



Bamboo Micro Credit

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Newsletter No. 18

March 2015

Welcome to our latest newsletter, I hope you find it interesting. If you have any questions about the contents, or anything about Bamboo, you can email me at oztrack@gmail.com or call me on 0431039909.

Peter Johnston, Chairperson Board of Directors.

Tax Deductibility

We have applied for approval as an eligible organization, but we are aware that approval can take up to 2 years. While not having tax deductibility does not restrict us in getting donations, on which we depend, if we get it, we can access a wide range of philanthropic funds as well as Australian companies which operate in Indonesia and who may be interested in donating or entering into a Corporate Social Responsibility agreement with Bamboo. Additionally, all our donors will be able to claim donations over \$2 as a tax deduction.

We will keep you updated about this crucial issue.

DONATIONS

Bamboo Micro Credit depends on donations to continue to provide loans to people in poverty in Indonesia to start their own business or extend an existing business. Donors may not be aware that a small amount donated every month (ie \$10) can have an enormous cumulative effect over time. The \$10 a month you give on your credit card, becomes \$120 every year and enables Bamboo to manage its budget for loans. Please consider making a regular monthly donation to Bamboo. You can do this by clicking on the GiveNow button on the home page of our website www.bamboomicrocredit.org.au. Our thanks to those who are already making regular donations.

EVENTS

Your Directors are committed to ensure, where possible, to tell you about what Bamboo is doing with donated funds.

Bamboo has now been working to assist Indonesian people to escape poverty by loaning no-interest funds for 8 years and we would like to celebrate this by having a "Celebration of 8 Years of Bamboo Micro Credit" event in April. This no-cost event will acknowledge the huge input of supporters and will take place in Subiaco at the

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premises of MSquared on Sunday 26 April 2015 from 2 to 5pm. A formal invitation will be issued to you shortly and we would appreciate if you could let us know if you are coming, for catering purposes. Please note the date in your calendar.

PUBLICITY

We always welcome positive publicity and appreciate receiving any you hear about. We are fortunate in having highly competent and well connected people in Australia and Indonesia and the following article from Duncan Graham, our representative in Malang East Java and New Zealand is an excellent example of such coverage. This article was sent to Jakarta Post, one of the English language newspapers in Indonesia. Our sincere thanks to Duncan for his insightful article and cameos of borrowers.

In 2007 knockabout guitar-strummer, tour guide and sometime barista Zulfikar (Fikar) could usually be found serving guests at Bukittinggi's Bedudal Café, a backpackers' favorite in the West Sumatra city.

Enter former public servant Peter Johnston, seemingly just another footloose Australian trying to understand Indonesia. But this encounter would change not just the two men's lives but those of hundreds of Indonesians.

Peter was no wide-eyed newbie. His archipelagic wanderings began in 2004. He'd formally studied the language in Yogyakarta. So when he harangued against inequalities it was clear his concerns were not freshly found.

He figured the poor were forever shackled to poverty without capital. In his homeland the state welfare system where he'd worked as an administrator and social worker, helped with schemes to kick-start people's lives. But this was Indonesia where indifference to the plight of the lowly was endemic in banks and government.

So how could the folks in the Lucky Country next door help their less privileged neighbors without being patronizing? Click light bulb moment: Microcredit.

Great idea – but bars everywhere sweep up grand schemes along with the fag ends and plastic trash come closing time.

Despite his scepticism Fikar kept his mind open. Over three days and a few more coffees the two men devised a small no-interest loan scheme to help poor entrepreneurs start a business.

It would be called Bamboo because, Fikar reasoned, the plant is strong, resistant, sustainable and multipurpose. His mother had even used it to make clothes during the Japanese occupation of the 1940s.

But then, as usual, the Westerner left.

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“I thought it would all be forgotten once Peter moved on,” he said at a Bamboo board meeting in Bandung. The Australian members used their own money to pay for travel and accommodation.

“In any case, I had no experience of banking and the credit system – only its faults.” He’s involved in a long legal case fighting a company that allegedly upped its interest rates without consultation.

What he did have was local knowledge and understanding of the hand-to-mouth way the poor in Indonesia live and the pressures on family budgets. A smart kid, the youngest of ten children born in Bukittinggi, his ambition was to become a lawyer.

Reality hit: No money, no study. Plan B – use wits. He picked up English from the tourists, rapidly became fluent and opened a guide business, Lite n’ Easy. When the haze from burning forests drove overseas visitors away he learned how to fix computers. It was a fickle life.

“I had zero capital and rented a motorbike,” he said. “I was just stuck.”

His mother had raised him to beware of debt. “Better you don’t eat than borrow,” she’d said, “avoid loan sharks.”

These are the high-interest unofficial credit suppliers that cruise the meat and vegetable markets, They typically charge Rp 200,000 (US \$ 17) to lend Rp 1 million (US \$ 83) over 40 days) keeping small businesspeople afloat, or savaging them in a sea of debt - depending on your economic philosophy.

For Fikar there was no ambiguity – but much doubt about the chances of undermining a harsh lending system embedded in the culture.

“I wanted to do something to help the poor get out of their debt cycle,” he said. “There’s no leadership from the government – it’s just about impossible for small people to get ahead.

“I’m a bit of a rebel and despise a bureaucracy that seems to believe that if you can make it more difficult, then why not? How can you fight an elephant?”

The answer came when Peter made good on his promise with a draft for AUD \$500 (Rp 5 million). Fikar, 40, was astonished: “I told my friends to pinch me.

“I lived near the market and regularly passed a café that never had food on display after midday. I knew the owner and wondered how he could live like that. So I asked what he’d do with a no-interest loan.

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“Of course he wanted to know who was behind it. Why would Australians want to help when Indonesians refused?”

“Eventually we lent him Rp 1.5 million (US \$125) which he spent on building stock. Now he has a bigger shop and his wife has a sewing machine which she uses to make money.”

So Bamboo Micro Credit was born. It’s now an independent secular foundation taking donations from Australians and channelling these to borrowers through Fikar in Bukittinggi and agents in Malang (East Java) and Bandung (West Java). Hundreds have been helped as the loans are repaid and the money recirculated through new clients.

“We are all smart in Indonesia, we are not buffaloes,” Fikar said. “We have so much potential but are being held back because the banks don’t want to know anyone whose collar is not smooth.

“Not everyone is right for a BMC loan. They must have plans for a sustainable business, so inevitably some people hate me, but I’m not going to be bothered by their negative energy. We now charge an administration fee of ten per cent but the loans remain interest free.

“We’ve lost a little – but more than 90 per cent of borrowers repay. If they default their friends and family won’t get loans in future, so there’s social pressure. Yet we have to be tolerant and understand there are other demands on families’ budgets, like paying for weddings, funerals and Idul Fitri celebrations. Sometimes we have to accept a slow payer so knowing the culture is important. Most applicants are women.

“I urge people just to be honest and tell me if there are problems with repayments. Misfortune can happen to us all – but don’t hide from me. I’m not Dracula.

“The Australian board doesn’t interfere and I only consult Peter if there’s a tricky decision to make.

“Now I think I might get to university. Then I can really understand the law and use that knowledge to protect the poor.

The Birdman of Bunulrejo

Even as a small boy Farit Hermansya was an accomplished gunman.

Together with his mates and an air rifle he’d travel to forests near Blitar in East Java and shoot every perching bird within range.

“I killed hundreds,” he said. “The numbers are countless.”

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Then one day he had an epiphany. He'd winged a bird. It looked in the little one's eyes knowing it was about to die. There was a brief contact between two living creatures. Instead of wringing the bird's neck he tried to save its life.

Farit failed, but at that moment he turned from killer to conservationist and began breeding exotic birds, mainly little finches and parakeets.

It's a hobby gaining popularity as Indonesians get more disposable income, with many coming to Farit's home in the Malang kampong of Bunulrejo. Not all buyers had cages, so he reckoned business might prosper if he supplied both bird and lodging.

His business plan called for Rp 5 million (US\$400) to buy wood and tools. But where to find such a sum?

"I knew it was pointless going to the banks," he said. "They want security like the certificate for my home or motorbike. I have a friend who works as a debt collector – he warned me against even trying."

But a neighbor told him about a non-government community development organization called Daya Pertiwi that also acted as a Bamboo Microcredit agent.

Farit, 29, scaled back his plans by buying tools second hand and scavenging timber. He was given a ten month Rp 1 million (US\$83) no interest loan which he's repaying at Rp 100,000 a month.

A big cage can cost Rp 170,000 (US\$14) but most average half that sum. The birds are more expensive with orange coloured plumage fetching Rp 650,000 (US\$52).

"I don't expect there'll be a need to borrow again once this loan is repaid," said Farit. "I can expand with the extra money I'm now earning. I tell every buyer not to kill. I still feel guilty about the birds I've shot."

Proposed survey of loan recipients to determine outcomes

Bamboo has been operating in Indonesia since 2007, so we have a lot of data about the 200+ loans which have been made, from 3 locations, each of which is different. We want to determine if what we hoped to achieve, has actually occurred....so, have

our loans actually helped people in poverty to develop a sustainable income from their business ventures.

We are aware that the definition of "success" will be open to interpretation and we will try to establish a workable definition.

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We have contacted Murdoch University to see if their students in Indonesia under the Australian Consortium for "In-country" Indonesian Studies (ACICIS) may be able to undertake a research project to establish the degree to which Bamboo has achieved its objective of assisting people in poverty in Indonesia to become financially independent. We are currently awaiting their response.

If Murdoch Uni agrees with ACICIS student involvement, we will still have to develop a statistically rigorous process to evaluate the outcome of our program, which will give us useful information about whether we are actually achieving our objective of assisting Indonesian people out of poverty by providing no-interest loans for their businesses.

Hopefully the final report will give us valuable information about how Bamboo operates in the future and ensure that donated funds are used in the best possible way.

BAMBOO STATISTICS

Bamboo Micro Credit Directors have been committed to making sure that donors and supporters are well informed about how the organization manages its finances.

Since commencement in 2007, a total of 205 loans have been made. Currently 101 are being repaid. We receive detailed monthly reports from our 3 partner agencies and each report is scrutinized by the chairperson and the Directors. Questions are asked about non-paying borrowers of agencies and if problems are revealed, they are asked to manage them, so the entire portfolio of loans is checked each month. So far, only one loan which was partially repaid has been written off. Realistically, however, we can expect other partial write offs, but our record of repayments so far has been excellent and would be the envy of many Banks! Our policy of flexible repayments means that loans not fully repaid can remain outstanding for quite long periods, but our experience is that over 90% of loans are fully repaid eventually.

Assets currently stand at \$Au25,454 and comprise cash in bank in WA, cash in dedicated Bamboo bank accounts of our partners in Indonesia and unpaid loans.

Our accounts in WA are required (under the Charitable Collections Act) to be audited and submitted to the WA Department of Commerce annually and this is undertaken on our behalf by Muntz and Partners, which we acknowledge gratefully.

We have not so far had an independent financial audit in Indonesia, but this is under consideration. In the meantime, each partner agency is physically "audited" in

Indonesia by one of our Directors (who pay their own costs in travel to Indonesia and accommodation there) on a variety of measures, including examination of bank details, adherence to Bamboo policies and procedures, together with informal interviews with a number of borrowers. So far all agencies have met our required standards.

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From the Chairperson and Board of Bamboo Micro Credit (Inc).

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