



## **Bamboo Micro Credit Policy on the Approval of Loans**

The objective of Bamboo Microcredit (BMC) is to facilitate business development in order to assist in the relief of poverty in Indonesia. It does this by the grant of interest free loans to suitable persons living in Indonesia in order to start, maintain, or expand a small business. Loans cannot be granted solely for the relief of personal hardship without the concurrent establishment or expansion of an income generating business.

### **Suitability of borrowers:**

Applicants who meet the following criteria may be considered as suitable candidates for the granting of a loan subject to the suitability of the business proposal:

- Preferably be known to our agent in Indonesia and live within a distance which is accessible by the agent
- Are prepared to provide evidence of all current income.
- Can provide information on:
  1. past history of borrowing and loan repayments
  2. previous business experience
  3. existing loans from family, bank, or other sources
  4. length of time domiciled in the area
  5. family obligations for provision of financial support or education
  6. such additional information as requested by our agent
- Be prepared to signify agreement that acceptance of a loan involves a commitment to repay the loan, in full, within the agreed time. The agreed time will not exceed two years and failure to repay will exclude the borrower and his/her family from any future loans.
- Be aware that loans are interest free; however a 10% administration fee (once only) will be charged. Thus repayment of 110% of the agreed amount is required over the agreed loan period.



- Agree to tell our agent promptly of any problems which arise, or are likely to arise, in making repayments on schedule.
- Will not take out any other loan, from any sources, without the agreement of our agent.
- Some experience in managing own business is desirable.

### **The Business Proposal**

- Applicant must have a *plan* for the development, survival, or expansion of a business. This plan need not be an extensive written proposal but must be in sufficient detail (verbal or written) to satisfy our agent that the proposal is practical and is likely to be successful.
- Borrowers need to demonstrate that they have sufficient knowledge and relevant experience to ensure a reasonable chance of economic success of the proposed business.
- The business must comply with all current laws and government policy and be ethically acceptable to BMC.
- Following initiation of a successful new business, up to 3 additional loans may be granted to allow expansion of the

### **Loan Process:**

- The loan process is to be explained fully to the borrower and any questions answered.
- Borrower and agent agree on the size of the loan and the amount and periodicity of loan repayments. The repayment schedule must take into account possible business and cash flow variations.
- Information about the suitability of the borrower and the business proposal is recorded by the BMC agent.



## Bamboo Micro Credit

Web: [www.bamboomicrocredit.org.au](http://www.bamboomicrocredit.org.au)  
E-Mail: [mail@bamboomicrocredit.org.au](mailto:mail@bamboomicrocredit.org.au)

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- If the agent is satisfied on the suitability of the loan, and the amount is in accordance with the agreement made with BMC, then he/she may approve the loan and hand over the funds. If the amount exceeds the limit given in the agent's agreement then the application may be submitted to the board of BMC for consideration.
- When the loan is approved, the agent will draw up a written loan agreement. This agreement will include borrower identification together with the mutually agreed repayment schedule.
- Agent explains loan conditions to borrower, who signs the agreement and is given a copy, together with the repayment schedule. Verbal explanation is most important if borrower cannot read.
- When the agent collects or receives repayments the funds are to be deposited in the dedicated bank account for BMC and the repayment date and amount is to be recorded on the agreement form established for each borrower.
- Where payment is made in person, both borrower and the agent sign each other's payment sheets to confirm payment. A receipt will be issued for payments made directly to a bank or via other intermediary.
- Where a repayment is in default the agent will seek a reason for the default from the borrower and make a record in the loan agreement.
- After 2 consecutive non-payments, the agent should discuss with the borrower possible change in repayment schedule.
- If payment stops after renegotiating payment rate, the agent will advise the BMC Board and make a recommendation for further action. Normally the borrower will be excluded from future loans unless there were unforeseen and extenuating circumstances which caused failure of the business. It is BMC's policy to not take legal action, or use intimidating actions to recover funds from defaulters.



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## CHECKLISTS FOR AGENTS OF BMC

### Suitability of Applicants

1. Has the applicant been advised that the funds are from a charity based in Australia? YES / NO
2. Is the applicant or his/her family known to you? YES / NO
3. Does the applicant live close enough for you to visit them occasionally? YES / NO
4. Has the applicant provided details of all current income (from all sources)? YES / NO
5. Has the applicant provided information on:
  - a. past history of borrowing and loan repayments YES / NO
  - b. previous business experience YES / NO
  - c. existing loans from family, bank, or other sources YES / NO
  - d. length of time living in the area YES / NO
  - e. any family obligations for provision of financial support or education YES / NO
  - f. such additional information as requested by you YES / NO
6. Does applicant understand all aspects of loan conditions including:
  - g. Committed to repay full amount within two years YES / NO
  - h. Failure to repay will exclude borrower and family from future loans YES / NO
  - i. There is a once only services fee of 10% (total repayment is 110% of loan) YES / NO
7. Does applicant agree to promptly tell the agent of any difficulties arising with repayments on schedule? YES / NO
8. Does applicant commit to not taking our loans from any other sources unless agreed by the agent? YES / NO



9. Are you satisfied that applicant has sufficient knowledge and commitment to make a success of the proposed business? YES / NO

*NOTE: THE APPLICANT IS NOT SUITABLE IF THERE ARE MORE THAN THREE 'NO' ANSWERS*

### **Suitability of Business Proposal**

1. Has the applicant provided sufficient information the Business proposal for you to adequately assess the likely success of the proposal? YES / NO
2. Are you, as our agent, satisfied that the applicant has the necessary skills and knowledge to ensure the business success of the proposal? YES / NO
3. Does the proposed business comply with all current laws and government policy, does not involve exploitation of children, and is not involved with drugs, terrorism or other anti-social activities? YES / NO
4. Has the applicant received less than three previous loans? YES / NO

*NOTE: THE PROPOSAL MUST BE REJECTED IF THE ANSWER TO ANY QUESTION IN THIS SECTION IS 'NO'*