

## Peter Johnston: Little sums big benefits

Duncan Graham, Contributor, Jakarta | People | Thu, 07/28/2011 7:00 AM

Like many Australians, Peter Johnston enjoyed a Bali holiday. Unlike most of his compatriots he wanted more than surf and beer, so started wandering the archipelago, living frugally, traveling rough, exploring, learning.



JP/Duncan Graham

In 2007 he just happened to be in the West Sumatran town of Bukittinggi. As usual, he started chatting with the locals. The retired social worker was particularly interested in the plight of the poor and began talking about aid programs.

“In the past I’d donated to the big international non-government organizations, but I’d never been comfortable when I didn’t know where my money was going,” he said.

“Everywhere I went in Indonesia it was obvious that if people didn’t have a job or business, then they have no income and were dependant on support from relatives and friends. It was a complete contrast to Australia where a universal welfare system looks after the unemployed, the elderly and those too sick to work.

“It was also clear that compared to Australia just small amounts of money could break the poverty cycle. I thought I’d risk A\$500 (Rp 4.5 million) to see if I could help.”

He was privately prepared to lose his cash, but most of his loans were repaid on time. From this modest outlay a small business loan scheme has developed and is now circulating 30 times Peter’s original capital – and growing fast. It has also expanded into Bandung in West Java.

Bamboo Micro Credit is now a licensed charity in Indonesia providing start-up and running capital for village and market entrepreneurs. These are people who wouldn't otherwise be able to find the cash to develop their ideas – or if they could they'd be mauled by savage interest rates.

Bamboo is also registered in Western Australia, so donors can make tax-deductible bequests.

A newspaper story in Peter's hometown of Perth resulted in about 40 inquiries from locals keen to contribute. Donors were attracted by the small nature of the enterprise, the simplicity of its operation and its local character and management. They also wanted to learn more about Indonesia.

Some asked if they could give goods. One woman proposed taking four sewing machines to Indonesia believing that a personal donation would be most beneficial.

"I had to persuade her that apart from the transport and customs problems the money needed to buy four machines in Perth could be used to buy many more in Sumatra," said Peter. "Eventually she realized the impracticalities.

"Suggested donations are A\$20 (Rp 180,000) for an individual and A\$100 (Rp 900,000) for a business. We collect the money in Australia and spend it in Indonesia. Unlike other micro-credit schemes, such as the Grameen Bank (established in Bangladesh in 1976) we don't charge interest.

"We do charge a 5 percent administration fee which is used to employ a manager in Indonesia who handles applications and repayments.

"Normally about 95 percent of loans are repaid. I reckon that's a figure the banks would like to have. This is largely because we take time looking at applicants' propositions and business abilities and their capacity to repay before we advance money.

"The one major defaulter was really my fault because I overrode local advice and maintained a loan for a business that was going downhill."

The manager is Fikar, a tour guide Peter met in Bukittinggi and who immediately saw the potential in the idea.

Fikar suggested the name Bamboo because it's resilient, strong and flexible – and can be used as a multipurpose building material.

The beneficiaries have included warung (roadside food stalls), operators, a truck driver delivering produce to markets and needing money for essential repairs, small shopkeepers, clothing manufacturers and farmers requiring seeds to plant a new crop.

The average loan is a little over Rp 1 million (US\$115). In the traditional market economy traders are loaned small amounts for short periods, paying high interest, and sometimes borrowing from one lender

to repay another.

Peter stressed that he was not being driven by religious motives to assist poor Indonesians and that he wasn't pushing any other agendas.

"We're just helping the poor help themselves," he said. "As far as I know all are Muslims, though that's not the issue. Bamboo is not welfare and we're not giving handouts.

"Personally I don't like supporting people to sell cigarettes, but that's the reality, so what's the point in interfering?"

"Indonesia is Australia's neighbor and we have a duty to help. Unemployment is about 25 percent and rising. The social welfare systems are poorly developed.

"These are the sort of people shunned by the mainstream banks, even when they have good business proposals and are hard working. That's because they can't offer any collateral. However, they wouldn't feel comfortable in a bank because these are alien places handling documents that can't be understood.

"As a social worker [he used to manage a government agency] I've long been interested in community development.

"I really wanted a challenge and the ability to employ the skills I've amassed in Australia. The people supporting me are just a bunch of professionals with a common interest in Indonesia and keen to keep this a grassroots organization."

Bamboo's success has boosted demands for loans. It's also meant recruiting directors and other volunteers in Perth who can help manage the enterprise, handle the money and ensure accounts are properly maintained.

The paperwork is multiplying. Meetings, newsletters, formalities, reports. Busy, busy. Policies are being developed, necessary for accountability but a worry – the original vision could disappear under a landslide of procedures.

"Growth can be dangerous," said Peter. "Big is cumbersome. We've been offered ≈3,500 (Rp 44 million) from a Dutch organization, even though we haven't gone looking for money.

"We have to be selective in the way we make loans. This is not our money – it's the donors. We've attracted support because we're small, personal and hands-on. We don't borrow money because this would add to our costs.

"There's no need for poverty. It could be eliminated if 10 percent of the richest people in the world gave 10 percent of their wealth to the poor.

"I hope that Bamboo's success will help improve relations between the people of Indonesia and Australia."

<http://www.thejakartapost.com/news/2011/07/28/peter-johnston-little-sums-big-benefits.html>