

## **Indonesia Stakeholder Workshop**

*Jakarta, 27<sup>th</sup> August 2004, Sharing Microfinance Resources and Knowledge in Indonesia*

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*This report was prepared in collaboration with Riza Primahendra (Bina Swadaya, Gema PKM)*

In August 2004, in partnership with the Indonesian Movement for Microfinance Development (Gema PKM), the Banking with the Poor Network Secretariat conducted a series of individual consultations with leading practitioners and other supporters (wholesalers, government, central banks, training and networking organisations, commercial banks and regulated companies), in Indonesia. It was the opportunity to develop further understanding of their operations and their experience in providing or supporting microfinance in Indonesia, integrating them in the regional information sharing platform put in place by the BWTP network, the Asia Resource Centre for Microfinance (ARCM).

These consultations focussed on the three topics defined in the workshop organised on the 27 August 2004 in Jakarta and presented below. During the workshop, hosted by Bank Indonesia, local experts and leading practitioners were asked to present relevant papers and to participate to discussion panels, addressing the central theme of the workshop "Sharing microfinance resources and knowledge in Indonesia".

For each topic included in the workshop agenda, three to four speakers provided their views and perspectives through short presentations, summarising in some cases a more elaborated paper. Each session was moderated by a resource person with relevant understanding of the issues discussed.

The workshop focussed on three main topics:

1. Policies, regulations, and system supporting sustainable microfinance services for the poor
2. Linkage programs between microfinance and commercial banking
3. Innovation and best practices in microfinance

## **List of workshop speakers**

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### Opening Speeches

- Bambang Ismawan, General Secretary of Gema PKM Indonesia
- Pascal Marino, Program Coordinator, BWTP
- Burhanuddin Abdullah, Governor of Bank Indonesia

Policies, regulations, and system supporting sustainable microfinance services for the poor  
*Moderator: Dr. Bayu Krisnamurti, Director of PSP IPB*

- Sri Mulyati Tri Subari, Deputy Director Pengawasan BPR, Bank Indonesia
- Siti Sundari N. Kadiv, Credit Program, Bank Rakyat Indonesia
- Mr. Titus K. Kurniadi, Deputy General Secretary of Gema PKM Indonesia

Linkage programs between microfinance and commercial banking

*Moderator:* Ir. Riza Primahendra, Gema PKM Indonesia

- Denny Admiral Nasir, Assistant Vice President, Department Head, Small Business Product Management, Bank Mandiri
- Mr. Abdul Salam, Director of Funding, Business Development and Institutional Relation, PT Permodalan Nasional Madani (PNM)
- Mr. Soni Harsono, General Chairman of PERBARINDO
- Ms. Widayati, P4K, Ministry of Agriculture

Innovations and best practices in microfinance

*Moderator:* Mr. Aries Muftie, Director of PT. Permodalan Nasional Madani (PNM)

- Mr. Y. Arihadi, Director of Microfinance Development Centre, Bina Swadaya
- Mr. Palgunadi T. Setyawan, President Director of Dharma Bhakti Parasahabat Foundation
- Mr. Imam Haryadi, Deputy of Family Welfare and Family Empowerment - BKKBN.
- Ms. Nani Zulminarni, Chairperson PPSW (Center for Women's Resources Development)

Closing Speech

- Mr. Gunawan Sumodiningrat, Secretary of Poverty Alleviation Committee

Conclusion and recommendations

- Mr. Bambang Ismawan, General Secretary of Gema PKM Indonesia

**Introduction**

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Gema PKM and BWTP conducted a workshop entitled “Sharing Microfinance Resources and Knowledge in Indonesia”, with the objective of encouraging discussion and debate on the development of microfinance in Indonesia and lessons learned in the provision of financial services for the poor. The workshop was attended by 94 people representing 53 organizations dealing with microfinance. The organisations were government offices, financial institutions, NGO, community organizations, research institutions, companies, international institutions, and mass media.

**Issues raised**

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The issues raised during the workshop by both resource persons and participants were:

1. There is a very large under-served, potential market for microfinance in Indonesia but the existing MFIs are still unable to reach it. The opportunity for existing MFIs to expand their operations and for new MFIs to enter the market is widely open.
2. The capital needed to serve this market is technically available in the commercial banking sector. It is a challenge for MFIs to access and optimally use this capital. There is a need for breakthrough policy to enable MFIs to access this capital.
3. Various mechanisms designed to serve the poor are used by government offices and NGOs. Some mechanisms also include social facilitation and empowerment, other adopt more minimalist approaches. These mechanisms are very much in demand by a wide range of customers.

4. Policies, regulations, and system related to microfinance are developed in isolation and do not support each other. A national policy and framework for microfinance development is needed.
5. Supporting institutions such as apex institutions and wholesalers are needed to strengthen the microfinance activities conducted by many microfinance providers. There is a need to launch a pilot project for this type of organisation.
6. Many decision makers and financial practitioners still have an inadequate understanding of microfinance issues and strategy for development and up scaling.
7. The lessons learned from microfinance practices in Indonesia over the years have showed some of the weaknesses of MFIs. The crucial issues needing to be addressed are:
  - a. Human resources need the appropriate attitude, skills and knowledge.
  - b. Techniques and methods of service delivery should be cost effective and customer-based
  - c. Information technology is very important, especially for MFIs with a wide network of branches.
  - d. Most of MFIs, especially NGOs and CBOs, still lack capital.

## Conclusion

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Microenterprises are the backbone of the Indonesian economy. Their role was essential during the financial crisis and is now a success factor in many aspects of economic development in Indonesia. One of the main challenges faced by microenterprises is access to capital. In this regard, microfinance is seen as a strategic instrument to facilitate their growth by providing access to capital.

Many parties have been involved in providing microfinance services over the years. It has resulted in positive impact on poverty alleviation and the strengthening of social capital of self-help-groups and community based MFIs.

Aside from capital, there are also some challenges that need to be addressed such as:

1. Development of legal and regulatory framework for microfinance development, including national policy on microfinance, revision of existing regulations, review of existing poverty alleviation and development program that include microfinance components
2. Establishing supporting or secondary institution(s) such as an apex fund for MFIs, and an institution supporting capacity building in microfinance.
3. Lack of statistical database and information sharing among microfinance practitioners

To strengthen the effort to develop microfinance as a powerful development instrument, there is a need to establish an *MFI center* that will act as clearinghouse for the stakeholders. The suggested institution was already a subject of discussion during Gema PKM's national meeting three years ago. It now needs wider support to become a reality.

Finally, the participants also acknowledged the importance to meet regularly among microfinance stakeholders. Bank of Indonesia is considered as the right institution to facilitate this process. The cooperation with regional and global institutions is also needed in order to encourage learning process and sharing experience among different practitioners.

*Note:* papers and presentations are available upon request and on BWTP website.