.67	2,439.47	2,522.76
Current Account with BI	9,895.33	9,607.12	12,157.32	15,986.63	20,304.71
Current Account with other banks	265.42	311.77	328.86	650.63	697.60
Securities	1,547.12	3,035.39	12,691.70	13,596.06	11,838.73
Loans	42,239.05	65,417.25	75,942.62	94,434.74	106,852.95
Other Assets	7,776.59	7,636.74	8,519.78	7,779.90	3,959.61
Total Liabilities & Equity	262,290.99	250,394.69	249,435.55	248,153.83	263,383.35
Total Customer Deposits	190,445.74	184,114.09	178,810.79	175,838.37	206,289.65
- Demand Deposits	37,557.46	32,579.92	38,231.66	41,083.33	46,410.27
- Saving Deposits	22,304.80	29,926.19	41,307.43	53,533.40	47,153.18
- Time and Certificate Deposits	129,782.63	121,529.09	99,271.67	81,221.64	112,726.20
Other Liabilities	9,881.52	9,119.92	7,415.96	5,649.82	5,619.74
Total Shareholder's Equity	10,776.79	14,434.51	20,395.23	24,934.71	23,214.72

Source: PT. Bank Mandiri, Tbk - 2005 Annual Report

1.4.5 Financial Performance

Net Interest Income in 2005 decreased by 8.2% compared to 2004, due to the increase of Interest Expense by 24.4%. Net Interest Margin decreased from 4.4% in 2004 into 4% in 2005, due to the decrease of Interest Income generated from Government Bond and the increase of deposit's interest rate. Meanwhile, Return on Asset (ROA) decreased to 0.5% from 3.1% in 2004. ROE also declined from 22.8% in 2004 to 2.5% in 2005. The decrease on these rentability ratios was due to the high earning assets provision for NPL.

Bank Mandiri was able to maintain its CAR of 23.7% in 2005, several times of 8% required by BI. From 2001 to 2005, the CAR showed 26.4%, 23.4%, 27.7%, 25.3%, and 23.7% respectively.

Bank Mandiri - Income Statement Summary

in billion Rp

Description	Full Year				
	2001	2002	2003	2004	2005
Interest Income	31,496.23	31,878.67	25,557.06	19,213.44	20,798.19
Interest Expense	24,387.01	25,016.58	17,550.25	9,679.40	12,044.18
Net Interest Income	7,109.22	6,862.09	8,006.81	9,534.04	8,754.01
Fee and Other Operating Income	1,455.69	1,611.88	1,673.59	2,396.47	2,322.87
Gross Operating Income	1,645.45	4,572.42	6,813.56	7,520.60	1,187.57
Other Operating Expenses	4,159.56	4,985.02	4,234.84	6,035.99	6,867.99
Non Operating Profit/Loss	2,204.99	1,237.55	217.96	4.40	44.98
Profit Before Tax and Minor Interest	3,850.44	5,809.97	7,031.52	7,525.00	1,232.55
Net Profit	2,745.76	3,585.59	4,586.09	5,255.63	603.37

Source: PT. Bank Mandiri, Tbk - 2005 Annual Report

1.4.6 Microfinance Related Information

Bank Mandiri has strong commitments in developing Micro, Small and Medium Enterprises (MSMEs). One of the efforts is through cooperation with Bank Perkreditan Rakyat (BPR) in channeling loans to MSMEs. Loan channeling from Bank Mandiri to BPR is in the form of BPR Mitra Mandiri (BM2) with the patterns of executing, sharing and channeling.

Executing pattern is loan extended by Bank Mandiri to BPR. This can be utilized to meet working capital needs, as well as needs for investments on infrastructure development. Meanwhile, the channeling and sharing patterns are form of cooperation between Bank Mandiri and BPR in channeling loans to BPR debtors.

Besides BPR Mitra Mandiri (BM2) loan facilities, Bank Mandiri also provides loans to finance micro enterprises through Micro Loans Project or Proyek Kredit Mikro (PKM). This loan has low interest rates and no collateral required.

BM2 Credit Feature:

No.	Description	BPR	Individual
1.	Credit Type	Revolving	In accordance with BPR requirement
2.	Credit Limit	In accordance with the soundness of BPR	Rp. 5 million – Rp. 100 million
3.	Credit Period	Up to 3 years	Between 1 – 3 years
4.	Credit Objective	Investment Credit and/or Working Capital Credit	Investment / Working Capital / Consumptive credit

PKM Credit Feature:

No.	Description	BPR	Individual
1.	Credit Type	Executing with aflopend pattern	Aflopend Plafond
2.	Credit Limit	Maximum 2x paid up capital	Maximum Rp. 5 million
3.	Credit Period	Up to 5 years	Up to 18 months
4.	Credit Objective	Investment Credit and/or Working Capital Credit	Investment/Working Capital/Consumptive Credit

The role of Bank Mandiri in BPR is not limited to support BPR in financial matters only, it also provides technical training to BPR staffs, improves BPR's information technology, and also conducts comparative study with other BPR.

Loan for Small Business is specifically designed for individual business owner or small enterprises with gross annual sales up to Rp. 5 billion or total loan limit above Rp. 100 million and up to Rp. 2 billion. The loan is aimed for business or productive purposes.

Loan for Micro Banking is specifically designed for individual business owner or micro enterprises with total loan limit up to Rp. 100 million, which is aimed for business or productive purposes.

Bank Mandiri has been making significant progress in developing its micro and small enterprises customers in 2005. Number of small business account increased by 8.6% and became 20,254 accounts. Meanwhile, credit extended to small business increased by 25.5%, which achieved Rp. 6,669 billion. Number of micro banking account increased by 113.7% or reached 88,007 account with 91.1% credit growth which achieved Rp. 1,735 billion.

In the small business segment, NPL in 2005 was still below 5% of BI requirement, which achieved 3.01%, meanwhile in micro banking segment, the NPL was 7.93%. About 70% of loan portfolio in micro banking segment was loan with range of Rp. 20 million – Rp. 30 million. Most of the NPL belong to this level of loan amount. So far, the NPL of BPR in Bank Mandiri was less than 1%, since there is buy back guarantee scheme provided by BPR.

Volume Business of small business segment in 2005 reached Rp. 7,540 billion, consist of Rp. 6,669 billion in credit and Rp. 871 billion in deposits. Meanwhile, volume business of micro

banking which was just established a year ago, has achieved Rp. 1,735 billion in credit. Bank Mandiri plans to develop Micro Saving, Micro Remittance and Micro Insurance in the near future.

In order to develop its contribution to micro and small business, Bank Mandiri adds its representative offices in certain locations. Bank Mandiri opens Small Business District Centers and Micro Banking District Centers. These Micro Banking District Centers control 190 Micro Banking Units (MBU) and grouped into 25 clusters. MBU is responsible in marketing, credit processing and administration. These MBU are located in Medan, Palembang, Jakarta, Bandung, Yogyakarta, Semarang, Surabaya, Malang, Denpasar, Banjarmasin and Makassar.

Bank Mandiri also sets up Micro Banking Sales Group to strengthen its linkages with BPR. Until the end of 2005, its BPR linkage was about 1,100 BPR.

1.5 BANK SHARIAH MANDIRI

1.5.1 Ownership, Management and Organization

Bank Syariah Mandiri was established in 1999, originated from the conventional Bank Susila Bakti which was based on the Decree of BI Governor No. 1/24/KEP.BI/1999 changed its status from a conventional bank to a commercial bank under Islamic Syariah principle. Then, based on the decree of Deputy Governor of BI, Bank Susila Bakti changed its name to Bank Syariah Mandiri. The Bank started its commercial operation as a foreign exchange bank in 2002.

As a syariah bank, Bank Syariah Mandiri determines its corporate culture refers to “*akhlaqul karimah*” (good characters), which is encompassed in 5 main values known as SIFAT:

- Shiddiq (Integrity)
- Istiqamah (Consistency)
- Fathanah (Professionalism)
- Amanah (Responsibility)
- Tabligh (Leadership)

By the end of 2005, the composition of the bank’s ownership is as follows:

Shareholder	Percentage of Ownership
PT. Bank Mandiri	99.99%
PT. Mandiri Sekuritas	0.01%
Total	100.00%

Until the end of 2005, the total number of employee of Bank Syariah Mandiri was about 2,127 people. Meanwhile, there were 164 office networks in 24 provinces in Indonesia, supported by 51 ATM Bank Syariah Mandiri, 2562 ATM Bank Mandiri, 6,596 Joint ATM and 4,500 Bank Card.

The management of Bank Syariah Mandiri consists of one President Director and 2 Directors. The Board of Directors was supported by 5 Commissioners and Syariah Supervisory Board. The Syariah Supervisory Board consists of 1 Chairman and 3 members. Based on BI regulation No. 6/24/PBI/2004 concerning The Commercial Bank whose scope activities are based on Syariah principle, the duties, authorities and responsibilities of Syariah Supervisory Board include:

- Ascertaining and supervising the conduct of the Bank’s operation with fatwa issued by the National Syariah Board.
- Evaluating Syariah aspect on operation manual and products issued by Bank.

- Giving an opinion in Syariah aspect to overall operation in Bank's publication report.
- Analyzing new products and services that are not included in fatwa to be proposed to the National Syariah Board.
- Preparing Syariah observation report at least every 6 months to Directors, Commissioners, National Syariah board and BI

1.5.2 Strategy

In 2005, Bank Syariah Mandiri implemented Basic Strategy called "*Stable Growth Strategy.*" The implementation of this basic strategy is focused on some aspects, namely:

- (1) Focused business concentration
- (2) The Development of a widen and varied Syariah market
- (3) The Development of competitive Syariah Banking products that meet the needs of Syariah Community
- (4) Conducting Innovation

Then, these basic strategy is converted into 11 functional strategies, namely:

- (i) Strengthening capital
- (ii) Increasing the volume of productive assets
- (iii) Increasing volume and improvement of retail and corporate fund composition
- (iv) Increasing fee based income
- (v) Strengthening and developing risk management tools
- (vi) Developing distribution channel
- (vii) Intensive collection to debtors
- (viii) Developing modern and effective technology and information function
- (ix) Effective supporting tools
- (x) Developing human resources capital
- (xi) Increasing supervision and compliance function

1.5.3 Scope of Operation

Bank Syariah Mandiri provides a wide range of services, such as: funding, financing and other banking services.

- (1) Murabahah, is a sales contract for goods in which the purchase price and the margin have been agreed by both the buyer and the seller and are made explicit. A Murabahah may or may not be based on an order for goods. Where an order is in place, the Bank purchases the goods once the customer has placed the order.
- (2) Istishna, is a purchase agreement between a buyer and an manufacturer who acts as a seller. Based on the contract, the buyer orders the manufacturer to make or to supply goods ordered to the required specifications at an agreed price.
- (3) Ijarah, is a lease contract between lessor and lessee on the object to lease to earn a return on the object.
- (4) Mudharabah financing, is a commercial cooperation contract between the Bank as the owner of the funds and the customer as funds manager to conduct certain project. The profit arising from the project is distributed based on a predetermined ratio.
- (5) Musyarakah financing, is a partnership contract between the fund owners to contribute funds and conduct business through partnership. All parties share profits based on a predetermined ratio, while the loss will be distributed proportionally based on capital contribution.

1.5.4 Financial Performance

The realization of margin revenue and productive asset revenue sharing (financing, securities and placement with other banks) reached Rp. 865,488 million, increased by 48.13% compared to year 2004. The biggest contribution of productive assets revenue came from financing that achieved Rp. 793,361 million or 91.66% of total, followed by securities which contributed by 8.34%.

Generally, Total Assets of the bank increased by 20.42% from Rp. 6,870 billion in 2004 to Rp. 8,273 billion in 2005.

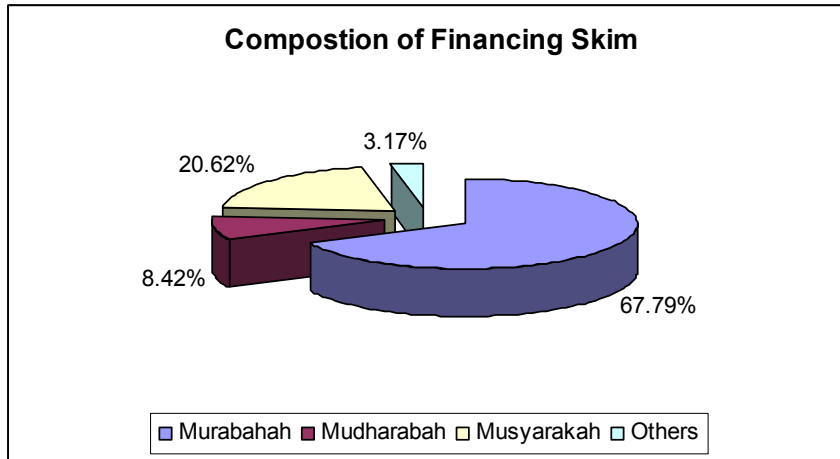
In 2005, The Bank's Net Profit decreased by 18.97% from Rp. 103,447 million in 2004 to Rp. 83,819 million in 2005. Meanwhile, the Operational Profit decreased by 2.46% due to the increase of Operational Expenses. The highest Operational Expenses was Overhead Cost, which increased significantly in 2005 due to general price hikes.

Description	2004	2005	Growth	
			Value	%
In million Rp				
INCOME STATEMENT				
1. Operational Income	686,316	959,116	272,800	39.75
a. Margin and Profit Sharing Income	584,274	865,488	281,214	48.13
b. Other Operational Income	102,042	93,628	-8,414	-8.25
2. Operational Expenses	-545,673	-821,937	-276,264	50.63
a. Profit Sharing Expenses	-269,250	-386,385	-117,135	43.50
b. Provision of Productive Asset Losses and Contingencies Commitment	-58,840	-83,464	-24,624	41.85
c. Overhead Cost	-217,583	-352,088	-134,505	61.82
3. Operational Profit	140,643	137,179	-2,464	-2.46
4. Non Operational Profit/Loss	9,778	-466	-10,244	-104.77
5. Profit Before Tax	150,421	136,713	-13,708	-9.11
6. Profit After Tax	103,447	83,819	-19,628	-18.97
BALANCE SHEET				
1. Total Assets	6,869,949	8,272,965	1,403,016	20.42
2. Total Productive Assets	6,338,749	7,970,954	1,632,205	25.75
3. Loan	5,295,654	5,847,598	551,944	10.42
4. Provision of Productive Assets Losses	-85,899	-126,687	-40,788	47.48
5. Total Third Party Fund	5,725,007	7,037,506	1,312,499	22.93
6. Total Equity	548,770	632,589	83,819	15.27

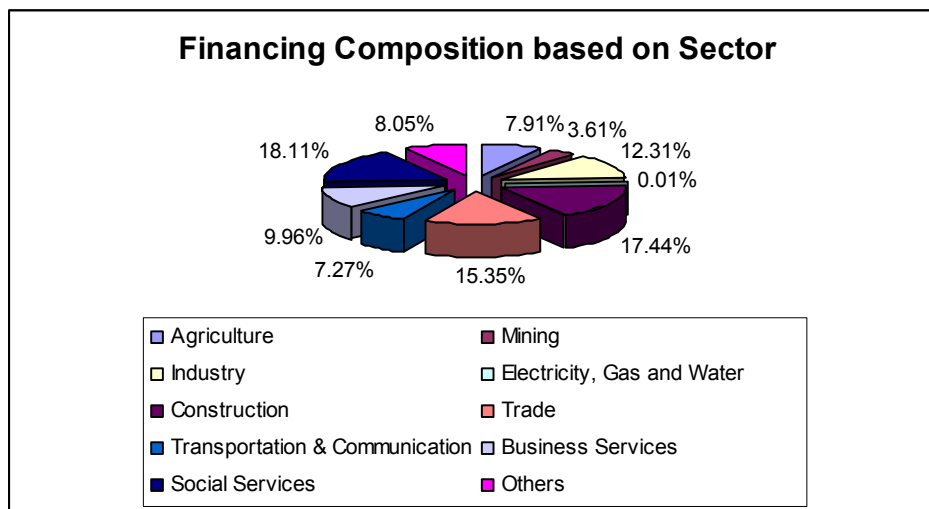
Financial Ratio	2004 (%)	2005 (%)
CAR	10.57	11.88
NPF	1.97	2.68
ROA	2.86	1.83
ROE	22.28	14.56
BOPO	79.51	85.70
FDR	92.50	83.09

Although there was some decreases on the financial ratio, Bank Syariah Mandiri was still able to maintain those ratios on the soundness level. During 2004 – 2005, its CAR was far above BI's 8% minimum requirement. Increase on BOPO was due to the increase of operational expenses

was higher than operational income. The significant increase on the third party fund that has not been extended yet caused the decrease of FDR at the end of 2005.



Total financing in 2005 reached Rp. 5,848 billion, increased by 10.42% compared to year 2004. Financing portfolio was dominated by Murabahah skim (margin based buying – selling) followed by mudharabah and musyarakah skim (revenue sharing based investment)



Meanwhile, based on economic sector, the financing composition shows insignificant change as a whole. Social sector was the biggest contributor on the composition by 18.11, followed by Construction by 17.44% and Trade by 15.35%.

1.5.5 Microfinance Related Information

In reaching Micro and Small Medium Enterprises (MSMEs) in rural area, Bank Syariah Mandiri (BSM) has cooperation with Baitul Maal Wat Tamwil (BMT) and BPR Syariah, since their coverage is wider. BSM Financing Activities are:

- a. To Farmers, especially those who located on the BSM branches
- b. Two Step Loan (TSL), to BMT, BPR, KSP/USP, KUD
- c. Partnership with corporate (Nucleus Plasma)

For the above financing activities, BSM determines 15% -20%. This TSL financing contributes more than 60% of its credit portfolio. Most of TSL financing is through BMT. Until today, BSM has financed more than 200 BMT. The criteria of BMT required by BSM, among others are:

- Capital capacity, NPL and others based on its financial record
- Minimum 2 years operation
- It doesn't have to be licensed or not licensed BPR

Currently, loan extended to MSME is about 47% of BSM total credit portfolio. BSM has a target to increase the portion to be 75%.

BSM has cooperation with BMT Association, such as: PINBUK, Microfin and BMT Center (NGO). Those NGOs provides TA to BMT and give recommendation to BSM concerning the performance of BMT. They act as intermediary if there is problem occurred between BSM and BMT.

Besides the above activities, BSM has cooperation with IFC PENZA (IFC's small and medium enterprise facility for eastern Indonesia) in Mapping for Corn Plantation and Land Suitability. The role of IFC PENZA in this case are as follows:

- It provides TA to farmers/group of farmers
- It recommends good farmers to BSM
- It facilitates farmers to cooperate with corporation
- It helps farmers in looking for the markets.

BOX: Bank Syariah Mandiri and Credit Guarantee for Cooperatives and SME

In the implementation of Guarantee Credit Program for Cooperatives and SMEs, Ministry of Cooperatives and SME cooperate with Perum Sarana Pengembangan Usaha provide credit guarantee facility for cooperatives and SMEs that have potential businesses with limited collateral. This facility is aimed to stimulate banking institutions to be more active in providing credit to cooperatives and SME. The executor banks involved in this program are Bank Bukopin, Bank Pembangunan Daerah and Bank Syariah Mandiri.

This program started in 2001 and until now, total credit guarantee fund allocated through Ministry Cooperatives and SME reached Rp. 259.99 billion. This fund is managed by Perum Sarana Pengembangan Usaha and placed on Bank Bukopin Rp. 229.99 billion and Bank Syariah Mandiri Rp. 25 billion.

Until August 2005, the realization of credit extension by Bank Bukopin to the guaranteed cooperatives and SME was Rp. 465,785 billion to 355 cooperatives with 137,142 members and 795 SMEs. While the guaranteed fund realized was Rp. 326,050 billion. Bank Syariah Mandiri has extended Rp. 27,048 billion to 6 cooperatives with the total members of 1,964 people and 4 SMEs. Meanwhile, the realization of guaranteed fund was Rp. 18,933 billion.

(Ministry of Cooperatives and SME, www. Depkop.go.id)

1.6 BANK JATIM (Bank Pembangunan Daerah Jawa Timur: BPD JATIM)

1.6.1 Ownership, Management and Organization

Bank JATIM is a regional government owned bank (BPD) which was established in 1961 in the form of Limited Liability Company (PT). Then, during its development activities, Bank JATIM changed its status into Regional Government Owned Enterprise (BUMD). In 1990, the bank became Foreign Bank and in 1999, it changed its status back into Limited Liability Company.

The head office of the bank is located in Surabaya, East Java.

By the end of 2005, the composition of the bank's ownership is as follows:

Shareholder	Percentage of Ownership
East Java Provincial Government	79.33%
East Java Regency/Municipality	20.67%
Total	100.00%

By the end of 2005, Bank JATIM had about 407 office networks, namely:

Bank JABAR's Network	Number
Head Office	1
Branch Office	37
Sub-Branch Office	23
Cash Office	123
Payment Point	49
Mobile Cash	121
Automated Depository Machine	1
ATM	52
Total	407

The management of Bank JATIM consists of one President Director and 3 Directors (Marketing, General Affair, and Compliance). They are supervised by 3 Commissioners and supported by about 2,000 employees.

1.6.2 Strategy

Bank JATIM has set up a strategy for year 2006 as follows:

- (1) To maintain banking soundness on the level required by BI.
- (2) To increase the Third Party Fund, in the form of Giro, Saving and Time Deposits.
- (3) To maintain the composition of credit channeling to micro, small and medium business scale by 80% and the other 20% to other sectors.
- (4) To increase paid up capital originated from shareholders cash deposits.
- (5) To develop the bank organization in line with market change and central bank's policy
- (6) To create professional and capable human resource.

1.6.3 Scope of Operation

Bank JATIM provides general services to meet clients' needs, such as: Saving, Credit and other general banking services supported by the advanced information technology.

1.6.4 Financial Performance

(in billion Rp.)

Balance Sheet	2001	2002	2003	2004	2005
Total Assets	5,581	6,386	7,386	8,700	10,702
Total Productive Assets	4,920	5,891	6,537	7,768	9,294
Loan	1,628	2,389	3,037	3,687	4,097
Third Party Fund	4,916	5,596	6,055	6,996	9,074
- Giro	3,455	3,528	3,320	3,846	5,705
- Saving	685	957	1,401	1,673	1,801
- Time Deposits	775	1,111	1,334	1,476	1,568

Income Statement	2001	2002	2003	2004	2005
Total Revenue	760	1,094	1,134	1,073	1,339
Interest Income	680	1,041	1,093	1,030	1,286
Total Expenses	589	828	853	799	988
Interest Expense	301	497	505	364	447
Net Interest Income	378	544	588	665	839
Operational Income	712	1,070	1,125	1,067	1,333
Operational Expenses	543	784	847	797	984
Profit before Tax	171	266	281	274	351
Income Tax	61	88	87	88	116
Net Profit	111	178	194	186	235

(%)

Major Finance Ratio	2001	2002	2003	2004	2005
ROA	3.83	3.12	3.54	2.61	3.51
ROE	49.43	56.55	41.66	30.54	29.79
NIM	7.93	9.23	11.28	9.10	9.20
BOPO	76.16	73.28	75.32	69.38	73.83
LDR	33.13	39.97	43.23	45.45	45.13
CAR	17.23	13.44	17.00	15.99	18.17
NPL	1.92	1.21	1.39	0.51	0.61

The loan extended by Bank JATIM was mainly to trading, restaurant and hotel which contribute about 44%. Meanwhile, construction sectors contribute about 16%, business services 15%, social services 11% and others 15%.

1.7 BANK JABAR (Bank Pembangunan Daerah Jawa Barat: BPD Jabar)

1.7.1 Ownership, Management and Organization

The bank is owned by West Java and Banten Provincial Government together with Regency and Municipality Government of West Java and Banten. It was established in 20 May 1961 with its initial capital was Rp 2,500,000. The Bank head office is located in Bandung, West Java.

In 1992, the status of the bank was changed into foreign exchange bank, then based on regional regulation (Perda) No. 11 year 1995, the bank was known as Bank JABAR. On April 1999, the legal form of the bank was changed into Limited Liability Company or Perusahaan Terbatas (PT).

In 2000, Bank JABAR became the first regional development bank which carries out dual banking system by providing services both conventional and syariah system. In 2001, the bank authorized capital was increased to Rp 1 trillion.

The bank has a vision to be the tenth biggest and healthy bank in Indonesia. While its mission and functions are:

- To promote and accelerate the regional development
- To manage the regional fund
- To be one of the source of the regional income.

By the end of 2005, the composition of the bank's ownership is as follows:

Shareholder	Percentage of Ownership
West Java Provincial Government	52.98%
West Java Kabupaten/Kota Government	28.58%
Banten Provincial Government	8.53%
Banten Kabupaten/Kota Government	9.91%
Total	100.00%

Until the end of 2005, the total number of employee of Bank JABAR was about 1,411 people. Meanwhile, there were 164 office networks, consisted of 114 operational office networks and supported by 50 ATM all over West Java, Banten and DKI Jakarta.

Bank JABAR's Network	Number
Head Office	1
Conventional Branch Office	33
Syariah Branch Office	5
Sub-Branch Office	41
Cash Office	27
Payment Point	7
ATM	50
Total	164

The management of Bank Jabar consists of one President Director and 4 Directors (Compliance Director, Operational Director, Credit Director, and Fund and Services Director). The management was supported by 5 Commissioners and Syariah Supervisory Board.

1.7.2 Policy

The management of the bank has set up a policy in implementing business activities in order to improve its performance:

- (1) To extend fund both in the form of credit and placement that is conducted by complying prudential banking principle.
- (2) To focus on the compliance to prudential regulation, good corporate governance, cost saving, branches expansion, and organization improvement.
- (3) To avoid any activities which cause inefficiency by implementing attached supervision (waskat) within all working units.
- (4) To provide better and excellent services to the client in order to increase its competitive advantage.
- (5) To support West Java and Banten Regional Government on the program of people economic

empowerment by extending credit to the people using the existing credit scheme, such as: Dakabalarea, Kredit Peduli Jabar, Kredit Peduli Banten, etc, which uses channeling or executing pattern.

1.7.3 Scope of Operation

Bank JABAR provides some services as follows:

- Funding : Giro, Saving, Time Deposits and Bond
Funding through Syariah Pattern: Giro Wadiah, Saving Wadiah and Mudharabah, Mudharabah Deposit.
- Loan: General Loan, Loan Program (KKPA, KfW-SME, KfW-IEPC, MAP, KKP, etc), Loan through Syariah pattern (Dakabalera Credit, Manufacture Industry Project Loan, etc).
- Other bank services, such as: Money transfer, Bank Guarantee, Collection, Export and Import services, etc.

1.7.4 Financial Performance

(1) Income Statement

Income Statement	2005 (in million Rp)
Interest Income	2,074,421
Interest Expense	759,550
Net Interest Income	1,314,871
Other Operational Income	79,196
Other Operational Expenses	856,861
Operational Profit	537,206
Non Operational Income	15,832
Non Operational Expenses	41,990
Profit before Tax	511,048

(2) Profit Growth (1999 – 2005)

Year	Pre Tax Profit	Growth
1999	27,607	
2000	78,247	183.43%
2001	140,010	78.93%
2002	209,251	49.45%
2003	275,051	31.45%
2004	385,853	40.28%
2005	511,048	32.45%

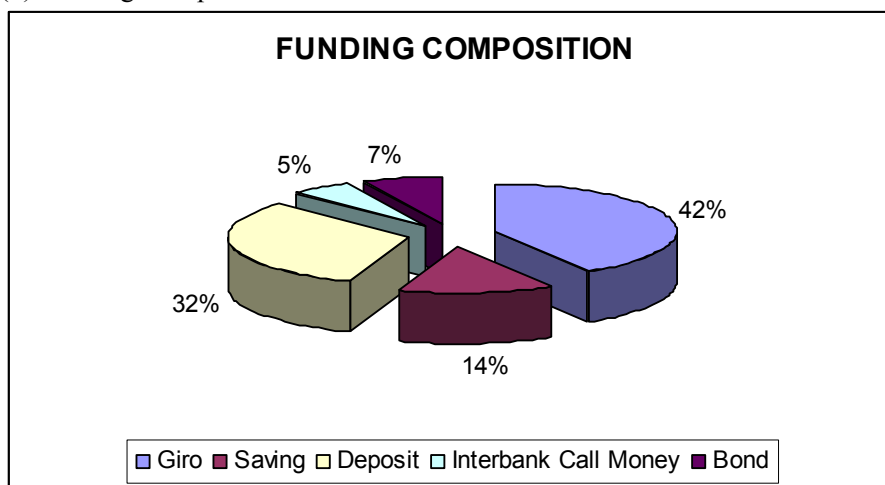
(3) Asset Growth (1999 – 2005)

Year	Asset (million Rp)	Growth
1999	1,962,231	
2000	3,294,957	67.92%
2001	5,592,667	69.73%
2002	8,428,747	50.71%
2003	11,331,915	34.44%
2004	13,265,066	17.06%
2005	15,584,852	17.49%

(4) Financial Ratio

MAJOR FINANCIAL RATIO	2004 (%)	2005 (%)
ROA	3.25	3.47
ROE	22.11	23.54
NIM	11.06	10.04
BOPO	76.98	75.06
LDR	84.90	87.33
CAR	15.05	15.78
NPL	0.20	0.13

(5) Funding Composition



(6) Loan Composition

Sector	Amount (million Rp)	%
Agriculture	14,366	0.14
Mining	7,500	0.07
Industry	47,411	0.47
Electricity, Gas and Water	2,565	0.03
Construction	147,750	1.47
Trading	302,762	3.01
Transportation, Warehouses	30,382	0.3
Business Services	391,424	3.89
Social Society	97,123	0.96
Others	9,033,221	89.66
Total	10,074,504	100.00

1.7.5 Microfinance Related Information

Bank JABAR always focuses its credit activities to small and micro enterprises, and it is reflected on its Small Business Credit (KUK) portfolio which contributes more than 90% of total credit extended.

Related to this, Bank JABAR provides “Program Kredit Peduli JABAR and Peduli Banten” as a credit facility addressed to small capital entrepreneur. The type of credits is working capital credit and investment credit with maximum amount of credit is Rp 3 million for each debtor. The period of repayment is 1 year for working capital credit and 2 years for investment credit. The bank does not charge any provision and administration fee for these credits. The interest rate is around 9% annually.

Bank JABAR also provides credit program, as follows:

- KKPA or Primary Cooperative Credits for its Members
Investment credit or working capital credit extended by the Bank to Primary Cooperatives for the purpose of financing the productive cooperative members.
This credit scheme finances all business sectors.
- Kredit Usaha Tani or Farming Credit
- Revolving Fund Credit
A Credit facility provided by Ministry of Finance or own fund.
This credit is aimed at increasing the small business, cooperative, financial institution, villages, etc.
- KPKM or Small Business and Micro Credit
- Micro/Cooperative Credit
This credit is in the form of investment credit and or working capital credit. The fund is extended by Asian Development Bank through BI. Bank JABAR disbursed this credit to small business entrepreneur through Economic Institution in Sub-District or Kecamatan.

2. Summary Matrix of the Selected Commercial Banks in Microfinance Sector

No.	Description	BRI	BUKOPIN	DANAMON	MANDIRI
1.	Major Characteristics - Ownership - Business Focus	- Publicly Listed Bank - Majority owned by GoI	- Publicly Listed Bank - Majority owned by private cooperative and GoI owned minority - Develop Cooperatives, Micro, Small & Medium enterprises	- Publicly Listed Bank - Majority owned by Foreign Investors - Through DSP, Bank provides financial services to Market Traders, Micro and Small Enterprises	- Publicly Listed Bank - Majority owned by GoI - Reach micro, small and medium enterprises through Linkage Program with BPR
2.	Major Financial Ratio (2005)				
	- CAR (%)	15.29	13.08	23.5	23.7
	- ROA (%)	5.04	2.09	3.1	0.5
	- ROE (%)	37.92	25.35	26.1	2.5
	- NIM (%)	12.17	5.86	8.9	4.0
	- LDR (%)	77.83	68.39	80.8	51.8
	- NPL (%)	4.68	3.37	2.6	15.3
3.	Soundness of Management 3.1 Board of Commissioners (BoC)	- BoC consists of one President Commissioner, 3 Commissioners and 3 Independent Commissioners. - President Commissioner has experiences as President Director of BRI, Commissioner / Director in some financial institutions and some other executive positions in some professional associations. - As State Owned Bank, Its BoC were appointed by the GoI through GMS. BoC members have reputable track record in financial institutions and community and passed "BI	- BoC has the authority to control and give advices to BoC in managing the bank based on Good Corporate Governance principles. - It consists of President Commissioner, 3 Commissioners, and 3 Independent Commissioners. - All of them have experiences of working as executive in reputable institutions. - BoC members were appointed by GMS based on the recommendation of Nomination & Remuneration Committee. - One of the Commissioners	- BoC consists of nine members, all competent professionals with relevant experience including President Commissioner and three Independent Commissioners. - Six of the Commissioners are foreigners who have experience of working in reputable institutions abroad. - Meanwhile the other Commissioners have experiences of holding various positions in reputable state owned institutions. - The three Independent Commissioners are appointed as the Chairman and the	- It is supervised by professional Board of Commissioners appointed by the Ministry of Finance from respected members of the financial community. - These commissioners have passed "BI fit & proper test". - Three out of seven Independent Commissioners and one of them is appointed as the Chairman of Audit Committee. - BoC was supported by: (i) Audit Committee (ii) Nomination and Remuneration Committee

	<p>fit & proper test". BoC are assisted by the Audit Committee, the Nomination and Remuneration Committee and Risk Management Supervision Committee.</p> <p>-Two of BoC members are appointed as members of Audit Committee.</p>	<p>has been appointed as Chairman of the Audit Committee.</p> <p>-Besides Audit Committee, BoC are supported by Nomination and Remuneration Committee, and Risk Management Committee.</p>	<p>members of the Risk & Audit Committee.</p> <p>-They serve the interests of minority shareholders. Commissioners are nominated and elected through GMoS with the term of three years from the date of appointment.</p> <p>-BoC is supported by:</p> <ul style="list-style-type: none"> (i) Corporate Governance Committee (ii) Nomination & Remuneration Committee (iii) Risk & Audit Committee. 	<p>(iii) Risk Management Committee</p> <p>(iv) Good Corporate Governance Committee</p>
<p>3.2 Board of Directors (BoD)</p>	<p>-ERI has seven Directors, including the President Director and Compliance Director, who undertake their management duties in particular fields specified in the GMoS.</p> <p>-The President Director has wide experiences of working in banking as director/ executive officer.</p> <p>-Other Directors were recruited from other private/state owned banks.</p> <p>-To better improve the task fulfillment and focus on important issues for the company, BoD are supported by Executive Committee:</p> <ul style="list-style-type: none"> - Risk Management Committee - Assets and Liabilities Committee - Credit Policy Committee - Information and Technology Steering Committee. 	<p>-Bukopin has one President Directors and 5 Directors (Commercial; Cooperative, Micro & SME; Consumer, Operational, and Risk Management & Compliance). -All directors have proved their extensive capability of working at any position within Bukopin.</p>	<p>-BoD comprise of six Directors including the President Director and Director serving in the capacity of Compliance Director.</p> <p>-Directors are proposed and nominated by the Nomination & Remuneration Committee.</p> <p>-Danamon has recruited a number of non Indonesian bankers occupying Directors positions, including the President Directors.</p> <p>-All of them has broad experiences of working in the reputable foreign and local banking institutions</p>	<p>- The highest level of the executive management is the BoD, headed by a President Director who has proven track record as President Director in some private and state owned banks.</p> <p>- The BoD were recruited from the legacy banks as well as independent outside directors. All of them are professional bankers.</p> <p>-BoD were recommended by Nomination & Remuneration Committee and appointed through GMoS.</p> <p>- These BoD have passed "BI fit & proper test".</p> <p>-With BI approval, President Director and Commissioner appointed one of director as Compliance Director.</p> <p>-This Compliance Director reports directly to BI as well as to President Director and Commissioners.</p>

<p>4. STRENGTHS</p>	<ul style="list-style-type: none"> - It has the widest network in Indonesia with more than 4,000 BRI units as the micro finance arm of the Bank. - Success in maintaining micro credit NPL below 3%. - The simplicity of loan designs, which enabled the banks to keep costs down; effective management at the unit level, backed by close supervision and monitoring by the center, and appropriate staff training. - It consistently applies Good Corporate Governance based on International Best Practices 	<ul style="list-style-type: none"> - It has a special form of partnership with cooperatives, called "SWAMITRA", to reach micro enterprises - Most of SWAMITRA members can carry out financial transaction through on-line system. - It was able to maintain NPL ratio below 5%. - Number of Debtors and Clients of SWAMITRA grew each year. - It consistently applies Good Corporate Governance Principles based on International Best Practices 	<ul style="list-style-type: none"> - It established Danamon Simpan Pinjam (DSP) to provide financial services to micro and small enterprises. - Characteristic of DSP services: simplicity, speed, convenience and total solution - Within one year, it has established 739 DSP units with more than 900 debtors. - NPL ratio reached only 2%. - It consistently applies Good Corporate Governance Principles based on International Best Practices 	<ul style="list-style-type: none"> - It established a special cooperation with EPR in channeling loan to BPR debtors, through BM2 loan facilities. - It provides loan to finance micro enterprises, called PKM. - NPL of BPR in Bank Mandiri was less than 1%, while the NPL of small enterprises was below 5%. - Number of micro enterprises customers increased as well as the loan extended to this segment. - It consistently applies Good Corporate Governance Principles based on International Best Practices 	<ul style="list-style-type: none"> - NPL of micro banking segment was higher than 5% of BI requirement. - No micro saving is available. - Limited outreach of branch to rural.
<p>5. WEAKNESSES</p>		<ul style="list-style-type: none"> - Limited outreach of branch networks. - Controlling to all clients are still limited 	<ul style="list-style-type: none"> - Fund extended by DSP is still low compared to total Danamon loan portfolio 		

Appendix (c)
Field Survey Report on
Sample Commodity Kelompok Tani

FIELD SURVEY REPORT ON SAMPLE COMMODITY KELOMPOK TANI

1. Kabupaten Cirebon

1.1 Supply-Side Analysis

The total number of financial institution establishments in the City and District of Cirebon is 506, including 110 arms of bank institutions and 396 non-bank institutions. The details of the financial institutions are shown in Table 1 and Table 2 below:

Table 1 Number of Banks* in Cirebon City and District

Office Status	State Bank	Private Bank	Total
Branch	8	19	27
Sub-Branch	11	30	41
Cash Office	5	3	8
Unit	34	-	34
Total	58	52	110

*Banks here include BPD, i.e. Bank Jabar. BPRs are included in the Table 32.

Source) BI website and interview

Table 2 Number of BPR and Non-Bank Financial Institutions in Cirebon City and District

BPR	BPR Syariah (BPRS)	Cooperative*	Pawnshop	Total
19	1	367	9	396

*Number of active cooperatives

Source) BI website and interview

For the community of the selected duck farmers' groups, they have physical access to banks such as BRI Units and BPRs, non-banks such as cooperatives, pawnshop, moneylender, and village banks, and other financial sources such as traders and arisan, as is shown in Table 3 below. The ones which are shown in the italic are the financial institutions which are mainly used for their duck production.

Table 3 Financial Services Available in the Community of Duck Farmers' Groups

Selected Farmers' Group	Bank and BPR	Non-Bank	Others
Tigan Meker Karanganyar Village Kec. Panguragan	<ul style="list-style-type: none"> ▪ <i>BRI Unit Panguragan</i> ▪ BRI Unit Gegesik ▪ BPR Panguragan 	<ul style="list-style-type: none"> ▪ <i>Cooperative Sumber Rejeki</i> ▪ Pawnshop ▪ Village Bank 	<ul style="list-style-type: none"> ▪ <i>Trader</i>
Bebek Jaya Bayalangu Village Kec. Cirebon Utara	<ul style="list-style-type: none"> ▪ BRI Unit Kapetakan ▪ <i>BPR Cirebon Utara</i> (handled at BPR Kapetakan) 	<ul style="list-style-type: none"> ▪ <i>Syariah KSP Prambabulan Al Qomariyah</i> ▪ KUD*¹ Mina Waluya 	<ul style="list-style-type: none"> ▪ Feed trader
Sigranala Indah Bayalangu Village Kec. Gegesik	<ul style="list-style-type: none"> ▪ BRI Unit Gegesik ▪ BRI Unit Cilimus ▪ BPR Kapetakan ▪ BPR Gegesik 	<ul style="list-style-type: none"> ▪ Pawnshop ▪ Village Bank ▪ KUD Karya Bakti ▪ <i>Moneylender</i> 	<ul style="list-style-type: none"> ▪ <i>Middlemen</i> ▪ Arisan

*1 Koperasi Unit Desa (KUD), which is a village unit cooperative.

Although there are many banks in the District (in case of Cirebon, City as well), the banks which are within the physical access of farmers are BRI Units and BPRs. Non-bank financial institutions are there, including two cooperatives that are actively utilized by duck farmers, one of them was set up by the farmers' group: Tigan Meker, to include other duck farmers' groups. The other one is a syariah savings and credit cooperative (Syariah KSP) which farmers' group: Bebek Jaya members utilize.

When we look at these institutions from the farmers' point of view, they have the following characters:

Table 4 Performance of some financial institutions close to the farmers

Item	BRI Unit Panguragan	BPR Kapetakan	Livestock Cooperative: Sumber Rejeki	Syariah KSP: Prababulan Al Qomariah
Year	2005	2005	2005	2005
Total savings (Rp. 000)	7,634,657	3,091,000	10,410	100,000
No. of savings accounts	7,603	5,677	73	500
Average savings per account (Rp.000)	1,004	544	143	200
Total Loan (Rp.000)	3,532,699	4,595,000	100,000	700,000
No. of loan accounts	639	1,202	73	460
Loan per account (Rp.000)	5,528	4,792	1,370	500 - 20,000
Out of which				
Total agriculture loan (Rp. 000)	1,126,347	N/A**	100,000*	220,207
No. of agriculture loan account	189	N/A**	73	229
Agriculture loan per account (Rp.000)	5,959	N/A**	1,370	962

* This includes loan for duck trader members and hatchery machine manufacturer member.

** BPR Kapetakan does not separate loan information by economic sectors.

Source) Interview

The average savings amount per account varied from approximately Rp. 0.1 million at cooperatives, up to Rp. 1 million at banks. And the average agriculture loans at banks were Rp. 4.7 to 6.0 million per account, while the same loan per account at cooperatives were from Rp. 1.0 to 1.4 million per account.

The interest rate for savings at BRI Unit was 0 to 6 % p.a, while at BPR it is 3 to 12% p.a. The minimum amount required to start savings at these banks are Rp. 10,000 to 25,000. BPR has a product of box savings, whereby they provide the money box to busy people such as traders and households to save in the box and their staff visits the customer and pick money up every week. Another savings product of BPR includes school child saving for children to save their allowance, with the limit of once a year withdrawal, but it is served with an insurance for children.

For the cooperatives, they have savings for member's entry (*simpanan pokok*) of Rp. 20,000 to Rp.100,000 per person, and obligatory savings of Rp. 5,000 per month to Rp.10,000 per month. The cooperatives do not pay out the interest for the savings, but

the members, who are the savers as well, will share the profit of the organisation at the end of the fiscal year. At the Syariah KSP, in addition to these two compulsory savings, they have the savings products such as Tamaskop (saving with a gift), Tahara (*idhul fitri* saving), and Simjakop (time savings).

The conditions for loan differ at different institutions. BRI Units can lend the amount from Rp. 0.1 to Rp. 100 million per person, and the interest rate is from 1.0 to 1.5% per month, which depends on the loan amount and at the discretion of the Unit Manager within the certain range. The collateral is required from the loan amount of more than Rp. 3 million. BPR can lend the amount from Rp. 0.5 to 25 million per account, at the interest rate of 1.75% to 2.5% per month. The collateral is required from the loan amount of more than Rp. 1 million. Both BRI Unit and BPR require the ID documents for loan. One duck farmer from the farmers' group: Bebek Jaya borrows with the collateral of land and car certificates, at the interest rate of 0.8% per month, and the first loan started from Rp. 5 million.

At BRI Unit Panguragan, the loan customer share is for agriculture sector 30%, and for trade 70%. They think that the constraint of giving loan to farmers is the risk of harvest failure, which would affect the repayment in turn. BPR Kapetakan looks at the opportunities of business that they would like to further pursue the customers of school child savings and the micro and small loan, for which customers are offered loan of Rp. 0.5 to 25 million, with the simple procedure with the collateral of BPKB (Bukti Kepemilikan Kendaraan Bermotor; vehicle ownership certificate).

At two cooperatives, loanees, who are also the members or member candidates, are not asked for any ID documents. Collateral is required for both cooperatives. For Syariah KSP, and the duck farmers borrow using group collateral, and the livestock cooperative ask for collateral certificates for the loan amount more than Rp. 1 million. The interest rate at the livestock cooperative is 1.5 to 2% per month and the processing fee of 1% of total loan is charged per loan. At the Syariah KSP, they do the profit sharing for the loan, which is translated into 2% per month.

The livestock cooperative: Sumber Rejeki has 5 farmers' groups under it and it has a marketing function for the member duck farmers.

Non-performing loan (NPL) rate is not available for all the institutions mentioned here. The NPL rate at the Syariah Cooperative is 4.5%.

Traders are also important finance supplier for duck farmers. In general, when traders supply finance to farmers, farmers return by selling products to the same traders, and the traders purchase at the price of around 5% less than the prevailing market price. In some cases the traders are also duck feed traders who supply the feed in the form of in-kind loan to farmers.

For Sigranala Indah, some borrow from moneylender without collateral, but with the interest of 20% per month.

Other than the financial service suppliers mentioned in Table 20 above, during the workshop at Tigan Meker, Village Economy Enterprise (*Usaha Ekonomi Desa:UED*)¹, which is an economic empowerment program by the district of Cirebon, with the assistance from the provincial government, was listed as financial institution. It is a savings and loan activity managed by Village Economy Institution (*Lembaga Usaha Ekonomi Desa*) In addition, under the Phase II of the Urban Poverty Program (*Proyek Penanggulangan Kemiskinan di Perkotaan :P2KP*²) implemented by the World Bank, the grant of Rp. 30 million in 2003, and soft loan of Rp. 30 million in 2004 were given to Tigan Meker. Bebek Jaya also received the loan of Rp. 25.9 million in 2004. The interest rate for the loan was 10% p.a.

1.2 Demand-Side Analysis

The main source of income for the most of the members of Tigan Meker and Bebek Jaya is duck production. The sample groups of household survey for these 2 farmers' groups indicated that the monthly income from duck is around Rp. 0.7 to Rp. 11.7 million. The remaining sample group members, who keep duck, obtain more income from rice. Sample group from Sigranala Indah indicated that 5 out of 8 members answered the household survey rely on duck production, but the rest of 3 are in rice production. The group lost some members after the price hike of kerosene last year, because they could not afford to continue keeping ducks and they sold all of them. For all the three groups, most members are located at two higher categories in poverty ranking analysis (the fair and rich) having paddy land and at least motorcycle, with some members of Sigranala Indah possibly fall in the second lowest (the poor) category, without motorcycle and land.

Currently Tigan Meker and Bebek Jaya farmers save at and borrow from cooperatives, and a few members, have savings and credit at BRI Units and BPR as individuals. Bebek Jaya farmers repayment is all right. Tigan Meker at its cooperative level received a series of soft loan from the central and provincial cooperative authority, but some cooperative member farmers did not paid back the revolving fund supplied from the Ministry of Cooperative in 2001, the reasons behind includes lack of water for paddy cultivation and failure of hatching fertile eggs. It is only in 2006 recently the cooperative sorted out this issue, and is about to obtain another soft loan (no interest rate) from the Ministry of Cooperative of Rp. 150 million for 20 selected members (who live

1 To encourage community empowerment in economy sector which will improve Human Development Index, the Government of Kabupaten Cirebon has introduced UED Program in 2006. At first stage, the program assisted 212 villages to support existing program which will continue in 2007 for 424 villages with allocation per village or kelurahan at Rp10,000,000. Target is Low income communities in potential areas who wish to develop productive economy businesses and utilize available resources.

² P2KP is implemented based on the Regulation of Minister of District and Infrastructure No. UM-Ma/340 July 2nd 2002. Its objectives are community empowerment in order to prepare autonomous community and poverty alleviation through strengthening community organization at place. Its components are: (a) activity on community development; (b) strengthening community autonomy; and (c) direct community fund. Its target is RW/RT/Sub-Village, with 10-20 members in each group. Their community development activity's beneficiary includes small and medium enterprises in groups.

near the cooperative office) for the period of 3 years. For Sigranala Indah, only a few save, and currently only a leader gets loan from BRI Unit for duck production with collateral, and others borrow from friends and relatives, and moneylenders. The extension worker who has an excellent performance in facilitating P4K advised Sigranala Indah that they have potential to develop, but each member should at least 300 tails of ducks to start savings and loan otherwise it will not be a reasonable lot to be handled by the bank.

As for the relationship with traders, Tigan Meker farmer members sell duck products through the livestock cooperative Sumber Rejeki, which they formed. Some members of Sumber Rejeki are traders, and some farmer members follow the agreement with trader members who supply capital for production and in turn, require farmers to sell the duck products to the same trader. In case of Sigranala Indah, the relationship with traders seem to be more imbalanced, that members look at the relation with traders (rather middlemen) a bondage that they have to sell the products to middlemen, and the price is determined by the middlemen. For Bebek Jaya, the big presence of feed traders was mentioned at the workshop but it is not clear whether the traders supply capital with cash or in kind for duck production. Such relationship between traders and farmers cannot be just seen as farmers being exploited. Some traders organize farmers formally in the form of farmers' groups and some organize them informally to stabilize the supply of products. To some extent, traders complement the marketing of farmers products.

From the poverty ranking analysis, it is indicated that lower two categories of the people (the destitute and poor) are engaged in hard labor, farm laborer, or rent farmers, most are landless, and their assets are bicycles. In terms of financial service experience, they transact with moneylenders or pawnshop, and they do not use banks or microfinance institutions (MFIs).

From the viewpoint of group financial management, Tigan Meker at the level of livestock cooperative Sumber Rejeki, and Bebek Jaya maintain the financial records properly, and they have savings and loan activity as groups. Bebek Jaya keeps the book of profit sharing monthly. On the other hand, Sigranala Indah kept minimum books in the past but does not maintain any financial records currently, and they do not have a savings and loan activity as a group. The common problems raised by the groups include: (i) duck feed price and medicine price increase, (ii) impact of avian flu, (iii) low price of eggs, (iv) small number of ducks kept, (v) unavailability of water during the dry season, and (vi) lack of capital to finance increasing the number of ducks. For (vi), group members think that having loan from banks or getting assistance from government in the form of soft loan or revolving fund would solve the problem.

2. Kabupaten Kuningan

2.1 Supply-Side Analysis

The total number of financial institution establishments in the District of Kuningan is 266, including 46 arms of bank institutions and 220 non-bank institutions. The details of the financial institutions are shown in Table 5 and Table 6 below:

Table 5 Number of Banks* in Kuningan District

Office Status	State Bank	Private Bank	Total
Branch	3	-	3
Sub-Branch	5	8	13
Cash Office	1	2	3
Unit	27	-	27
Total	36	10	46

*Banks here include BPD, i.e. Bank Jabar. BPRs are included in the Table 42

Source) BI website and interview

Table 6 Number of BPR and Non-Bank Financial Institutions in Kuningan District

BPR	BPR Syariah (BPRS)	Cooperative*	Pawnshop	Total
4	2	212	2	220

*Number of active cooperatives

Source) BI website and interview

For the community of the selected sweet potato farmers' groups, they have physical access to banks such as BNI and Bank Jabar branches, BRI Units and BPR, non-banks such as cooperatives, and pawnshop, and other financial sources such as traders, as is shown in Table 7 below. The ones which are shown in the italic are the financial institutions which are mainly used for their production and processing activities.

Table 7 Financial Services Available in the Community of Sweet Potato Farmers' Groups

Selected Farmers' Group	Bank and BPR	Non-Bank	Others
Andayarasa Bandu Rasa Wetan Village Kec. Cilimus	<ul style="list-style-type: none"> ▪ <i>BNI Kuningan</i> ▪ BRI Unit Cilimus ▪ Bank Jabar Cilimus ▪ BPR Cilimus 	<ul style="list-style-type: none"> ▪ <i>KUD^{*1} Bangkit Abadi</i> ▪ Moneylender ▪ Pawnshop 	<ul style="list-style-type: none"> ▪ <i>Trader</i> ▪ Arisan
Binakarya Manis Lor Village Kec. Jalaksana	<ul style="list-style-type: none"> ▪ <i>BRI Unit Jalaksana</i> ▪ BRI Unit Cilimus ▪ BRI Unit Kramat Mulya ▪ <i>Bank Jabar Cilimus</i> 	<ul style="list-style-type: none"> ▪ KUD 	<ul style="list-style-type: none"> ▪ <i>Trader</i> ▪ Warung
Linggasari 2 Lingga Indah Village Kec. Cilimus	<ul style="list-style-type: none"> ▪ BRI Unit Cilimus ▪ BPR Cilimus 	<ul style="list-style-type: none"> ▪ KUD Gemah Ripah ▪ Pawnshop 	<ul style="list-style-type: none"> ▪ <i>Trader</i> ▪ Arisan

BNI and Bank Jabar branches and BRI Units are used by the group leaders for their own loan or save the group members savings under the name of leaders. Members direct access to finance is through KUDs and traders to finance their production. BRI Unit Jalaksana's information was not available, thus instead, BRI Unit Cilimus is included in Table 8.

When we look at these institutions from the farmers' point of view, they have the following characters:

Table 8 Performance of some financial institutions close to the farmers

Item	Bank Jabar Kuningan Branch and Cilimus Sub-Branch	BRI Unit Cilimus	KUD Bangkit Abadi
Year	2005	2005	2005
Total savings (Rp. 000)	4,670,000	13,992,420	54,803
No. of savings accounts	1,330	N/A	526
Average savings per account (Rp.000)	3,511	N/A	104
Total Loan (Rp.000)	4,829,000	5,858,517	60,000
No. of loan accounts	1,210	N/A	200
Loan per account (Rp.000)	3,991	N/A	300
Total agriculture loan (Rp. 000)	1,643,000	N/A	60,000
No. of agriculture loan account	471	N/A	200
Agriculture loan per account (Rp.000)	3,488	N/A	300

Source) Interview

BNI Kuningan Branch was not included because it did not disclose the information and also that this particular branch is serving savings products only and not the loan products. The loan request from this branch is referred to BNI Cirebon Branch.

For other financial institutions, the average savings per account at Bank Jabar reaches up to Rp. 3.5 million, while at KUD Bangkit Abadi, it is Rp. 0.1 million. The average agriculture loan amount per account at Bank Jabar is Rp. 3.5 million while at KUD, Rp. 0.3 million.

As for the conditions of savings, Bank Jabar give interest rate of 5 to 7% p.a., BRI Units 0 to 6% p.a., and KUD gives 0.5% per month. The minimum amount required to start savings at Bank Jabar and BRI Unit is Rp.25,000. At KUD, they have a member entry savings of Rp. 25,000 per person and the monthly obligatory savings of Rp. 5,000 per person, and the voluntary savings for which the amount is Rp. 5,000 and above.

The condition for loans at Bank Jabar is that the loan interest rate is 7-14% p.a. at discretion of the Branch Manager to decide the competitive rate, and at Cilimus Sub-Branch, on average 10% p.a. is charged, with I.D. and collateral requirement. BRI Unit Cilimus offers the loan at the interest rate of 1.0 to 1.5% per month, with I.D., and collateral requirement for the loan more than Rp. 3 million. At KUD, the interest rate for loan is 2% per month, with the minimum loan amount of Rp. 0.1 to the maximum loan amount of Rp. 2 million. The characteristics of KUD loan is that the members can pay back the loan upon the harvest (it is called "Yarnen"). Not all the institutions disclosed the information of repayment rate, except for Bank Jabar of 88%.

At Bank Jabar, the loan customer share is: agriculture 39%, industry 14%, service 2%, trade 22%, and others 23%. They see their business opportunity in trade sector, which has started growing in the District. On the other hand, it was mentioned that the speed of reaching farmers and rural population is slow because they do not have enough staff.

KUD was set up in 1978 and at that time, having the function of: (i) distribution of fertilizer and pesticide, (ii) offering *Kredit Usaha Tani (KUT)*, (iii) supply of sugarcane factory, (iv) managing rice milling unit, (v) managing food stock and selling to BULOG, and (vi) savings and loan activity. Currently having 526 members, it retained the activity of savings and loan, running a shop selling seed, fertilizer, pesticide, and agriculture tools and machinery, and grocery shop channelling agent of Pusri Fertilizer Factory and Petrokimia Fertilizer Factory. It received the government assistance programs of soft loans in the year of 1999, 2000, 2002, and 2004, and the staff attended the training program in accounting and tax management in the year of 1992, 1994, 1997, and 2003-2005. They see their business opportunities in sweet potato, sheep and cow fattening, and fish farming. Lack of capital was mentioned as constraint to grow.

Farmers also borrow from local traders, who give loan with cash and farmers pay back after harvest (*Yarnen*), but by selling their products to the traders. The selling price is determined by the traders and as for sweet potato, the price is fluctuating between Rp. 150 to Rp. 1,200 per kg. different by location. The same traders also purchase rice and vegetables from the farmers. There is another example of trader's finance. A trader who is also a leader of an agribusiness group Harapanmulya gives loan to its sub-group farmers' group amounting Rp. 30 to 100 million and farmers repay by selling sweet potato to him at market price. Another case of trader-cum-farmers' group leader is that of Farmers' Group Cinunjang Jaya, who is not mentioned as giving loan to members, but he collects sweet potato from the members, sells it to the processing factory, Galih Estetika and shares the profit with the Farmers Group with the share of himself 90% and the group 10%.

Other than the financial service suppliers mentioned in Table 30 above, during the workshop at Linggasari 2, Group Business Credit Program (KUBE) under the Ministry of Social Affairs was listed as an financial institution.

2.2 Demand-Side Analysis

The results of household survey revealed that for the sample groups covered, around half members rely on sweet potato as their main source of income with rice, and the rest relies more on other business such as trading, being a driver, motorbike service, off farm employment, and the remittance from children. The income from sweet potato, interpreted in the monthly income, is from Rp. 0.1 to 2.6 million per month. For Binakarya, the leader organized a farmers' group to source the raw material sweet potato for his family business food processing company, and more than half members are the workers of the leaders' business.

For Binakarya and Linggasari 2, members seem to be located at two higher categories in poverty ranking analysis (the fair and rich). As for the sample group of household survey from these two groups, about half own paddy land (0.1 to 0.7 ha) and motorcycle, with some having gold as well. Andayarasa, most members are located at the poor and fair ranking. As for its sample group of household survey, only 2 out of 8 own paddy land, others have access to paddy land by renting or sharecropping.

For all the groups, some members have access to land by share-cropping. The condition for sharecropping is to share the yield between landowner and cultivator by 50% to 50%, and landowner has responsibility to supply pesticide and cultivator has responsibility to organize labor.

As a group, only Andayarasa organizes savings and loan activity, whereby members save Rp. 1,000 per month as obligatory savings and currently loan per member has reached Rp. 100,000. Otherwise, its sample group for household survey indicated that 4 out of 8 had never saved because they did not have surplus but if situation allowed they would like to save. 5 out of 8 from the same sample group answered they had never had loan, mainly because of the fear of not following the loan repayment cycle, and one answered he did not have assets for collateral. Despite its savings and loan activity, Andayarasa does not keep any financial record books. The leader of Andayarasa is a vice president of KUD Bangkit Abadi, and members purchase fertilizer from the KUD and pay back after harvesting with the interest rate of 2% per month. The leader maintains a group's savings under his name at BNI Kuningan Branch.

For Binakarya sample group, 5 out of 8 answered they saved, and for Linggasari 2, 3 out of 8 saved. The saving form is mostly at banks, with a few save in the form of rice Arisan and in-kind. The ones answered never saved stated the reason of not having any surplus to save. Binakarya leader has his personal account at Bank Jabar Cilimus Sub-Branch.

As for loan experience, 7 out of 8 Binakarya sample group answered that they had borrowed, 6 borrowed from banks for the purpose of trading, sweet potato production, education and daily goods consumption. 1 borrowed from friends / relatives for daily goods consumption. The current loan balance of the sample group varied from Rp. 0.2 to Rp. 16 million, the highest balance was of the leader.

Five out of eight Linggasari 2 sample group answered that they had borrowed (two from friends/relatives, and three from banks). Loan from banks was used for education and agricultural inputs, and the one from friends / relatives was used for daily goods consumption. The current loan balance of those who had loan ranged from Rp. 0.4 to 6.0 million. The leader dominates the sweet potato processing thus he purchases raw material sweet potato from his members, and the payment for it is kept at BRI, and when the members need the capital for input purchasing, he buy it from the pool at BRI and if the pool is not enough for the bill, he lends the difference without any interests.

Three members from Binakarya and four members from Linggasari 2 answered that they had never borrowed because they had the fear of not following repayment cycle, and one answered that they had never felt the necessity to borrow.

All the groups raised the lack of capital is one of their main problems. Andayarasa members said that they have limited capital to purchase fertilizer, pesticides and processing because they cannot follow the requirement of banks. They suggested the solution of increasing group savings and income generation by making organic fertilizer, and marketing not through traders. Another capital related problem they raised was the price determination of sweet potato by traders (coupier), and proposed solution for this is to work together with cooperatives. In addition, it was also mentioned that the unsatisfactory yields led to the unsatisfactory income.

Binakarya members felt that financial institutions do not have the loan products suitable for their needs, which is the soft loan for production with the repayment cycle of four months. The proposed solutions by the members consisted of organizing savings and loan activity, and establishing processing factory with members as shareholders and applying for commercial loan.

Linggasari 2 members analyzed that the lack of capital for land cultivation resulted in the ineffective use of production inputs. Their suggested solutions included that in the short run, members should opt for loan from trader (*Bandar*) of sweet potato. It was also suggested that the group hold group meetings regularly and collect group savings over the meetings, for it was revealed through a series of interview and workshop that this group has no group cohesion, and had been dominated by the chairperson. In the long run, they suggested to apply for loan for cultivation from BRI Unit Cilimus.

3. Kabupaten Majalengka

3.1 Supply-Side Analysis

The total number of financial institution establishments in the District of Majalengka is 352, including 51 arms of bank institutions and 301 non-bank institutions. The details of the financial institutions are shown in Table 9 and Table 10 below:

Table 9 Number of Banks* in Kabupaten Majalengka

Office Status	State Bank	Private Bank	Total
Branch	2	-	2
Sub-Branch	3	9	12
Cash Office	3	-	3
Unit	34	-	34
Total	42	9	51

*Banks here include BPD, i.e. Bank Jabar. BPRs are included in the Table 52
Source) BI website and interview

Table 10 Number of BPR and Non-Bank Financial Institutions in Kabupaten Majalengka

BPR	BPR Syariah (BPRS)	Cooperative*	Pawnshop	Total
20	1	276	4	301

*Number of active cooperatives

Source) BI website and interview

The community which embraces the selected sweet potato processing groups, have difficult access to any financial institutions (see Table 11 below). Both selected processing groups duplicated the members of P4K Self-Help Groups and they got the loan through P4K from BRI Majalengka Branch. But BRI Majalengka is not within five km. reach from the groups. For Mitra Binangkit 2, they have access to BPR and KUD in the community. As for Delima 2, BRI Unit Talaga is almost five km away, but the road condition is not very good and it costs Rp. 10,000 by motorcycle transport to get to the Unit from the community, which resulted in the difficult access in practical sense.

Table 11 Financial Services Available in the Community of Sweet Potato Processing Groups

Selected Processing Group	Bank and BPR	Non-Bank	Others
Mitra Binangkit 2 Tajur Village Kec. Cigasong	▪ <i>BRI Majalengka (far from the community but in charge of P4K)</i> ▪ BPR Cigasong	▪ KUD Makar Tani*1	▪ Arisan
Delima 2 Lampuyang Kec. Talaga	▪ <i>BRI Majalengka (far from the community but in charge of P4K)</i> ▪ BRI Unit Talaga	-	▪ Arisan

Although there are 352 entities of financial institutions in the District, these particular communities do not have good access to those institutions.

Table 12 below summarizes BRI Branch and Unit's performance.

Table 12 Performance of some financial institutions close to the farmers

Item	BRI Majalengka	BRI Unit Talaga
Year	2005	2005
Total savings (Rp. 000)	225,906,521	11,911,399
No. of savings accounts	207,494	10,000
Average savings per account (Rp.000)	1,089	1,191
Total Loan (Rp.000)	383,928,950	4,986,204
No. of loan accounts	31,944	870
Loan per account (Rp.000)	12,019	5,731
Out of which,		
Total agriculture loan (Rp. 000)	69,923,509	2,193,964
No. of agriculture	15,250	375

Item	BRI Majalengka	BRI Unit Talaga
loan account		
Agriculture loan per account (Rp.000)	4,585	5,850

Source) Interview

The average savings amount per account at the BRI Branch was Rp. 1.1 million, while at the BRI Unit, it was Rp. 1.2 million. The average agriculture loan at the BRI Branch was Rp. 4.6 million while at the BRI Unit was Rp. 5.9 million.

The interest rate for savings for the BRI Branch on average was 5.5% p.a. and for the BRI Unit, it ranged from 0 to 6 % p.a. To start savings, minimum Rp. 200,000 is required at the branch (except for P4K scheme), and Rp. 25,000 is required at the BRI Unit. For the loan, both the BRI Branch and the Unit requires I.D. and collateral, and the interest rate is on average 19 % p.a. at the branch, and at the Unit, 1.0 to 1.5 % per month. The repayment rate is not known for the BRI Branch, but at the Unit, it was 99.7%. The selected farmers groups are involved in P4K savings and loan. For P4K loan, they are required to present I.D. and group business plan, with group guarantee, and savings collateral of 10 % of the loan amount at BRI.

The loan customer share by industry at BRI Unit Talaga is: agriculture 41%, industry 3%, service 2%, trade 50%, and others 4 %. The Unit indicated that Kecamatan Talaga is a mountainous area, which made it difficult for the people to grow their business. The processing group Delima 2 was set up through P4K and they received its loan disbursement from this Unit.

BPR Cigasong did not disclose the detailed data. They finance their funding from Bank Jabar, and Provincial and Kabupaten governments. The minimum amount to open savings account is Rp. 25,000 and for closing account, it costs Rp. 5,000 as an administration fee. The total number of loan customers is approximately 50, and the majority is farmers. Other customers are local peddlers of processing food such as *tempe* and *tahu* and migrant workers. Their time deposit interest rate is from 1% to 1.25% per month depends on the deposit period. Loan is given from minimum Rp. 1 million at the interest rate of 2.5 to 4% per month, with collateral of BPKB and land. They also analyze the state of business of the customers. Currently the average of monthly disbursement of loan is Rp. 400 million, and the average monthly savings amount is Rp. 650 million, which is mainly consisted of school saving. Farmers borrow Rp. 1 million for a year up to Rp. 3 million for three years. They assume farmers can pay the installment monthly using the income either from side business, or cultivating subsidized crops such as green beans, or livestock rearing.

Although the selected farmers' groups' members are not actively involved in sweet potato production itself, marketing research during the basic survey revealed the existence of a big syndicate of traders called Sina Baru, in Kecamatan Majalengka, who supply finance of Rp. 200,000 per 1 juru and farmers repay by selling the harvest at Rp. 1,000/kg. Another example of the same syndicate traders is that of pre-harvest sales of sweet potato

by a farmer to a collector under the trader in Kecamatan Argapura. The farmer get a loan for cultivation at planting time, and off set from the prepayment of sweet potato sales given by the collector a month before the harvest. Under this arrangement, harvesting is the responsibility of the collector.

3.2 Demand-Side Analysis

Both Mitra Binangkit 2 and Delima 2 are women dominant groups engaged in sweet potato processing, whose member households hardly grow sweet potato, so they purchase sweet potato as raw material from local farmers. The income from sweet potato processing is not big, especially for Delima 2 is very marginal, and the primary income sources of member households are scattered.

For Mitra Binangkit 2 member household, the household survey sample groups indicated their main income sources are trading, rice cracker (*rengginang*) processing, rice cultivation, civilservant salary, rents, and public transport driver.

According to the household survey at Mitra Binangkit 2, six members out of total eight sample group answered that they had their own paddy land with certificates, with the sizes of 0.05 to 0.2 ha, and only two members have motorbikes and the other two have gold. As a result, the members can be located for the ranking of fair and rich in poverty ranking.

Mitra Binangkit 2 as a group has a system of group savings, with the entry savings (*simpanan pokok*) of Rp. 1,000, obligatory savings (*simpanan wajib*) of Rp. 1,00 per month, , and voluntary savings (*simpanan sukarela*) of Rp. 1,000 to Rp. 3,000 per month. On top of this, they conduct *Arisan* on the 14th every month, together with monthly meeting. All members participating in *Arisan* contribute Rp 10,000/month for *Arisan*. In each month, two persons get *Arisan* of Rp 80,000, so the *Arisan* cycle completes in eight months, and then start a new cycle. Members who get *Arisan* would give voluntary saving to the group about Rp 1,000 - Rp 3,000 per person. They also invite women around their village to attend this *Arisan*. The Group offers the service of electricity bill collection for which it charges Rp. 1,000 per bill.

Their P4K performance, however, was not good. The same leader, who is also a head of Dusun headed farmers' group of Mitra Binangkit 4 and 5 had P4K loan of Rp. 18 million and Rp. 12 million respectively, which turned to be arrears of Rp. 5.6 million and Rp. 5.1 million respectively in 2003. They were written off according to the procedure, and the savings collaterals were taken. For Mitra Binangkit 2, their P4K loan payment was delayed and almost became non-performing loan, but it was repaid at the end. And as a result, Mitra Binangkit 1 to 5 is not allowed to apply for other loans from BRI. Apart from this, the leader of Mitra Binangkit is said to have a transaction with BPR Cigasong.

For Delima 2, a half of the household survey sample households answered their main income source was kerosene trading, while others answered that vegetable trading, chicken rearing, and civil servant salary. In Lampuyang Village, some men went outside of the village as trader in big cities such as Bandung, Cirebon, Jakarta, and Tangerang, so

wives of those usually know how to run small businesses remaining in the village. The part of the reasons for men going outside is because this area is mountainous, and is lack of water, so most farmers only plant once a year. These farmers choose paddy rather than sweet potato to grow.

At Delima 2, according to the household survey, two members out of total eight of sample group have bicycle, two have motorbike, and one has gold. Three members own paddy land with certificates, at the size of 0.1 to 0.4 ha. As a result, the members are mostly located at fair and rich categories in poverty ranking.

Delima 2 is conducting *Arisan* on 14th every month, together with monthly meeting and collecting installment/repayment of P4K Loan. All members participate in this Rp 10,000/month of arisan for getting Rp 80,000. In each month there are 2 persons will get arisan, so the arisan will completely rotated in 8 months then start a new one. Members who got arisan will give voluntary saving to the group about Rp 5,000 - Rp 10,000 per person. Up to now, the group has voluntary saving Rp 75,000 from *Arisan*. They started first loan of P4K in 2005 to obtain total Rp. 5 million and 10 members shared it with Rp. 500,000 per person and interest rate of 12% p.a, and monthly installment. When they completed the first loan in June 2006, they were approved to get the second loan starting from July 2006, with 16t people this time, for total Rp. 16 million (Rp. 1 million per person) with the same interest rate with monthly installment again. The group savings for P4K has now reached to Rp. 2,497,600. After joining P4K, members' income on average increased by 74%. But some members who answered household survey expressed that they do not have enough surplus to save, other than the savings frozen at BRI for P4K and *Arisan*. Monthly installment payments are mostly entrusted to the extension worker whose working station is close to BRI Majalengka Branch.

Mitra Binangkit went through accounting and administration training organized by Dinas Agriculture Majalengka in 2006. Lack of capital to buy materials is listed as main problems by the group members, which is followed by the low profit because of poor quality product and package. They proposed the solutions of increasing quantity of sales, and the expansion of marketing out of Kecamatan.

Regarding the group management, Delima 2 maintains good bookkeeping for cash book, savings and loan book, and *Arisan* book among other books. The members had attended the business management training and accounting training organized by Dinas Indag Majalengka. They analyzed by themselves that their constraint is their mountainous location made it difficult to enable intensive marketing, although they participated in several exhibitions to display their products and the demand for their products during *idul fitri* holiday was very high, witnessed by BRI Majalengka. They nominated limited capital to increase sales is one of the priority problem, and the suggested solution was to purchase raw materials and work as a group, and try to accumulate group savings.

4. Kabupaten Mojokerto

4.1 Supply-Side Analysis

The total number of financial institution establishments in the District of Mojokerto is 298, including 38 arms of bank institutions and 260 non-bank institutions. The details of the financial institutions are shown in Table 13 and Table 14 below:

Table 13 Number of Banks* in Kabupaten Mojokerto

Office Status	State Bank	Private Bank	Total
Branch	5	8	13
Sub-Branch	-	-	0
Cash Office	-	4	4
Unit	21	-	21
Total	26	12	38

*Banks here include BPD, i.e. Bank Jabar. BPRs are included in the Table 61. Source) BI website and interview

Table 14 Number of BPR and Non-Bank Financial Institutions in Kabupaten Mojokerto

BPR	BPR Syariah (BPRS)	Cooperative*	Pawnshop	Total
10	10	237	3	260

*Number of active cooperatives
Source) BI website and interview

Among the selected duck farmers' groups, Lestari Sejahtera and Tani Mulyo have physical access to quite a range of banks including not only BRI, BPD (Bank Jatim), and BPR, but also BNI, Bank Danamon, BCA, and Bank Syariah Mandiri. On the other hand, Tani Mulyo only has access to BNI, BRI Unit, Bank Jatim, and BPR. Selected farmers groups' access to the financial institutions is listed in the Table 15 below.

Table 15 Financial Services Available in the Community of Duck Farmers' Groups

Selected Farmers' Group	Bank and BPR	Non-Bank	Others
Lestari Sejahtera Modopuro Village Kec. Mojosari	<ul style="list-style-type: none"> ▪ BNI Mojokerto ▪ BRI Unit Mojosari ▪ BRI Unit Wonokusumo ▪ Bank Danamon ▪ BCA Mojosari ▪ Bank Syariah Mandiri ▪ Bank Jatim Mojokerto ▪ BUKOPIN ▪ BPR Mojosari 	<ul style="list-style-type: none"> ▪ Livestock cooperative Sejahtera ▪ Village Credit Bank (BKD) 	<ul style="list-style-type: none"> ▪ Feed collector ▪ Arisan ▪ Moneylender
Tani Mulyo Mojoyo Village, Kec. Bangsal	<ul style="list-style-type: none"> ▪ BRI Unit Bangsal ▪ BRI Unit Mojosari ▪ BNI Mojokerto ▪ Bank Danamon ▪ BUKOPIN ▪ BCA Mojosari ▪ Bank Jatim Mojokerto 	<ul style="list-style-type: none"> ▪ Village Credit Bank (BKD) ▪ Cooperative ▪ Pawnshop 	<ul style="list-style-type: none"> ▪ Feed collector ▪ Moneylender
Karya Tani Pungging Village Kec. Pungging	<ul style="list-style-type: none"> ▪ BRI Unit Pungging ▪ Bank Jatim Mojokerto ▪ BPR Pungging 	<ul style="list-style-type: none"> ▪ KUD^{*1} Pungging 	<ul style="list-style-type: none"> ▪ Middlemen

The ones which are shown in the bold italic are the financial institutions which are mainly used for their duck production.

The performance of frequently used financial institutions is summarized in Table 16 below:

Table 16 Performance of some financial institutions close to the farmers

Item	BNI Mojokerto	BRI Unit Mojosari	BRI Unit Wonokusumo	BRI Unit Bangsal	BRI Unit Pungging	Bank Jatim Mojokerto
Year	2005	2005	2005	2005	2005	2005
Total savings (Rp. 000)	108,819,000	18,088,658	5,210,064	15,146,309	5,845,772	164,000,000
No. of savings accounts	99,217	15,025	875	16,100	950	21,272
Average savings per account (Rp.000)	1,097	1,204	5,954	941	6,153	7,710
Total Loan (Rp.000)	101,127,000	6,347,043	5,159,093	6,870,513	4,219,628	108,000,000
No. of loan accounts	1,481	1,001	1,040	1,200	761	8,951
Loan per account (Rp.000)	68,283	6,341	4,961	5,725	5,545	12,066
Out of which,						
Total agriculture loan (Rp. 000)	13,712,821	1,687,000	1,074,244	1,374,103	1,687,000	N.A
No. of agriculture loan account	201	305	204	240	305	N.A
Agriculture loan per account (Rp.000)	68,223	5,531	5,266	5,725	5,531	N.A

Source) Interview

The average savings amount per account is Rp. 7.7 million at Bank Jatim, and Rp. 0.9 million at BRI Unit. The average agriculture loan amount per account was approximately Rp. 5.5 million, except for Rp. 68.2 million of BNI.

The interest rate for savings at BRI Unit is from 0% to 6% p.a., while at BNI it is 0 % to 4% p.a. and at Bank Jatim, on average, 5 % p.a. The minimum amount to start savings is Rp. 25,000 at BRI Units, Rp.10,000 at Bank Jatim, and Rp. 150,000 at BNI. BNI's time deposit attracts an interest of 9.25 to 9.75 % p.a. Bank Jatim has *Haj* Savings with operational cost support from Ministry of Religion.

The conditions for loan differ at different institutions. BRI Units can lend the amount from Rp. 0.1 to Rp. 100 million per person, and the interest rate is from 1.0 to 1.5% per month, which depends on the loan amount and at the discretion of the Unit Manager within the certain range. The collateral is required from the loan amount of more than

Rp. 3 million. For BNI, the minimum loan amount is Rp. 5 million and maximum amount is Rp. 350 million. Their interest rate for loan is from 14% to 22% p.a.. The minimum loan amount at Bank Jatim is Rp. 1 million and the maximum amount is Rp. 350 million. Their interest rate varies from 6% to 22% p.a., depends on the scheme and the amount. Both BNI and Bank Jatim, in principle ask for collateral, except for Bank Jatim's loan product for SMEs, which reach SMEs via BPR, cooperatives and NGOs, not asking for collateral. Currently the interest rate at end-user is 22% p.a. (floating rate). At Bank Jatim, loan period for working capital is for maximum 3 years, and for investment, 5 years for this loan. Loan application should accompany a recommendation letter from Village Head with photo, and the applicant should open an account at Bank Jatim.

The share of agriculture sector among the number of total loan customers vary at different institutions. At BNI Mojokerto, it is 14% while at BRI Units, the share is from 20 to 40%, and at Bank Jatim Mojokerto, it is 15%. The repayment rate at BRI Units ranges from 96% to 98%, while at Bank Jatim Mojokerto, it is 99%.

All the banks analyzed the constraints to serve farmers as follows: (i) because of avian flu, the demand for duck products have decreased thus the farmers repayment capacity was affected; and (ii) the kerosene price increase resulted in the increase of transport cost of selling products and other inputs, thus reduced the farmers' income. Some BRI Units stopped giving new loan to duck and chicken rearing because of avian flu. But Bank Jatim started the loan for SMEs in agriculture sectors such as livestock breeding, fattening, and paddy production, which is the program of Dinas Cooperative Mojokerto. In general, banks see more opportunities in trading sector, and industrial center promotion.

P4K groups exist in the communities of all the three farmers' groups. In fact, some members of Lestari Sejahtera and Karya Tani are also the member of P4K groups.

Other than the financial service suppliers mentioned in Table 50 above, during the workshop at all the groups, Community Economic Activity Empowerment (*Pemberdayaan Usaha Ekonomi Masyarakat* :PUEM) was listed as a financial institution in the community. This is a district program under which financial institutions in *Desa / Kelurahan* level was established and managed by and for the communities, to grow and develop communities' businesses to improve income and welfare of household/communities. Each *desa* was granted by the District Government a revolving fund to be used for credit for business managed by groups. The credit is given with the interest rate of 12 % p.a. and with the savings collateral of 3% of the loan amount kept at Bank Jatim. Since 2003, the capital granted to *Desa / Kelurahan* has grown by 33.6% in the process of revolving in the community. In addition, the Urban Poverty Program (*Proyek Penanggulangan Kemiskinan di Perkotaan* :P2KP) was mentioned as a financial institution in the community of Karya Tani.

4.2 Demand-Side Analysis

The main source of income for the most of members of Lestari Sejahtera and Karya Tani is duck production. While as for Tani Mulyo, only three out of eight household survey respondents answered duck is the main source of income, and others rely on non-agriculture activity, such as trade, manufacturing, and service. The monthly income from duck for the sample group ranged from Rp. 0.3 to 15.2 million. With other incomes, the total income per month for Lestari Sejahtera sample group showed Rp. 6.3 to Rp. 23.6 million, for Karya Tani, Rp. 1.7 to 21.1 million, and for Tani Mulyo, Rp. 1.6 to 3.8 million.

Regarding the assets, the eight members in the sample group from Lestari Sejahtera have motorbike, and some with car or truck, and six of them own paddy land with certificates, with the size of 0.02 ha to 0.9 ha. For Karya Tani sample group, seven have motorbikes and one has both a motorbike and a car, five members have gold, and four members own paddy land with certificates ranging from 0.1 to 0.6 ha. Regarding Tani Mulyo sample group, all the eight respondents have motorbike and one also has a tractor, six own paddy, land and five have certificates for it.

As a result, sample respondents from Lestari Sejahtera and Karya Tani can be located to the fair and rich categories, while those of Tani Mulyo to the rich category.

As for savings, seven out of eight of the Lestari Sejahtera sample members save at bank now, and seven have borrowed from banks, with current loan balance ranging from Rp. 3.1 to 30 million.

Out of Karya Tani sample members, four have saved, and others have no saving experience because according to them, they do not have surplus to save. Seven sample members of Karya Tani have borrowing experience, and their current loan balances are from Rp. 0.1 to 6.5 million. Out of the seven, two members borrowed from banks, and three members from the farmers group, for duck production. Other borrowing sources are a cooperative, middlemen, and friends and relatives.

Only two sample members from Tani Mulyo save both with cash at banks and in-kind (rice and cow), and others do not save because they do not have surplus to save. Six sample member households from Tani Mulyo have borrowing experience, from banks, a cooperative, and the farmers' group. The three answered the loan purpose from banks was for duck production, and one for trading. Their outstanding loan balances are from Rp. 1.0 to 3.0 million. Some do not borrow from bank for duck production, because they are not confident to follow the repayment cycle.

In the poverty ranking analysis from these three communities, it is indicated that lower two categories of the people (the destitute and poor) are engaged in irregular laborer, farm laborer, or tricycle or rickshaw drivers, either landless or having a few 100 m² of land, and their assets are old bicycles. In terms of financial service, they either have no access or have access to moneylenders, pawnshop, and *Arisan*, and they do not have access to banks or microfinance institutions (MFIs).

As a group, Lestari Sejahtera is very organized with savings and loan activity whereby the entry fee is Rp. 100,000 which is accumulated to Rp. 4.7 million, and the monthly obligatory savings is Rp. 1,000 per month, which is accumulated to 3 million. Maximum loan amount within the group is Rp. 0.8 million and the interest rate is 10% per three months. Karya Tani just charges entry fee of Rp. 50,000, which is accumulated to Rp. 450,000. This capital works as a deposit to borrow money or feed from the group leader without interest rate, up to Rp. 2 million. Tani Mulyo has savings and loan activity whereby members save monthly Rp. 10,000, and loan Rp. 500,000 at the interest rate of 2.15 % per month.

All the three groups have close relationship with the feed supplier. Lestari Sejahtera members buy feeds on credit from the feed supplier, and repay to the same supplier by selling their duck products, thus the feed supplier is also a collector. Tani Mulyo members have the same arrangement, but they feel the relationship is a kind of bondage because they are charged market price for feeds, and when they sell their products, they are given lower price than market price by the collector. Karya Tani members have a different arrangement, they have contracts with two rice mills to buy their bran as duck feed at the market price.

All the groups raised lack of capital as one of their main priority problem at the workshop. Karya Tani members lack capital to develop duck cages and increase the number of ducks, and as for Tani Mulyo members, the high interest rate hampers them to borrow from banks, although they have enough land certificates as collateral. The possible solutions proposed include to strengthen group savings activity or to collect capital from members, to apply for bank loan, and to make proposal to DINAS for funding.

5. Kabupaten Kediri

5.1 Supply-Side Analysis

The total number of financial institution establishments in the District of Kediri is 626, including 72 arms of bank institutions and 626 non-bank institutions. The details of the financial institutions are shown in Table 17 and Table 18 below:

Table 17 Number of Banks* in Kabupaten Kediri

Office Status	State Bank	Private Bank	Total
Branch	7	8	15
Sub-Branch	-	-	0
Cash Office	-	17	17
Unit	40	-	40
Total	47	25	72

*Banks here include BPD, i.e. Bank Jabar. BPRs are included in the Table 73.

Source) BI website and interview

Table 18 Number of BPR and Non-Bank Financial Institutions in Kabupaten Kediri

Appendix (c) of Appendix A

BPR	BPR Syariah (BPRS)	Cooperative*	Pawnshop	Total
23	1	596	6	626

*Number of active cooperatives
Source) BI website and interview

For the community of the selected mango farmers' groups, Makmur Jaya has a good physical access to banks not only BRI but also BNI, BCA, Bank Mandiri, Bank Jatim, and BPR. Budi Daya's access to banks is not good, even the nearest bank is 10 km away from the village. The details of access are shown in Table 19 below. The ones which are shown in the italic are the financial institutions which are mainly used for their mango production.

Table 19 Financial Services Available in the Community of Duck Farmers' Groups

Selected Farmers' Group	Bank and BPR	Non-Bank	Others
Makmur Jaya Tarokan Village, Kec. Tarokan	<ul style="list-style-type: none"> ▪ <i>BRI Kediri (for P4K)</i> ▪ <i>BRI Unit Kaliboto (6km)</i> ▪ BPR Gregol (Bank Pasar) (Followings are far from the village: <ul style="list-style-type: none"> ▪ BNI ▪ Bank Mandiri ▪ BCA ▪ Bank Jatim Kediri) 	<ul style="list-style-type: none"> ▪ KSP Bina Usaha Makmur ▪ Pawnshop 	<ul style="list-style-type: none"> ▪ <i>2 Warung</i> ▪ <i>Arisan</i>
Budi Daya Tiron Village, Kec. Banyakan	<ul style="list-style-type: none"> ▪ <i>BRI Kediri (for P4K)</i> ▪ BRI Unit Banyakan (10km) 	<ul style="list-style-type: none"> ▪ <i>Cooperative Budi Daya (not registered, savings and loan section of the Farmers' Group)</i> 	-

For Makmur Jaya, although some members transact with various kinds of banks outside the community, not all the members have transaction with these banks. Both Makmur Jaya and Budi Daya are P4K groups thus they have transaction with BRI Kediri Branch, and for disbursement or repayment they use BRI Units nearby.

The table 20 summarizes the performance of some financial institutions.

Table 20 Performance of some financial institutions close to the farmers

Item	BRI Kediri	BRI Unit Kaliboto	BRI Unit Banyakan	BPR Bank Pasar	KSP Bina Usaha Makmur
Year	2005	2005	2005	2005	2005
Total savings (Rp. 000)	478,106,000	5,082,131	7,141,014	13,900,485*	652,000*
No. of savings accounts	302,548	4,662	6,093	4,203	22
Average savings per account (Rp.000)	1,580	1,090	1,172	3,307	29,636
Total Loan (Rp.000)	517,566,000	3,238,953	2,399,415	18,256,305	754,639
No. of loan accounts	39,907	717	552	5,239	100

Appendix (c) of Appendix A

Loan per account (Rp.000)	12,969	4,517	4,347	3,485	7,546
Out of which,					
Total agriculture loan (Rp. 000)	186,907,000	911,743	759,264	218,866	309,402
No. of agriculture loan account	28,555	204	147	60	700
Agriculture loan per account (Rp.000)	6,546	4,469	5,165	3,648	442

* Time Deposit
Source) Interview

The average savings amount per account was from Rp. 1.1 to 1.6 million. For BPR and KSP, they take only deposits and the average deposit per person is Rp. 3.5 million and Rp. 7.5 million respectively. The average agriculture loan per account varied, for BRI ranges from Rp. 4.5 to 6.5 million, for BPR, Rp. 3.6 million, and for KSP, Rp.0.4 million.

The interest rate for savings at BRI is from 0 to 6% p.a. The time deposit at BPR attracts 8% p.a., and 12% p.a. at KSP Bina Swadaya. Savings start from Rp. 25,000 at BRI. At KSP the savings at entrance is Rp. 25,000. Time deposits start from Rp. 10 million at BPR and Rp. 1 million at KSP.

The conditions for loan differ at different institutions. BRI Units can lend the amount from Rp. 0.1 to Rp. 100 million per customer, and the interest rate is from 1.0 to 1.5% per month, and at their branch, the interest rate varies from 9 to 24% p.a., for the amount of Rp. 0.2 million to 2 billion. BPR can lend the amount from Rp. 15 to 50 million per customer, at the interest rate of 1.95% per month. The collateral is required in general, except for BRI Units which have loan products whereby no collateral is required up to Rp. 3 million. Both BRI Unit, BPR, and KSP require the ID documents for loan.

The repayment rate for BRI Units ranges from approximately 98% to 100%, while for KSP it is 98%.

The agriculture sector share among loan customers at BRI Units is from 26% to 35%, and at BRI Branch, it is 20%. While at Bank Pasar Kediri, the agriculture sector customer comprises only 1%, since their target is the traders. Even at BRI Units, trade sector customers share a big portion, for example 60% at Unit Banyakan. At KSP, agriculture sector loanee comprise 41% of the total loanees. It should be noted that currently the KSP has 22 members, but it also serves for 77 potential members.

As constraints of serving micro and small customers, BRI Kediri Branch and Units analyzed that they are not good at marketing, which resulted in income decrease and affected the payment of installments. In addition they explained that these customers can keep only a simple book, so BRI clerks have to prepare books through discussion with them. And micro and small customers tend to ask for loan amount which is more than their repayment capacity. For ducks and chicken business in particular, because of avian flu, they stopped offering new loan to new customers who are duck and chicken

farmers and traders, because it is deemed as high risk. Some Units consider Bank Danamon, KSP, BPR, and Bank Jatim as their competitors.

Bank Jatim Kediri Branch analyzed the constraints of serving rural poor as three, which are: (i) poor transportation network, (ii) limited support to micro, small and medium enterprises (MSMEs) by the government office, and (iii) less coordination among government offices on supporting MSMEs. Their Malang Branch set up the Grameen Bank replication project.

Bank Danamon Kediri Branch stated that they target trading sector, geographically the market area near the branch, mainly in order to save customers from moneylenders. They also send their clerks to villages to reach the customers for their savings and loan, so they see themselves as the first competitor of KUD.

KSP and Bank Danamon mentioned the problems regarding the collateral, the former had the experience of the collateral motorbike got stolen and could not execute it. The latter had the experience of customer offered the collateral which did not belong to him and could not execute either.

On the other hand, opportunities, or rather, the strategies taken by BRI Branch and Units are firstly, to maintain current micro and small customers and finance them to grow bigger, secondary, to be more selective in choosing new customers, lastly, to increase fee business such as handling payroll, and to increase microfinance through Units, including P4K. In fact, Makmur Jaya was mentioned as a successful P4K customer by the BRI Branch. To approve loan for farmers, BRI also try to look at their other source of income. Bank Danamon stated that as for agriculture, they saw opportunities in having customers in trading food crops for food security purpose, such as paddy, soybean, corn, sweet potato, palm oil, and sugar. Overall, Bank Danamon Kediri Branch would maintain the set of existing customers and target the trading sector.

5.2 Demand-Side Analysis

According to the household survey, out of 8 sample members from each Makmur Jaya and Budi Daya, only 3 each answered that mango production is their primary source of income. For others, the income from mango production consist only a part of their income, and their primary income sources are such as trading, wood industry, construction, estate worker, rental car business, and small restaurant business.

Income from mango production, when it is translated into monthly base, for these sample members are less than Rp. 0.5 million, except for two respondents from Makmur Jaya, who have Rp. 1.1 million and Rp. 1.7 million income per month from mango respectively. The total household income per month for sample members ranges from Rp. 0.3 to 3.3 million. The community of Makmur Jaya has some migrant workers to abroad and occasionally they get extra income from those.

The member respondents own dry land with certificates, except for one who share-crops it, and their size of the dry land ranges from 0.03 to 4 ha. Regarding mobile assets, seven

out of eight respondents from Makmur Jaya answered they have motorcycle, out of which, three also have cars, and one also has a truck. The remaining one respondent has gold. For Budi Daya, only two respondents have motorcycle but five have gold.

The respondents to the household survey from both groups could be categorized as fair and rich ranking in the poverty ranking agreed by the community. The destitute and poor category households are supposed to be engaged in seasonal laborer, irregular farm laborer, or farmer with small piece of land of maximum 0.25 ha. They at most own old bicycle with a few chicken. In the community of Makmur Jaya, the people in these two categories at most have access to trader's finance, but not to banks. Where Budi Daya is, the destitute has no access to any financial services, but the poor has access to the savings and loan activity at farmers' groups.

Three respondents from Makmur Jaya save in cash and one save in gold, but the rest do not save mainly because they do not have surplus to save. Cash saving is kept at bank or in the form of *Arisan*. Six respondents have borrowing experience from banks, out of which, four answered the loan purpose was for mango production and one for trading. The current outstanding loan balance for these respondents ranges from Rp. 0.5 to 14 million. For those who have never borrowed stated the reasons of either fearing to borrow or no need to borrow.

45 active members out of total 105 members of Makmur Jaya formed three P4K groups and obtained loan from BRI for three cycles. The latest cycle started in 2006 and each member got Rp. 1.5 million loan. Their repayment cycle is twice a year, and so far their repayment performance is excellent. Members would like to proceed to the next cycle of loan to obtain Rp. 2.0 million each. Some Makmur Jaya members have individual accounts at BRI Unit (6 km away from the village). Others borrow money, fertilizers and basic needs from two big *warung* (shops) in their Dusun, and repay after mango harvest. Makmur Jaya has no savings and loan activity other than P4K.

Based on the household survey, only one respondent from Budi Daya answered he saves in cash, others answered they do not save because they do not have surplus but they are willing to save if there is surplus, especially for the purpose of children's education and house construction. Seven respondents answered that they have borrowed from their cooperative, and one answered he borrowed from a bank. Four borrowed for daily goods and four for agriculture inputs. Currently their loan balance is from Rp. 0.05 to 0.8 million. To obtain the loan from the cooperative, they have to be members and must have contributed the required savings, but this savings is not recognized as savings by those who answered that they borrowed from the cooperative.

Farmers' group Budi Daya has a savings and loan cooperative as one of their divisions, and it was once registered but inactive as of now. The savings at entry for the cooperative is Rp 10,000 (as membership fee) and compulsory saving is Rp 1,000 per month, collected on the 8th of every month. There is no voluntary savings. They use the cumulative savings as revolving fund for loan. And members can borrow every month

Rp 100,000 in three months, with principal repayment installment of Rp. 30,000 Rp. 35,000, and Rp. 35,000. The interest rate charged is 10% for 3 months. Each member has a personal book for savings and loan. Budi Daya has another division of women's group which is in charge of processing. Members of this sub-group share the profit among them.

Members of both groups are duplicated as forestry farmers' group members, which has savings and loan activity, although at Makmur Jaya community, it was confirmed that the activity was yet to start.

The relationship between mango farmers and traders in Kediri does not include that of giving credit for agricultural input. Rather the traders appear in the scene of purchasing harvested goods, but agree on the condition either before harvest or after harvest. Under the before-harvest-sales agreement, the harvest responsibility is with the trader and the payment is done to the farmers in three stages of: (i) upon agreement, (ii) at the beginning of harvest and (iii) at the end of harvest. The price of mango is mostly decided by the traders, considering various factors. Under the after-harvest-sales, farmers have to harvest and bring mango to the collection point.

Lack of capital did not come out conspicuously at both groups during the workshop, rather group members were more worried about mango market price fluctuation, lack of technical skills as to how to tackle pest, and use fertilizers. In addition, Budi Daya members raised the bad transportation access, and needs for packaging improvement as problems as well.

Appendix (d)
Additional Survey on
Rural Microfinance Program

ADDITONAL SURVEY ON RURAL MICROFINANCE PROGRAM

1. Introduction

Based on the analysis of financial situation of the selected Kelompok Tani in Sample Kabupaten, it came out clearly that forming LKM from the existing groups (including Kelompok Tani) is one of the promising approaches to improve the accessibility to finance. Additional survey, therefore was conducted on three MOA programs, namely, (i) Gabungan KPK and LKM developed from P4K, (ii) BLM/BPLM/PMUK and (iii) LKM-A, and (iv)BLM.

2. Gabungan KPK and LKM formed under P4K

MOA has the experience of self-help group formation through the Rural Income Generation Project (Proyek Peningkatan Pendapatan Petani Kecil: P4K). It had the stages of (i) Phase I: 1979-86 (6 provinces), Phase II: 1989-1996 (10 provinces, project cost total US\$ 29 million, loan portion: US\$14 million by IFAD), Phase III: 1998-2005 (27 provinces, loan portion: US\$103.5 million by ADB and IFAD), and Emergency Response: 2006¹. P4K was an income generation project, lately funded by Asian Development Bank (ADB) and International Fund for Agriculture Development (IFAD).

It targeted for small farmers and fishermen who were organized into small self-help groups (SHG) of 8 to 16 people (in Phase III, changed to 15 to 25) which received microfinance services from BRI. Business was assessed based on the Group Business Plan (*Rencana Usaha Bersama*: RUB), out of which, the crucial items to be filled in are indicated in the Box.

Box 1: P4K Group Business Plan

1. Type of business needs credit
2. Business cycle = Installment cycle
- 3.1 Average sales per cycle
- 3.2 Average purchase per cycle
- 3.3 Business expenses per cycle
4. Own capital
5. Required credit (3.2+3.3-4.)
6. Revenue per cycle
- 6.1 Revenue from 1. per cycle
- 6.2 Revenue from others per cycle
7. Total Revenue per cycle(6.1+6.2)
8. Family Expenses per cycle
9. Net Revenue per cycle (7.-8.)
10. Installment of Bank's Credit
11. Surplus / Deficit (9.-10.)

The loan was approved without physical collateral, but based on the group liability and the 10% compulsory savings frozen at BRI. The interest rate was 1% per month flat rate lately, and the loan amount ranged from, at first cycle Rp. 500,000 up to 6 cycles of maximum loan amount of Rp. 2 million. The average repayment rate of each stage is Phase I: 85%, and Phase II: 95%². According to the tentative evaluation result for Phase III, total loan disbursement was Rp. 1.3 trillion and the percentage of arrears against the

¹ There was a one year extension by ADB to provide both loan and grant to assist reconstruction and rehabilitation of tsunami and earthquake hit area of Nanggroe Aceh Darussalam (NAD) and Nias District of North Smatra District. It covered 8,400 families, which joined in 410 SHG at 12 districts and 36 villages. The family head who suffer direct or non-direct catastrophe and already joined SHG received conditional aid of Rp. 2 million for development of his/her own micro-business and group business.

² MOA (1998) *Indonesia's Poverty Eradication Methodology*. Indonesia; and Holloh, D. (2001) *Microfinance Institutions Study*. ProFI, Indonesia

outstanding loan balance as of December 2005 was 32%³.

P4K assumed the continuous support from the FEW. A monthly monitoring and supervision allowance was paid for P4K work and further incentive was provided for group training courses and on-time loan repayment by SHGs.

During Phase II, the institutionalization of SHG was conceptualized, to develop them into SHG Association (Gabungan KPK), and transform them into microfinance institutions (LKM) including non-KPK members from the community, which were expected to be eventually registered as cooperatives. The purposes of forming Gabungan comprises (i) to facilitate government services, (ii) to obtain additional chance for business capitalization outside P4K credit, (iii) to enable loan service for members at appropriate time and amount with more simple procedure. This exit strategy of the project was also maintained in Phase III. The requisites for KPKs to form Gabungan, and the criteria for active and healthy Gabungan is summarized in the Box below:

Box 2: The Principles of Gabungan KPK

1. Requisites for KPK to be member of Gabungan KPK
 - (1) Minimum at middle-level KPK
 - (2) KPK which is 3 years old or older
 - (3) KPK having the same type of business or complementing each other
 - (4) KPK located in the same Desa.
 - (5) All member of KPK agree to form the Gabungan and it is proven in the written statement
2. Criteria for Active and Healthy Gabungan
 - (1) Having an obvious, measurable and written objectives
 - (2) Having a good organization with the following characteristics:
 - (3) Having a written work plan which is agreed and carried out
 - (4) Having a well-developed business activity, with the following characteristics:
 - Activities of savings and loan, and non-savings and loan
 - Service delivery is performed daily
 - All members follow the obligatory savings regularly
 - More than 50% of the members save voluntarily
 - The voluntary savings are given a merit at the agreed amount
 - More than 50% of the members borrow
 - Arrears are less than 0.5% of the outstanding loan
 - The amount of profit (SHU) increases every year
 - At least 50% of SHU is retained in the Gabungan
 - (5) Having a good financial and non-financial administration (complete, disciplined, in order, and correct)
 - (6) Having a good business partner, with whom, the business partnership is in the written form of contract. The partnership is expected to give profit to both parties, and sustainable.
 - (7) Creating a written activity report, complete and accurate.
 - (8) Beneficial to members and the local community

Source) MOA (2004) Implementation Guidelines: Growing and Strengthening the Capacity of KPK Gabungan

As of December 2005, 13,962 SHG out of the total 58,118 were deemed to have graduated the scheme. And 51,636 SHG out of the total of 58,118 have joined in 1,496 SHG Associations, out of which, 35 were registered as cooperatives. Some SHG Associations have been successful in self-financing and self-generating capital.

³ ADB (2005) *The 4th Draft of Project Completion Report: Rural Income Generation Project P4K-Phase III*, Indonesia

Following tables indicate the list of Gabungan KPK and LKM in Sample Kabupaten.

Table 1 List of Gabungan KPK (SHG) / LKM (MFI) in Kabupaten Cirebon in 2006

No	Name of Gabungan KPK & LKM	Type	Establishment	No of KPK	No of Members	Main Activity	Capital / Saving (Rp)
1	Mawar 1	Gabungan KPK	11-Jan-1995	6	60	Trading, Producing Roasted Peanuts	1,610,000
2	Suka Makmur 1	Gabungan KPK	12-Sep-2002	4	40	Saving and Loan, Warung	4,400,000
3	Bawang Merah	LKM	4-May-1997	18	288	Saving and Loan, Cultivating Red Onions	10,920,000
4	Usaha Jaya	Gabungan KPK	16-Jun-2005	6	65	Saving and Loan	1,300,000
5	Sejati	Gabungan KPK	15-Jun-2005	5	50	Saving and Loan	1,000,000
6	Panca Asih	Gabungan KPK	2-Aug-2002	5	50	Saving and Loan, Arisan	125,000
7	Paguyuban	Gabungan KPK	5-Jun-2000	5	50	Saving and Loan	-
8	Mekar Sari	Gabungan KPK	20-Nov-2001	3	30	Saving and Loan	-
9	Arum Jaya	Gabungan KPK	25-Jun-2004	4	44	Saving and Loan	666,000
10	Barokah	Gabungan KPK	27-Jun-2005	6	66	Tahu Producer, Arisan	1,425,100
11	Pataraksa Jaya	Gabungan KPK	21-Jun-1992	5	50	Saving and Loan	-
12	Sri Mukti Jaya	Gabungan KPK	22-Jun-1992	6	60	Saving and Loan	-
13	Mawar	Gabungan KPK	12-Aug-1994	6	60	Saving and Loan	3,800,000
14	Suka Makmur 2	Gabungan KPK	12-Sep-2002	5	50	Saving and Trading	5,000,000
			Total	84	963		

Source) Interview and information collated from Dinas Pertanian dan Perkebunan, Kabupaten Cirebon

Table 2 List of LKM (MFI) in Kabupaten Kuningan in 2006

No	Name of LKM	Type	Establishment	No of KPK	No of Members	Main Activity	Capital / Saving (Rp)
1	Silih Asih	LKM	5-Jan-1999	3	45	-	-
2	Mekar Saluyu	LKM	17-Dec-2002	15	197	-	-
3	Kalia Binekas	LKM	16-Feb-2000	6	78	-	-
4	Darma Harapan	LKM	26-Feb-1999	6	64	-	-
5	Sehat	LKM	27-Mar-2001	18	214	-	-
6	Marga Saluyu	LKM	26-Apr-2000	3	45	-	-
			Total	51	643		

Source) Interview and information collated from P4K Extension Worker, Kabupaten Kuningan

Table 3 List of Gabungan KPK (SHG) in Kabupaten Kuningan in 2006

No	Name of Gabungan KPK	Type	Establishment	No of KPK	No of Members	Main Activity	Capital / Saving (Rp)
1	Mekar Mulya	Gabungan KPK	-	7	80	-	1,930,000
2	Karya Mandiri	Gabungan KPK	-	6	80	-	1,620,000
3	Banyu Asih	Gabungan KPK	-	5	40	-	4,260,000
4	Rahayu	Gabungan KPK	-	6	60	-	10,000,000
5	Kramat Pakuwon	Gabungan KPK	-	2	20	-	2,000,000
6	Mekar Saluyu	Gabungan KPK	-	3	35	-	2,500,000
7	Saluyu	Gabungan KPK	-	7	101	-	1,500,000
8	Silih Asih	Gabungan KPK	-	6	72	-	4,754,200
9	Jambar Mulya	Gabungan KPK	-	17	192	-	3,000,000
10	Medan Jaya	Gabungan KPK	-	4	39	-	450,000
11	Silih Asih	Gabungan KPK	-	3	19	-	2,200,000
12	Remyang Sari	Gabungan KPK	-	3	41	-	2,500,000
			Total	69	779		36,714,200

Source) Interview and information collated from P4K Extension Worker, Kabupaten Kuningan

Table 4 List of LKM (MFI) in Kabupaten Majalengka in 2006

No	Name of LKM	Type	Establishment	No of KPK	No of Members	Main Activity	Capital / Saving (Rp)
1	Flamboyan	LKM	18-Sep-2003	6	33	Grass Hats	2,296,750
2	Kejar Kas	LKM	25-Apr-2002	8	82	Grass Hats	8,610,250
3	Harum Sari Mekar	LKM	29-Jun-2001	8	101	Sheep Fattening	15,000,000
4	Cendrawasih Mekar	LKM	23-Nov-2000	7	58	Sheep Fattening	10,600,000
			Total	29	274		

(Source) Interview and information collated from Kantor Penyuluhan Pertanian dan Ketahanan Pangan (KP-KP), Kabupaten Majalengka

Table 5 List of Gabungan KPK (SHG) in Kabupaten Majalengka in 2006

No	Name of Gabungan KPK	Type	Establishment	No of KPK	No of Members	Main Activity	Capital / Saving (Rp)
1	Liga Marga	Gabungan KPK	8-Dec-1992	10	100	Sheep Fattening	6,200,000
2	Karya Tani	Gabungan KPK	7-Dec-1992	7	70	Grass Hats	19,900,000
3	Mekar Tani	Gabungan KPK	15-Sep-1994	9	90	Grass Hats	17,550,000
4	Mitra Sauyunan	Gabungan KPK	20-Mar-1995	4	39	Sheep Fattening	1,340,000
5	Mitra Binangkit	Gabungan KPK	23-May-1995	5	40	Sheep Fattening	3,751,500
6	Mekar Rahayu	Gabungan KPK	28-Nov-1992	5	50	Selling Materials	2,250,000
7	Nusa Indah	Gabungan KPK	27-Jun-1992	4	30	Snacks	1,500,000
8	Mina Karya Sejahtera	Gabungan KPK	1-Jan-1994	2	28	Saving and Loan	750,000
9	Saluyu Mekar	Gabungan KPK	25-Nov-1992	8	75	Saving and Loan	750,000
10	Cangkurileung	Gabungan KPK	17-May-2001	6	64	Snacks	2,000,000
11	Sari Bumi Waluya	Gabungan KPK	17-Jun-1997	4	73	Sheep Fattening	86,000,000
12	Mukti Sari	Gabungan KPK	21-Apr-1997	6	60	Vegetables	1,200,000
13	Wargi Saluyu	Gabungan KPK	5-Sep-2003	4	59	Kerosene Stove	944,000
14	Sri Rahayu	Gabungan KPK	20-Oct-2002	6	78	Small Trading	400,000
15	Balebat	Gabungan KPK	20-Nov-2005	3	31	Sheep Fattening	1,000,000
16	Mekar Sari	Gabungan KPK	11-Jun-2001	4	39	Saving and Loan	1,800,000
17	Flamboyan	Gabungan KPK	18-Sep-2003	3	43	Saving and Loan	989,000
18	Cempaka Warna	Gabungan KPK	12-Mar-2003	5	77	Snacks	2,464,000
			Total	95	1046		

(Source) Interview and information collated from Kantor Penyuluhan Pertanian dan Ketahanan Pangan (KP-KP), Kabupaten Majalengka

The main part of P4K as a project ended as of December 2005, and remaining SHG was handed over to Kabupaten Government, to continue with BRI up to December 2007. Some of the Sample Kabupaten of this Study saw already the downturn of the activity, since the operational cost which had been borne by the project was not looked after at the same level by the Kabupaten government. On the other hand, some attempt to continue with the project by setting up the similar scheme of group lending using the same criteria, such as Kredit Pengembangan in Kabupaten Cirebon.

Although the policy of forming KPK Gabungan and LKM was introduced with good intention, the methodology seems not to be penetrated enough at the Kabupaten level. Some seemed to be formed prematurely or not completely following the criteria. In case of Kediri, where it was pointed out that KPKs depend heavily on P4K credit for their working capital sources even after receiving 4 to 6 cycles, there is no LKM established

yet.

Interview with P4K Coordinators, and Field Extension Workers who are in charge of P4K revealed the following points. The main source of KPK Gabungan / LKM failure is that of repayment misused either by the village officials, or the irresponsible management, and the disputes among the management, who are experienced and influential, using the installment money for their personal gains. Another example of failure is the fire destroyed the fruit stalls of Gabungan KPK.

In successful cases, Gabungan KPKs have advanced businesses with honest and good management. Officers at Kabupaten level and PPLs are active in providing supervision, training and monitoring development and activities of KPK. The KPK should be committed to their working plans. The examples of national contest winner Gabungans are included in the Attachment-1.

P4K Gabungan or LKM tend to suffer from small capital base and in quest of third party capital. And even the successful LKM hesitate to register as cooperatives as shown in the Box below:

Box 3: Why LKM Bawang Merah (Cirebon) has not been registered as Koperasi?

- We have not discussed about it with our members and management.
- We must plan properly.
- Our business is from us and for us. Our management members are all women with limited human resource skills. If we become Koperasi we need better human resource.
- We have seen bad example of a Koperasi in Kecamatan Losari which did not work well. We are afraid to face the same faith.
- We require good guidance to learn more about Koperasi.
- Registration fee for Koperasi is too high at Rp.2,000,000.
- Coverage area will become wider, selection process requires considerations.
- We are here to fight the money lenders in our community and help people who lives near the market location to borrow money
- We are still participating in P4K Program. After completion the last cycle, we will discuss this matter further. (Notes: Bawang Merah has received 9 P4K cycles, this year will be their last year in P4K Program)

Through interview and workshop, it was observed that in general, Kabupaten government does not have a policy on fostering and development of LKM. Although there is a movement of incorporating P4K into the planning of Kabupaten with BAPPEDA, there is a tendency of Dinas Agriculture (P4K coordinator) and Dinas Cooperative not coordinating completely.

3. BLM/BPLM/PMUK

Seeing the slow disbursement of KKP, and high transaction cost of executing banks, MOA introduced Food Crops Development Program (PKP) in 2000, and Rural Food Crops Institution Development Fund (PKPP) in 2001, using the credit program of Community Direct Assistance (*Bantuan Langsung Masyarakat*: BLM). This is a revolving loan fund scheme directly disbursed to farmers' groups, which is expected to be revolving within the groups. The farmers' groups attach group business plan to the

application, and members are support to use the fund for the specified purpose on the Plan, and repay with the agreed interest rate by the group members.

In 2002, MOA launched Commodity-based Agribusiness Development Project (PPABK) through Community Direct Loan Assistance (*Bantuan Pinjaman Langsung Masyarakat: BPLM*), in the context of decentralization, it was re-designed based on BLM, to be managed at Kabupaten / Kota level, with the extension workers carrying out the role of assessing the farmers' credit capacity, selecting groups, and monitoring. Both BLM and BPLM were not returned to the State Treasury, Regional Treasury, or any official account of Dinas or the individual account of its staff, but they were meant to be managed by the groups. Table below is the budget and number of recipient farmers' groups approved for BLM:

Table 2 BLM Allocation (unit: billion rupiah)

DG	2000	2001	2002	2003	2004	2005	2006
Food Crop	531	99	165	162	123	160	136
Horticulture	-	60	107	90	99	65	98
Estate Crop	-	22	33	174	99	216	231
Livestock	22	83	56	63	73	59	98
Food Security Agency	-	-	18	49	22	2	19
Total Amount	553	264	379	538	416	502	582
Total No. of Group	6,127	4,514	7,716	4,640	3,592	8.831	N/A
Amount per Group (million rupiah)	90	58	49	116	116	57	N/A

Source) MOA

It was however, recognized that these resources were revolving poorly within the targeted groups, which considered the funds more as charity than as a capital resource to be preserved and revolved⁵.

Then in 2003, under the Program of Empowerment of Agribusiness Community through Strengthening Group Business Capital (Pemberdayaan Masyarakat Agribisnis Melalui Penguatan Modal Usaha Kelompok: PMAM-PMUK), where BPLM was refocused to emphasize that the funds which are directly distributed to groups are meant to be a loan within the group, to be continuously revolved according to the development pattern of each commodity, within the socio-economic context of the community, and subsequently, to strengthen the capital base of the group. It aimed to promote the ownership of the group by stressing the group members' contribution to the proposed business, to strengthen the monitoring of how the funds are revolved, even collecting the minutes of group meeting, and to suggest to Dinas to involve development partners to support this process, such as universities, NGOs, and private sector, in addition to extension workers. In order to increase the avenues of ascertaining PMUK to revolve in the community, the use of the fund to develop microfinance institutions (MFIs, or Lembaga Keuangan Mikro: LKM) in rural areas, was also included. Since then, the recipient of BPLM groups

⁵ World Bank (2003) *Finance for the Poor*, Indonesia, the interview at Agriculture Dinas Majalengka in August 2006 revealed that it was roughly 50 % of all BLM which was revolved.

reached 1,343 groups in 275 Kabupaten in 33 Provinces throughout Indonesia⁶.

At Kabupaten level, however, the name PMUK has not yet penetrated. The officials recognize more the name of BLM and BPLM.

Officials face the problems of: (i) beneficiaries do not understand the concept of BLM/BPLM, and often disregard repayment thinking it is a grant not a loan, (ii) low education level of the farmers affects the performance of adopting the proposed cultivation technique and managing the fund, (iii) lengthy bureaucratic process in fund disbursement caused delay in implementation, (iv) balanced fertilizing technology was ignored due to capital constraints, (v) especially for rice cultivation, lack of land to work on (Mojokerto).

To solve these problems, it was proposed that: (i) priority should be on working capital, not investment (in case of duck in Cirebon), (ii) choose the Kelompok Tani, whose leader is disciplined and strict, and which is productive, (iii) good monitoring and evaluation process is required, (iv) relations with financial institutions are required to make the program suitable, (v) disbursement process should be shortened and less bureaucratic, (vi) monitoring and guidance not only the year of disbursement but after the disbursement is required, (vii) revolving period to be 5 years, not 3 years, (viii) delays in repayment can be avoided by announcing the payment due date to Kelompok Tani well in advance, and (ix) technical and financial sanctions should be imposed to achieve order. The group selection assessment formats are included in the Attachment-2.

The examples of BPLM is summarized in the Box below:

Box 4: Case of BPLM disbursed from Kediri Dinas Agriculture

1. Success case:

KT Sido Asih II, Desa Janti Kecamatan Papar received Rp35,000,000. KT Sido Asih is committed to develop the fund and has open book keeping. PPL is active and reliable. Sido Asih introduced a package system, for example, for Rp500,000 loan given to each farmer, Rp100,000 is saved in group's saving and Rp400,000 is received in the form of agriculture input.

2. Failure case

KT Kamal II is located along Brantas River and most members are labored farmers. Kamal II has long outstanding payment, farmers do not pay the installments because of economy factor.

The form of monitoring sheets varied in each Kabupaten, some include the comparison of disbursed and the current amount of capital (or livestock in kind), some do not. Probably because of that, the rate of repayment within the Kelompok Tani is not clear. But it was mentioned in common that failure case is the poor repayment case, and the successful one is the one which revolve the fund with commitment and good administration.

⁶ Information obtained from the Center for Agricultural Financial Services, Ministry of Agriculture

4 LKM-A

In 2004, the concept of development of LKM was refined into the Program of **MFIs in Agribusiness (*Lembaga Keuangan Mikro Agribusiness: LKM-A*)**. It was the time when the fiscal budget for 2004 and coming 2005 got tight, due to the deficit. And it was recognized that there is a limit in government funding. On the other hand, the directorate of financing at MOA in 2001 formulated the policy of optimizing the fund source outside MOA, namely, banking and non-banking financial institutions, donor funding, as well as the funds manage by the community. It was against this background that LKM-A was introduced, as a way of utilizing the funds managed by the community, which could finance farmers and agribusiness, and to facilitate the community to become self-reliant and autonomous. This was a clear step ahead from BLM / BPLM pattern of funding, in a way that it clearly intended to show the exit for LKM-A to graduate government support in the future, and to become self sustainable.

The program is, in principle, a capacity building (training and working capital injection) of LKM-A. It was suggested to have three components of: (i) optimization of existing LKM (transforming existing LKM in the community to serve farmers and agribusiness); (ii) building LKM-A from farmers' groups and association of farmers' groups (developing farmers' groups and its association, which are LKM Embryo, to be a self-sustainable LKM-A); and (iii) development of regional specific microfinance, which includes a suitable repayment pattern according to the specific commodity. These LKMs are expected to operate under the Law No. 25/1992, as agriculture cooperatives (*Koperasi Tani: Koptan*).

As for the part of (i) above, to develop LKM-A from the existing LKM, MOA at the time of 2004 attempted to propose to local government to transform BPR to BPR-A. Lately, MOA has shifted to include BMT and existing cooperatives in this category of (i).

Currently, the part of (ii) and (iii) were consolidated in the General Guideline of PMUK for 2006, and the General Guideline of Empowering Farmers Group Recipients of PMUK as LKM-A 2006, to include the mandate of the PMUK recipient groups to establish LKM-A after the fund was repaid by members. In 2006 the documents for parliamentary explanation stated that LKM-A should be developed not only farmers' groups (*Kelompok Tani*) but also other existing self-help groups in the community (*Kelompok Swadaya Masyarakat: KSM*). MOA supported 368 LKM-As in 12 provinces, in the period of 2004 to 2006.

Utilizing the Counterpart Fund - Second Kennedy Round (CF-SKR), MOA in 2006 implemented the capacity building of 30 LKM-A transformed from BMT, KSP, Koptan and Kopontren, together with 30 LKM Embryo transformed from farmers' groups, in each of Ciamis District of West Java Province, West Nusa Tenggara Province, and Central Java Province. Loan fund was entrusted as revolving fund at BPD in each province, from which, it was disbursed to the target institutions as loan for the period of two years. The summary of CF-SKR performance is summarized in the Attachment-4.

5. Baitul Maal wat-Tamwil (BMT)

One of the active MFI which is based in the community is BMT. Baitul Maal wat-Tamwil or Balai-usaha Mandiri Terpadu means a people's economic institution which develops productive businesses and investment in improving economic activities of small entrepreneurs according to Syariah principles and Koperasi principles. BMT was introduced by the President of the Republic of Indonesia on 7 December 1995.

Setting up and fostering of BMT is facilitated by an Islamic NGO, PINBUK. MOA's LKM-A program also covers BMT and is facilitated by PINBUK.

During the 1995 - 2005 period, PINBUK has succeeded in developing about 3,000 BMTs in Indonesia, with assets (consolidation) more than one billion Rupiahs, and more than 30,000 organizers, which half of them are university graduates, and half of the amount are women. BMTs serve more than two million depositors, are giving loans to more than 1.5 million micro and small entrepreneurs.

The regulation of BMT is summarized in the Box below, the profile of PINBUK and some BMT examples are included in the Attachment-5 and Attachment-6.

Box 5: BMT Regulation

1. Main characteristics of BMT
 - (1) Independent: Self supported and capable of financing on their own (cost recovery)
 - (2) Professional (full time staff, continuous training and technical assistance, demand driven, simplicity, and transparency)
 - (3) Root in the community (initiated and organized by local community, sense of belonging and responsibility)
 - (4) Sustainability (capable of increasing assets and profits)
2. Establishment
 - (1) Minimum of 20 members
 - (2) Minimum of 70% of initial members domicile around BMT in one desa/ kelurahan.
 - (3) It can be started with Rp. 20 million but the ideal capital to set up BMT is more than Rp. 50 million.
3. Legal Status
BMT can obtain institutional status as:
 - (1) Kelompok Swadaya Masyarakat (Community Self-Help Group) under supervision from PINBUK based on Work Agreement YINBUK and PHBK-Bank of Indonesia
 - (2) Koperasi Legal Status:
 - a. Koperasi Simpan Pinjam Syariah (KSP Syariah)
 - b. Koperasi Serba Usaha Syariah (KSU Syariah) or Koperasi Unit Desa Syariah (KUD Syariah)
 - c. Unit Usaha Otonom (Autonomous Business Unit) of Koperasi such as KUD, Kopontren or others.
4. Steps of founding BMT
 - (1) Initiator establishes BMT Founding Preparation Committee (P3B) in certain location in a certain community: village, Kecamatan, market, coastal relocation area, industrial area, Moslem boarding school, etc.
 - (2) P3B gathers founding capital or stimulating capital in the amount of 50 million rupiahs, or at least 20 million to start the operational step. The capital is gathered from individual, organization, institution, local community, local government, or other sources.
 - (3) Or gathering the capital from the shareholders of 20-40 people in the area, until it reaches 50 - 100 million rupiahs (Main Deposit or share which will be calculated in profit sharing by the end of a year).
 - (4) Candidate of boarding committee (3-5 people) are chosen from the capitalist candidate. They will represent the founders in directing BMT policy.
 - (5) Recruiting executive candidate and following training and apprenticeship working by contacting PINBUK.
 - (6) Implementing office and administration equipments or forms needed.
 - (7) Operating BMT business.

<p>(8) Technical Assistance, monitoring and supervision.</p> <p>5. Membership BMT members consist of:</p> <ol style="list-style-type: none"> a. Honorable Founding Members: members who pay special fundamental saving minimum of 20% of BMT's capital b. Founding Members: members who pay fundamental saving, compulsory saving and special fundamental saving minimum of 5% of BMT's capital c. Regular Members: members who pay fundamental saving and compulsory saving d. Special Members: members who use BMT service but have yet to pay fundamental saving and compulsory saving e. Honorable Members: members who have concerns to participate in improving BMT both spiritually and materially but cannot participate fully as BMT members <p>6. Kelompok Usaha Muamalat (Pokusma)</p> <ol style="list-style-type: none"> (1) BMT which has more than 40 members can form members' business group (Pokusma) in order to improve business quality based on type of business and place of domicile/business (2) Each Pokusma has 3 – 25 members depending on feasibility considerations (3) Business grouping is based on similarity of type of business, place of business or place of domicile (4) Pokusma chooses the management and conducts meetings when required <p>7. BMT Activity and Business BMT business is business which is directly related to members' interests to increase business and welfare such as:</p> <ol style="list-style-type: none"> (1) To accumulate and gather capital to fund members' businesses and BMT's business. (2) To provide commercial financing to members' productive businesses through service which is quick, appropriate, safe and right on target (3) To develop real sector businesses which support members' business with professional management and separated from saving and loan management (4) To collect ZIS funds (zakat, infaq and sadaqah) by working together with local BAZIS (5) To gather social funds from sources which are halal, good and not binding (6) To provide financing in form of Qard al-Hasan (7) To implement business education and supervision to members and Pokusma who received funding so that they are capable of developing their businesses (8) To implement education and supervision on utilization of business products to improve welfare (9) To organize ruhiyah education and training to management, administrators, members and BMT Pokusma to cultivate strong Islamic personality (10) To organize education and training on welfare of the community and its surrounding <p>8. Capital</p> <ol style="list-style-type: none"> (1) Source of fund of BMT includes capital and loan (2) BMT source of capital: <ol style="list-style-type: none"> a. Special Fundamental Saving b. Fundamental Saving c. Compulsory Saving d. Unbinding donations (grants) e. Reserved profit sharing (3) Loan comes from: <ol style="list-style-type: none"> a. Voluntary Saving b. Other BMT and members c. Individuals, Banks and other financial institutions d. Other legal sources <p>9. Savings</p> <ol style="list-style-type: none"> (1) Special Fundamental Saving <ol style="list-style-type: none"> a. Special Fundamental Saving is founders' saving b. Special Fundamental Saving cannot be withdrawn unless the membership expires

<p>(2) Fundamental Saving</p> <ol style="list-style-type: none"> a. Fundamental Saving is saving which must be paid by founding members and regular members on registration b. The amount of fundamental saving is determined by BMT regulations c. Fundamental saving cannot be withdrawn unless the membership expires <p>(3) Compulsory Saving</p> <ol style="list-style-type: none"> a. Compulsory Saving is saving which must be paid by founding members and regular members periodically b. The amount and period of compulsory saving is stipulated in BMT regulations c. Compulsory saving cannot be withdrawn unless agreed by members' meeting <p>(4) Voluntary Saving</p> <ol style="list-style-type: none"> a. Voluntary Saving is members' saving other than Special Fundamental Saving, Fundamental Saving and Compulsory Saving. b. Voluntary Saving can be paid and withdrawn according to agreement stipulated in BMT regulations c. Voluntary Saving consists of two type of akad (agreement): <ul style="list-style-type: none"> - Voluntary Saving by akad dhomanah, saving in the form of titipan/wadhiah (deposit) from members to BMT. - Akad mudharabah, profit sharing saving where the saver receives profit sharing from BMT profit according to nisbah agreement on profit sharing and the saver will bear losses when BMT suffers losses. d. Voluntary Saving includes: <ul style="list-style-type: none"> - Regular Voluntary Saving, saving which can be withdrawn any time according to the regulations. - Periodic Voluntary Saving, saving which can only be withdrawn on the agreed period. <p>10. Financing</p> <ol style="list-style-type: none"> (1) Financing is funds BMT puts to its members to finance their business activities based on jual beli (trading) and syirkah (partnership). (2) Trading can be conducted with the following agreements: <ol style="list-style-type: none"> a. Al Bai u Bitsaman Ajil (BBA): financing trading agreement by repayment (principle and profit) in installments b. Al Murabahah (MBA): financing trading agreement by repayments (principle and profit) after due date (3) Partnership (syirkah) can be conducted with the following agreements: <ol style="list-style-type: none"> a. Al Musyarakah (MSA): financing syirkah agreement where BMT and members finance the business by including BMT management b. Al Mudharabah (MDA): financing syirkah agreement where BMT and members finance the business without including BMT management (4) Profit sharing in financing activity is the right of BMT which is a portion of business profit from musyarakah and mudharabah agreements. (5) Margin in financing activity is the right of BMT which is portion of business profit from BBA and MBA agreements. <p>11. Profit Sharing</p> <ol style="list-style-type: none"> (1) Profit sharing is net profit gained from one year book after zakat tijarah and taxes. (2) BMT year book starts from 1 January to 31 December (3) Profit sharing is done based on profit resources as follows: <ol style="list-style-type: none"> a. Profit sharing from the business for members is allocated for: <ul style="list-style-type: none"> • 5% for founders (divided according to capital proportion) • 7% for management (divided according to the tasks decided by management meeting) • 13% for administrators and employees (divided according to the tasks decided by management meeting) • 10% for Special Fundamental Saving service (divided proportionally) • 10% for Fundamental Saving and Compulsory Saving services (divided proportionally according to average balance) • 10% for Voluntary Saving service • 5% for non performing financing reserve • 15% for Financing service
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<ul style="list-style-type: none"> • 15% for Capital reserve • 10% for Education Fund reserve <p>b. Profit sharing from the business for non members:</p> <ul style="list-style-type: none"> • 5% for founding members • 12% for management • 18% for administrators and employees • 10% for special fundamental saving service • 5% for fundamental saving and compulsory saving services • 5% for non performing financing reserve • 20% for capital reserve • 20% for education fund reserve • 5% for infaq <p>12. YINBUK and PINBUK</p> <p>(1) Yayasan Inkubasi Bisnis Usaha Kecil (Foundation for Incubation of Small Business Enterprises) or YINBUK is Community Self-Help Development Institution which function is to grow, foster, develop and monitor BMT. It was established by Chairman of ICMI, Chairman of MUI and Director of BMI and registered at Notary Public Mrs Lely Paripurno SH on 13 March 1995.</p> <p>(2) Pusat Inkubasi Bisnis Usaha Kecil (Centre for Incubation of Small Business Enterprises) or PINBUK is working agency of YINBUK. The management of PINBUK was established in Central Government level, Provincial level and Kabupaten level which are autonomous representatives of YINBUK but still keep direct working relations with PINBUK Central and PINBUK Province according to its hierarchy, movement principles and independency.</p>
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6. Empowerment of Coastal and Small Island Population (PEMP)

PEMP is under the Ministry of Marine Affairs and Fishery and it provides the cash collateral for the cooperatives in coastal areas, and Bank BUKOPIN is involved capacity building of cooperatives through modifying its Swamitra system to the cooperatives in fishermen’s community (Swamitra Mina).

The Study Team visited one Swamitra Mina in Kabupaten Lamongan, East Java Province. The outline of this Swamitra Mina is summarised in Attachment-7.

ATTACHMENT 1

**Profiles of Successful KPK and Gabungan KPK Honored at National Competition in 2006
(Excerpts from MOA documents)**

1. Gabungan KPK Tani Mulyo II (East Java)

Majority of the citizens in Desa Pijeran, Kecamatan Siman, Kabupaten Ponorogo, Province of East Java, lived in poverty. This was caused by there were no natural resources that could be made as the village champion product. The main product of this village was cassava (*ketela pohon*) to be turned into dried cassava (*gaplek*). Tens of years ago, this village was easily struck by marasmus kwashiorkor (*busung lapar*) which was identical with poverty. Programs have been launched to upgrade their living condition, one of which was P4K Program started since 1990.

After several stages of counseling in sub village of Jomblang, several KPK were established. Among them were KPK Jomblang II, KPK Makmur, and KPK Murni with a total member of 30 people. In accord with its natural resources potential, business types of those KPK were rice, palawija, chili fielding, and goat fattening. These KPK were growing rapidly, so they agreed to join forces as Gabungan KPK Tani Mulyo II.

Gabungan KPK Tani Mulyo II was established on July 21, 1999, with 30 people as members. By now, the members reached 50 people, with a man named Solikin appointed as the Head of Gabungan KPK. When it was established, they only had one business, money saving and loan. By 2004, the business was expanding into rice saving and loan, and fertilizer providing for its members needs. But with fast growth in capital and profiting business, now the Gabungan KPK was able to provide service to both members and other community in Desa Pinjeran.

The Gabungan KPK has had several activities, such as routine meeting in every two weeks on Wednesday night. The agenda was *arisan*, saving collecting, saving and loan of money and fertilizer, knowledge and skills improvement, filling the administrative books, and discussions on how to expand group's business, also problems like raw materials procurement and the distribution process. Other activities included famine granary activities or *gabah* (unhulled rice) loan, production facility selling, and tractor service.

The fund for those activities were collected from contribution of Rp. 1,000,- and voluntary saving at minimum of Rp. 1,000,- which was collected on every meeting. In addition to that, this gabungan KPK had also received a loan from BRI in the amount of Rp. 127,155,000,- The total worth of Gabungan KPK Tani Mulyo II is Rp. 164,821,300,-

Knowledge and skills improvement received by participating in coaching and apprenticeship program carried out in and outside of Kabupaten Ponorogo. P4K advisor, who is also PPL, Endang Sriningsih, SP, always assists them to improve their capacity on business expansion, saving and loan bookkeeping, micro business management, group's business management, Gabungan activities plan compiling, and many other technical skills.

The members feel the positive impact of joining this Gabungan KPK, especially because now it is easy for them to get capital for their business. Moreover, the rest of community in Desa Pijeran, especially in the vicinity of Gabukan KPK, also benefited from this Gabungan KPK. They could make a loan from the Gabungan, participated in famine granary activities, or bought production facility and also make use of the tractor service. The Gabungan have also made outside connection with a partnership in Bisi 2 corn seeding and ground snail cultivation effort.

2. Gabungan KPK Harapan Jaya (Riau)

Gabungan KPK Harapan Jaya was made out of three KPK, which was KPK Arwana, KPK Maskoki, and KPK Manvis. This Gabungan KPK was established in April 29, 2004, with 23 people as members, all of

them were women. This Gabungan KPK was addressed at Desa Lembah Damai, Kecamatan Rumbai Pesisir, Kota Pekanbaru, Province of Riau. With the consent of the members, Ermiwati was elected as the head, Misrayettu as secretary and Yusnelly as treasurer.

Before merging into one, the members of KPK which was established in the year 2000 already had several businesses such as small shops, cookies business, knitting, and so on. The reason for merging into one was to expand the businesses and to make marketing easier. Gabungan KPK Harapan Jaya had one common goal, which was to learn how to be better organized, and to have a group business to further improve their income and welfare. In addition, this Gabungan KPK also had a goal to establish a Micro Finance Institution (LKM) and to own a supermarket.

This Gabungan held a routine meeting. To build the group's dynamic, each meeting was opened by singing their mars song, followed by agenda delivery by Yusufaleni, as the PPL, and ended with a discussion. The participants were expected to be active in the discussion. Before closing, a financial report was presented.

The group's capital was collected from basic contribution of Rp. 50,000,- / member, obligatory saving of Rp. 5,000,- / member, and admission fee of Rp. 2,500,- / member. Until August 2006, a fund of Rp. 15,916,000,- was collected and used for the saving and loan activities. The best feature of Gabungan KPK Harapan Jaya's saving and loan was that it served both members and non members with maximum loan between Rp. 1,000,000.- and Rp. 1,200,000.- per person.

Another group's businesses was primary needs procurement for members and non members; creating new vocation in thread knitting sector,; knitting raw material procurement; to distribute knitting products from other groups or non member community; and aloe vera cultivation in the group's garden. According to status appraisal carried out in May 8, 2006, this Gabungan KPK received score of 840. That made them classified as independent class.

After one and a half year being a member of Gabungan KPK Harapan Jaya, all members felt the benefit of it. Besides an improvement in living condition, now it was easier for them to get raw material for knitting, to get rice, to get business capital and to market their product. It was also easier for them to receive important information and an upgrade in knowledge, skills and attitude.

They received knowledge and skills from P4K Counsel and officers from related institution such as Trade and Industry Service, Health Service, Cooperative Office, etc. The knowledge and skills mainly given in the sectors of Organization and Management, group's business management, micro finance administration, knitting design improvement, self-employed skills; and partnership.

Gabungan KPK Harapan Jaya has never been idle in terms of awards. They have won these awards: First Place in the Best Gabungan KPK Award in Pekanbaru year 2006; First place in the Best Gabungan KPK Award in Province of Riau year 2006; runners-up in the Best Gabungan KPK Award in national level. Their head of Gabungan, Ermiwati, was also a voluntary counsel in Pekanbaru. She achieved second place in the Best Voluntary Counsel Award in Province of Riau.

3. Gabungan KPK Sikatutui (South Sulawesi)

On the year 1999, P4K project made its way in to Desa Bontomanai, and then facilitate the establishment of 23 KPK. Desa Bontomanai is located at Kecamatan Bontomarannu, Kabupaten Gowa, South Sulawesi Province, could be well described as an area with a lot of poverty pockets to be targeted by P4K. At that time, there were about 40% of people who lived in poverty out of total population of 3,062 people. Around 90% people of this village worked as farmers.

The established KPKs then was counseled in order to train them good organization, and to be able to develop micro scale economics businesses. These micro scales businesses varied; both in agribusiness sector like related to agricultural product and non agribusiness like sewing business.

For their business capital, the KPKs in Bontomanai received a chance to access loan from BRI. However, as time flew, they felt that the loan from BRI was not sufficient anymore to further expand their micro

businesses. To make things more complicated, gathering business capital from group's capital in the KPK usually would not work well.

That was why on January 12 2004, 52 small farmers from 5 KPK, which were KPK Baji Areng, KPK Baji Minasa, KPK Bnga Matahari, KPK Sunggumanai and KPK Abbulosibatang agreed to establish a Gabungan KPK and it was named Sikatutui, meaning cohesiveness and cooperation. This name was chosen because it represented hopes and spirit of its members to maintain their cohesiveness and cooperation with each other in order to build the organization better and would always benefited them.

Starting capital for this Gabungan KPK came from Basic Contribution of its members of Rp. 100,000.- per member, obligatory saving of Rp. 3,000.- per member and voluntary saving minimum of Rp. 1,000.- per member. With this starting capital, the members could start to loan for capital from the Gabungan KPK. An interest rate of 3% was agreed between the members and 5% for non members. From this early capital movement alone a big progress could be seen. Their capital was growing, they could provide bigger loans, and served more members.

Their success lured several others KPK. In a few months time, three KPK from Sokkolia; KPK Biji Dahlia, KPK Melati and KPK Hati Murni joined this Gabungan KPK. With the latest enlargement, the members grew to 66 people. This addition brought faster and more solid capital growth. When August came in the eyar 2006, the capital for saving and loan of Gabungan KPK had reached Rp. 68,092,300.- with 50% of it came from BRI loan.

The readiness of the KPK to join with this Gabungan KPK was a result of a good counseling when the KPK has just been established. All of that counseling resulted in good knowledge and skills plus a progressive attitude. For instance, to run the saving and loan business they have received trainings in financial bookkeeping. And this bookkeeping also done quite orderly. They had cash book, member's saving card, member's loan card, member's loan receipt, loan request card, *arisan* book, balance worksheet (LKN), statistical worksheet (LKS), income history (DRUM), expenditure history (DRUK), and profit sharing list.

The Gabungan KPK held a regular meeting at the first day of every month. This meeting was attended by the representative of the KPK under it. Every Monday and Thursday, a meeting is held especially for the Gabungan KPK managers. In addition, there was also arisan attended by whole of Gabungan KPK members. These activities were also recorded. They had books to record non financial activities, such as meeting book, members list book, guest book, activity book, meeting record book, meeting's attendance list book, inventory book, agenda book, etc.

Besides of doing business activities, this Gabungan KPK also concerned with social needs. For example, part of their capital was meant to help the surrounding community in time of despair. Or when they held a bazaar to commemorate Indonesian independence day. The independency that was dreamt by the members had brought the surrounding community positive effect on the community welfare as a whole. A win-win cooperation was also visible between Gabunagn KPK and non members. For instance, there was a non member took out loan from Gabungan KPK, and used it to produce tempe. The product then was distributed by the members of Gabungan KPK.

ATTACHMENT 2
Kelompok Tani BLM Assessment Indicators
Program Aksi Perbibitan 2006
Kelompok Tani: Bebek Jaya

No	Indicators	Assessment	
		Values	Score
1	Group Business / Work Plan	(0-25)	25
	a. Available and contents based on suggestions	25	
	b. Available and contents partly based on suggestions	15	
	c. Available but contents are not based on suggestions	5	
	d. Not Available	0	
2	Preparation of Group Business / Work Plan	(0-25)	25
	a. Prepared through deliberation of all management and members	25	
	b. Prepared through deliberation of management and half o members	15	
	c. Prepared by management without deliberation	5	
	d. Prepared by PPL (not management or members)	0	
3	Knowledge and Understanding of Management & Members on Group Business/Work Plan	(0-25)	25
	a. Know and understand fully	25	
	b. Less know but understand	15	
	c. Know but less understand	5	
	d. Do not know and understand	0	
4	Business / Work Plan Supports	(0-25)	10
	a. Record Book on Implementation	(0-10)	
	- Available and complete	10	
	- Available but not complete	5	
	- Not Available	0	
	b. Distribution of Work	(0-25)	10
	- Distributed equally and organized	(0-10)	
	- Distributed equally but not organized	10	
	- Distributed not equally but organized	5	
	- No Distribution of Work	0	
5	Cost of Building Cages	(0-25)	25
	a. Available with proper amount	25	
	b. Available with less amount	10	
	c. Not Available	0	
6	Experience in Breeding Ducks	(0-25)	25
	a. Above 5 years	25	
	b. Between 3 – 5 years	15	
	c. Between 1 – 2 years	5	
	d. No Experience	0	
7	Animal Feed Availability	(0-25)	25
	a. Available, owned by kelompok	25	
	b. Available, owned by members	15	
	c. Available, owned by other people	5	
	d. Not Available	0	
8	Cage Location Availability	(0-25)	25
	a. Available and concentrated in one area	25	
	b. Available but spread out amongst members	15	
	c. Available but owned by other people	5	
	d. Not Available	0	
10	Group Capital/Fund Sources	(0-25)	25
	a. Profit Sharing and members' savings	25	
	b. Only from profit sharing	15	
	c. Only from members' savings	5	

Appendix(d) of Appendix A

No	Indicators	Assessment	
		Values	Score
	d. Not Available	0	
11	Purpose of Capital Strengthening a. Increasing members' businesses b. For group's activities c. Depending on deliberation d. Depending on management	(0-25) 25 15 5 0	25
12	Group Saving a. More than Rp5,000,000 b. Rp2,500,000 – Rp5,000,000 c. Rp500,000 – Rp2,499,000 d. Less than Rp500,000	(0-25) 25 15 5 0	15
13	Capital Utilization a. Saving and Loan, group's business and agribusiness b. Group's business and agribusiness c. Saving and Loan d. Saved in koperasi or bank	(0-25) 25 15 5 0	25
14	Group's Meetings a. Twice a week b. Once a month c. Not regular d. Not available	(0-25) 25 15 5 0	25
15	Cooperation of kelompok tani members in agribusiness activities a. 100% cooperation b. 75% - 99% cooperation c. 50% - 74% cooperation d. More than 50% cooperation	(0-25) 25 15 5 0	25
	Total	375	360

Assessment Sheet of Bebek Jaya dated 4 May 2006

ATTACHMENT 3
Table: Performance of Community Direct Loan Assistance (BPPLM)
Development of Dairy Cow Agribusiness, Kabupaten Kuningan 2006

No	Name	No of Female Principal	Status		Current Status						Installment Received (Rp)	Remarks			
			Dead	Sold	Laktasi		Dry Cage	Female		Calf			Adult Male > 1 yr	TOTAL	
					Preg-nant	Not Pregnant		Preg-nant	Not Pregnant						Male
1	Aman	2	1	1	1	-	-	-	-	1	-	2	1	4,441,000	
2	Didi R	2	1	1	1	-	-	1	-	-	-	-	-	3,615,000	
3	Mahmudin	2	2	1	-	2	-	-	-	-	-	-	-	2,475,000	
4	Sukar	2	1	1	-	1	-	-	-	-	1	-	-	6,829,000	
5	Tarjoto	2	2	1	-	3	-	-	-	1	-	-	-	3,086,000	
6	Ja'i	2	1	1	-	3	-	-	-	-	1	-	-	5,816,000	
7	Soleh	2	1	1	-	-	-	-	-	1	-	-	-	1,150,000	
8	Kusman	2	2	1	2	3	-	-	-	1	1	1	-	5,266,000	
9	Uci S	2	1	1	-	1	-	-	-	1	-	-	-	3,006,000	
10	Tono	2	1	1	-	-	-	-	-	-	-	-	-	3,841,000	
11	H Marjono	2	2	1	-	2	-	-	-	-	1	-	-	5,296,000	
12	Yayan	2	1	1	-	1	-	-	-	-	-	-	-	1,082,000	
13	Suhem	2	1	1	-	2	-	-	-	-	-	-	-	5,186,000	
14	Misran	2	1	1	2	1	-	-	-	-	1	2	-	3,816,000	
15	Sadi	2	2	1	-	3	-	-	-	-	-	2	1	6,608,000	
16	Jupen	2	-	1	-	1	-	-	-	-	-	-	-	4,798,000	
17	Jusar	2	2	1	1	1	-	-	-	-	-	2	-	5,391,000	
18	Ato	2	1	1	2	-	-	-	-	1	-	-	-	826,000	Problematic
19	Uri	2	2	1	-	3	-	-	-	1	1	2	-	4,991,000	
20	Muslim	2	1	1	-	-	-	1	-	1	-	-	-	2,790,000	
21	Tarmadi	2	-	1	-	1	-	-	-	-	-	-	-	3,341,000	
22	M Sanusi	2	2	1	1	1	-	-	-	-	-	1	-	5,006,000	
23	Sutar	2	1	1	-	-	-	-	-	1	-	-	-	1,180,000	
24	Enos	2	1	1	-	-	-	-	-	-	1	-	-	3,498,000	
25	Ade S	2	-	1	1	-	-	-	-	-	-	-	-	2,238,000	
		50	30	25	11	30	2	2	5	12	8	12	3	95,312,000	

Source: Mr Bunbun Budhiyasa, Head of Livestock and Fishery Section, Dinas Pertanian Kabupaten Kuningan, 14 February 2007.

ATTACHMENT 4

Summary of CF-SKR Performance 2005 - 2006

(Excerpts from the Report by the Agriculture Finance Center of the Ministry of Agriculture)

1. KABUPATEN CIAMIS

1.1 Program Implementation

CF-SKR Pilot Project provided financial assistance for the development of Agribusiness Micro Finance Institutions (LKM-A) for the amount of Rp60,000,000 which was disbursed to 10 LKM-A in 9 Desa in 5 Kecamatan in Kabupaten Ciamis. Each LKM-A received Rp6,000,000.

While financial assistance provided for Syariah Financial Institutions (LKS/BMT) is Rp150,000,000 which was disbursed to 10 LKS/BMT located in 10 Desa in 7 Kecamatan in Kabupaten Ciamis. Each LKS/BMT received Rp15,000,000.

(1) Loan Information of LKM-A and LKS in Kabupaten Ciamis:

- Total Loan : Rp210,000,000
- LKM-A and LKS Beneficiary : 20 institutions
- Numbers of Desa : 19 Desa
- Numbers of Kecamatan : 12 Kecamatan

(2) Loan Conditions:

- Executing Bank : Bank Jabar
- Type of Loan : Revolving Fund
- Loan Period : 2 years (May 2006 – May 2008)
- System : Syariah (profit sharing) saved every month in SIMPEDA Saving at Bank Jabar

(3) Loan Repayment:

- Principal : Rp210,000,000
- Profit Sharing : Rp 25,200,000
- Total Profit Sharing saved : Rp. 4,050,000
- LKM-A (Rp90,000 x 2 x 10) : Rp. 1,800,000
- LKS/BMT (Rp75,000 x 3 x 10) : Rp. 2,250,000
- Balance of Total Repayment : Rp.210,000,000
- Balance of Profit Sharing : Rp. 21,500,000

1.2 Fostering and Developing

- (1) The program is intended to reduce poverty and improve community income in West Java Province.
- (2) Before the program, the administration and financial systems of LKM-A and LKS were very limited including human resources, organization and the business.
- (3) The objectives of the program are to improve business climate and rural community institutional management. Special attention is given to low income farmers' community groups in rural areas and/or farmers' groups or joint farmers' groups living in remote areas and have no access to financial institutions.
- (4) Fostering and developing include training human resources, strengthening institutions and developing the business. The community is prepared to be managers of LKM-A/LKS/BMT or Cooperative which eventually will become rural economic institutions.

Appendix(d) of Appendix A

1.3 Performance of LKM-A in Kabupaten Ciamis (October 2006)

No	LKM-A	Desa	Kecamatan	Loan Received	Amount (Rp)	Profit Sharing (Rp)	Installment
1	Mekar Mandiri	Kaso	Tambaksari	8 May 06	6,000,000	239,000	II
2	Hawar Sari	Mekarsari	Tambaksari	3 May 06	6,000,000	225,000	II
3	Karya Tunggal	Bangunsari	Pamarican	3 May 06	6,000,000	316,000	II
4	Parikesit	Bangunsari	Pamarican	3 May 06	6,000,000	500,000	II
5	Marsudi Siwi	Pedomasan	Banjarsari	3 May 06	6,000,000	286,000	II
6	Sari Mukti	Sindangjaya	Mangunjaya	8 May 06	6,000,000	240,000 1,505,800	II
7	Tunasjaya Mekar	Sindangjaya	Mangunjaya	4 May 06	6,000,000	350,000	II
8	Kawitani	Sukanaga	Lakbok	26 Apr 06	6,000,000	250,000	II
9	Sri Sidodadi	Kelapa Sawit	Lakbok	26 Apr 06	6,000,000	382,000	II
10	Sri Gumelar	Puloerang	Lakbok	26 Apr 06	6,000,000	212,700	II
				TOTAL	60,000,000	3,000,700	

1.4 Performance of LKS in Kabupaten Ciamis (October 2006)

No	LKS/BMT	Kecamatan	Loan Received	Amount (Rp)	Profit Sharing (Rp)	Installment
1	Darussalam	Cijeungjing	22 Apr 06	15,000,000	1,000,000	III
2	Al Istiqomah	Ciamis	20 Apr 06	15,000,000	473,000	III
3	Asy-Syifa	Cijeungjing	22 Apr 06	15,000,000	180,000	III
4	Miftahussalam	Panumbangan	22 Apr 06	15,000,000	225,000	III
5	Miftahussalam	Cijeungjing	15 Apr 06	15,000,000	640,000	III
6	Baiturohim	Baregbeg	22 Apr 06	15,000,000	225,000	III
7	Bina Insan Sejahtera	Lumbung	28 Apr 06	15,000,000	595,500	III
8	Al Amanah	Kawali	28 Apr 06	15,000,000	180,000	III
9	Al Amin	Sindangkasih	22 Apr 06	15,000,000	225,000	III
10	Madani	Ciamis	14 Apr 06	15,000,000	180,000	III
			TOTAL	150,000,000	3,923,000	

2. PROVINCE OF WEST NUSA TENGGARA

2.1 Program Implementation

CF-SKR Pilot Project being implemented in the Province of West Nusa Tenggara covers three Kabupaten and one Kota: Kabupaten Lombok Barat, Kabupaten Lombok Tengah, Kabupaten Lombok Timur and Kota Mataram. The project is intended to develop 10 Non Bank Micro Finance Institutions (Non Bank LKM) and 10 LKM-A embryos.

The following activities have been achieved during first quarter of 2006:

- (1) Channeling capital to 10 Non Bank LKM and 10 LKM-A embryos as stipulated in the Implementation Guidelines.
- (2) Providing infrastructure assistance for LKM activities.
- (3) Conducting workshops at 10 Non Bank LKM by Central Government and Bank NTB.
- (4) Conducting trainings to 10 managers and supervisor of LKM embryos.
- (5) Advisory assistance is provided by PINBUK (Center of Incubation of Small Businesses).

2.2 Challenges

As at March 2006 or first quarter, the objectives of CF-SKR project have not been achieved completely as there has been delays in channeling the loan from Bank NTB to beneficiaries. The channeling was delayed because of delay in the signing of the agreement between Bank NTB and the beneficiaries and completing the administrative requirements.

There has also been a perception in the community that money from the Government should come in the form of Grant. Therefore it is difficult for the advisors and the management to give understanding to the group and the members although this information has been delivered to LKM-A managements during on-the-job training at BMT Ar-Rasyada which was conducted by PINBUK NTB.

2.3 Positive Impacts

Despite those challenges, based on the information from Bank NTB, the management of LKM has completed their responsibilities such as paying the interest, visiting Bank NTB to keep intensive communication in relation with LKMA activities.

Infrastructure assistance received by LKM-A such as sign board, type writer, white board, calculator, stationary, saving and administration books have been very useful for the smooth running of LKM-A both from administration aspect also the sign board gives LKM-A value added to wider community. Those infrastructure assets have become grant inventory of LKM-A.

2.4 List of Non Bank LKM

No	LKM	Type of Business	Loan Amount (Rp)
1	BMT Ar-Rosyada	Vendor	15,000,000
2	BMT Ikhlas Sejahtera	Agriculture	15,000,000
3	KSU An-Nisa	Vendor	15,000,000
4	KSP Karya Terpadu	Saprotan	15,000,000
5	Koptan Wira Singe	Farmer	15,000,000
6	BMT Azzaniyah	Farmer	15,000,000
7	Kopontren Tarbiyatul Mustafid	Farmer	15,000,000
8	Kopontren Mikrajusshibyan	Farmer	15,000,000
9	KSP Sejahtera	Fertilizer / Farmer	15,000,000
10	KSP Tegar Mandiri Grimax	Farmer	15,000,000

2.5 List of LKM Embryos

No	LKM	Type of Business	Loan Amount (Rp)
1	Koptan Pade Girang	Farmer / Fertilizer	6,000,000
2	Koptan Beriuk Girang	Rice Farmer	6,000,000
3	Koptan Harmoni	Rice Farmer	6,000,000
4	Koptan Makmur	Rice Farmer	6,000,000
5	Koptan Patuh Gati	Chicken Farmer	6,000,000
6	BMT Walyatallatof	Farmer	6,000,000
7	Koptan Najmaul Huda	Trader	6,000,000
8	LKM-A Awet Setie	Breeder	6,000,000
9	BMT Agro Kembang Sari	Vegetable Farmer	6,000,000
10	LKM-A Prima	Vendor	6,000,000

3. PROVINCE OF CENTRAL JAVA

3.1 Program Implementation

CF-SKR Project provides Capital Strengthening assistance to Non Bank LKM and LKM embryos, and infrastructure assistance to LKM embryos. It is to anticipate the gap between demand and supply of micro finance service of farmers and micro agribusiness players to access financial service.

The project covers four kabupaten in Central Java Province:

- Kabupaten Semarang: 5 LKM-A and 4 LKM-A Embryos
- Kabupaten Pemalang: 2 LKM-A and 2 LKM-A Embryos
- Kabupaten Purworejo: 1 LKM-A and 3 LKM-A Embryos
- Kabupaten Magelang: 2 LKM-A and 1 LKM-A Embryos

3.2 Loan Information of LKM-A and LKS in Central Java Province:

- Total Loan : Rp210,000,000
- LKM-A and LKS Beneficiary : 20 institutions
- Numbers of LKM-A: 10 (Rp15,000,000 each)
- Numbers of LKM-A Embryos : 10 (Rp6,000,000 each)
- Disbursement: January 2006

3.3 Loan Conditions:

- Executing Bank: Bank Jateng
- Type of Loan: Revolving Fund
- Loan Period: 2 years (January 2006 – January 2008)
- Interest Rate: 5% per annum (1.5% Kabupaten, 1.5% Province, 2% Bank)

3.4 Loan Repayment:

- Principal : Rp210,000,000
- Interest Rate Payment: Monthly, Every 6 months to be added with Principal
- for two years paid to the account of Dinas Agriculture of Central Java Province
- Interest Rate Payment paid as at October 2006 : Rp4,900,470 from Rp7,874,000
- Principal Installment Payment as at October 2006 : Rp52,500,000 from Rp60,374,000

3.5 Challenges

- No coordination and training
- Cooperation with Bank Jateng is not optimized
- Limited capital for LKM-A/BMT for funding agribusiness sector
- For LKM-A Embryos:
 - (i) Not every member enjoy the fund which caused social resentment
 - (ii) Most LKM-A Embryos have not fully operated (every day)
 - (iii) Most LKM-A Embryos have no offices

3.6 Suggestions

- To consider moving the fund from Dinas Agriculture account to Bank Jateng
- To work together with banks which have commitments in agribusiness sector
- To improve quality of human resources of the management and members of LKM-A
- To assist certification of farmers' lands as collateral

Appendix(d) of Appendix A

3.7 Performance of CF-SKR LKM-A Program in Central Java Province

No	Kabupaten	LKM-A / LKM-A Embryo	Achievements
1	Semarang	LKM-A BMT Al-Hikmah	- Management fully operational - Service to farmers with growing membership
		LKM-A BMT Fajar Mulia	- Management fully operational - Service to farmers with growing membership
		LKM-A BMT Atina	- Management fully operational - Service to farmers with growing membership
		LKM-A BMT Amal Mulia	- Management fully operational - Service to farmers with growing membership
		LKM-A BMT Al-Muaawanah	- Management fully operational - Service to farmers with growing membership
		LKM Embryo Sri Rejeki	- Good members' self-reliance - Service to farmers with growing membership - Good financial administration
		LKM Embryo Tranggulasi	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
		LKM Embryo Al-Barokah	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
		LKM Embryo Sakura	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
2	Pemalang	LKM-A BMT Al-Barokah	- Management fully operational - Service to farmers with growing membership
		LKM-A BMT An-Nisa	- Management fully operational - Service to farmers with growing membership
		LKM Embryo Bheger	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
		LKM Embryo Bina Usaha	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
3	Purworejo	LKM-A BMT An-Nuur	- Management fully operational - Service to farmers with growing membership
		LKM Embryo Sumber Rejeki	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
		LKM Embryo Tlogoguwo	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
		LKM Embryo Maju	- Good members' self-reliance - Service to farmers with growing membership - Financial administration needs improvement
4	Magelang	LKM-A BMT Amanah	- Management fully operational - Service to farmers with growing membership
		LKM-A BMT Ar-Rohmah	- Management fully operational - Service to farmers with growing membership
		LKM Embryo Lembah Menoreh	- Good members' self-reliance - Service to farmers with growing membership - Adequate financial administration

3.8 Example of CS-SKR funded LKM-A

Date Visited	Friday, 9 February 2007
Name of LKM	LKM-A Paguyuban Petani Al-Barokah (Organic Rice Producer)
Location	JI TPA Al-Huda RT 02/01 Desa Ketapang, Kecamatan Susukan, Kabupaten Semarang Tel: (0298) 615322/615267
Names of Management	Mr Mustofa (Executive Director) Mr Basirun (Advisor) Mr Muslih Ma'sum (Economy Section) Miss Ari Utami (Economy Section)

(1) Background

Al Barokah started as conventional farming group. When price of fertilizer was high and selling price of unhulled rice was very low, farmers suffered. When encountered those problems 7 KPK established Paguyuban Petani Al Barokah on 16 September 1999 and elected the leader democratically through election. Al Barokah is legal institution with Notary Public registration No. 24 dated 14 September 2004. It now has 14 KPK and 392 members covering 4 villages and 2 kecamatan. Al Barokah is also a member of Federation of Farmers Qaryah Thayyibah along with other 32 groups of farmers.

The strategic issue is to manage agriculture business with low cost and to get maximum result. The farmers also wanted to do environmental friendly farming or organic farming without using chemical, pesticides or fertilizers. All trainings on organic farming are provided by Qaryah Thayyibah which is an organic farming center in Central Java Province. They have never received any training from relevant Dinas but gave presentation on organic farming to Dinas Pertanian Province on 13 – 14 February 2007. Al Barokah is never interested in participating in government programs as they do not suit their vision and mission.

In marketing sector, the group developed agriculture-oriented micro finance institution.

(2) Main Programs

- (i) Human Resource Development
- (ii) Organic Farming Technology
- (iii) Agriculture Input
- (iv) People's Economy Business (LKM)
- (v) Youth and Women Empowerment
- (vi) Policy Advocating
- (vii) Education for Farmers' Children

(3) Functions

- (i) Agriculture
 - Purchasing agriculture products from farmer members
 - Selling agriculture products to consumers in markets such as Bandung, Jakarta and Surabaya, Yogya, Semarang, Solo, Ungaran and Singapore (through a company in Jakarta)
- (ii) Finance
 - To facilitate members in finance for cultivation process, purchasing seedlings, organic fertilizers and pesticides also for labor.
 - Candak Kulak Credit (loan from warung with yarnen system)
- (iii) Post Harvest Management
 - To assist farmers during harvest, post harvest handling including drying process, rice milling, blowing and packaging.
 - To provide transportation to distributors.
- (iv) Agriculture Technology
 - To provide experts in organic agriculture technology. Members of Al Barokah are often requested to provide training packages to other farmers' groups as one of products they sell.
- (v) Learning Center
 - Al Barokah also serves as learning center for university students to learn organic farming, finance and organization from local or international.

- (vi) Organization
 - To guide youth economic group and encourage their interests in agriculture sector. They learn about saving and loan, handcraft skills and collective business such as producing red bricks.
- (vii) Urbanization Prevention
 - Al Barokah encourages young generation to learn how to create activities in order to prevent urbanization to big cities. They work together with PINBUK to learn semi-bank management which is simple and applicable.

(4) Activities

(i) Agriculture Activities

a) Organic Farming Intensification

- Providing Seedlings
- Providing Fertilizers
- Irrigation
- Insects and Disease Management
- Machinery

b) Biogas Production from animal waste

c) Oyster Mushroom Cultivation

d) Cow Diversification for Biogas Production

e) Other activities such as tempe (soy bean cake) production, snacks, bamboo handcrafts, garment and organic rice powder.

(ii) Economic Activities

a) Finance

Al Barokah has Koperasi Tani with total asset of Rp130,000,000 that provides funding to members through saving and loan activities and procurement of agriculture input. Other funds both grant and loan from relevant institution are utilized as revolving fund. Members used to go to moneylender before.

b) Product Marketing

Direct Selling to distributors for rice, mushroom, snacks, handy crafts and other products. Members used to go through *Bandar* before.

c) Partnership with Third Party

For organic rice, Al Barokah has partnerships with companies such as

- PT Indorice in Jakarta
- PT Facet Matra Indonesia in Jakarta
- PT Putri Segar in Bogor
- Supermarkets
- Institutions and organizations

Organic rice production reaches 3 – 5 tons per month and is exported to Singapore.

d) Product Promotion

Promotion of the product is conducted through expos, auctions, brochures, electronic or printed media and others in big cities.

e) Business Development

Production of organic rice and other products have penetrated local and international markets and the demand has increased significantly. Therefore Al Barokah will continue to develop its organic rice production through partnership with other farmers' groups which share their visions and missions.

(5) Services Provided

(i) Variety of Organic Rice

- *Menthik Wangi Super*
- *Pandan Wangi*
- *Cintanur*
- *IR 64*
- *Fatmawati*
- *Aromatika*
- *Gilirang*
- Brown Rice

Appendix(d) of Appendix A

- (ii) Training in making natural pesticide and environmental friendly medicines.
- (iii) Training in making organic fertilizer in liquid and solid forms.
- (iv) Simple technical books in making natural pesticides and organic fertilizers.
- (v) Training in organic rice cultivation from seedling to post harvest handling.

(6) Achievement

- (i) Winner of Verification of Rice Agribusiness, Kabupaten Semarang, 2004
- (ii) Winner of Development of Rice Agribusiness, East Java Province, 2004
- (iii) Bupati Award in Organic Rice Agribusiness, Kabupaten Semarang, 2004.
- (iv) National Award for Food Crop Agribusiness Development Program from Minister of Agriculture in 2004.

(7) CF-SKR

Al Barokah received funding from CF-SKR program in 2005 for the amount of Rp6,000,000. Group saving is now Rp81,000,000 including CF-SKR fund, members' saving and sales of organic rice.

(8) Profit Sharing

- (i) Management: 10%
- (ii) Administration: 20% (the administrative staff gets salary, e.g. treasurer gets Rp.100,000 per month)
- (iii) Shareholder: 15%
- (iv) Principal Saver: 5%
- (v) Compulsory saver: 5%
- (vi) Voluntary saver: 10%
- (vii) Loanee: 5%
- (viii) Capital revenue: 25%
- (ix) Emergency fund: 5%

(9) Financial Data

- | | | |
|----------------------------|----|------------|
| (i) Voluntary Saving | Rp | 536,750 |
| (ii) Compulsory Saving | Rp | 212,000 |
| (iii) Fundamental Saving | Rp | 4,725,000 |
| (iv) Saving for Hari Raya | Rp | 89,000 |
| (v) Own Capital | Rp | 75,000,000 |
| (vi) Grant | Rp | --- |
| (vii) Profit Last Year | Rp | --- |
| (viii) Profit Current Year | Rp | 534,300 |

Date	Friday, 9 February 2007
Name of LKM	Kelompok Wanita Tani Sri Rejeki
Location	Jl Kelurahan No. 31, Dusun Rajan, Desa Tenganan, Kecamatan Tenganan, Kabupaten Semarang, Central Java Tel: (0815) 75205701
Names of Management	Mrs Ambar (Leader) Mrs Suparmi (PPL) Mr Bowo (LKM Administrator)

1. KWT Sri Rejeki

Establishment: 7 March 2001

Number of Members: 25 members, all women

Activities: *Biofarmaka* (herbal drinks) production such as: instant coffee *Laos*, instant *Mahkota Dewa*, instant ginger ginseng, herbal slimming pills, and herbal *Sambiloto* pills.

2. LKM-A Sri Rejeki

Establishment: 11 February 2005

Number of Members: 77 members (10 men, 67 women or 25 members of KWT Sri Rejeki, 52 non members)

Appendix(d) of Appendix A

Source of Funds

Fundamental Saving	Rp20,000
Compulsory Saving	Rp 2,000 per month
Voluntary Saving	Rp 5,000 minimum
Share	Rp25,000

Loan Conditions

Amount:	Rp500,000 – Rp1,000,000
Period:	maximum of 5 months
Interest Rate:	3% per month (2% for risk reserve, returned after completion of loan & 1 % for administration service)
Installment:	weekly
Advantage after establishment of LKM:	members do not need to go to moneylenders.

Own Capital (as at 7 February 2007)

Voluntary Saving:	Rp4,859,850
Compulsory Saving:	Rp1,162,000
Fundamental Saving:	Rp1,587,000
Establishment Capital:	Rp3,411,000 (from Rp25,000 per share)
CF-SKR:	Rp6,000,000
TOTAL:	Rp9,411,000

Government Assistance/Reward

(1) *Biofarmaka* Production

Received Rp5,000,000 and equipment as rewards for winning National Championship in 2005.

(2) Received Rp10,000,000 revolving fund from Dinas Pertanian Kabupaten Semarang in 2004. Interest rate at 6% per annum. Loan due date in December 2007. Installment Rp1,900,000 per 6 months (principal & interest). Repayment is transferred to account of Dinas Pertanian Kabupaten which will be revolved to other groups through Dinas.

ATTACHMENT 5

Profiles of PINBUK (Micro Enterprise Incubation Center)

1. Background:

The data of Central Bureau of Statistics in 2003 showed that the monetary crisis had great impact on poor people who totaled 38.39 million or equaling to 18%, and 16.5 million or 43% of them are indigents. Meanwhile, data of the Ministry of Cooperatives in 2004 showed that, from 42.452 million entrepreneurs entities, 41.8 million or 98.5% of them were micro enterprises, only 650 thousands were small and middle enterprises, while the other 2,000 were big enterprises.

The growth of the poor population and micro enterprise units requires poverty reduction programs and micro enterprise development as main priorities in national development implementation. Concerning this, PINBUK participates in stimulating strategy of self-supported community Micro Finance Institution (MFI) capable of reaching and serving more enterprise units that otherwise are impossible to be reached by public finance and banking institutions.

United Nations, in its 'Millennium Development Goals' program, has targeted poverty reduction in the year 2015 to 50% of the 30% poor inhabitants in the world today through Micro Finance Institution (MFI) services. On February, 26th, 2005 in Indonesia, the President of Republic of Indonesia Susilo Bambang Yudhoyono, has declared the year 2005 as the Indonesian Micro Finance year. This is appropriate with PINBUK on developing Micro Finance Institution – Baitul Maal wat Tamwil (MFI- BMT Model).

During the 1995 - 2005 period, PINBUK has succeeded in developing about 3,000 BMTs in Indonesia, with more than 30,000 organizers, of which, half are university graduates, and half are women. BMTs serve more than two million depositors, are giving loans to more than 1.5 million micro and small entrepreneurs.

2. Vision of PINBUK:

Be a professional, reliable, and foremost institution in Indonesia for poverty reduction programs through the development of self-supported, sustainable, and community-based Micro Finance Institution (MFI) and micro enterprise groups.

3. Mission of PINBUK:

PINBUK has the following missions:

- a. To develop self-supported community and organizing self-supported, sustainable, and community-based MFIs and Micro Enterprise Groups.
- b. To create simpler accesses for poor people and micro enterprises in order to able to reach opportunities, information, and resources for enterprise development.
- c. To develop the human resource and poor community's economic resource and micro enterprise, and supporting their institutions.
- d. To motivate public policy formulation that supports the increase the access of poor people and micro enterprise to economic resources through MFI development.
- e. To develop supporting institutions/infrastructures for developing the quality and quantity of MFIs and micro enterprise development services.
- f. To develop an integrated social empowerment program for communities in Productive Economic Enterprise (UEP) aspects, and Social Welfare Effort (UKS) in every community.

4. Goal of PINBUK

- a. 10 thousand poor families and micro enterprises by 2015, particularly women.
- b. 10 thousand professional, sound, self-supported and community-based Shariah Micro Finance Institutions by 2015.

5. Work Programs of PINBUK

- a. Development of functional and sustainable micro finance groups through Muamalat Enterprise Groups (POKUSMA) and similar others.

- b. Institutional development of Baitul Maat wat Tamwil/Solid Self-Supported Enterprise Associations (BMT) and similar others, based on professionalism, self-support, independence and sustainability.
- c. Committing solid community social empowerment activities in productive economic enterprise (UEP) aspects and social welfare efforts (UKS) in various community groups, particularly coastal area community, farmers, fishermen, relocated community, forestry area community, industrial community, and merchant community.
- d. Development of professional institutions to increase the quality of management, SOP, technology, MFI informational system, and micro finance groups.
- e. Development of educational and training institutions to increase the capacity, quality, and performance of the human resource of MFIs and micro enterprise groups.
- f. Active participation in public policy formulation in order to increase the access of poor community and micro enterprises to economic resources.
- g. Development of MFIs and network in the goods sector for micro enterprise groups in increasing enterprise performance, services and bargaining position.
- h. Development of supporting institutions/infrastructures for developing the quality and quantity of MFIs and micro enterprise development service. Such institutions, among others, are as follows: whole seller, liquidity supporting institution, MFI standardization, rating, and certification, fund security institution, MFI informational technology consultant, database center, MFI laboratory, Ruhiyah reinforcement institution, and institution for information and publication.

6. Goal Achievement Strategy

PINBUK as a self-supported community development institution (LPSM) functions as a facilitator for all community potentials. Therefore, goal achievement strategy is done by implementing principles:

- a. **Functionalizing.** It is PINBUK role as a driving force or dynamic to function, and employing the existing society institution potential (including government institution).
- b. **Institutionalization.** It is to strengthen society institutions for people especially micro finance economic institution BMT in grass root level.
- c. **Integration.** It is PINBUK role as a catalyst or bridge to strengthen and combine mechanism on equal objectives and goals and other society potential.
- d. **Familial relationship.** It is movement based on solidarity of local community.
- e. **Human resource development** is a movement base which aimed at increasing human resource quality in every policy and activity.
- f. **Ant Rows.** Even though movement is started from something small, if it is done with mutual cooperative commitment that is effective, full of understanding, and continuous, it will create great work for the society as an implementation of act of devotion.

7. Competency of PINBUK

- a. **MFI Development**
- b. **Social economic of community development**
- c. **MFI and micro enterprises training**
- d. **MFI and micro enterprises consultation**
- e. **Technical assistance**
- f. **Partnership and networking**
- g. **Information technology for MFI**
- h. **Sandwich training system**
- i. **Forming of mujahid cadres for community empowerment**
- j. **Ruhiyah reinforcement by spiritual communication**

8. Income of PINBUK

- (1) Profit sharing from BMT
- (2) Sales of BMT training package sales
- (3) BMT IT application software
- (4) BMT human resource development : apprenticeship arrangement fee
- (5) Publishing

Source) PINBUK

ATTACHMENT 6

Example of BMT in Central Java

BMT EXAMPLE 1

Date Visited	Friday, 9 February 2007
Name of LKM	Koperasi Jasa Keuangan Syariah (KJKS: Syariah Financial Service Koperasi): BMT Baiturrahman
Location	Desa Manjung, Kecamatan Ngawen, Kabupaten Klaten
Names of Management	Mr H Sudarno (Chairman) Mr H Sajimo (Vice Chairman) Mr Slamet Rahayu (Secretary) Mr Tumirat (Operational Branch Manager) Mr Agus Praptomo (Management Advisor, PINBUK)

- BMT Baiturrahman is syariah cooperative using profit sharing system. Their members are poor farmers, poor breeders, small entrepreneurs, small traders and small craftsmen covering 2 desa in 1 kecamatan. Fund collected from members are in saving and time deposit.
- BMT Baiturrahman started in April 2001 when Pak Agus conducted socialization on BMT and in July 2001 Baiturrahman started its operational. Its initial capital was Rp9,000,000 = Rp1,000,000 (grant from BMT Grobogan) + Rp8,000,000 (from members' shares 120 members x Rp25,000). Member in 2001: 120 people and current members in 2006 is 186 people.

Savings

Fundamental	: Rp10,000
Compulsory	: Rp 1,000 per month
Voluntary	: None
Share	: Rp25,000 per share

Government Assistance

- (1) MAP Fund from Dinas Koperasi Province in 2001
- (2) Loan Amount: Rp50,000,000. Interest Rate: 12% per annum. Loan Period: 5 years. Repayment: 2005 through BPD.
- (3) Syariah Revolving Fund from Ministry of Cooperative and SME in January 2007
- (4) Loan Amount: Rp100,000,000. Interest Rate/Profit Sharing: 40% (MenKop) 60% (BMT). Loan Period: 10 years. Selection process: 1 month conducted by MenKop

Organization

Legal Registration No: 181.4/208/BH
 Management: 5 people
 Administrator: 8 people
 No of SPK Members: 186 people (SPK = share)
 No of SP Members : 527 people (SP = fundamental saving)
 No of SPK: 1312 shares
 No of Unit: 2 (1 Head Office, 1 Branch)

Activities**(1) Saving and Loan**

- TAMARA (Saving)
- TASKA (Time Deposit)
- TASYAQR (*Hari Raya* Saving)
- SARAS (Housing Saving)
- PARAS (Housing Loan)
- SME Financing

(2) General

- Training for field workers for vocational school SMK Muhammadiyah 1 Jatianom
- Apprenticeship program from LKMA Sukma Karsa, Kecamatan Pasaman Barat, Kabupaten Padang, West Sumatera Province

(3) Social

- Quran* Reading, assistance to earthquake victims, assistance for building mosques,

- (iv) Education
- (v) Training for administrators to Semarang
- (vi) Training for management by BMT Association of Kabupaten Klaten
- (vii) Seminar for SARAS & PARAS programs in Ungaran

(4) Finance

As of 31 December 2006

- (i) TAMARA Saving : Rp422,762.664
- (ii) TASKA Time Saving : Rp524,150,000
- (iii) TASYAQR Saving : Rp 3,597,000
- (iv) SARAS Saving : Rp 3,000,000
- (v) Risk Reserve : Rp 2,237,416
- (vi) Reserved Fund : Rp 24,626,303
- (vii) Profit Sharing : Rp 9,260,000
- (viii) Loan from SPK (share) : Rp 575,000
- (ix) Advance Rent : Rp 991,200
- (x) Advance Insurance : Rp 1,162,450
- (xi) Insurance Payment : Rp 123,050
- (xii) Total Asset : Rp1,278,126,726
- (xiii) Total Working Capital : Rp1,050,609,944
- (xiv) Fixed Asset : Rp 48,888,376
- (xv) Own Capital : Rp 197,752,943
- (xvi) Members and Loanee by Sector in 2006

No	Sector	No of Members	Loan Amount (Rp)	%
1	Industry (rice noodle, roof tile)	138	277,246,931	32%
2	Agriculture & Livestock (rice, chili, seasonal crops, duck, cow, and catfish)	200	138,623,466	16%
3	Trade (<i>warung, kaki lima</i> , trader)	105	170,459,499	15%
4	Service and others (bike workshop, tailor)	180	339,616,364	37%
	TOTAL	433	925,946,260	100%

BMT EXAPLE 2

Date Visited	Saturday, 10 February 2007
Name of LKM	BMT Talang Mas
Location	Dusun Nogosari, Desa Selo Pamiworo, Kecamatan Imogiri, Kabupaten Bantul
Names of Management	Mr Nur Ahmad Sogi (Chairman) Mr Sutardi (Vice Chairman) Mr Parjilan (Secretary) Mr Anton Sodi (Vice Secretary) Mr Tukijo (Treasurer) Mr Sudardi & Mr H Nasruddin (Patrons) Mr Dwi (Management Advisor, PINBUK)

- BMT Talang Mas is located in mountainous area of Mount Kidul. The land is dry and critical. The population is relatively poor and predominantly growing red onions (50 hectare) and ground peanuts (100 hectare). 90% of the members are farmers, and the rest is traders such as owner of warung.
- BMT Talang Mas is established from a discussion between Pak Dwi from PINBUK and Pak H Nasrudin, owner of Pondok Pesantren Ilmu Giri where Talang Mas is located. From this on and with guidance with Dinas Pertanian Kabupaten Bantul, BMT Talang Mas was established. Number of members on establishment: 210 people and currently they have 240 members.
- BMT now have 4 staff (2 men, 2 women) from the community. Office space is offered by the Pesantren for free. It penetrated in the community, such that the BMT staff was banking arisan money

collected from the community, on behalf of the arisan group.

- It also offers agriculture input (in-kind) loan, such as fertilizer.

Financial Data

Initial Capital: Rp13,250,000 (shares from 210 x Rp50,000-Rp100,000)
 Initial Loan: Rp300,000 maximum lent to 22 members
 Total Asset: Rp78,500,000
 Saving: Rp26,184,00 (from pesantren students, farmers, primary school students in surrounding area)
 Fundamental Saving : Rp1,220,000 (Rp10,000 per member)
 Compulsory Saving : Rp 248,000 (Rp2,000 per member per month)
 Share: Rp13,250,000 (Rp50,000 per share)
 Loan from DepSos: Rp15,000,000
 Social Fund: Rp713,326
 Profit Sharing: Rp2,892,623
 CF-SKR: Rp20,000,000 (January 2007)

Selection of Customers

- (1) Applicant submit application
- (2) BMT conducts site survey
- (3) BMT conducts interview with applicant and decides the loan from the character and capacity to repay, judging from his assets (not the formal collateral but for example, house and wife)
- (4) Try to be professional as bank, be fast as moneylender.

Loan Amount

- For loan up to Rp1,000,000, administrators can authorize, and for loan more than Rp1,000,000, the management should approve.
- Loan amount minimum is Rp. 200,000, and maximum is Rp. 3,000,000.
- On average Rp. 3,000,000 cash position is required every day.

BMT EXAMPLE 3

Date Visited	Saturday, 10 February 2007
Name of LKM	BMT Amanah
Location	Jl Raya Gulon, Desa Gulon, Kecamatan Salam, Kabupaten Magelang
Name of Management	Mr Nunung Zudianto (Manager)

Legal Registration No: 081/BH/KWK.11.19/IV/1999

Activities:

1. Finance and Loan
2. General Trading
3. Construction and Renovation Services
4. Agribusiness Consultancy

BMT Amanah office was closed on Saturday but the manager, Mr Nunung Zudianto received us and took us to see Mr Widodo, a farmer at his *Salak* (snake fruits) plantation. The plantation is located in Ring 3 of Evacuation Lane or 15 km from active Mount Merapi. Mr Widodo does not belong to BMT Amanah therefore we were unable to ask further questions on BMT services to their customers. Mr Nunung, BMT manager, regretted that he was not informed well in advance to prepare for our visit. Due to time constraints, we did not manage to interview Mr Nunung properly.

Agribusiness consultancy is provided to farmers who receive loan from BMT Amanah as part of its loan services. In addition, agribusiness consultancy also serves as monitoring and evaluation of loan repayment.

ATTACHMENT-7
Example of Swamitra Mina Recipient
Profile of KUD Mina Tani in Kabupaten Lamongan

1. Name of Koperasi : KUD Mina Tani
2. Legal Registration No: 4716B/BH/II/1980 dated 22 December 1980
3. Establishment: 22 December 1980
4. Management Board: 5
5. Number of members: 13,546 (2004), 13,505 (2005)
6. Permanent employees: 131 people (86 men, 45 women)
7. Contracted employees: 21 people (11 men, 10 women)
8. Daily/occasional employees: 1,875 people (149 men, 1,726 women)
9. Members' regular meeting: once a year at RAT
10. Management meeting: twice a month
11. Staff meeting: once a month
12. Business activities are managed by 10 units:
 - (i) Fish Market Management (TPI)

Mina Tani works together with Dinas Perikanan (Fishery) Kabupaten Lamongan to collect retribution of fish traffic at TPI (fish market). Mina Tani manages TPI, collects the retribution and contributes it to Kabupaten government. The agreement is based on target, not percentage. Target of retribution to be paid to Kabupaten APBD is Rp. 350 million every year. From TPI income, Mina Tani puts aside funds for healthcare and death for fishermen.
 - (ii) Cigarette (SKT) – (PT HM Sampoerna Tbk)

KUD Mina Tani has an agreement with one of Indonesia's biggest cigarettes producers, PT HM Sampoerna to roll their cigarettes. The agreement started in 1995 and it has been extended every year. Their current agreement is valid until 2010. Mina Tani provides facility (3 hectare factory) and manpower (1,800 employees – 90% women) whereas Sampoerna provides raw material and marketing. Sampoerna sets target of 2,5 million sticks of cigarettes per day for Mina Tani to deliver. One employee can roll on average 400 sticks per hour with average working hours of 10 hours per day. This agreement with Sampoerna was arranged by Dinas Koperasi and there are about 33 similar cooperation in Java and 22 in East Java Province.
 - (iii) General Trading (PU)

In agriculture sector, Mina Tani develops network for buying and selling fertilizers for all Kabupaten in East Java Province. They have 'motivating groups' in Desa as keep in contact with the market. Mina Tani has cooperation with PT SMS in Jakarta, an liquid organic fertilizer company to sell it to farmers. Mina Tani has agriculture shops which provide fertilizer and other agriculture input. Also owns small shops, internet shops, photocopy shops, electronic shops at bus terminals and SKT location.
 - (iv) Electricity Service (PT PLN Persero)

Mina Tani works together with PT PLN (Persero) to collect electricity bills for 20,000 households and receives fee per bill. Mina Tani provides services in checking the meter and collecting payment at locations. Customers can also pay at the counter at Mina Tani premises.
 - (v) Investment (sales of shops at bus terminal and markets)
 - (vi) Healthcare Service (UPK) – pharmacy, clinic
 - (vii) Fish Trading (UPI)

There are about 320 traders competing in TPI (fish market) location. Mina Tani is building cold storage facility 5km from the location to be rented out to fish exporters.

- (viii) Saving and Loan for farmers in rural area (USP “Karya Artha Nugraha”)
- (ix) Group’s Saving and Loan (SPK)
- (x) Saving and Loan for Fishery Sector “Swamitra Mina”

KUD Mina Tani was established to become the bridge for production and financing. Before Swamitra Mina arrived, Mina Tani already had USP (saving and loan unit) and SPK (group’s saving and loan unit). Mina Tani opened a branch called USP Karya Artha Nugraha which provides saving and loan activities for farmers in rural areas. Swamitra is a development from USP and SPK with partnership with Bank Bukopin which started in 2004. Mina Tani at the moment provides its services to fishermen (50%) and farmers (50%) covering 12 desa and 2 kecamatan in Kabupaten Lamongan.

Swamitra Mina

Opening Hours: Monday to Friday, 8AM to 2PM

Saving Interest Rate: 9% per annum

Loan Interest Rate: 1.75% per month

Requirements to Open Saving Account (SIKOBBER/SIMAKDA individual accounts):

First Installment:

- SIKOBBER: minimum Rp10,000 – next Rp2,000
- SIMAKDA: minimum Rp5,000 – next Rp1,000

Withdrawal:

- SIKOBBER & SIMAKDA maximum Rp500,000 per day

Interest Rate: 9% per annum based on the minimum balance

13. Achievement

No	Description	From	Year
1	KUD Mandiri	Ministry of Cooperative	1990
2	The Best National KUD Mandiri	Ministry of Cooperative & SME	1993, 1994, 1995, 1996
3	The Best Performance KUD	PT PLN, PT Jamsostek, PT HM Sampoerna	2002, 2002, 2004
4	Multi Purpose Cooperative	Bupati Lamongan	2003
5	Fish Cultivation	Governor of East Java	2003
6	Fishery	Ministry of Marine & Fishery	2004

14. Notes on Interview with Chairperson, Mr. Ali Fauzi

We understand that many cooperative collapsed but our cooperative has good business and since beginning we have been independent. From 320 registered cooperatives in Kabupaten Lamongan, 120 cooperatives are working and only 6, including Mina Tani are declared healthy. Dinas Koperasi conducts assessment on their performance every year based on members’ regular meeting and others.

15. Balance Sheet and Profit and Loss Statement of KUD Mina Tani is in the next page.

KOPERASI UNIT DESA "MINA TANI"
CONSOLIDATED BALANCE SHEET

Per 31 December 2005

ASSETS	2005	2004	LIABILITIES	2005	2004
ASSETS			LIABILITIES		
LIQUID ASSETS			CURRENT LIABILITIES		
Cash	720,342,114	684,169,175	Bank Debt	1,452,112,353	1,972,237,342
Bank Syariah & BUKOPIN	2,550,000	1,650,000	Trade Debt	39,210,828	29,036,850
Credit Receivables	3,339,715,062	3,041,120,912	R/C of SPK	-	35,187,600
General Trading Receivables	369,256,997	421,499,243	Profit Sharing Fund	2,289,903,997	2,705,038,699
Pharmacy Receivables	83,984,120	94,993,774	Welfare Fund	1,932,596	1,932,596
KUT Receivables	-	57,945,846	Members Saving	1,213,550,465	1,505,809,943
Shop Receivables	1,545,093,000	1,545,093,000	Fee to be paid	364,051,073	281,210,851
Other Receivables	1,135,931,516	2,453,411,073	Total Current Liabilities	5,360,761,312	6,530,453,881
Reserve for Provision Receivables	(205,402,589)	(167,571,429)	Long Term Liability	403,535,689	405,455,318
General Trading Reserve	102,069,244	185,328,484			
Pharmacy Reserve	109,569,551	116,001,971			
Shop Reserve	425,000,000	425,000,000			
PLN Bill Reserve	-	50,000,000			
Income to be paid	1,124,881,877	971,571,115	EQUITY		
Total Investment	8,752,990,892	9,880,213,164	Fundamental Saving	67,905,000	68,100,000
Investment	189,301,580	189,301,580	Compulsory Saving	153,891,391	147,202,411
FIXED ASSETS			Donation	122,814,188	122,814,188
Land	1,159,097,050	1,152,097,050	Cooperative Reserve	2,947,002,720	2,947,002,720
Building	3,488,862,420	2,891,575,920	Capital Formation	1,851,908,916	2,018,583,584
Accumulation of Depreciation	(903,097,009)	(758,518,213)	Special Reserve	2,065,788,115	2,162,444,017
Vehicle	987,166,400	900,470,700	Profit Sharing Current Year	846,358,009	-
Accumulation of Depreciation	(295,878,655)	(215,051,585)	Total Equity	8,055,668,339	7,466,146,920
Capitalization	796,932,231	606,815,431			
Accumulation of Depreciation	(360,547,567)	(265,955,701)			
Machinery	20,665,000	20,665,000			
Accumulation of Depreciation	(15,527,000)	(13,741,000)			
BOOK VALUE	4,877,672,870	4,318,357,602			
OTHER ASSETS	-	14,183,773			
TOTAL ASSETS	13,819,965,342	14,402,056,119	TOTAL LIABILITIES	13,819,965,340	14,402,056,119

KUD MINA TANI
CONSOLIDATED PROFIT SHARING
Per 31 December 2005

Description	2005	2004
Sales & Income		
Sales of Goods	1,919,893,583	5,445,581,621
Income from Services	25,663,322,505	19,969,627,654
Total Sales of Goods and Services	27,583,216,088	25,415,209,275
Production Cost & Service Fee		
Production Cost	1,796,009,512	5,360,360,832
Service Fee	23,042,732,978	17,529,090,924
Total Production Cost & Service Fee	24,838,742,490	22,889,451,756
Gross Earnings	2,744,473,598	2,525,757,519
Business Expenditures / Salary	113,123,000	86,196,000
Non Business Expenditures	1,784,992,589	1,447,886,122
Total Production Costs & Service Fee	1,898,115,589	1,534,082,122
Profit Sharing	846,358,009	991,675,397