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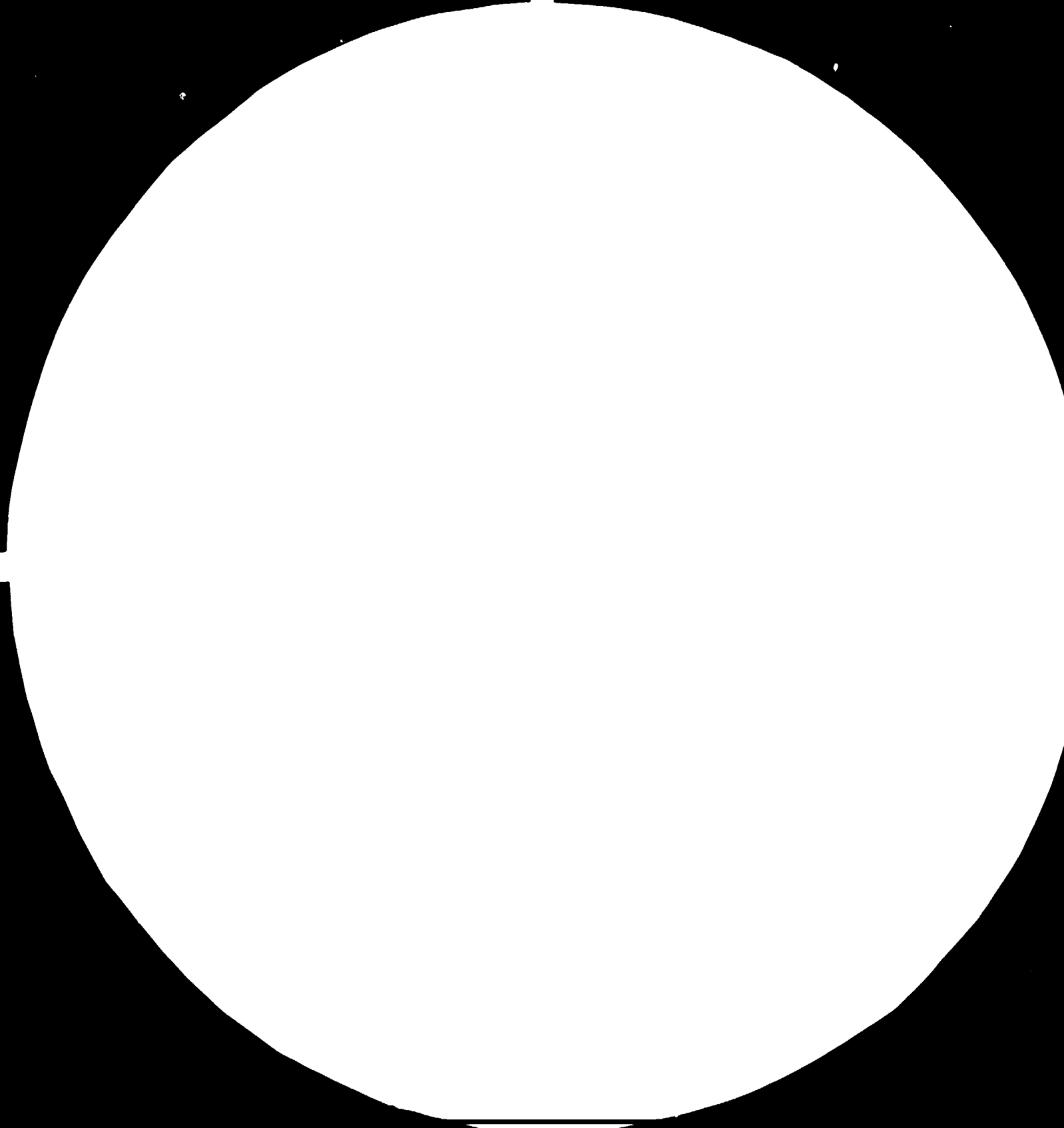
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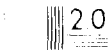
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A STUDY OF SMALL SCALE INDUSTRIES CREDIT

IN INDONESIA

(May 3, 1983 to July 29, 1983)


DR. BENJAMIN M. CATANE
UNIDTO CONSULTANT

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EXPLANATORY NOTE

1. The currency exchange rates used in the collation and evaluation of data for this report is US \$ = Rp. 625. Where the new rate of US \$ = Rp. 970 is used, the Consultant has made sure that it is so indicated.

2. The following abbreviations are used in this report :

1. SSE - Small Scale Enterprises
2. CSI - Cottage and Small Industries
3. KIK - Small Investment Credit
4. KMKP - Small Permanent Working Capital
5. DJIK (DG-SI) - Directorate General for Small Industry
6. MOI - Ministry of Industry
7. BIPIK - Guidance & Development of Small Industries Project
8. ASKRINDO - The Indonesian Credit Insurance Cooperation
9. T P L - Extension Officer (generalist)
10. T P L S - Specialist Extension Officer
11. B I - Bank Indonesia
12. BNI 1946 - Bank Negara Indonesia 1946
13. BBD - Bank Bumi Daya
14. BDN - Bank Negara Indonesia
15. BEI - Bank Export Import Indonesia
16. BAPINDO - Development Bank of Indonesia
17. BPD - Regional Development Bank
18. BUSN - Private National Bank

SUMMARY AND RECOMMENDATIONS

1. Despite the commendable performance of the CSI, in terms of output, employment creation, added value, etc. CSI growth was, in terms of number of units and employment generation, seemingly short from its projected targets. Unless and until the survey of this subsector is made, we cannot make a definite conclusion on actual performance. Present statistics are somewhat inconsistent, inadequate and sometimes seemingly conflicting. As an example, a glaring inconsistency is in the area of employment generation of the subsector. In the report prepared by the office of the Director General DJIK on June 1983, the number of CSI units in 1982 would have been 1554871 units, or an increase by 272871 units from 1974. However, the corresponding employment increase was only 181174 employees. Obviously, this situation is not very possible, wherein there are more industrial units than workers. The Consultant is unable to figure out the cause or source of this glaring inconsistency. On the other hand, the Consultant was verbally informed that, the Evaluation and Monitoring Group of DJIK conducted a survey (supposedly actual "head count") in 1981 and found there was 1554871 CSI units employing some 3.677 million workers.^{1/} If we use this figure, certainly there was a remarkable performance, an employment generation of some 565652 workers from 1978 to 1982. In the light of the unreliable data base of this sector, it is imperative and the Consultant strongly recommend that a detailed survey of the CSI subsector be made.

2. Presently there are three definitions, by different agencies, of small industry. The definition uses three parameters; the Bureau of Census uses the employment characteristics; the DJIK uses the limiting parameter of maximum of equipment/machinery investment and capital-labor ratio; and, the Bank Indonesia using a maximum networth value as the limiting parameter.

^{1/} Recorded results of this survey could not be found except a single photo-copy of a graphical table of employment.

In addition, the DJIK and Bank Indonesia definition does not distinguish cottage (home/handicraft/artisan activities) and small industries. For general and common understanding of what constitutes a small industry (and as distinguished from cottage industry) and for administrative, planning and policy formulation purposes, it will be useful to evolve a single definition. The new definition may incorporate the present parameters or characteristics. In this respect, the Consultant suggest that the new definition be as follows:

A small industry is an industrial unit (manufacturing/processing/ industrial services) with at least five workers but not exceeding 50 workers, with an equipment/machinery investment not exceeding Rp. 100 million and/or networth of not more than Rp. 150 million. With this proposed definition, the capital labor ratio should be a minimum of Rp. 2 million (US \$ 2,000) and maximum Rp. 20 million (US \$ 20,000). This capital-labor ratio range should enable small industries to adopt new, but appropriate technologies.

In addition to the above suggestion, the Consultant suggests, that the DJIK or the Bank Indonesia undertake a capital-labor ratio study of the small and cottage industry sub-sectors. Because of the technological characteristics of different types of industries necessarily the capital labor ratio will vary. For example, small modern food processing plant will/must probably have a higher capital-labor ratio compared to a similar sized factory in the readymade garment industry. In addition, the Consultant would like to suggest that Bank Indonesia review, and if possible, revise the present networth ceilings for lending to small industry entrepreneurs to reflect or consider the proposed definition of small industry suggested in the preceding paragraph.

3. During the Consultant's discussions with small industry entrepreneurs, they all expressed the opinion that present level of KIK/KMKP loan ceiling, a maximum of Rp. 30. million (KIK and KMKP), particularly for small industry is inadequate. The consultant is inclined to agree to

this observation or opinion. With the rising cost of capital goods, the maximum amount of Rp.15 million approximately \$15,000 may not be enough to purchase one or two pieces of equipment/machinery. This will be more inadequate if a new workshop or factory building has to be constructed. In the same manner, the cost of raw materials and supplies is also rising. The present loan ceiling will definitely be a serious constraints to the creation/establishment of new modern small industries. The Consultant therefore suggest that a review of present loan ceilings be made and consider an upward revision, say up to Rp.50 million for a KIK loan, and up to Rp.30 million for KMKP loan. It is of course necessary to specify that the revised maximum limit should only be applicable to loans to small industry. It may be argued that presently there seems to be only few borrowers applying the maximum amount of Rp.10 million, and therefore what is the need for revising the present ceilings. While this is so, it is not necessarily indicative that many small industries would not want to avail for a higher amount. Probably small industries who need a little more than the present ceiling would not apply since there is a limitation. Otherwise, they would have to approach other financial sources for the balance of their needs. With the present difficulty of splitting or segregating documents of ownership of real properties to be offered as collateral, it would be difficult to seek financial assistance from more than one source.

4. It is noted that the number of CSI beneficiary of the KIK/ KMKP loan program is approximately only 5% of the total CSI population. While there are no statistical details available, it would be safe to assume that, at most, only 2% of the small industries sector benefited from this program. The temptation is great, at this point, to suggest that probably to improve the credit delivery, to the small industry sector, is to establish a separate and special bank or financial institution for small industries lending. However, the Consultant believe that while the share of small industries in the credit portfolio has significantly declined there is still

no urgent need to establish a special and separate financial agency which would exclusive take care of the credit needs of this sector. The hesitancy of the Consultant to suggest this option is based on the following:

- a. There is a dearth of qualified personnel in Indonesia to handle this kind of work.
- b. To establish a new organisation would be an expensive proposition. It would take at least five (5) years before the proposed agency could develop its own expertise, proficiency and capabilities.
- c. There is no guarantee that the new organisation can deliver or do a better job than present existing financial institutions.

The Consultant suggests instead, that one of the existing financial institution, say the Bank Negara Indonesia 1946, be designated and directed to concentrate and develop its expertise and efforts to lending to small industries. In this manner, very little time is needed to "beef-up" and improve the expertise and capabilities of their credit officers. This does not mean, however, that the other handling banks shall neglect their efforts to extend credit to small industries. In fact, they should also exert and double their efforts to increase lending to small industries. As suggested, the BNI 1946 should be the lead bank in small industries credit.

5. Despite the commendable efforts and achievement of the KIK/KMKP lending to small enterprises, including CSIs, the financial assistance was directed primarily to existing enterprises. Only 10% of total loans granted went to new industries. If the trend continuous, government efforts to generate employment, through the establishment of small industries, will definitely be stifled. The Consultant suggests that Bank Indonesia

issue a reminding directive, to handling banks, to comply with policies that 25% of their KIK/KMKP loan portfolio should be used to finance new industrial units.

6. The most difficult constraint to obtaining a KIK or KMKP loan is still the collateral requirements. Although by policy KIK/KMKP credit is available, even without collateral, except assets financed by the loan, this is not so in practice. Even ASKRINDO is not inclined to insure a credit extended if it is not fully secured. If the Government of Indonesia is indeed serious to develop the small industry sector, it must take a risk, and therefore, the policy of KIK/KMKP lending should be complied with and implemented as enunciated. If need be, ASKRINDO can require an additional guarantee fee, of not more than 2% p.a., from the borrowers who have inadequate collateral support as the entrepreneurs' tangible commitment to his project. This 2% p.a. should be over and on top of present premium fees. Despite the additional 2% p.a. guarantee fee, the effective interest cost to the small entrepreneur would still be very much lower than regular bank interest rates and definitely much more advantageous if he has to borrow from trade sources.

7. One of the other constraints that will enable a small entrepreneur to borrow is the absence or his difficulty in getting appropriate documentation (certificate) of ownership of real properties which could be used as collateral support for a loan. Reportedly, securing this document, from the Department of Home Affairs, is a tedious and expensive process. In this regard, it is suggested that the DJIK should make representation with the said Department so that procedures and documentation would be less time consuming and less expensive for the small entrepreneurs. If necessary, extension officers of DJIK should actively assist small industry borrowers by making direct representations and expediting the issuance of this "certificate".

8. Another constraints to lending to small industry entrepreneurs is the absence of appropriate business licenses by many of these units. In this respect, DJIK can assist by launching a campaign to inform small entrepreneurs the advantages and benefits that could be derived in having appropriate business licenses. The information campaign should also be a good opportunity for DJIK to publicize the services of DJIK.

9. The lending constraints which could be attributed to lack of confidence and experience of lending officers can only be corrected if concerned bank managements is willing to take a more than ordinary risk and to invest in manpower resource development. The inadequacy of credit evaluation/supervision staff can only be solved by the willingness to invest in hiring additional personnel. The Consultant suggest that handling bank management, in order to build up confidence and experience, should allow and tolerate for a certain duration, say 2 years, honest errors in judgment of credit officers in connection with credit evaluation and appraisal especially to small industries loan application. Honest errors committed by credit officers, during this period of on-the-job training should not prejudice their employment tenure and promotion with the bank. If necessary, to support efforts to build-up capabilities and experience, continuous and regular training should be made available to these credit officers.

10. The constraint in lending which is attributable to the small entrepreneurs' shyness/fear to approach the banks and his lack of management /technical capability can be greatly assisted by DJIK through intensive extension services. It is suggested that DJIK, together with BI and handling banks, launch an extensive information drive explaining the KIK/KMKP program, together with information on procedures and requirements. This information drive can be done, among others, through meetings in villages, towns or cities; or, press releases, etc. To assist the shortcomings in management and technical

capabilities of small entrepreneurs, DJIK should or in fact, must intensify its extension activities in this area through various means, such as training with practicum; in-plant consultancy; marketing assistance; etc.

If need be, DJIK should and must secure the joint assistance of appropriate agencies such as the banks, technological and research institutes, etc.

11. Because of the preceding suggestion, and as noted by various sources, it is necessary, in fact imperative, that DJIK must "beef-up" or upgrade its capabilities by training/retraining its present extension officers to a high level of competence. In addition, DJIK must augment the present force, through employment of additional competent and qualified extension personnel. As a start, the training should emphasize and concentrate on in-plant diagnosis and consultancy. To motivate trained personnel to stay with DJIK for a reasonable long period of time, if not permanently, a review and improvement of existing policy/terms of employment and remuneration must be done. The present policy or practice of contractual employment is not the best policy for personnel retention. In addition, the contractual arrangement have, and would have a direct influence on performance since this has a direct bearing or impact on career decision and consequently his attitude towards his work. With respect to the training suggestion, the Consultant suggest strongly to study the feasibility of establishing a permanent in-house training program for industrial extension officer. Alternatively, DJIK may want to explore with the University of Indonesia the feasibility for UI to establish a permanent training facility for industrial extension officers.

12. It is a necessity, and a must, that assistance to small industry should be an integrated effort. As noted, this integrated assistance is still lacking. The Consultant suggest that DJIK, through the Minister of Industry initiate efforts to obtain the coordinative relationship and efforts with such agencies as Bank Indonesia, Ministry of Home Affairs, the Minister of Trade, Minister of Finance and Minister of BAPPENAS for the national level and the coordination among DJIK/BIPIK, Department of Trade, handling banks, regional

banks, BI RPMU, KANWIL and technological institutes in the regional local level. DJIK must aim and take initiative to coordinate all extension services function, at the very least. The Consultant suggest the following :

- a. At the national level, the National Coordinating Council for Small Industries will be composed of the :
 1. Minister of Industry
 2. Minister of Trade
 3. Minister of Finance
 4. Governor of the Bank Indonesia
 5. Minister of Home Affairs
 6. Minister of BAPPENAS
- b. The Director General for Small Industries will be the Executive Director of the Secretariat of the National Coordinating Council.
- c. The Coordinating Council should report directly to the President of the Republic of Indonesia.
- d. Chairmanship of the coordinating council should logically be the Minister of Industry. However, it could also be arranged that Chairmanship can be rotated on regular intervals.
- e. The Director General of the Small Industry could be an ex-officio member of the Council, since he is the Executive Director of the Council's Secretariat.

The national coordinating body should primarily be responsible for policy formulation and planning. The local coordinating group must concentrate on implementing policies recommending policies, and operationalizing activities towards effective small industries assistance, be it credit, extension services, etc.

13. As noted, management and operations of the mini-industrial estates (and PIK) needs a lot of improvement. The Consultant suggest

that a management audit be conducted in all estates with the purpose of determining specific problem areas and formulating possible options or solution of their problem areas. The Consultant was only able to briefly visit the facilities and whatever "problem" presented was probably more personal opinion and perception of problems by entrepreneurs.

14. On the other hand, the marketing problem presented may be valid. If this is so, DJIK may want to explore the feasibility of creating a department or section which will liaison between small industry producers/manufacturers and the government procurement office and if possible private companies. The main function is to match and to assist negotiate purchases by the government from the small industry producers.

15. In order to determine the impact of the KIK/KMKP program, the Consultant suggests that Bank Indonesia, in cooperation with the handling and regional development banks, should and must undertake a study of the benefit (impact) of the credit program. This study should reveal the benefits in terms of increase employment, value added, improvement of profitability and financial condition of the assisted firms, contribution to improvement of the quality of life, extent of import substitution (dollar savings), exports (dollar earnings if any), development of depressed area, etc. The World Bank appraisal Team conducted a very limited impact study in 1979. However, it seems that the study was not really representative. The sample population was too small. Besides, the resultant information generated was only in terms of additional employment generated, and data on economic returns of few enterprises. The suggested impact study ~~to be undertaken~~ could be used as basis of cost-benefit analysis of the the program.

1. THE PROJECT

1.1. The UNIDO Project (INS/78/078), a UNDP assistance to the development of small industries in Indonesia, was approved for implementation in December 1980. The UNIDO is the implementing agency. The primary objective of the assistance is to provide direct support (soft-ware inputs) to Indonesia's effort to develop the small industries. In addition, this project was expected to develop and strengthen institutional capabilities to develop the small industry sector.

1.2. Briefly, the UNIDO assistance is for 37 months period and envisaged the expenditure of US \$.2.4. million by UNIDO/UNDP and a government counterpart fund of Rp. 1.57 million. The UNDP/UNIDO fund was/will be used largely for the provision of eleven (11) international experts, short-term consultants, funds for special contractual services, and national experts. On the other hand the Indonesian Government will use its financial commitments in providing counterparts researchers, support administrative personnel office space, and equipment.

1.3. Although the project was to be implemented in December 1980, this project became operational only in August 1981. The Team leader reported for work. The other expert (documentation) : joined in April 1982. To-date the project is manned by five experts. The short-term Consultant in Credit joined on 3rd May 1983.

1.4. Development Objective

The third five-year Development Plan REPELITA III launched by the Government of the Republic of Indonesia on April 1979, stipulates that special attention should be given to the promotion of the Small Business Sector. Generally, because of the intensive labor character of the small scale industry, and easily located/established throughout the country, their contribution to the generation of some 434,000 jobs, over the plan period

was expected to be a sound strategy of development. It was planned to stimulate Regional Development through Rp.90,000 million of new investment and expected Rp.60,000 million added value (based on 1973 constant prices) from Small Industry contribution. The plan called for specific Government actions to assist small industries, such as financial assistance, marketing assistance and provision of technical training facilities for this purpose.

To achieve employment/value added objectives, various programs have been formulated by the Government, through the Department of Industry and important among which are: the establishment of the 200 Mini Industrial Estates throughout the country before 1990; the establishment of 27 Small Industry Development Centres i.e. one each in the provinces; Common Services Facilities; Sub-contracting with and sponsorship by the large industries; and, Product Reservation schemes for Small Scale Industries etc.

The Project was expected to assist in the planning and implementation of the above-mentioned programs of the Department of Industry, through the Directorate General of Small Industry, and thus contribute to the attainment of the REPELITA III objectives.

1.5. Immediate Objective

The following are the immediate objective of the project:

- a. Establishment of an operational Central Project Unit/Team at the Directorate General of Small Industry dealing with the planning and implementation of various Government programs for the development of Small Industry, particularly, the establishment of Mini Industrial (MIEs), Small Industry Development Centres (PPIKs), Product Reservation Programs, and formulation of policies and incentives for the promotion of small scale industries.

- b. Establishment and operation of model Small Industry Development Centres (PPIKs) and their constituent Extension Services Centres in five regions.
- c. Establishment and operation model of Mini Industrial Estates (MIEs), common Services Facilities (CSFs) in the five regions and train their staff.
- d. Identification and implementation of opportunities for linkages with national technological institutes with a view to mobilize and stimulate national technical expertise to develop joint programs aiming at the diversification and improvement of the quality of products manufactured by the small industries.
- e. Identification of business opportunities like production and marketing sub-contracts with large industries in the spirit of Bapak Angkat (Foster Father system) programs where feasible, and assistance in their implementation.
- f. Upgrading of the planning, implementation and monitoring of the in-service training programs for the extension officers, trainers and entrepreneurs.
- g. Mobilization and coordination of technical and financial assistance from other multilateral and bilateral sources for PPIKs, MIEs and CSFs as requested by the Government.

2. CONSULTANT'S TERM OF REFERENCE

2.1. This report represents the findings of the UNIDO Short Term Consultant in Credit, under project DP/INS/78/078/II.52/313., who visited Indonesia from 3rd May 1983 to 29th July 1983. As stated in the short-term consultancy assignment document, sent by UNIDO Vienna, the

Consultant was expected to : ^{2/}

- a. Evaluate, on a sample basis, the extent to which the present credit programs, the KIK : Kredit Investasi Kecil (Small Investment Credit); KMKP : Kredit Modal Kerja Permanen (Small Permanent Working Capital Credit); and Mini Credit have actually reached the entrepreneurs for whom they are intended.
- b. Recommend simplification of procedures and forms and other measures which would ensure easier access to credit by the small entrepreneurs in the rural areas.
- b. Recommend institutional mechanism through which availability of credit to the cottage small industry (CSI) is continuously monitored by the Directorate General for Small Industry (DG-SI) and Bank Indonesia.

2.2. On the other hand, when the Consultant reported for work, starting 3rd May 1983, to the Team Leader of the UNIDO Project, Indonesia, the term of reference of the assignment was revised as follows: The Consultant was expected : ^{3/}

- a. To assess the impact of the present credit program both on the cottage industry, as well as small industry sectors.
- b. To suggest modification in the present policy so as to make it more effective.
- c. To recommend other fiscal policies which would help in the development of small industry, particularly with respect to modernization, subcontracting etc.

^{2/} See Appendix 1

^{3/} See Appendix 2

2.3. Still during the Consultant's discussion with DG-SI Director Mr. Karim Soedibyo, he expressed his preference that the Consultant should and was expected :

- a. Study and suggest the establishment of a credit program, within DG-SI specifically addressed to the "modern small industry sector"
- b. Study the feasibility of defining the "Modern" small industry to enable DG-SI develop this sector effectively.

2.4. To accommodate, to the extent possible, all three(3) terms of reference, the Consultant has revised this as follows :

- a. Review/evaluate existing credit programs to the "Modern" small industry with the objective of the determining :
 - - Effectiveness in reaching the intended clientele
 - - Problem areas in implementation
 - - Wherever possible, impact of the credit in the development of the small industries.
- b. Study the need and feasibility of establishing an organisation/institution that will exclusively provide credit support to the "modern" small industries sector.
- c. Assess the effectiveness of the credit support programs of ASKRINDO , the existing industrial estates and lease-purchase program.
- d. Review/evaluate/recommend implementations on existing policies/promotional programs of the "modern" small industry sector.

3. METHODOLOGY OF THE STUDY

3.1. The study consisted primarily of research on available literature

and statistics on the credit programs to small enterprises in Indonesia. To compliment and validate literature information and statistics, the Consultant interviewed and discussed with officials of Government agencies involved in small industries promotion and development, particularly the Directorate General for Small Industry; managers of Bank Indonesia and the State Commercial banks (handling banks); officers of small industry association; and entrepreneurs to get their ideas/opinion and experience with regards to the KIK/KMKP loan program.

3.2. In order to get more insights on the credit operations and problems of small industry especially the areas outside Jakarta, the Consultant visited representative capital cities of Indonesia, such as Ujung Pandang (South Sulawesi); Denpasar (Bali); Surabaya (East Java); Bandung (West Java); Semarang (Central Java); and D K I , Yogyakarta (Central Java). In these places discussions were conducted with principal officers of regional development banks, the Consultants of the regional Project Management units RPMU of bank Indonesia, Kanwil and BIPIK Officials with regards to the progress of lending in their areas of the KIK/KMKP loan program. In addition, the Consultant also interviewed entrepreneurs that have been beneficiaries of the credit schemes and those that did not get assistance for one reason or another.

3.3. In addition to the discussions/research on the KIK/KMKP credit program, the Consultant visited the Mini Industrial Estates of Jakarta, Surabaya, (Sidoarjo) Yogyakarta and Bandung. The main purpose of the visits was to observe operation and discuss problems in the estate.

3.4. The Consultant is grateful for the assistance of Bank Indonesia, and BAPPINDO in arranging conferences with the top officials of the regional BI branches and the regional development banks. The Consultant was able to talk personally with either the President or Chairman of the Board of the Regional Banks in the places visited.

4. LIMITATIONS OF THE STUDY

4.1. The accuracy of conclusions arrived are accurate to the extent of the accuracy of information made available to the Consultant. Because some statistics are not available extrapolation had to be done and assumptions made based on information given verbally or impressions derived from various sources.

4.2. Due to constraints of time, validation of accuracy of statistics was sometime forgone. Since the information/statistics came from concerned agencies, it was assumed that these information/statistics are fairly accurate. In addition, information on situation and experience of lending by banks was primarily done on a interview basis. As such, there was no way to check on biases and possible exaggeration if only to give an impression of favourable and excellent situation of credit to small industries.

4.3. Because of variation in definition of small industry, there is no clear picture of the population (number of units) of this sector. For example the IBRD (World Bank) mission claims that there were 48000 small scale industries in 1979. However, subsequently statistics, even the succeeding IBRD mission do not anymore distinguish this sector in reflecting the population in their present information. Small industries is now lump with the cottage/small industries category.

4.4. There seems to be some difference in statistical information even in the same agency.

4.5. The Consultant was only able to discuss credit operations with officials/managers in the capital cities of provinces. Due to time constraints, there was no opportunity to check with situations in some other cities. Also, due again to time constraints, only five (5) entrepreneurs could

be interviewed. This certainly is not a representative sample.

4.6. Most, if not all of the information available was in the Indonesian language. Therefore, the consultant relied heavily in the translation/interpretation of the contents of their informations from DJIK staff. Many times, the translations were literal and the consultant had to deduce the real meaning of the spirit/context of this literal translation. Even in the interviews, heavy reliance was made in the Indonesian interpreter.

4.7. Despite the above constraints, the consultant feels that the findings, and therefore, conclusions are fairly reflective of the situation of credit in Indonesia.

5. BRIEF BACKGROUND OF INDONESIA

In order to understand and appreciate the trend and bias of KIK/KMKP lending, it is very important that the reader of this report or, whoever wish to follow-up the study on credit in Indonesia, should know some bias about the country.

5.1. The Republic of Indonesia consists of approximately 13,000 islands, large and small, with a population of 147.490.298 people according to the 1980 census and entire land area is 1.919.443 square Km. ^{5/} Seen from the viewpoint of livelihood, 70% of the population are dependent on agricultural, and 61.9% of the total population lives in the Island of Java, which is only 9.9% of the entire land area. Agriculture is important to Indonesia not only because Indonesia has an agrarian-based economy, but also because higher agricultural production is one of the major objective of development.

^{5/} Source : Agricultural Credit Bank Rakyat Indonesia.
Population is now estimated at 160 million.

5.2. The role of the agricultural sector in the national economic development may be observed in the gross domestic product figures as follows :

GROSS DOMESTIC PRODUCT BASED ON 1973 NORMAL PRICES
(BILLION RUPIAH)

Field of Undertaking	1975		1976		1977		1978		1979	
	Rp.	%	Rp.	%	Rp.	%	Rp.	%	Rp.	%
Agriculture	2811,2	36,8	2943,7	36,1	2981,3	33,6	3134,8	33,1	3202,7	32,3
Mining	828,1	10,8	952,3	11,7	1070,0	12,1	1040,3	11,0	1043,6	10,5
Industry	847,9	11,1	930,0	11,4	1057,7	11,9	1176,5	12,4	1284,6	12,9
Electricity, gas, water	41,2	0,5	46,3	0,6	49,0	0,6	53,3	0,6	59,7	0,6
Construction	364,8	4,8	384,5	4,7	463,8	5,2	528,9	5,6	562,8	5,7
Transportation & Communication	302,7	4,0	342,6	4,2	427,6	4,8	490,1	5,2	557,7	5,6
Trade, Financial Institutions & other Services	2434,9	32,0	2556,9	31,3	2821,5	31,8	3047,3	32,1	3224,1	32,4
	7630,8	100	8156,3	100	8870,9	100	9471,2	100	9936,2	100

Source : CENTRAL BUREAU OF STATISTICS (BPS)

The importance of agricultural development may also be observed from the characteristics and structure of the Indonesia community.

According to the agricultural Census of 1973 (Sayogya 1978) the farmers in Indonesia may be categorized as follows :

- There are 59% of the lower level farmers owing less than 0,5 ha. of land or an average of 0.25 ha per household.

- There are 24% of the middle level farmers owning 0.5 - 1 ha of land or an average of 0.7 ha per household.
- The remaining 17% are the upper level of farmers owning more than 1 ha of land or an average of 1.8 ha per household

The categorization of farmers in Indonesia is not the same as in other countries. What is referred to as "small farmers" by international institutions or other countries may be the upper level farmers in Indonesia.

If we see that \pm 70% of Indonesian's population derives its livelihood from the agricultural sector, while 83% of the group are smallholders owning less than 1 ha of land, it is obvious that the financing of the agricultural sector should be directed to small farmers. It would also be kept in mind that agricultural development does not only concern higher production and income, but also the issues of equitable distribution and creation of working opportunities. Modernisation carried out up to the present in the rural sector through various programs and projects clearly creates working opportunities and at the same time increases equitably distributes income.

5.3. From the above general illustrations, it could be understood that the problems encountered in the agricultural development in Indonesia are not merely related to production, technology, marketing, storage etc., but also how to overcome other problems outside those just mentioned, viz. :

- * Indonesia is a country which is not only densely populated, but also with an unequal distribution of population. Efforts in raising income in the sector of agriculture with a dense population will not achieve proper results, if not accompanied by population settlement and efforts in family planning.
- * The majority of the population still lives in the sector of agriculture which is semi-traditional, and ownership of land as one of the production factors

is on the average very low.

Efforts carried out so far in improving the situation and in overcoming the existing problems are in the first stage done by developing the agriculture production through intensification program in desely populated areas, where land ownership is very small. Another effort is settlement of population through transmigration programs, from the Island of Java to other islands accompanied by the reclamation of new agricultural areas, usually called agricultural extensification efforts.

In the stage, the government tries to develop the skills of the farmers to accomplish better farming methods by providing among others extension officers from each technical institution (agriculture, fisheries, animal husbandry, etc. Comtemporary, activities are also being done on the provision of sufficient agricultural input, repair of communication infrastructure, irrigation, investment of processing facilities, storage and transportation, whilst on the other hand the improvement of the farmers/smallholders' organisation through a project management unit, cooperatives unit, etc., should be envisaged. The provision of financial resources for the agricultural development, either from the government budget or from the banking sector, is not of less importance. At the final stage, efforts on diversification of agricultural undertakings are done to raise the farmers' income by way of carrying out the entire farm business approach, beside the existing commodity approach.

5.4. Financing of the agricultural sector is not only obtained from the budget but also from lending institutions. The Goverment has established certain policies in order to create a climate which may bring about the use of such financing by farmers/fishermen and other economically weak groups to finance their activities, as well as to induce the banks to take an active role in the financing of the agricultural sector and other small holders. The Goverment Regulations which show the credit policy is started with act

no 13, years 1968 where stated that, among others, the task of Bank Indonesia, the Central Bank, is encourage production, development and expand employment opportunities. This function has broad implications and is line with the Government aim of development of the rural sector. As far as credit affairs are concerned the central bank functions should :

- Promote sound development of credit and banking affairs.
- Supervise credit activities of all banks
- Provide liquidity funds for program loans when needed by the executing bank.

For this purpose the Government has issued a package policy where beside the executing "Bimas" (mass loan for farmers) which was launched in 1964, the Central bank introduced the Investment Credit Program in 1969 to be extended by all commercial state banks. The Central Bank also has its specific identity compared to the central banks in other developing countries, especially in promoting commercial state banks to assist the low income group. In 1974 in line with the Government's policy for assisting the economically weak, the Central Bank launched KIK/KMKP program,^{6/} and as a result, business activities of the smallholder sector small-industries, trade, handicraft etc, were on the increase.

5.5. Later on, with the success of the KIK/KMKP programs, mass KIK/KMKP for the rural agriculture sector was launched. This was meant to include the small farmers who were not yet covered by the individual KIK/KMKP program. Mass KIK/KMKP program have been in effect for five years and show positive results although several short-comings have to be overcome. The difference between the regular KIK/KMKP and mass

^{6/} KIK - small investment credit for small entrepreneurs

KMKP - permanent working capital for small entrepreneurs.

KIK/KMKP lies in the handling of the borrowers individually and on a mass basis. Besides the KIK/KMKP, the Government together with Bank Indonesia, have introduced the rural Mini credit which amount varies between Rp. 10.000, and Rp.200.000 for investment as well as working capital.

5.6. The Government does not underwrite the entire risk arising from cases of bad debts, but is shared among the government, the Central Bank and executing Bank which respective portion will depend on the project and degree of the risk involved. In line with the Government policy for financing of priority sectors, Bank Indonesia adopts a low interest rate policy for agricultural loan and the other loans for economically weak group. The package policy referring to interest rate, liquidity fund, risk sharing, credit insurance, subsidy etc. is directed not only toward developing the farmers and the small-holders but also to encourage the handling Banks in granting the loan.

6. DEFINITION OF SMALL INDUSTRY

6.1. In Indonesia, small industry has several definitions. In many cases the term "small enterprise" is taken as synonymous to "Small Industry". In some instances also, small industry is taken to include cottage industry(home industry) and even to include artisan activities. On the other hand, in some definition there is a separate distinction between cottage industry and small industry.

6.2. The Central Bureau of statistics use an employment based definition of industries. 7/

- a). Small Industries (CI) are units employing
1 - 4 workers

7/ Indonesia : Second Small Enterprise Development Project,
IBRD staff appraisal report.

- b). Small Scale Industries (SI) are units employing
5 - 19 workers
- c). Medium Scale Industries (MI) are units employing
20 - 99 workers
- d). Large Scale Industries (LI) are units employing
100 or more workers

6.3. On the other hand, the banking system, defines small scale enterprise, which includes small/cottage industries, as enterprises with a networth of not more than Rp. 100 million (US \$ 160,000) for industrial and construction activities and not more than Rp. 40 million (US \$ 64,000) for other economic activities including services. 8/

6.4. The Department of Small Industry, Ministry of Industry defines small industry as an industrial unit with an 9/

- a). Investment in machines/equipment, except land and building, must not exceed Rp. 70 million (US \$ 110.000),
- b). Investment per man-power not to exceed Rp. 625.000 (US \$ 1,000)
- c). Ownership by Indonesian nationality

7. THE SMALL INDUSTRY SECTOR

7.1. According to the survey of the Ministry of Industry, in 1982 there were about 1554871 small industry units distributed as follows : 10/

8/ Exchange rate used here then is US \$ = Rp. 625 As of April 1983, the exchange rate is US \$ = Rp. 970.

9/ Ministry of Industry Decrees : No. 176, series 1978; and No. 133 series 1979

10/ Source : Pembinaan Industri Kecil di Indonesia, 1983.

Food processing and food products	554,871 units	(20.8%)
Textile, Leather, and Leather products	257,176 units	(16.5%)
Chemicals and fiber products	9485 units	(0,6%)
Metals, transportation, and Services	94,536 units	(6,1%)
Construction and building Materials	870,106 units	(56,0%)

7.2. The small industry units are geographically located as follows :

Java	- 1.216.748	units	(or 78% of total No. of units)
Sumatera	- 134.882	units	(Or 9% of total No. of units)
Bali	- 52.869	units	(or 3% of total No. of units)
Sulawesi	- 71.645	units	(or 5% of total No. of units)
Kalimantan	- 51.492	units	(or 3% of total No. of units)
Other Islands	- 27.235	units	(or 2% of total No. of units)

7.3. The small industry distribution in Java are as follows :

Central Java	- 511.080	units	(or 42% of total Java population)
East Java	- 388.178	units	(or 32% of total Java population)
West Java	- 256.387	units	(or 21% of total Java population)
Yogyakarta	- 58.708	units	(or 4,8% of total Java population)
D.K.I. Jakarta	- 2.395	units	(or 0.2% of total Java population)

7.4. In 1974, the total population of cottage/small industries (CSI) was 1282000 units. ^{11/} About 74% of these CSI units or 948680 units were located in Java. If this statistics are accurate, a growth in number,

^{11/} Source : Indonesia-Cottage and small industry in the National Economy, IBRD Report No. 2490 - IND, November 9, 1979

of cottage/small industry units (all Indonesia) of 272571 units (or 21.3%) has been achieved over the last nine years. This is an average rate of about 2.37% per year. The CSI growth rate in Java is about 22% over nine (9) years or a yearly average growth of 2.44%

7.5. The production outputs (or product range) of CSI's are still primarily concentrated in consumer goods for the domestic market. Volume and value of export products are still negligible. In fact, per statistic of the Department of trade, the volume and value of handicraft products are on the decline. As an illustration, the trend of export revenues for batik; rattan and rattan products; and, handicraft products are on the decline. 12/

	<u>Batik</u>	<u>Rattan</u>	<u>Handicraft</u> <u>13/</u>
1977	2.767.000	1.630.000	10.473.000
1978	4,121.000	2.135.000	12.140.000
1979	28.950.000	6.724.000	44.804.000
1980	15.474.000	7.608.000	35.304.000
1981	6.631.000	4.047.000	25.277.000

7.6. The employment in the CSI sector has increased over nine years, from 4242652 employees in 1974 to 4423826 in 1982. This is increase of 181140 employees or about 4.2%. If statistics are accurate then employment targets of Repelita III has had short falls.

12/ Source : Dept. Of Trade Statistics

13/ Woodcarvings, Batik, Non-Batik Textile Rattam craft, Articles of Leather, Metal Products, Chemics, Misc.

8. THE KIK/KMKP LOAN PROGRAMMES ^{14/}

8.1. The KIK/KMKP programme is the main institutional source of credit for small entrepreneurs, including small units (manufacturing, processing and services) The small enterprise classification encompasses all or any small economic activity in all sectors, agriculture, industry, trade and commerce, professional service, transportation and even personal in nature ^{15/}

8.2. The salient points of these two loan programmes are as follows :

A. Eligibility

1. Any economic activity or business is eligible if the networth of the business does not exceed Rp. 100 million for industrial and construction activities and Rp. 40 million for all other activities, such as agriculture, transportation, trade/commerce, etc. ^{16/} Networth computation excludes value of residence, house and land, of borrower.
2. Seventy-five percent (75%) of the capitalization is owned by indigenous (pribumi) entrepreneurs.

B. Purpose

1. KIK : Acquisition of capital goods such as machinery and equipment; tools; purchase of factory site and building; and, construction of factory/business building and facilities.
2. KMKP : Working capital

C. Loan limits (Maximum)

^{14/} KIK : Kredit Investasi Kecil (small investment credit)

KMKP : Kredit Modal Kerja Permanen (small credit for permanent working capital)

^{15/} Teacher can borrow under the KIK/KMKP program to purchase bicycle or motorcycle for use as personal transport.

^{16/} Prior to the devaluation of April 1, 1983, the Rp. 100 million = US \$ 160,000 and Rp. 40,000 = US \$ 64,000 New rate is US \$ = Rp. 970.

1. KIK : Rp. 10 million. If the account is satisfactory an additional supplementary Rp. 5 million loan can be extended, thus a total of Rp. 5 million.

D. Terms and conditions

	<u>KIK</u>	<u>KMKP</u>
Interest rate	12,0 % p. a. ^{17/}	12,a % p.a.
Maximum term (years)	10	3 ^{18/}
Maximum grace period (years) ^{19/}	4	None

E. Equity requirement

N o n e

F. Security support (Collateral)

Assets financed by the loan are the main collateral. However, additional collateral up to 50% of the loan amount may be obtained if available.

G. Others

1. A penalty rate of 3% p.a. on principal and interest in arrears of 90 days.
2. Handling banks are required to secure a credit guarantee (insurance) from PT Askrindo covering 75% of a KIK loan. A one time premium fee of 3%, of the 75% of the loan, is charged by Askrindo. The premium

^{17/} As of June 1, 1983. Previously this was only 10, 5% p.a.

^{18/} Can be restructured and "rolled over" for up to three (3) years each time, if the account is satisfactory.

^{19/} While grace period is un applied to repayment of principal of loan, grace period for repayment of interest is also allowable.

payment is 5%.

3. Business licence is required if the business activity is required to be licensed.

8.3. Additional details of the program can be seen in appendix 3

9. GENERAL FINDINGS AND CONCLUSIONS

9.1. Credit sources of small industries.

9.1.1. The main institutional credit infrastructure for small enterprises, which includes small industries, is the KIK/KMKP program. As of March 30, total KIK/KMKP loan was Rp.2.3 million spread out over 1.7 million borrowers. However, credit to small/cottage industries was only Rp.223 billion and benefiting only 71,910 borrowers.

9.1.2. There are other complementary credit programs serving the needs of small enterprises such as the Bimas/Imnas loan scheme; Kredit Candak Kulak (KCK); Kredit Mini, ; Kredit Midi, and Kredit Kelayakan. Except for the KIK/KMKP and Kredit Kelayakan, all others credit schemes do not meet the needs of small/cottage industries. The Bimas/Imnas loan scheme is basically to finance farm development such as the rice program and secondary crop production. The Kredit Candak Kulak are short-term facilities to very small traders/retailers. Kredit Mini and Midi are also meant to meet the credit needs of small farmers, artisans, traders and fisherman. The Kredit Kelayakan is meant to assist the upper state of the small industry sector, with priority given to construction activities. Besides, the maximum loan amount of the Bimas/Imnas, KCK, Kredit Mini and Kredit Midi loan scheme would be inadequate to meet the needs of the "real" Cottage/Small Industry, the maximum loan being approximately

US \$ 800.^{20/} with the devaluation of the Indonesian Rupiah, this would be about US \$500. Some details of these supplementary credit program can be seen in Table I

9.1.3. The KIK/KMKP is a loan scheme of the Bank Indonesia. However, lending operations is handled primarily by the 5 state commercial banks and 26 regional development banks. The five state commercial banks and 26 regional development banks. The five state commercial banks are : Bank Rakyat Indonesia(BRI) ; Bank Negara Indonesia (BNI) 1946 (BNI 1946; Bank Bumi Daya (BBD); Bank Dagang Negara (BDN); and Bank Export-Import (BEI). In addition, some private national banks and a non-bank financial institution, PT. Bahana, are participating in KIK/KMKP lending. With the combined facilities of the state commercial banks, regional development banks, private national banks and PT Bahana, a country wide network of over 1000 branches are implementing the KIK/KMKP loan program. The bank of Indonesia is responsible for an formulates KIK/KMKP policies, regulations program development, administration, and monitoring. The KIK/KMKP loan scheme is a rediscounting system. The handling bank who extends KIK/KMKP credit rediscounts the transaction with the Bank Indonesia and gets a "liquidity credit" up to 80% of the loan extended. The remaining 20 % of the loan is the handling bank's own risk or exposure. Details of the KIK/KMKP program is elsewhere in the report.

9.1.4. In support to the credit program to small enterprises PT. Asuransi Kredit Indonesia (ASKRINDO) insurance (often referred to as credit guarantee) the handling bank up to 75% of the credit extended. This insurance scheme was established with the view of inducing state banks to pursue more vigorously their lending to small-scale entrepreneurs. In the policy statements of ASKRINDO, bank credits even without collaterals

^{20/} Computed at the rate of US \$ Rp. 625.

can also be insured. In practice however this is not so. Brief information on ASKRINDO can be found in appendix 4.

9.1.5. Considering that over 90% of the CSI Industries have and still has very little access to institutional credit, because of the lack of collateral, heavy reliance for credit support is drawn from trade credits (suppliers of raw materials and supplies); advance from traders (buyers of manufactured/processed products); and, borrowings from private sources cost of funds from these sources are very expensive, ranging from 3% to 5% per month. The entrepreneurs interviewed by the Consultant feel and believe that this cost of money is excessive. However, they also believe that there is no better alternative.

9.2. Admittedly, a country has the prerogative to define what is small industry. In Indonesia, however, there are three (3) definitions, one based on employment; another based on the capital-labour ratio and machinery/equipment investment; and the third, based on the capital structure, net worth of the firm. Although not necessarily conflicting, there is great difficulty in obtaining a clear picture of the characteristics of a small industry. In addition, the definition by the banking sector (using the capital structure as a characteristic) and the Ministry of Industry (using capital-labor ratio and investment as parameter) do not distinguish the cottage (handicraft or home industry) from what is commonly referred to as "modern" small industry. For effective planning and administrative purposes, it would probably be more useful if a single definition can be evolved using as parameters the present characteristics used by the three agencies.

9.3. Despite several inquiries from various sources, the Consultant could not get any rational basis on which the Ministry of Industry has used the limiting parameter of capital-labor ratio of Rp.625.000 (or US\$ 1,000)

21/ for small industry. Apparently usage of this limiting parameter is simply dictated by the policy of creating labor intensive industries. Unless, there is an intensive research in determining the appropriate labor-capital ratio arbitrary figure might be counter productive to the efforts of promoting small industries towards national development.

9.3. The accessibility of credit by the cottage/small industry is not restricted due to difficulties in application procedures and forms but due mainly and primarily on the condition of getting the loan. KIK/KMKP credit is only available to clients who can secure their loans with collateral (fixed assets : land/building) and possessing appropriate business licenses. While the general policy of KIK/KMKP credit makes available financial assistance even without collateral, except those assets financed by the loan, in practice this is not so. Collateral support requirements ranges from 50% to 150% on top of the amount to be borrowed. The supposed "guarantee" feature of the ASKRINDO insurance scheme do not help since ASKRINDO do not "guarantee" unless the loan is fully collateralised.

9.4. On the other hand, many cottage/small industry entrepreneurs are unable to comply with collateral requirements since they do not possess or unable to get appropriate documents (certificate) of ownership of their fixed assets/real estate properties. The Consultant was informed that to get a "certificate" for real properties from the Department of Home Affairs, is an expensive process and would entail/or require a long period of time. If this is the actual situation, it is obvious that supportive institutional infrastructure of issuing "certificates" need to be improved. Related, but not necessarily having the same effect to the collateral problem, is the difficulty of "splitting" documents (certificates) of ownership of real property.

21/ Exchange rate used : US \$ = Rp.625.

Because it also takes time and expense to segregate documents of ownership, a substantial number of KIK/KMKP loans are overcollateralised. As an illustration, in Bali one entrepreneur secured his Rp.3 million loan with a Rp.30 million collateral (land). The other entrepreneur secured his Rp.20 million loan with a Rp.60 million collateral.

9.5. Many cottage/small industries are not qualified to borrow due to lack of appropriate business licenses. According to the banks and the Directorate General of Small Industries, the great majority of cottage/small industries operate without proper business licenses. Verification of this formation would not be possible unless an extensive survey is done. However, this may be plausible since it is public knowledge that many Indonesian entrepreneurs tend to hide their incomes for tax avoidance purposes.

9.6. According to Bank Indonesia, the State Commercial Banks, and the Regional Development Bank, most (95%) of the KIK/KMKP loans were/are given to existing industries. Very few new units have been extended KIK/KMKP loans. The preceding estimates corroborate with the findings of the World Bank Study Mission in 1980 that 90% of KIK loans went to existing industries for expansion and modernisation purposes. Only about 10% of the total KIK loans were used to create/start new units. With respect to the KMKP loan portfolio 97% went to existing industries and only 3% went to new industries. ^{22/} This information should be very significant and shall be of great concern. It means that the new cottage/small industries established (almost 200,000 units) over the last five years have been possible with no assistance from the KIK/KMKP source. Since most, if not all, cottage/small industry lacks capital, it is safe to assume that in order to create about 200,000 new units, the entrepreneurs concerned had to raise capital through

22 / Sorce : I B R D staff Appraisal Report, 1981

trade or community borrowings which is very expensive. The present very low percentage of funding the new industries seems to be very disappointing and should be of great concern for government. Under the KIK/KMKP lending policy, it was expected that 25% of KIK/KMKP portfolio should go to new industries.

9.7. The reluctance of banks to finance new industries can probably be attributed to lack of confidence and experience in credit appraisal, especially in situation where information/statistics are scarce. In addition, possibly the bank policies and practices would not allow or not give opportunities for credit officers to take "more than necessary but calculated" risks in credit evaluation/appraisal.

9.8. The handling banks and BPDs still face the problem of the lack of qualified and experienced credit officers. In addition, Bank Indonesia observe that many credit officers including management officials of handling and regional development banks, are not yet adequately prepared to handle and undertake development banking. The easier and safer approach is, therefore, lending through collateral method rather than lending because projects are viable. In addition, handling banks are aware that, because of lack of staff, coupled with the situation that credit accounts are scattered widely and numerous, their project supervision is somewhat neglected, and therefore inadequate.

9.9. On the other hand, the constraints of lending to small industries is also attributable to the entrepreneur himself and his management/technical capability.

- a. According to Bank Indonesia and DG-SI Indonesian cottage/ small industries entrepreneurs seems to have "fear psychosis" of bank. They are hesitant (probably, because of fear or of shyness)

to approach banks for assistance. In addition small Indonesian entrepreneurs are, in general, averse to enter into formal arrangements with banks, including administrative relationship regarding their loan transaction and documentation. On the other hand, many of these type of entrepreneurs have, in general, little or no knowledge in credit procedures/arrangements.

- b. It is also a general knowledge that the level of managerial and technical proficiency of Indonesian cottage/small industry entrepreneurs are on the low side. As a matter of illustration, many CSI do not maintain (or in many cases have no knowledge) records of operating performance, such as financial statements, sales records, production records etc. In such a situation banks would have great difficulty in evaluating the enterprise in relation to a loan application. It is obvious, therefore, that extension services would be needed to assist the small entrepreneur to enable him to get the needed financial assistance. The handling banks, in most cases, are not able to provide these extension services because of cost and lack of qualified staff. The handling banks have expressed their comment that this service should come from appropriate government agencies or private sector organisations.

9.10 The primary source of non-financial assistance of the CSI is the DG-SI/BIPIK of the Ministry of Industry. This is supplemented by the Kanwils (Industry Department) of Provincial Government. It is estimated that the combined man-power resources of the three agencies is about 2200 extension officers. Only about 500 can be classified as full-fledged specialists. It is very obvious that the number of extension officers is very inadequate, to say the least, to service the CSI sector. From interviews with various agencies,

including DJIK/BIPIK, a near unanimous opinion was expressed that majority of the present extension officers needs ~~additional~~ training/retraining to provide effective extension assistance to small entrepreneurs. In addition, many of these extension officers would have to be properly motivated to provide better performance. Crucial to this motivation efforts should be the review of their terms of employment and remuneration. The Consultant is informed that many of these extension officers are contractual (two years) and paid relatively lower salaries. The contractual arrangement has and would have a direct influence on the performance of extension officers since this has a great impact on career development and eventually attitude towards his work. As it stands now, many sectors feel that present level of proficiency of DJIK/BIPIK extension officers, are inadequate to effectively assist small entrepreneurs. In addition, the number of extension officers is certainly very inadequate to provide service to the numerous, and widely spread, cottage/small industry units.

9.11 In the course of the Consultant interviews and discussions with various government agencies, banks and the private sector, it has become obvious that there is very great need for coordination among agencies providing assistance, particularly, and at the very least, among the handling banks, DJIK/BIPIK, the Small Industry Development Unit of Bank Indonesia and technical institutes. This coordination is imperative for an effective delivery of assistance to the small entrepreneurs. Presently, there is no specific mechanism for coordination, whether local (grassroots level) or national. Whatever semblance of coordination that now is operating in the provincial scene, it is all ad-hoc and informal arrangements among concerned agencies. This coordination is more voluntary, and on the initiative of individual regional BIPIK heads and/or the RPMU staff. This is particularly noted in Bali and Central Java where the local BIPIK heads work closely with the BI RPMU and the handling banks. In Jakarta, (Directorate levels, to management of handling

banks and BI), there seems to be no coordinative arrangements in their respective activities of policy formulation, planning, and servicing the small industry sectors.

9.12. As a corollary activity, the Consultant visited, and discussed with operating managers, the mini industrial estates of Sidoarjo (East Java), Yogyakarta Bandung and Tebet (Jakarta). The Consultant believes that the management and operations of these industrial estates needs a lot of improvement. It seems, also that there is also a lack of logistical support and other supports to estate management from appropriate authority levels, to enable estate management to manage their estates properly and effectively. Either lack of support or lack of estate managerial capabilities, the estate seems to be moribund. In Sidoarjo the prospects produced, as displayed for promotion or sales, seems to be of poor quality. The entrepreneurs mentioned that their main problem is marketing. Somehow they feel that very little assistance is extended to them in this regard. In Yogyakarta, the estate looks as if it is just a display centre. The estate in Bandung is so distant far from the centre that the entrepreneurs find difficulty in commuting to their place of residence and outlet. In Tebet (Jakarta), the operating management seems to take the estate operations as routine activity. In fact such activities as looking over estate sanitation and safety is somewhat neglected. What was significantly noted was the lack of information on the condition and status of the industries operating in the estate. For example, there are no records of employment per industrial unit product output, sales record, etc. which estate operating management should keep to monitor activities in the estate.

9.13. Status of KIK /KMKP lending to cottage/small industries (CSI)

9.13.1. In the survey of the Directorate General for small Industry (DG-SI) Ministry of Industry, in 1982 there were about 1554871 cottage and small

industry units. ^{23/} There is no specific breakdown of how many are cottage industries (home industry) and how many are classified as small industry. In the census of 1974, it was estimated that there were about 48000 small scale industries in Indonesia. Also, it was estimated that a total of 1.234 million were classified as cottage/small industries. All told, the population of cottage/small industries units would be 1.282 million units. If this is correct, the growth, in number of units, would be 272871 units over 8 years, or approximately 21,3%. This would be an annual increase of about 2.66% per year. At this rate of increase, there would be in 1982 about 58224 units that would be classified small scale industries SI. Many in the Ministry, however, believe that the total small industry units in Indonesia is about 100.000 units. Supporting evidence to this figure is, however not available. For the purposes of the study, the consultant has used a range in the possible number of small industries in Indonesia. The lower possibility limit used is 60.000 units and the upper limit being 100.000 units, which the DG - SI believes is the actual population.

9.13.2. If we use the lower limit of 60.000 SI that are presently existing, there would be approximately 1.499.871 cottage industry units. If we used that upper limit of 100.000 units, there would be 1.454.871 cottage industry units. The 60.000 SI units would be about 4,0% of the combined CSI units and the 100.000 CSI units would be 6.4%.

9.13.3. The total number of KIK/KMKP loans approved for cottage/small industry, as of March 1983, was a total of 71,910;20,023 for KIK loans and 51887 for KMKP loans. The number of CSI beneficiary of the KIK/KMKP program is approximately only 5.0% of the total CSI population. Since there

23/ DG - SI Status report on small industry june 1983.

is no detailed statistics available on how many small industries benefited out of the total 72,000 approved KIK/KMKP loans, it would be erroneous or misleading if the analyses will be carried out on the basis of unsupported assumptions. Suffice to say that, at most, the KIK/KMKP loan program would only benefit, at a very optimistic assumption, 10% - 15% of the total number of small industries in Indonesia.

9.14. PERFORMANCE OF KIK/KMKP LENDING, WITH PARTICULAR REFERENCE TO CSIS.

9.14.1. The pace of growth of the KIK/KMKP lending program has been impressive and overall approvals have increased in terms of absolute amounts and number of borrowers. As of March 1983, total approvals reached Rp. 2.3 trillion corresponding to 1.7 million borrowers. This is broken down into Rp. 723 billion with 213,000 KIK borrowers and Rp. 1.5 trillion with 1.5 million KMKP borrowers. However, in spite of the increase in absolute amounts and number of borrowers, the growth rate is declining. The growth rate of KIK loan in terms of number of borrowers and amounts has continuously declined from 74.2% in 1974 to 25.2% in March 1983 and 84.2% in 1974 to 22.0% in March 1983 respectively. The average growth rate, however, is 45.0% for the number of borrowers and 58% in terms of amount. The growth rate of the KMKP loans in terms of number of borrowers and amounts has also declined from 66% in 1974 to 18% in March 1983 and 85% in 1974 to 24% in March 1983 respectively. The average growth rate, however, is 44% in terms of number of borrowers and 62% in terms of amount.

9.14.2. On the other hand, while there is a very impressive performance in overall KIK/KMKP lending, there is a serious diminution in the share (allocation) of the CSI sector in the overall KIK/KMKP loan portfolio. As of March 1983, the share of CSI loan of the KIK loans was 11.0%, in terms of amount and 9.4% in terms of number of borrowers, down

from 18% and 25% in 1974 respectively. For the KMKP loans, as of March 1983, the share of CSI loans was 3.5% in terms of number of borrowers and 9.3% in terms of amount. This is rather a sharp decline from 1974 of 31.3% in terms of number of borrowers and 39% in terms of amounts. As of March 1983, KIK lending was directed more to small business in the agriculture, transport, and trade/commerce sectors, with a combine share of 78% of the total amounts.

9.14.3. The approval rate (number of loans approved as a percentage to total number of applications received) of loan application has increased significantly since 1974, which was 33%, to a level rate of 70% over the past two years. The significant improvement is, however, not entirely an indication of improved efficiency and proficiency in loan processing or evaluation since approval in to a large extent contingent on the capability of the borrower to offer security support (collateral) for his loan. Probably this could explain the reason for the declining share and number of CSI borrowers since they have very little to offer as a security for their loan as compared with farmholders as traders/merchants who have fixed assets that can be mortgaged.

9.14.4. The average KIK loans amount per borrower in the CSI sector was increased substantially. It was Rp.4 million as of March 1983. However, considering the cost of capital goods, this amount would probably still be inadequate. The Young Indonesian Entrepreneurs Association (HIPMI) and some of the entrepreneurs interviewed were unanimous in their opinion that the amount (ceiling) of the KIK loans are small to meet the financial needs of a company for expansion and, more so, to establish a new one. The average amount of Rp. 4 million may not be an indicator of actual needs since actual amount of borrowings is a function of the amount of additional collateral support that can be offered. It is interesting to note, however, that the trade/commerce sector, which most likely would not need

more capital goods, is getting the same average loan amount as the small industrial sector. A more interesting situation is in the transport and other business activities which are getting higher amounts between Rp.4.5. million to Rp. 5 million per borrower. Again, probably borrowers of this sector have the capacity to offer collateral support.

9.14.5. In the implementation of the KIK/KMKP loan program handling banks have been generally assigned sectoral lending specialisation. It does not preclude however, any handling bank to receive, process and extend loans outside their area of assignment. In addition each handling bank is mandated to allocate their credit portfolio as follows :

- a. 65% for existing industries/businesses
- b. 25% for new industries / businesses
- c. 10% for transfer of ownership of capital goods

As designated and assigned by Bank of Indonesia, the handling banks takes care of :

- a. Bank Rakyat Indonesia(BRI) : Agriculture, animal husbandry fisheries, and forestry.
- b. Bank Export-Import Indonesia(BEII) : production and services connected with exports; trade and commerce and warehousing
- c. Bank Negara Indonesia 1946(BNI 1946) : Manufacturing, production and services; and, construction.
- d. Bank Bumi Daya(BBD) : Financing of estates; transportation including shipping and Hotels.
- e. Bank Dagang Negara(BDN) : Merchandising/retail businesses at public markets; and, mining.

As of March 1983 Bank Rakyat Indonesia BRI account for 77% of total KIK/KMKP loans in terms of number of borrowers and 53% in terms of loan volume.

On the average, since 1974 to the present, BRI would account for about 80% in number of borrowers and 60% in terms of loan volume. The combined lending activities of the other state banks (BNI 1946, BBD, BEII, and BDN) accounts for 19% in number of borrowers and 35% in loan volume. The regional development banks would account for only 1% in number of borrowers and 5% in loan volumes. The BNI 1946, which was assigned primarily to undertake industrial lending, only account for 5% in number of borrowers and about 12% in loan volume. The combined branch network of BRI, BBD, BEII and BDN have a wide and larger coverage compared to that of BNI 1946. It is probably because of this situation that the trend in KIK/KMKP lending is more towards agriculture oriented activities, trade/commerce, and transportation. Any industrial lending of BRI, BDN, BBD and BEII would probably be only marginal as compared to the other sectors.

9.14.6. Current information on collection rate and arrearages are not available. It seems that this is confidential. However, Bank Indonesia RPMUs and BPDs informs the Consultant that ~~arrears~~ arrearages would be in the vicinity of 10%. On the other hands Bank Indonesia Head Office estimates that their ~~arrears~~ arrearages should be about 20% ^{24/} Based on IBRD sources in 1981, average arrearages would be about 18%. Bank Indonesia also gives the information that collection rate is in the vicinity of 70%. If this is accurate, then there has been a dramatic reversal of the trend since 1980. Statistics indicate that the collection rate for KIK/KMKP loan have been declining from 70.7% in 1974 to 38.2% in 1980. ^{25/} If collection rate has greatly improved, as claimed by bank indonesia, inference can be made that industries have greatly improved their operating performance.

^{24/} Based on the information given during an interview with a BI Manager of KIK/KMKP program

^{25/} IBRD staff appraised Report, 1981

ACKNOWLEDMENT

The UNIDO Consultant in credit, Dr. BENJAMIN M. CATANE acknowledges with gratitude the assistance, help and cooperation extended by the individuals listed below in connection with his study on credit to small industries in Indonesia.

Mr. Dahlan M. Sitalaksana		Bank Indonesia
Mr. F. Raturandang		Bank Indonesia
Ms. Sulastinah Tirtonegoro		Bank Indonesia
Mr. Setat		Bank Indonesia
Mr. R. Abdoel Rachman	Director	ASKRINDO
Mr. Prijadi Praptoseharjo	General Manager	Bank Rakyat Indonesia
Ms. Iswandasi Sesnijatno	General Manager	Bank Bumi Daya
Drs. Yanggu		Bank Bumi Daya
Drs. H. Mochtar Nasution	Pemimpin Sub. Divisi	Bank Negara Indonesia 1946
Mr. Rusli Abdillah SH	Pemimpin Divisi	Bank Negara Indonesia 1946
Drs. Zoellazar Iskandar	Manager Business Development	PT BAHANA
Mr. J. Ravianto	President	HIPMI <u>26/</u>
Mr. Harsono	Chief RPMU and Consultant	Bank Indonesia South Sulawesi
Mr. Maula Rachman	President BPD <u>27/</u>	Bank Indonesia South Sulawesi

26/ HIPMI - Association of Small Indonesia Entrepreneurs

27/ B P D - Bank Pembangunan Daerah (Regional Development Bank)

Mr. Akil	Managing Director	BPD, South Sulawesi
Mr. Sultan Dg. Patappa,	Entrepreneur Ready-made garment South Sulawesi	
Mr. Nasrulla Tomakaka,	Entrepreneur Rattan furniture Manufacture South Sulawesi.	
Mr. Tandiapa	Assistant, Chief	BIPIK, South Sulawesi
Mr. Sidaputar,	Shief, RPMU (and consultant)	Bank Indonesia
Mr. Ida Ardama	Chairman of the Board	BPD Bali
Mr. Noelyono	Chief	Kanwil Bali
Mr. I Made Regig,	Head	BIPIK Bali
Mr. Ketut Nadha,	Entrepreneur	Denpasar, Bali
Mr. B. B. Ngi Oka,	do	do
Mr. Ni Nyoman Kolawali	Entrepreneur	do
Mr. Achmad Darsana	Chief RPMU (and consultant)	Bank Indonesia
Mr. R. Soehardi	Chairman of the Board	BPD, East Java
Messrs. H. Soeroso and Muhkman,		BIPIK East Java
Mr. Wasudi,	Chief	Kanwil East Java
Mr. Soedarma	Chief RPMU (and consultant)	BI Central Java
Mr. Erwin F. P Poetter,	Team Leader World Bank Group	do
Mr. Panoet Harsono,	Managing Director	BPD Central Java
Messrs. Soemarsono and Dartoemojo,		BIPIK Kanwil C. Java
Mr. Frans Marklund,	Industrial Engineering	UNIDO Central Java
Mr. Abdulrachman,	Consultant RPMU	Bank Indonesia Yogya.
Mr. Sukanto	General Manager	Bank Indonesia
Mr. Sumarto	President	BPD Yogyakarta
Mr. Winarno	Chief	Kanwil Yogyakarta
Mr. Rasjid Izada,	Chief RPMU (and consultant)	Bank I. West Java
Mr. R.H. Gartina Dendadipura	President	BPD East Java

Mr. Stan H. Dahl	Consultant RPMU	Bank Indonesia West Java
Drs. Adang Somantri	Managing Director	BPD East Java
Drs. Saini Latief		Dept. of Trade
Mr. Usman Bin Zachri,		BAPINDO

In addition the consultant is grateful to the advise, counsel and assistance extended by the following :

Dr. Ram K. Vepa	UNIDO Team Leader
Mr. Achmad Syorfai	Chief UNIDO Counterpart
Mr. Nuryo Martokusuno	UNDP
Mr. R.M. Iqbal	SIDFA, UNIDO
Mr. Umar Masykuri	Administrative Officer KLN of Dit.Gen Small Industry
Mr. Ohello	Administrative Officer of UNIDO Project, Dit. Gen S. Industry.

The Consultant is also grateful to all the Administrative staff of the project. Special mention is due to Eyreen and Netty. A special word of thanks to Mr. Inta bin Itik and Mrs. Roos who have assisted in many administrative matters. Finally, but not the least, the consultant is most grateful to Mr. Gitosewoyo, Director General for Small Industry, Mr. Karim Soedibyo, Director, DJIK, and Mr. Sjafiuddin Syarief Director DJIK for their full support, understanding and valuable advice given to the consultant during his work assignment.

JOB DESCRIPTION FOR SHORT TERM CONSULTANT
PROJECT IN THE REPUBLIC OF INDONESIA

JOB DESCRIPTION

OP/IND/78/078/11-313.L

Rev. 1

- Post Title : Consultant in Credit
- Duration : Three months
- Date required : As soon as possible
- Duty Station : Jakarta with travel within the country
- Purpose of Project : To assist the Government in the planning and implementation of various programmes for the development of Small Industry, particularly the establishment of Mini Industrial Estates and the formulation of policies and incentives for the promotion of Small Scale Industries.
- D u t i e s : Under the Supervision of the Team Leader, the Consultant will be specifically expected to:
- a). Evaluate, on a sample basis, the extent to which the present credit programmes (such as KIK, KMKP, MINI Credit) have actually reached the entrepreneurs for whom they are intended.

- b). Recommend simplification of procedures and forms and other measures which would ensure easier access to credit by the Small Entrepreneurs in rural areas.
- c). Recommend institutional mechanism through which availability of credit to the CSI is continuously monitored by the DG-SI and Bank Indonesia.

QUALIFICATIONS

- : A basic degree in Economics with specialisation in Banking or in lieu considerable experience in a development financial institution, dealing with credit to the Small Industry sector preferably in any developing country.

LANGUAGE

- : English

BACKGROUND
INFORMATION

- : It is estimated that more than 90% of 1.3 million manufacturing entrepreneurs (as evidenced by the last full scale census conducted in 1974/1975) are in Cottage Industry employing 4 million persons or 80% of all the labour in the manufacturing sector. A major share of those activities involves wood products, food processing, textiles, building materials, and leather. However, the share in the value added of the manufacturing sector is only 14%.

The Small Industry units (defined as those with an investment in plant and machinery less than Rp.70 million) represent only 3.7% of the industrial units (in number, less than 50,000) but employ 350,000 persons and account for 8.6% of the value added.

The medium and large industry units represents only 0.6% of the number of industrial unit but account for 9.3% of the labour force and 62% of the value added in the manufacturing sector.

Recognising that greater attention needs to be paid to the Cottage and Small Industry (CSI) Sector, Government have launched a major programme of assistance (BIPAK) to help the Small Indigenous entrepreneurs in all aspects - identification of product lines, design of operations, procurement of machinery, supply of raw materials, credit, marketing etc. A programme of assistance to the CSI has been executed in the Second Five Year Development Plan (REPELITA II) at a cost of Rp.5. billion to provide consultancy services to existing entrepreneurs in production techniques and management in procedures, to obtain suitable credit from the banking network and to buy suitable equipment and tools. Further, a certain number of

Industrial Extension Centres (PEIK) have been established and intensive training provided for field extension offices (TPL). In REPCELITA III, the programme is being further expanded so as to establish Mini Industrial Estates (MIE) at suitable location which will help to create new employment opportunities in the rural areas.

In addition, the following measures have been taken to develop the CSI as a complementary sector to the medium and large industry (MLI) :

- Conduct Intensive Campaigns amongst the economically weak groups so as to disseminate information and create awareness of the potentialities of the CSI sector.
- Identification of product lines that can be undertaken by the economically weak groups and to strengthen their capabilities through product reservation and Purchase Reservation Programmes.
- Improving the performance capability of the Small Units through assistance in supply of equipment, improving productivity design and management.
- Spread the Small Sector Industrial development pattern through the establishment of Mini Industrial Estates which will act as focal points of growth in a region.

The Directorate General, Small Industry (DG-SI) in the Ministry of Industry has been established in 1975 to be the focal point of the development programme for the CSI

Sector. In cooperation with Bank Indonesia, the Central Bank, DG-SI has formulated a programme of making ' Mini - Credit ' available to the very small units through state owned Commercial Banks - Bank Rakyat Indonesia (BRI) and Bank Negara Indonesia (BNI, 1946), guaranteed by PT Askrido up to 75% of the loan. The World Bank has made funds available to the Bank Indonesia for disbursement of such loans.

Between 1973 and 77, UNIDO provided assistance for the development of Small Industry in the shape of mission and advisers. In 1973, a light industry adviser was provided: in 1974, a joint UNDP/UNIDO mission took place to formulate a long term technical assistance programmes for the Small Scale Industries. In 1975, two UNIDO Consultants were made available to assist government to introduce a suitable institutional framework to assist the Small Industry. A field extension service expert was fielded to assist the Ministry of Industry to implement the BIPK Programme.

A UNIDO evaluation mission took place in December 1979 to assess the result of the project, and to formulate recommendations for future technical assistance. As result, two teams of experts were made available located at Yogyakarta and Surabaya. Those were able to provide consultancy Services to improve production techniques, design and quality control, conduct training programmes and assist entrepreneurs to obtain loans from the banks.

Based on the experience gained through these two teams, the present project has been devised on a more ambitious scale to provide 11 experts - 5 of whom will be located in Jakarta, and the remaining 6 in the provincial offices in the islands of Java, Bali, and North Sumatra. The Jakarta team contains of a Team Leader and experts in Industrial Engineering, Marketing, Training and Documentation.

The field personnel will be Industrial Engineers with special experience relevant to the region in which they are located .

The Expert Team will be assisted by a team of short term Consultants, Counterparts, National Experts and Contracting agencies to provide comprehensive support to the development programme being implemented by the DCSI.

Although the KIK, KMRP and Mini Credit Programmes have been operating for sometime, it is not clear to what extent entrepreneurs in the Small Industry Sector, particularly outside the metropolitan areas, have been able to take advantage of them. It is also noted that these programmes are designed to benefit the very small entrepreneurs while the others do not enjoy any special benefits. Since with increasing sophistication of the sector, investment limits are likely to rise, it is necessary to consider how the existing programmes may be extended to other segments of the Small Sector who may be expected to provide the incentive for growth.

There are frequent complaints that the procedures and criteria adopted for the grant of loans militate against any large scale benefit from the existing credit programs. It would be necessary to evaluate how far such complaints are justified and, if so, to suggest ways of reducing the difficulty for small entrepreneurs.

It is also necessary to consider special incentives programmes for modernisation, product improvement, standardisation etc. So as to improve the over all image of the small sector and product marketability.

Finally, a joint monitoring of the credit flow

to the small sector by the central bank (Bank Indonesia) and the DCSI (Ministry of Industry) is considered desirable and the expert may make recommendation on how this is to be done effectively.

The Consultant will be expected to prepare a final report setting out the findings of this mission and his recommendations to the Government on the action which might be taken in collecting and compiling data on the performance of the CSI sector.

E.4.3/IV/83/171

Jakarta, April 30, 1983.

Dr. Ram K. Veda
Team Leader

Sub: Short Term Consultant in Credit

1. Mr. Benjamin Catane of the Philippines is arriving in Jakarta on 3rd May on a 3 months assignment as Short Term Consultant in Credit. The job description of his assignment and his personal CV are enclosed for reference.

2. The basic task of the STC (Short Term Consultant) is to :

- Assess the impact of the present credit programme both on the Cottage Industry as well as Small Industry Sectors,
- Suggest modification in the present policy so as to make it more effective, and
- Recommend other fiscal policies which would help in the development of Small Industry, particularly regarding Modernisation, Subcontracting etc,

3. For this purpose the following Work Programme is suggested :

- May 3-7th . Call on UNDP/UNIDO Officials
 - . Briefing by the Team Leader
 - . Call on DJIK Directors, Mr. Karim, Mr. Sjarief and Mr. Tampubolon
- May 7-28th . Meet individuals and organisations connected with Credit and fiscal policies.
These will include :
 - Bank Indonesia
 - BAPINDU
 - PT Askrindo

Also organisation such as KADIN, HIPMI, etc .. and individual entrepreneurs through DKI Jakarta.

- June . Visit select locations outside Jakarta --
For this purpose, it is suggested that he may visit Bandung (West Java), Jogjakarta and Surabaya.

- 2 -

Sub: Short Term Consultant in Credit

At each place he will meet entrepreneurs and financial institutes through the KANWIL -- So as to study how the Credit Programmes are operating in practice.

-- Juli .

Return to Jakarta

A 3/4 day workshop may be organised by DJIK in cooperation with Bank of Indonesia on 'Credited Problems of the Small Industry' with the STC may also present some of his recommendations. Writing up of the final report. By the end of the month, STC will finish his assignment.

4. It would be useful and helpful if one person from the DJIK dealing with problems of Credit were assigned to work with the STC during the period of his stay in the country. He would help him to organise his visits both in and out of Jakarta -- and also gather experience and information from him.

5. Administrative arrangements regarding office, work space, transport, and secretarial assistance are being dealt with separately.

Dr. Ram K. Vepa

Team Leader INS/78/078

Mr. Karim A. Sudibyo
Raw Materials & Equipment
DJIK
Jakarta

cc: Mr. S. Sjarief
Mr. A. Sjorfai

Main rules and regulations of the KIK/KMKP program
(as of July 1983).

1. Type of Credit

(1). Kredit Investasi Kecil (KIK) - small investment credit.

By small investment credit is meant credits granted for the financing of investment in all types of economic activities of entrepreneurs of relatively small means who are engaged in labour-intensive activities, mainly bearing on rehabilitation and expansion of units producing goods and services, except those producing services of an entertainment/amusement nature.

(2). Kredit Modal Kerja Permanen (KMKP) - small credit for permanent working capital.

The permanent working capital credit can be extended for the financing of all types of economic activities, which may or may not have an investment element, to entrepreneurs of relatively small means who are engaged in labour intensive activities which mainly bear on rehabilitation and expansion of units producing goods and services, except production of services of an entertainment/amusement nature.

2. Eligibility.

Criteria for determining whether or not an enterprise belongs to the category of small enterprise/entrepreneurs which could obtain a KIK/KMKP is the following :

- a. The net worth of the enterprise or entrepreneurs should not exceed Rp. 100 million for industrial and construction activities and Rp. 40 million for all other activities such as agriculture, transportation, trade/commerce, etc.

3. Credit Conditions :

(1). KIK.

- Credit Limit : maximum Rp. 10 million.

- Maturity : maximum 10 years, including grace period
- Interest : 12,0% p.a.
- Collateral : a) the main collateral is the project financed by the KIK.
b) in case the value of main collateral is insufficient the borrower is to pledge additional collateral from private properties or provide it from a third party so that the total value of collaterals is not less than 100% of the credit.
- Self-financing: there is no minimum-requirement for self-financing.
- Service charge/commitment fee : no service charge and no commitment fee is charged on KIK.
- Credit-stamp duty : by Ministerial exception reduced to Rp.25,-
- Credit insurance premium : the premium is 3% of the credit, to be paid once and charged 50/50 to BI and the handling bank.
- Sector that can be financed : all sectors except for entertainment/annusement, satiated sectors etc.

(2). KMKP.

- Credit Limit : maximum Rp. 10 million
- Maturity : maximum 3 years
- Interest : 12% p.a.
- Collateral : - idem -
- Service charge/commitment fee : - idem -
- Credit-stamp duty : - idem -
- Insurance premium : - idem -
- Sectors that can be financed : - idem -

4. Allocation of credit-portfolio to handling banks

- Minimum 65% for existing activities
- Maximum 25% for new activities
- Maximum 10% for transfer of ownership of capital goods.

5. The main sector of each handling bank

- Bank Rakyat Indonesia :
 - Agriculture, animal husbandry, fishery, forestry
- Bank Ekspor Impor Indonesia :
 - Production and services relating to export business
 - Sectors of trade, commerce and domestic distribution (except in market places) as well as distribution for export
 - Ware - housing
- Bank Negara Indonesia 1946 :
 - Manufacturing industry and services connected therewith.
 - Building and Construction.
- Bank Bumi Daya :
 - Estates
 - Transportation, including shipping
 - Hotels
- Bank Dagang Negara :
 - Small merchandising; retailing, in particular at market places.
 - Mining
- Bank Pembangunan Indonesia :
 - All sectors mentioned above.

If a handling bank receives a credit application from an existing client, whose business activities fall under a sector which is attributed to another handling bank, the former can request the consent of the latter to nevertheless extend a credit to his client.

6. Specific activities of the bank in the field of the credit:

- Purchase of sedans, except taxis
- Purchase of second hand goods.
- Financing small street vendors without domicile

7. KIK/KMP Massal.

Based upon surveys executed by handling banks and PT Askrido together with the technical services of Departments and Universities, projects can be financed group-wise, under fixation of i.a.

- The overall ceiling of the credits for the group as a whole, and the ceiling of individual credits per borrower, on the basis of credit packages.
- Eligibility criteria for individual borrowers within such group.
- Advisory services by provincial government agencies or technical departments, i.a. regarding production methods and marketing.

8. Loan Evaluation.

- The applicant has to file a simple credit-application form as prescribed by the handling bank, after which would follow a visit on the spot by the handling bank.
- Credit approval is based upon borrower's actual needs for production purposes.
- In order to apply for a liquidity credit from B.I. the handling banks use simple application forms (summary attached)
- Bank Indonesia does not re-evaluate the application, except that it is checked whether the applicant is not included in:
 - The list of borrowers in default
 - The list of borrowers obtaining double credits, or
 - The list of drawees of blank cheques

9. Delegation of authority to appraise and approve credits.

Credit appraisal and approval is not centralized at the

Head Office of the handling bank, at the Head Office of handling banks, but carried out at the branches. For that purpose, authority is delegated to the manager of the branches concerned.

10. KIK/KMKP Ceiling

Each fiscal year KIK/KMKP ceilings are determined per bank per province, on the basis of sectoral priorities and the economic activities. In practice these ceilings are more meant to function as a target.

11. Supplementary credit in excess of Rp 10 million

- Based on good credit performance over the two preceding years and real additional needs of the borrower, supplementary credit can be granted to the effect that the new credit limit for KIK and KMKP each would amount to a maximum of Rp 10 million.
- The maturity period remains 5 years for KIK and 3 years for KMKP as from the date the supplementary credit is granted.
- For a supplementary KIK the borrower should provide self-financing to an amount of 10% of the credit increase.
- The borrower who is to receive the supplementary credit is exempted from the eligibility criteria mentioned under 2 above.

12. P.T. Askrindo (Asuransi Kredit Indonesia)

- A general credit insurance-agreement is made between the handling banks and P.T. Askrindo, under which there is automatic coverage for individual KIK/KMKP
- In case of a default, the claim is first discussed between the handling bank and P.T. Askrindo.
- P.T. Askrindo covers only the commercial risk but not the political risk.
- Only if all other efforts have failed, the case can be taken to PUPN (Panitia Urusan Piutang Negara)

13. The role of national private banks.

- Besides commercial State Banks, qualified national private banks

and provincial Development Bank can also be given the opportunity to participate in the handling of KIK and KMKP credits, either directly or by way of co-financing with one of the States Banks.

- In principle all the KIK/KMKP regulations existing for the States Banks shall apply also for the private banks and Provincial Development Banks.

14. Organization of handling banks

The handling banks have been requested to set up in their branches a separate unit for handling KIK/KMKP and to arrange for functional coordination with technical departments.

15. Penalty rate

A penalty charge of 3% p.a. will be levied on amount of principal in arrears from time for more than 90 days.

16. Administration and mechanisation

Efforts to simplify the administration of KIK/KMKP by mechanisation or computerisation have been made and are still being continued and expanded to monitor developments.

17. Eligibility (see also point 2).

These loans can only be granted to indigenous persons enterprises or legal bodies with status of indigenous, i.e. :

a) persons.

Based on paternal/fatherly line of descent

b) Enterprises or legal bodies

- Minimum ~~75%~~ 75% of the entire business capital is owned by indigenous, or
- Minimum 50% of the business capital is owned by indigenous, while the greater part of the members of the Managing Board of Directors are indigenous.

18. Handling banks (see also point 5)

Qualified private banks selected by Bank Indonesia also participate in this KIK/KMKP program.

Summary of Information on Credit Application.

a. Information on Credit Applicant

1. Name of applicant/firm
2. Address
3. (a) Field of activity
(b) Business license
4. Short curriculum vitae of the manager/owner, especially concerning his business experience

b. Credit Connection with a third party

1. Whether the applicant has borrowed/is indebted to a bank (number of credit agreement, date, amount, purpose, collateral)
2. Whether the applicant has borrowed/is indebted to a non-bank creditor (date of borrowing, amount, purpose, collateral).

c. Information on Investment Credit Applied for :

1. Project location, with information on legal status of the land on which project is or will be established.
2. Amount of required investment credit
3. Usage of credit by specifying the purposes, such as
 - (a) Rehabilitation of building/place of business
 - (b) Purchase of equipment/machinery
 - (c) Other purchase for the business
4. Reason for request of small investment Credit (for expansion, rehabilitation, building or construction; old or new project)
5. Specified schedule of credit disbursements
6. The period for which credit is needed and its repayment schedule, specified per month/per quarter/per season.
7. The way of providing self-financing (in cash or in the form of property or labour).

d. Illustration of Bussiness Plan.

1. The work/production plan
2. Production targets to be achieved in comparison with previous years.
3. Collateral (specified according to kind, place, value/price and also whether any portion has been obtained from a third party).

e. Any other pertinent information.

The Indonesian Credit Insurance Corporation (P.T. ASKRINDO)

1. The Indonesian Credit Insurance Corporation (P.T. Asuransi Kredit Indonesia, or P.T. ASKRINDO) was established in 1971 primarily to encourage lending to small- and medium-size enterprises by insuring the banks against most of the default risk of loans to such enterprises. P.T. ASKRINDO operates as an autonomous commercial enterprise with capital stock owned by the Government and Bank Indonesia. A two-man Supervisory Board consisting of the representatives of the Governor of Bank Indonesia and the Minister of Finance sets general policies and supervises the Board of Managing Directors composed of the President and two full-time Directors. It has ten departments (Research and Development, Underwriting, Insurance Credit Claims, Reinsurance, Insured Credit Control, Administration and Finance, Internal Audit, Personnel, Secretariat and Public Relations and Statistics). The total staff is about 210.
2. P.T. ASKRINDO engages in insurance of the small enterprise credit programs including the Small Investment Credit (KIK) and the Small Permanent Working Capital Credit (KMKP) and small short-term general commercial credit (KEB - Kredit Eksploitasi Biasa). While the cumulative number of KEB loans insured is slightly higher than the KIK/KMKP loans, the insured value of KIK/KMKP loans is about twice that of KEB loans (Table 1). P.T. ASKRINDO also engages in reinsurance (of fire, transport, marine, engineering, aviation and miscellaneous insurance).
3. P.T. ASKRINDO insures 75% of KIK/KMKP loans. For individual KIK/KMKP loans, the 75% insurance cover is automatic. For KIK/KMKP "massal" programs, P.T. ASKRINDO evaluates each program before agreeing to insure. In some cases, such as KIK fishing boat loans and KMKP cattle fattening loans, P.T. ASKRINDO has required "extended coverage," i.e., the borrower's boats or cattle must be insured with P.T. ASKRINDO as a condition of P.T. ASKRINDO providing credit insurance. (The net effect is simply a higher insurance fee for the risky operations, with the borrowers themselves paying a portion of it.)
4. For KMKP loans which have a maximum repayment period of three years and KIK loans up to five years, P.T. ASKRINDO's fee is 3%, of which 1.5% is paid by BI and 1.5% by the handling bank. For KIK loans of longer than 5 years, the fee is 5%, of which two-thirds is paid by BI and one-third by the handling bank.

TABLE I

TABLE I. Terms for Other Small Credit Programs

Credit Program	Interest Rate	Loan Size ^a	Maximum Maturity	Collateral	Reduction Share and Source	Reduction Interest Rate	Risk Coverage
<i>Bonus Inmas</i>	1% per month	specific package determines loan size	crop cycle or 7 months	No collateral, only return guarantee from village head and extension worker	100% from BI	3% p.a.	50% government 25% Bank Indonesia 25% Bank Rakyat Indonesia government funds
<i>Kredit Candiak Kulak</i>	1% - 2% per month depending on maturity	Rp 2,000-15,000	3 months	No collateral, only return guarantee from Village Head	100% from government	0%	government funds
<i>Kredit Mini</i>	12% p.a.	Rp 10,000-200,000	12 months for working capital, 36 months for investment credit	Required	100% from government	0%	government funds
<i>Kredit Muli</i>	Same as AJA-AMAP	Rp 200,000-500,000	3 years for working capital, 5 years for investment credit	Same as AJA-AMAP	100% from BI	1% p.a. on investment credit, 4% p.a. on working capital credit	hosting bank, if authority has less than 1%
<i>Kredit Kelayutan</i>	10.5%	up to Rp 75 million	10 years	Same as AJA-AMAP	Same as AJA	Same as AJA	hosting bank

^aConversion to US\$ = Rp 6.25

^bThese proportions differ in certain special cases

^cTerms shown here refer only to Kelayutan investment credits. For working capital credits terms vary depending on economic sector and are not shown here.

TABLE 2

SMALL INDUSTRY as of 1983

No.	Region	Total No. of units piece	Ind. Facilities			Development of Facilities						Dev. Personnel	
			LIK	SUIK	PIK	Centre	PPIK	UPT	PPF	PPI	PIK	TPL	TPLS
			Location			Location						No. of person	
	<u>INDONESIA</u>	<u>1,554,871</u>	<u>15</u>	<u>4</u>	<u>10</u>	<u>1,089</u>	<u>9</u>	<u>80</u>	<u>13</u>	<u>7</u>	<u>1</u>	<u>1,830</u>	<u>39</u>
	<u>SUMATERA</u>	<u>134,882</u>	<u>2</u>	<u>1</u>	-	<u>314</u>	<u>2</u>	<u>25</u>	<u>2</u>	-	-	<u>443</u>	<u>70</u>
1	D.I. Aceh	21,074				38		2				47	12
2	Sumatera Utara	45,970		1		65	1	16	1			140	14
3	Sumatera Barat	31,345	2			56	1	4	1			88	8
4	Riau	2,750				24						23	6
5	Jambi	8,256				33						30	1
6	Sumatera Selatan	14,970				55		2				55	11
7	Bengkulu	5,839				17						25	7
8	Lampung	4,670				26		1				35	11
	<u>JAWA</u>	<u>1,216,748</u>	<u>12</u>	<u>3</u>	<u>8</u>	<u>292</u>	<u>5</u>	<u>43</u>	<u>8</u>	<u>7</u>	<u>1</u>	<u>851</u>	<u>127</u>
9	DKI Jakarta	2,395		1	3	45	1	4	2	1	1	163	10
10	Jawa Barat	256,387	5		2	45	1	6	1	1		157	11
11	Jawa Tengah	511,080	3	1	2	110	1	16	3	3		214	57
12	D.I. Yogyakarta	58,708	1		1	43	1	5	1	1		57	15
13	Jawa Timur	388,178	3	1		49	1	12	1	1		259	55
	<u>KALIMANTAN</u>	<u>51,492</u>	-	-	-	<u>93</u>	<u>1</u>	<u>2</u>	<u>1</u>	-	-	<u>114</u>	<u>10</u>
14	Kalimantan Barat	5,075				23			1			70	2
15	Kalimantan Tengah	6,512				18		1				39	1
16	Kalimantan Selatan	36,895				29	1	1	1			37	4
17	Kalimantan Timur	1,010				23						28	1
	<u>SULAWESI</u>	<u>71,645</u>	-	-	<u>2</u>	<u>152</u>	<u>1</u>	<u>8</u>	<u>1</u>	-	-	<u>233</u>	<u>52</u>
18	Sulawesi Utara	35,404			1	56						65	2
19	Sulawesi Tengah	4,194				23						26	1
20	Sulawesi Tenggara	3,418				29						31	2
21	Sulawesi Selatan	28,629			1	44	1	8	1			108	43
	<u>NUSA TENGGARA</u>	<u>72,671</u>	<u>1</u>	-	-	<u>149</u>	-	<u>2</u>	<u>1</u>	-	-	<u>159</u>	<u>20</u>
22	Bali	52,869	1			79		2				65	37
23	N. T. B	14,224				31						49	15
24	N. T. T	5,578				39						45	5
25	Timor Timur	-	-	-	-	-	-	-	-	-	-	-	-
26	<u>Maluku</u>	<u>3,629</u>	-	-	-	<u>54</u>	-	-	-	-	-	<u>20</u>	<u>2</u>
27	<u>Irian Jaya</u>	<u>3,804</u>	-	-	-	<u>35</u>	-	-	-	-	-	<u>10</u>	<u>1</u>

EXISTING SMALL INDUSTRIES DISTRIBUTION

TABLE 3

NATION - WIDE

No	REGION	TOTAL		VALUE (Rp. 000)			
		NO. OF UNITS	EMPLOYMENT	INVESTMENT	PRODUCTION	RAW MATERIALS	VALUE ADDED
1	2	3	4	5	6	7	8
	INDONESIA	1,554,871	4,423,026	678,640,540	5,394,880,900	2,182,234,030	3,212,646,967
	SUMATERA	134,802	447,841	263,000,261	1,009,988,173	415,014,619	674,974,157
1	D.I. Aceh	21,074	63,713	17,991,820	85,510,676	32,629,839	52,880,833
2	Sumatera Utara	45,970	199,835	85,670,413	275,280,138	167,001,850	108,278,254
3	Sumatera Barat	31,345	70,564	9,659,850	89,009,870	27,296,989	61,792,888
4	Riau	2,750	9,308	5,441,706	14,879,393	7,940,031	6,939,267
5	Jambi	8,256	32,153	120,311,118	282,518,041	17,739,216	264,778,827
6	Sumatera Selatan	14,970	42,315	13,237,330	296,990,319	137,225,332	159,764,967
7	Bengkulu	5,839	15,843	6,021,991	20,983,649	8,173,150	12,810,427
8	Lampung	4,670	14,110	4,666,033	24,736,687	17,008,212	7,728,477
	JAWA	1,216,748	3,456,783	306,877,102	3,702,783,445	1,475,758,595	2,227,074,817
9	D.K.I. Jakarta	2,395	15,741	8,408,440	39,983,547	20,419,542	19,564,007
10	Jawa Barat	256,387	670,290	93,784,659	737,912,594	300,755,345	437,157,744
11	Jawa Tengah	511,080	1,709,826	153,950,039	1,915,122,619	730,130,806	1,184,991,811
12	D.I. Yogyakarta	58,708	163,934	3,764,713	53,296,730	24,447,933	28,850,737
13	Jawa Timur	388,178	896,992	46,969,251	956,465,955	400,004,969	556,460,988
	KALINANTAN	51,492	125,728	22,702,550	130,467,725	60,627,903	69,839,811
14	Kalimantan Barat	5,075	11,959	5,879,519	23,464,251	12,616,776	10,847,411
15	Kalimantan Tengah	6,512	22,245	5,662,282	34,440,371	15,813,790	18,626,588
16	Kalimantan Selatan	38,895	87,209	4,505,525	51,218,713	24,366,296	26,851,811
17	Kalimantan Timur	1,010	4,315	6,655,224	21,344,990	7,831,041	13,513,944
	SULAWESI	71,645	157,032	46,614,569	168,992,598	91,599,726	77,395,601
18	Sulawesi Utara	35,404	53,141	9,504,861	51,274,191	39,765,740	11,508,411
19	Sulawesi Tengah	4,194	10,847	7,045,719	21,380,482	8,185,040	13,195,424
20	Sulawesi Tenggara	3,418	13,264	1,525,365	9,419,162	3,243,129	6,176,027
21	Sulawesi Selatan	28,629	79,780	28,538,624	86,918,756	40,405,817	46,512,927
	NUSA TENGGARA	72,671	215,122	32,463,082	280,564,426	129,350,115	151,214,311
22	Pali	52,869	115,486	25,905,363	221,764,092	103,356,162	118,407,927
23	N. T. B	14,224	63,024	2,500,985	44,739,194	18,648,021	26,091,177
24	N. T. T	5,578	36,619	4,056,741	14,061,140	7,345,932	6,715,211
25	Timor Timur	-	-	-	-	-	-
26	Maluku	2,629	15,446	3,260,420	10,696,429	6,111,255	4,581,127
27	Irian Jaya	3,504	5,867	3,622,542	11,385,601	3,771,817	7,612,711

TABLE 4

DISTRIBUTION OF SMALL INDUSTRIES
ACCORDING TO MAJOR REGIONS

R E G I O N	No. OF UNITS		EMPLOYMENT		AMOUNT OF INVESTMENT	
	TOTAL	%	TOTAL	%	VALUE (Rp 000)	%
9 MAJOR REGION	<u>1.375.561</u>	<u>88,46</u>	<u>3.922.448</u>	<u>38,66</u>	<u>456.651.352</u>	<u>67,28</u>
SUMATERA UTARA.	45.970	2,96	199.835	4,52	85.670.413	12,62
SUMATERA BARAT.	31.345	2,02	70.564	1,59	9.659.850	1,42
DKI JAKARTA	2.395	0,15	15.741	0,35	8.408.440	1,24
JAWA BARAT	256.387	16,49	670.290	15,15	93.784.659	13,32
JAWA TENGAH	511.080	32,88	1.709.826	38,66	153.950.039	22,68
D. I. YOGYAKARTA.	58.708	3,77	163.934	3,70	3.704.713	0,56
JAWA TIMUR	380.178	24,96	896.992	20,28	46.969.251	6,92
B A L I	52.869	3,40	115.486	2,61	25.905.363	3,82
SULAWESI SELATAN.	28.629	1,83	79.780	1,80	28.538.624	4,20
9 NON-MAJOR REGION	<u>179.310</u>	<u>11,54</u>	<u>501.378</u>	<u>11,34</u>	<u>221.939.188</u>	<u>32,72</u>
TOTAL	1.554.371	100,00	4.423.826	100,00	678.640.540	100,00

TABLE 5

DISTRIBUTION OF SMALL INDUSTRIES
ACCORDING TO INDUSTRIAL GROWTH CENTRES

R E G I O N	NO. OF UNITS		EMPLOYMENT		VALUE OF INVESTMENT	
	TOTAL	%	TOTAL	%	VALUE (Rp 000)	%
INDONESIA	1.554.871	100,00	4.423.826	100,00	678.640.540	100,00
SUMATERA	134.882	8,68	447.841	10,13	263.000.261	38,75
J A W A	1.216.748	78,26	3.456.783	78,14	306.877.102	45,23
KALIMANTAN	51.492	3,31	125.728	2,84	22.702.550	3,34
NUSA TENG- GARA.	72.671	4,67	215.129	4,36	32.453.089	4,78
MALUKU	3.629	0,23	15.446	0,35	3.360.420	0,49
IRIAN JAYA	3.804	0,24	5.867	0,13	3.622.549	0,55

DISTRIBUTION OF SMALL INDUSTRIES
ACCORDING TO INDUSTRIAL GROWTH CENTRES

R E G I O N	NO. OF UNITS		EMPLOYMENT		AMOUNT OF INVESTMENT	
	TOTAL	%	TOTAL	%	VALUE (Rp 000)	%
SUMATERA BAGIAN UTARA	101.139	7,03	343.420	8,34	118.762.789	16,78
SUMATERA BAGIAN SELA- TAN.	59.373	4,13	171.450	4,16	153.614.938	24,29
JAWA & BALI	1.243.979	86,54	3.505.240	85,13	323.403.999	51,13
KALIMANTAN TIMUR.	1.010	0,07	4.315	0,11	6.655.224	1,05
SULAWESI BAGIAN SELA- TAN.	32.047	2,23	93.044	2,26	30.063.989	4,75
TOTAL	1.437.548	100,00	4.117.469	100,00	632.500.029	100,00

TABLE 6

DISTRIBUTION OF SMALL INDUSTRIES
ACCORDING TO INDUSTRIAL COMMODITY GROUPING

COMMODITY GROUPING	No. OF UNITS		EMPLOYMENT		GROWTH CENTRE	
	TOTAL	%	TOTAL	%	TOTAL	%
FOOD PROCESSING & FOOD PRODUCTS	554.871	20,81	1.055.967	23,87	237	21,76
GARMENTS & LEATHER PRODUCTS	257.176	16,54	671.979	15,19	210	19,29
GARMENTS & FIBER PRODUCTS	9.485	0,61	48.220	1,09	49	4,50
TRANSPORTATIONS METALS, SERVICES	94.536	6,08	264.103	5,97	193	17,72
BUILDING ENTERPRISES AND OTHERS	870.106	55,96	2.383.557	53,88	400	36,73
TOTAL	2.554.871	100,00	4.423.826	100,00	1.039	100,00

TABLE 7

APPROVED KIK/KMKP LOANS BY ECONOMIC SECTORS
(In Million Rupiah)

P = Max. Credit Line (Ceiling)
N = No. of Borrowers

YEAR	AGRICULTURE		INDUSTRY		TRADE/COMMERCE		TRANSPORTATION		OTHERS		TOTAL		TOTAL	
	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP
1974	P	3.226	3.184	3.726	5.963	3.274	5.361	4.200	331	627	663	15.253	15.502	30,755
Dec	N	3.305	6.327	1.742	4.553	2.700	3.105	1,492	167	315	372	9.554	14.524	24,078
1975	P	7.635	6.241	6.150	8.968	6.075	11.488	7.039	701	1,192	1,291	28.891	28.689	57,580
Dec	N	6.643	9.431	2.929	6.626	4.199	7.068	2.405	323	470	693	16.646	24.141	40,787
1976	P	12.532	20.946	9.388	14.976	11.362	26.937	14.208	1,143	2,052	3,023	49.602	67.080	116,682
Dec	N	10.672	138.424	4.344	10.165	7.067	15.669	4.770	512	775	1,358	27.827	166.149	193,976
1977	P	19.239	44.538	12.332	20.285	16.497	44.265	22.730	1,548	3,397	4,654	74.286	114.990	189,276
Dec	N	15.499	232.060	5.460	12.942	9.946	24.758	7.660	683	1,173	1,948	39.737	322.351	362,088
1978	P	33.806	85.245	15.090	24.565	21.504	59.216	28.793	1,903	6,118	6,310	105.801	177.239	283,040
Dec	N	23.913	369.847	6.432	14.943	12.875	32.142	9.774	618	1,920	2,739	54.970	420.495	475,465
1979	P	59.023	131.169	19.847	34.296	34.324	105.420	39.096	2,603	10.820	11,013	163.210	304.501	467,711
Dec	N	32.112	940.152	7.059	18.740	16.503	52.039	12.526	1,030	3,090	3,534	72.097	644.003	716,100
1980	P	99.596	227.567	34.299	60.133	72.536	246.912	73.679	4,474	23.013	30.064	313.973	569.150	883,123
Dec	N	52.395	750.930	10.341	27.019	24.584	102.656	20.371	1,446	6,313	7,510	114.514	639.761	1,004,275
1981	P	154.018	394.162	55.898	96.720	129.575	494.878	135.574	6,897	53.932	69.355	527.997	1,062.042	1,590,039
Dec	N	72.115	1,001.112	15.256	39.217	36.471	135.545	31.025	1,954	11.659	15.350	166.526	1,242.178	1,408,733
1982	P	169.500	437,891	76.626	135.224	189.231	741.012	167.974	9.406	61.805	130.942	635.136	1,453.675	2,139,311
Dec	N	78.756	1,056.314	19.502	49.941	46.307	235.520	36.536	2.404	16.957	28.333	200.059	1,422.512	1,623,824
1983	P	180.129	382.469	79.853	143.058	198.900	649.486	177.099	9.386	66.899	157.291	722.880	1,542.290	2,265,171
March	N	87.288	1,075.308	20.823	51.887	49.906	302.405	37.862	2.437	17.603	33.603	212.702	1,485.750	1,698,457

**CREDIT FOR PERMANENT WORKING CAPITAL
STATUS REPORT as per 28.02.1983**

Table 7b

NO. PROVINCE	Bank Indonesia	TOTAL NO. OF APPLICATIONS			AMOUNTS OF APPLICATIONS			Loan out- standing of Dev. Bank Borrowers	Loan outstan- ding of Bank Indonesia from Dev. Bank
		Received	APPROVED	DISAPPROVED	RECEIVED (Rp)	APPROVED (Rp)	DISAPPROVED (Rp)		
1. Aceh	Janda Aneh	20.515	16.752	2.122	81.245,8	40.886,0	13.940,8	(Rp) 30.538,9	(Rp) 22.949,5
2. Sumatera Utara	Medan	34.670	26.985	5.480	161.238,7	84.649,4	55.745,3	53.692,0	35.646,0
3. Sumatera Barat	Padang	11.968	10.206	813	52.964,4	34.682,6	5.250,3	21.507,9	14.195,7
4. Riau	Fekanbaru	7.028	5.374	1.201	38.677,0	24.307,4	8.808,0	16.431,8	13.684,3
5. Jambi	J a m b i	4.114	3.188	460	19.902,0	11.691,0	4.515,0	7.564,0	5.433,0
6. Sumatera Selatan	Palembang	29.633	27.928	1.419	68.136,0	37.844,0	15.966,0	24.103,0	17.034,0
7. Bengkulu	-	4.115	3.249	740	14.932,0	10.485,0	3.533,0	4.019,0	2.929,0
8. Lampung	Belukbetung	12.835	11.887	796	30.475,5	18.595,9	7.263,1	12.712,3	8.630,4
9. Jawa Barat	Bandung	142.652	125.376	8.605	427.160,8	220.338,9	51.095,1	143.606,8	108.024,3
10. DKI Jakarta Raya	-	22.509	16.132	4.589	182.300,5	83.502,7	45.072,1	60.537,5	43.926,2
11. Jawa Tengah	Semarang	583.288	552.474	20.855	539.847,3	304.067,2	111.761,9	112.191,8	84.153,4
12. Yogyakarta	Yogyakarta	68.580	64.754	3.149	75.779,0	45.302,0	17.335,0	16.341,0	9.396,0
13. Jawa Timur	Surabaya	508.505	471.217	24.994	597.138,2	336.719,1	87.320,6	143.662,8	102.776,9
14. Kalimantan Barat	Pontianak	6.357	5.139	1.120	24.683,6	10.859,3	9.557,7	7.725,8	5.518,1
15. Kalimantan Selatan	Banjarmasin	6.193	4.137	1.620	33.623,0	14.917,0	9.785,0	8.557,0	10.183,0
16. Kalimantan Tengah	-	2.411	1.879	459	13.810,0	6.573,0	3.447,0	3.928,0	-
17. Kalimantan Timur	Samarinda	4.442	3.169	810	26.822,8	13.482,3	3.878,3	8.204,4	5.631,1
18. Sulawesi Utara	Manado	13.343	10.047	2.908	62.247,0	27.309,0	26.443,0	18.005,0	13.993,0
19. Sulawesi Tengah	P a l u	6.490	5.341	940	30.221,7	18.890,8	8.137,1	10.724,2	8.706,6
20. Sulawesi Selatan	Majung Pandang	27.581	20.486	4.938	123.108,3	62.645,7	25.987,8	37.376,9	29.685,8
21. Sulawesi Tenggara	Mendari	3.748	2.987	397	16.652,1	8.981,7	3.140,1	6.985,7	5.161,4
22. Maluku	A m b o n	8.038	7.329	403	12.815,1	6.826,1	2.991,8	3.890,3	2.697,8
23. Irian Jaya	Jayapura	2.688	1.923	535	15.658,0	9.191,0	3.347,0	4.172,0	2.644,0
24. Nusatenggara Timur	Kupang	8.778	8.010	555	15.356,0	9.379,0	3.411,0	5.047,0	4.087,0
25. Nusatenggara Barat	Matarem	40.331	38.577	1.305	48.448,0	28.761,0	7.595,0	12.806,0	10.156,0
26. Bali	Denpasar	13.522	11.770	2.176	70.417,6	39.730,6	9.232,9	23.736,9	17.483,7
27. Timor-Timur	-	33	33	-	219,0	169,0	-	79,0	53,0
TOTAL		1.599.367	1.460.249	92.749	2.783.207,4	1.510.786,7	548.559,3	798.147,0	504.779,2

TABLE 8 APPROVED KIK LOANS BY ECONOMIC SECTORS
(AS OF DECEMBER, EACH YEAR, IN MILLION RP.)

	1974		1975		1976		1977		1978	
	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT
AGRICULTURE	3305	3226	6643	7635	10871	12592	15490	19230	23919	33906
INDUSTRY	1742	3726	2929	6150	4344	9398	5460	12332	6482	15090
TRADE/COMMERCE	2700	3274	4199	6075	7067	11362	9946	16497	12875	21904
TRANSPORTATION	1492	4200	2405	7039	4770	14208	7668	22730	9774	28783
OTHERS	315	827	470	1192	775	2052	1173	3397	1920	6118
TOTAL	9554	15253	16646	28091	27827	49602	39737	74186	54970	105801
AVERAGE AMOUNT/BORROWER										
AGRICULTURE	0,976		1,149		1,158		1,241		1,418	
INDUSTRY	2,139		2,100		2,161		2,259		2,328	
TRADE/COMMERCE	1,213		1,447		1,608		1,659		1,701	
TRANSPORTATION	2,815		2,927		2,979		2,964		2,945	
OTHERS	2,625		2,536		2,648		2,896		3,186	
AGGREGATE	1,528		1,688		1,783		1,867		1,925	
NO. OF APPLICATIONS RECEIVED	29084	75086	38887	99129	51244	134142	67204	175995	87589	231596
APPROVAL RATE	32,8%		48,8%		54,3%		59,1%		62,8%	
GROWTH, NO. OF BORROWERS			14,2%		67,2%		42,8%		38,3%	
GROWTH, AMOUNTS			84,2%		76,6%		49,6%		42,6%	

TABLE 8 APPROVED KIK LOANS BY ECONOMIC SECTORS
(AS OF DECEMBER, EACH YEAR, IN MILLION RP.)

	1979		1980		1981		1982		AS OF MAR. 1983	
	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT
AGRICULTURE	32119	59023	52395	99596	72115	154018	78756	169500	87288	180129
INDUSTRY	7859	19847	10841	34299	15256	55898	19502	76626	20023	79853
TRADE/COMMERCE	16503	34324	24584	72586	36471	128575	48307	189231	49906	198900
TRANSPORTATION	12526	39096	20371	78679	31025	135574	36536	167974	37882	177099
OTHERS	3090	10820	6313	28813	11659	53932	16957	81805	17603	86899
TOTAL	72097	163110	114514	313973	166526	527997	200058	685136	212702	722880
AVERAGE AMOUNT/BORROWER										
AGRICULTURE	1,838		1,901		2,136		2,152		2,064	
INDUSTRY	2,525		3,164		3,664		3,929		3,988	
TRADE/COMMERCE	2,080		2,953		3,525		3,917		3,985	
TRANSPORTATION	3,121		3,862		4,370		4,597		4,675	
OTHERS	3,502		4,564		4,626		4,824		4,937	
AGGREGATE	2,262		2,742		3,171		3,425		3,399	
NO. OF APPLICATIONS RECEIVED	110477	326787	165851	563303	233320	900271	279460	1167347	285161	1204355
APPROVAL RATE	65,3%		69,0%		71,4%		71,6%		71,8%	
GROWTH, NO. OF BORROWERS	31,2%		58,8%		45,4%		20,1%		25,2%*	
GROWTH, AMOUNTS	54,2%		92,5%		68,2%		29,8%		22,0%*	

* Annualized Basis

TABLE 9 APPROVED KMKP LOANS BY ECONOMIC SECTORS
(AS OF DECEMBER, EACH YEAR, IN MILLION RP.)

	1974		1975		1976		1977		1978	
	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT
AGRICULTURE	6327	3184	9431	6241	138424	20946	282060	44338	369847	85245
INDUSTRY	4553	5963	6626	8968	10186	14976	12942	20285	14949	24565
TRADE/COMMERCE	3105	5361	7068	11488	15669	26987	24758	44165	32142	59216
TRANSPORTATION	167	331	323	701	512	1143	683	1548	818	1903
OTHERS	372	663	693	1291	1358	3028	1948	4654	2739	6310
TOTAL	14524	15502	24141	28689	166149	67080	322391	114990	420495	177239
AVE. AMOUNT/BORROWER (million Rp.)										
AGRICULTURE	0,503		0,662		0,151		0,157		0,230	
INDUSTRY	1,310		1,353		1,470		1,567		1,643	
TRADE/COMMERCE	1,727		1,625		1,722		1,784		1,842	
TRANSPORTATION	1,982		2,170		2,232		2,266		2,326	
OTHERS	1,782		1,863		2,230		2,389		2,304	
AGGREGATE	1,067		1,188		0,404		0,357		0,422	
NO. OF APPLICATIONS RECEIVED	36335	83581	50515	112810	198066	177016	359597	259137	466633	359964
APPROVAL RATE	40%		47,8%		83,9%		89,7%		90,1%	
GROWTH: NO. OF BORROWERS			66,2%		588,2%		94,0%		30,4%	
GROWTH: AMOUNT			85,1%		133,8%		71,4%		54,1%	

TABLE 9 APPROVED KMKP LOANS BY ECONOMIC SECTORS
(AS OF DECEMBER, EACH YEAR, IN MILLION RP.)

	1979		1980		1981		1982		AS OF MAR. 1983	
	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT	NO. OF BORROWERS	TOTAL AMOUNT
AGRICULTURE	568152	151169	750930	227567	1001112	394162	1056314	437091	1095368	382469
INDUSTRY	18748	34296	27019	60133	38217	96720	49941	135224	51887	143058
TRADE/COMMERCE	52089	105420	102856	246912	185545	494878	285520	741012	302405	849486
TRANSPORTATION	1030	2603	1446	4474	1954	6897	2404	9406	2487	9986
OTHERS	3984	11013	7510	30064	15350	69385	28333	130942	33603	157291
TOTAL	644003	304501	889761	569150	1242178	1062042	1422512	1453675	1485750	1542290
AVE. AMOUNT/BORROWER (million Rp.)										
AGRICULTURE		0,226		0,303		0,394		0,414		
INDUSTRY		1,829		2,226		2,531		2,708		
TRADE/COMMERCE		2,024		2,401		2,667		2,595		
TRANSPORTATION		2,527		3,094		3,530		3,913		
OTHERS		2,764		4,003		4,520		4,622		
AGGREGATE		0,473		0,640		0,855		1,022		1,035
NO. OF APPLICATIONS RECEIVED	700383	576166	964949	1050900	1347100	1915718	1556211	2676970	1599367	2783207
APPROVAL RATE		92,0%		92,2%		92,2%		91,4%		91,3%
GROWTH: NO. OF BORROWERS		53,2%		38,2%		39,6%		14,5%		17,6%*
GROWTH: AMOUNT		71,8%		86,9%		86,6%		36,9%		24,4%*

* Annualized Basis

TABLE 9a DISTRIBUTION OF KIK/KMKP LOANS
(as percentage of total borrowers loans)

	<u>1974</u>		<u>1975</u>		<u>1976</u>		<u>1977</u>	
	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP
AGRICULTURE	34,6%(21,1%)	43,6%(20,5%)	39,9%(27,2%)	39,1%(21,8%)	39,1%(25,4%)	83,3%(31,2%)	39,0%(25,9%)	87,5%(38,6%)
INDUSTRY	18,2%(24,4%)	31,3%(38,5%)	17,6%(21,9%)	27,4%(31,3%)	15,6%(18,9%)	6,1%(22,3%)	13,7%(16,6%)	4,0%(17,6%)
TRADE/COMMERCE	28,3%(21,5%)	21,4%(34,6%)	25,2%(21,6%)	29,3%(40,0%)	25,4%(22,9%)	9,4%(40,2%)	25,0%(22,2%)	7,7%(38,4%)
TRANSPORTATION	15,6%(27,5%)	1,1%(2,1%)	14,4%(25,1%)	1,3%(2,4%)	17,1%(28,6%)	0,3%(1,7%)	19,3%(30,7%)	0,2%(1,3%)
OTHERS	3,3%(5,4%)	2,6%(4,3%)	2,8%(4,2%)	2,9%(4,5%)	2,8%(4,1%)	0,8%(4,5%)	3,0%(4,6%)	0,6%(4,0%)

	<u>1978</u>		<u>1979</u>		<u>1980</u>		<u>1981</u>	
	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP
AGRICULTURE	88,0%(48,1%)	88,0%(48,1%)	88,2%(49,6%)	88,2%(49,6%)	45,8%(31,7%)	84,4%(40,0%)	43,3%(29,2%)	80,6%(37,1%)
INDUSTRY	3,6%(13,9%)	3,6%(13,9%)	2,9%(11,3%)	2,9%(11,3%)	9,5%(10,9%)	3,0%(10,6%)	9,2%(10,6%)	3,1%(9,1%)
TRADE/COMMERCE	7,6%(33,4%)	7,6%(33,4%)	8,1%(34,6%)	8,1%(34,6%)	21,5%(23,1%)	11,6%(43,4%)	21,9%(24,4%)	14,9%(46,6%)
TRANSPORTATION	0,2%(1,1%)	0,2%(1,1%)	0,2%(0,9%)	0,2%(0,9%)	17,8%(25,1%)	0,2%(0,8%)	18,6%(25,7%)	0,2%(0,6%)
OTHERS	0,7%(3,6%)	0,7%(3,6%)	0,6%(3,6%)	0,6%(3,6%)	5,5%(9,2%)	0,8%(5,3%)	7,0%(10,2%)	1,2%(6,5%)

TABLE 9a DISTRIBUTION OF KIK/KMKP LOANS
(as percentage of total borrowers loans)

	<u>1982</u>		<u>AS OF MARCH 1983</u>	
	KIK	KMKP	KIK	KMKP
AGRICULTURE	39,4%(24,7%)	74,3%(30,1%)	41,8%(24,9%)	73,7%(24,8%)
INDUSTRY	9,7%(11,2%)	3,5%(9,3%)	9,4%(11,0%)	3,5%(9,3%)
TRADE/COMMERCE	24,1%(27,6%)	20,1%(51,0%)	23,5%(27,5%)	20,4%(55,1%)
TRANSPORTATION	18,3%(24,1%)	0,2%(0,6%)	17,8%(24,5%)	0,2%(0,6%)
OTHERS	8,5%(11,9%)	2,0%(9,0%)	8,3%(12,0%)	2,3%(10,2%)

GROWTH RATE (KIK/KMKP LOANS)

	<u>1974</u>		<u>1975</u>		<u>1976</u>		<u>1977</u>		<u>1978</u>	
	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP
AGRICULTURE			136,7 %	96,0 %	64,9 %	235,6 %	52,7 %	111,7 %	76,3 %	92,3 %
INDUSTRY			65,1	50,4	52,7	66,8	31,4	35,5	22,4	21,1
TRADE/COMMERCE			85,6	114,3	87,0	134,9	45,2	63,7	32,8	34,1
TRANSPORTATION			67,6	111,8	101,8	63,1	60,0	35,4	26,6	22,9
OTHERS			44,1	4,5	72,1	134,5	65,5	53,9	80,1	35,6

	<u>1979</u>		<u>1980</u>		<u>1981</u>		<u>1982</u>		<u>AS OF MAR. 1983</u>	
	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP	KIK	KMKP
AGRICULTURE	74,1 %	77,3 %	68,7 %	50,5 %	54,6 %	73,2 %	10,1 %	10,9 %	25,2 %	-
INDUSTRY	31,5	39,6	72,8	75,3	63,0	60,8	37,1	39,8	16,8	23,2
TRADE/COMMERCE	56,7	78,0	111,5	134,2	77,1	100,4	47,2	49,7	20,4	58,4
TRANSPORTATION	35,8	36,8	101,2	71,9	72,3	54,2	23,9	36,4	21,6	24,8
OTHERS	76,9	74,5	166,3	173,0	87,2	35,2	51,7	88,7	24,8	80,4

Table 10

LOANS TO SMALL INDIGENOUS ENTREPRENEURS

	<u>31 Dec</u> 1974	<u>31 Dec</u> 1975	<u>31 Dec</u> 1976	<u>31 Dec</u> 1977	<u>31 Dec</u> 1978	<u>31 Dec</u> 1979	<u>31 Dec</u> 1980	<u>31 Dec</u> 1981	<u>31 Dec</u> 1982	<u>31 JAN</u> 1983	<u>28 FEB</u> 1983
I. SMALL INVESTMENT CREDIT											
A. TOTAL NO. OF LOAN APPLICANTS											
Received	29.024	39.087	51.244	67.205	67.509	110.877	165.051	233.320	279.460	281.953	285.161
Approved	25.554	16.646	27.027	39.737	54.970	72.027	114.504	166.326	200.058	202.775	204.684
Disapproved	4.470	19.129	20.105	23.756	26.950	30.485	36.243	46.463	56.614	56.899	57.574
B. AMOUNT OF LOAN APPLICATIONS											
Received	75.086	99.129	134.142	175.995	231.596	326.787	553.303	900.271	1,167.347	1,187.030	1,204.855
Approved	15.253	28.091	49.602	74.186	105.801	163.110	313.973	527.997	685.136	697.753	709.264
Disapproved	43.306	53.955	63.783	74.807	89.937	106.341	148.257	206.385	271.586	274.546	279.010
C. AVERAGE AMOUNTS PER APPLICATION B/A											
Received	2,6	2,6	2,6	2,6	2,6	2,9	3,4	3,9	4,2	4,2	4,2
Approved	1,8	1,8	1,8	1,9	1,9	2,3	2,6	3,2	3,4	3,4	3,5
Disapproved	2,0	2,8	3,2	3,2	3,3	3,5	4,0	4,4	4,8	4,8	4,8
II. CREDIT FOR PERMANENT WORKING CAPITAL											
A. TOTAL NO. OF LOAN APPLICATIONS											
Received	36.335	50.515	198.066	359.597	466.633	700.383	964.949	1.347.100	1.556.211	1.576.552	1.599.367
Approved	14.524	24.141	166.149	322.391	420.495	644.003	899.761	1.242.178	1.422.512	1.442.265	1.460.249
Disapproved	17.506	22.893	27.113	32.759	38.692	41.202	51.800	70.013	98.469	90.730	92.749
B. AMOUNT OF LOAN APPLICATIONS											
Received	83.581	112.810	177.016	259.137	359.964	576.166	1.050.900	1.915.718	2,676.970	2.721.771	2.783.207
Approved	15.502	29.689	67.030	111.990	177.239	304.501	559.150	1.062.042	1.453.675	1.484.624	1.510.786
Disapproved	46.513	61.578	75.763	92.547	122.912	143.964	224.344	354.394	530.681	541.858	548.559
C. AVERAGE AMOUNT PER APPLICATION (B/A)											
Received	2,9	2,2	0,9	0,9	0,7	0,8	1,1	1,4	1,7	1,7	1,7
Approved	1,1	1,2	0,4	0,4	0,4	0,5	0,6	0,9	1,0	1,0	1,0
Disapproved	2,6	2,7	2,0	2,8	2,9	3,5	4,3	5,1	6,0	6,0	5,9
III. TOTAL KIK/KMKP APPROVED											
No. of borrowers	24.073	40.787	193.976	352.128	475.465	716.130	1.004.265	1.408.704	1,622.570	1.645.040	1.665.133
Amounts	30.755	56.790	116.682	169.176	203.040	487.611	883.124	1.590.039	2.138.811	2.182.378	2.220.751

(In million Rupiah)

STATUS REPORT OF KIK / KMKP

As of 28.02.1983

Table 11^a

<u>K.I.K</u>	<u>B.R.I</u>	<u>B.B.D</u>	<u>B.D.N</u>	<u>B.N.I</u>	<u>B.E.I.I</u>	<u>BAPINDO</u> (Langsung)	<u>BAPINDO</u> (Co.Fin)	<u>B.P.D</u>	<u>B.U.S.N</u>	<u>TOTAL</u>
No. of applicant										
Received	150.551	29.269	22.402	34.452	6.619	252	13.255	17.162	11.189	295.161
Approved	109.959	19.928	19.056	22.525	4.467	201	9.912	12.561	8.255	204.834
Disapproved	27.127	7.801	4.118	10.733	1.829	25	3.180	1.509	1.152	57.574
Amounts										
Received	499.158,7	172.983,2	103.694,4	195.374,3	41.467,4	2.220,5	37.496,3	92.990,1	70.480,4	1.204.355,6
Approved	287.287,1	104.385,0	68.953,9	106.998,1	25.143,0	1.670,5	13.098,3	50.107,3	47.321,4	709.964,6
Disapproved	94.705,8	48.243,3	31.810,0	64.653,8	11.571,1	232,0	11.098,1	8.339,5	7.857,1	279.010,7
LOANS OUTSTANDING OF DEVELOPMENT BANKS (From Borrowers)										
	172.486,5	56.388,5	37.537,9	53.422,6	13.263,9	1.372,1	6.864,6	35.326,2	33.620,8	410.783,1
LOANS OUTSTANDING OF BANK INDONESIA (From Development Banks)										
	141.097,2	42.846,2	23.899,4	45.095,4	10.746,7	1.276,1	5.828,3	25.320,7	29.843,8	330.953,8
K.M.K.P.										
No. of applicant										
Received	1.250.713	56.125	33.799	70.584	139.940	189	10.977	26.449	10.591	1.599.367
Approved	1.175.133	47.230	26.204	48.560	127.759	156	7.462	20.463	7.282	1.460.249
Disapproved	44.410	6.897	7.274	19.855	8.842	15	2.607	2.253	1.596	92.749
Amounts										
Received	1.548.350,8	193.635,7	219.255,1	412.699,1	86.443,3	1.413,6	33.064,1	119.036,9	73.113,5	2.733.297,4
Approved	984.553,1	97.073,5	98.294,5	175.574,3	49.868,7	968,3	15.910,1	55.499,6	33.044,6	1.510.736,7
Disapproved	201.823,9	50.361,9	104.066,9	134.763,1	24.664,8	105,9	8.211,4	12.907,2	11.654,8	548.552,9
LOANS OUTSTANDING OF DEV. BANKS (from borrowers)										
	461.231,2	62.996,2	59.222,3	110.175,1	31.125,9	871,9	5.350,6	39.904,9	26.768,9	739.147,0
LOANS OUTSTANDING OF BANK INDONESIA (From Dev. Banks)										
	339.344,1	46.469,2	43.835,8	80.947,5	21.407,3	615,2	4.253,5	27.848,1	20.058,8	534.779,5
TOTAL KIK/EMKP APPROVED										
No. of borrowers	1.295.102	67.158	41.270	71.085	132.226	357	16.374	33.024	15.537	1.655.133
Amounts	1.271.840,2	201.458,5	167.243,4	292.572,4	75.011,7	2.638,3	34.008,4	105.505,9	80.366,0	2.220.751,3

(Amounts in million)

TABLE 11a KIK/KMKP LOAN VOLUME HANDLED BY BANKS (PERCENTAGE OF TOTAL LOANS)

	<u>1974</u>		<u>1975</u>		<u>1976</u>		<u>1977</u>		<u>1978</u>	
	BORROWERS	AMOUNT	BORROWERS	AMOUNT	BORROWERS	AMOUNT	BORROWERS	AMOUNT	BORROWERS	AMOUNT
BANK RAKYAT INDONESIA (BRI)	50,3 %	47,7 %	57,1 %	52,3 %	85,6 %	59,7 %	89,3 %	61,9 %	88,1 %	59,8 %
BANK NEGARA INDONESIA 1946 (BNI 1946)	9,3	13,0	10,3	12,9	4,1	11,7	3,2	11,8	3,5	13,5
BANK BUMI DAYA (BBD)	6,5	13,8	5,0	11,0	2,2	10,3	1,8	9,6	2,1	10,1
BANK DAGANG NEGARA (BDN)	14,7	13,1	11,5	9,8	3,2	7,1	2,1	5,9	2,1	6,0
BANK EKSPOR IMPOR INDONESIA (BEII)	17,1	4,6	10,6	7,3	3,0	5,5	2,1	4,8	2,0	4,3
BAPINDO	2,1	2,8	4,7	5,9	1,9	5,7	1,4	5,9	2,0	5,4
REGIONAL DEVELOPMENT BANKS (BPD)	-	-	-	-	-	-	-	-	0,1	0,3
PRIVATE NATIONAL BANKS (BUSN)	-	-	-	-	-	-	-	-	0,1	0,6

	<u>1979</u>		<u>1980</u>		<u>1981</u>		<u>AS OF MAR. 1983</u>	
	BORROWERS	AMOUNT	BORROWERS	AMOUNT	BORROWERS	AMOUNT	BORROWERS	AMOUNT
BRI	88,9 %	59,5 %	87,2 %	58,7 %	83,7 %	60,0 %	77,1 %	57,3 %
BNI 1946	3,2	13,3	3,5	12,8	3,9	12,6	4,3	12,7
BBD	2,4	10,6	2,4	10,7	3,0	9,3	4,0	9,1
BDN	2,0	6,9	2,3	8,1	2,3	7,2	2,6	7,5
BEII	1,6	3,8	2,3	3,4	4,2	3,1	7,9	3,4
BAPINDO	1,5	3,8	1,2	2,4	1,0	1,8	1,0	1,6
BPD	0,3	1,7	0,8	2,8	1,3	3,6	2,0	4,8
BUSN	0,1	0,4	0,3	1,1	0,6	2,4	0,9	3,6

TABLE 11b APPROVED KIK/KMKP LOANS, BY BANKS
(As of February 28, 1983, in million Rp.)

	No. of Ap- plications Received	No. of Ap- plications Approved	Amount of Loans Ap- proved (Rupiah)	Approval Rate	Ave. Amount for Borrow- er (Rupiah)	No. of Bor- rower as % of Total No. of Borrowers	Loan Volume as % of Total Loan
1. BANK RAKYAT INDONESIA (BRI)							
KIK	150551	109969	287287	73 %	2,61		
KMKP	1250713	1175133	984553	94 %	0,84		
TOTAL	1401264	1285102	1271840			77,1 %	57,3 %
2. BANK BUMI DAYA (BBD)							
KIK	29269	19928	104385	68 %	5,24		
KMKP	56125	47230	97074	84 %	2,06		
TOTAL	85394	67158	201459			4,0 %	9,1 %
3. BANK DAGANG NEGARA (BDN)							
KIK	22402	18066	68954	81 %	3,82		
KMKP	33799	26204	98295	78 %	3,75		
TOTAL	56201	44270	167249			2,6 %	7,5 %
4. BANK NEGARA INDONESIA 1946 (BNI '46)							
KIK	34452	22525	106998	65 %	4,75		
KMKP	70584	48560	175574	69 %	3,62		
TOTAL	105036	71085	282572			4,3 %	12,7 %

TABLE 11b APPROVED KIK/KMKP LOANS, BY BANKS
(As of February 28, 1983, in million Rp.)

	No. of Ap- plications Received	No. of Ap- plications Approved	Amount of Loans Ap- proved (Rupiah)	Approval Rate	Ave. Amount for Borrow- er (Rupiah)	No. of Bor- rower as % of Total No. of Borrowers	Loan Volume as % of Total Loan
5. BANK EKSPOR IMPOR INDONESIA (BEII)							
KIK	6619	4467	25143	67 %	5,63		
KMKP	135940	127759	49869	94 %	0,39		
TOTAL	142559	132226	75012			7,9 %	3,4 %
6. BAPINDO (DIRECT LOAN)							
KIK	252	201	1671	80 %	8,30		
KMKP	189	156	968	83 %	6,21		
TOTAL	441	357	2639			0,02 %	0,1 %
7. BAPINDO (CO-FINANCING)							
KIK	13265	8912	18098	67 %	2,03		
KMKP	10977	7462	15910	68 %	2,13		
TOTAL	24242	16374	34008			1,0 %	1,5 %
8. BANK PEMBANGUNAN DAERAH (BPD)							
KIK	17162	12561	50107	73 %	3,99		
KMKP	26449	20463	55500	77 %	2,71		
TOTAL	43611	33024	105607			2,0 %	4,8 %

TABLE 11b APPROVED KIK/KMKP LOANS, BY BANKS
(As of February 28, 1983, in million Rp.)

	No. of Ap- plications Received	No. of Ap- plications Approved	Amount of Loans Ap- proved (Rupiah)	Approval Rate	Ave. Amount for Borrow- er (Rupiah)	No. of Bor- rower as % of Total No. of Borrowers	Loan Volume as % of Total Loan
9. PRIVATE NATIONAL BANKS (BUSN)							
KIK	11189	8255	47321	74 %	5,73		
KMKP	10591	7282	33045	69 %	4,53		
TOTAL	21780	15537	80366			0,9 %	3,6 %

Handling Bank	14.12.74		31.12.75		31.12.76		From 1974 - to December 1981		31.12.77		31.12.78		31.12.79		31.12.80		Table
		%		%		%		%		%		%		%		%	
R.I	2	14.674,3	47,7	29.677,5	52,3	69.698,6	59,7	117.091,0	61,9	169.355,6	59,8	278.404,1	59,5	517.552,8	58,7		
	Y	12.139	50,3	23.272	57,1	166.016	85,6	323.332	89,3	418.859	88,1	636.346	88,9	875.406	87,2	1.	
I 1945	2	4.004,5	13,0	7.316,9	12,9	13.642,2	11,7	22.383,9	11,8	38.307,8	13,5	62.406,6	13,3	112.690,6	12,8		
	Y	2.239	9,3	4.214	10,3	7.946	4,1	11.529	3,2	16.817	3,5	23.074	3,2	34.741	3,5		
B.D	2	4.236,3	13,8	6.741,3	11,0	12.009,4	10,3	18.003,9	9,6	29.584,5	10,1	49.277,3	10,6	94.450,6	10,7		
	Y	1.568	6,5	2.354	5,0	4.273	2,2	6.394	1,8	9.775	2,1	17.195	2,4	24.308	2,4		
D.N	2	4.011,0	13,1	5.554,5	9,8	8.280,9	7,1	11.164,8	5,9	17.021,1	6,0	32.264,1	6,9	71.544,2	8,1		
	Y	3.554	14,7	4.704	11,5	6.353	3,2	7.553	2,1	10.263	2,1	14.094	2,0	23.344	2,3		
E.I.I	2	2.966,4	4,6	4.115,4	7,3	6.370,7	5,5	9.187,3	4,9	12.144,8	4,3	18.100,0	3,8	30.071,7	3,4		
	Y	4.085	17,1	4.314	10,6	5.838	3,0	7.717	2,1	9.487	2,0	11.451	1,6	23.117	2,3		
P.M.O	2	868,2	2,8	3.374,2	5,9	6.680,8	5,7	11.251,9	5,9	15.194,0	5,4	17.490,8	3,8	21.624,6	2,4		
	Y	493	2,1	1.929	4,7	3.500	1,9	5.569	1,4	9.373	2,0	10.571	1,5	12.301	1,2		
P.D	2	-	-	-	-	-	-	-	-	835,2	0,3	7.899,3	1,7	24.754,6	2,8		
	Y	-	-	-	-	-	-	-	-	298	0,1	2.834	0,3	8.475	0,8		
U.S.N	2	-	-	-	-	-	-	93,1	0,1	1.596,3	0,6	1.769,5	0,4	10.435,0	1,1		
	Y	-	-	-	-	-	-	35	0,1	593	0,1	535	0,1	2.573	0,3		
	2	30.754,7	100	56.779,9	100	116.682,6	100	189.175,8	100	293.039,3	100	467.611,7	100	883.124,1	100	1.	
	Y	24.078	100	40.787	100	193.976	100	362.128	100	475.465	100	716.100	100	1.004.265	100	1.	

2 = Max. amount line in million

Y = Borrowers

SECTION 1

Table 11c														
From 1974 - to December 1981														
	<u>31.12.75</u>	<u>%</u>	<u>31.12.76</u>	<u>%</u>	<u>31.12.77</u>	<u>%</u>	<u>31.12.78</u>	<u>%</u>	<u>31.12.79</u>	<u>%</u>	<u>31.12.80</u>	<u>%</u>	<u>31.12.81</u>	<u>%</u>
7,7	29.677,5	52,3	69.698,6	59,7	117.091,0	61,9	169.355,6	59,8	278.404,1	59,5	517.552,8	58,7	954.282,7	60,0
0,3	23.272	57,1	166.016	85,6	323.332	89,3	418.859	88,1	636.346	88,9	875.406	87,2	1.178.794	93,7
3,0	7.316,9	12,9	13.642,2	11,7	22.383,8	11,8	38.307,8	13,5	62.406,6	13,3	112.690,6	12,8	200.488,4	12,6
9,3	4.214	10,3	7.946	4,1	11.529	3,2	16.817	3,5	23.074	3,2	34.741	3,5	54.408	3,9
3,8	6.741,3	11,0	12.009,4	10,3	18.003,9	9,6	29.584,5	10,1	49.277,3	10,6	94.450,6	10,7	147.977,5	9,5
6,5	2.354	5,0	4.273	2,2	6.394	1,8	9.775	2,1	17.195	2,4	24.308	2,4	42.875,	3,0
3,1	5.554,5	9,8	8.280,9	7,1	11.164,8	5,9	17.021,1	6,0	32.264,1	6,9	71.544,2	8,1	113.255,1	7,2
4,7	4.704	11,5	6.353	3,2	7.553	2,1	10.263	2,1	14.094	2,0	23.344	2,3	32.710	2,3
4,6	4.115,4	7,3	6.370,7	5,5	9.187,3	4,9	12.144,8	4,3	18.100,0	3,8	30.071,7	3,4	49.597,5	3,1
7,1	4.314	10,6	5.838	3,0	7.717	2,1	9.487	2,0	11.451	1,6	23.117	2,3	59.325	4,2
2,8	3.374,2	5,9	6.680,8	5,7	11.251,9	5,9	15.194,0	5,4	17.490,8	3,8	21.624,6	2,4	29.037,2	2,8
2,1	1.929	4,7	3.500	1,9	5.569	1,4	9.373	2,0	10.571	1,5	12.301	1,2	14.302	1,6
-	-	-	-	-	-	-	835,2	0,3	7.899,3	1,7	24.754,6	2,8	57.612,8	3,6
-	-	-	-	-	-	-	298	0,1	2.834	0,3	8.475	0,8	17.669	1,9
-	-	-	-	-	93,1	0,1	1.596,3	0,6	1.769,5	0,4	10.435,0	1,1	37.787,8	2,4
-	-	-	-	-	35	0,1	593	0,1	535	0,1	2.573	0,3	8.121	0,6
100	56.779,8	100	116.682,6	100	189.175,8	100	283.039,3	100	467.611,7	100	883.124,1	100	1.590.039,3	100
100	40.787,	100	193.976	100	362.128	100	475.465	100	716.100	100	1.004.265	100	1.408.704	100

Amount line in million

SECTION 2

Table 12

FKI Loan Collections and Arrears of the Five State Commercial Banks
1974-1979 and 1980 (June 30)
 (Rp million)

	1974	1975	1976	1977	1978	1979	1980 (Jan-Jun)
Outstanding portfolio /a (beginning of year)	-	12,672	20,222	33,381	46,107	58,597	91,629
Dishursements during year	14,810	11,571	19,845	21,949	28,313	53,088	56,247
Repayments due during year							
Arrears (beginning of year) /b	-	885	2,051	6,212	11,570	13,776	16,993
New repayments due	3,023	5,187	10,847	14,581	18,029	23,273	23,635
<u>Total Due</u>	<u>3,023</u>	<u>6,072</u>	<u>12,898</u>	<u>20,793</u>	<u>29,599</u>	<u>37,049</u>	<u>40,628</u>
Collections during year	2,138	4,021	6,686	9,223	15,823	20,056	15,506
<u>Collections Rate (%)</u>	<u>70.7</u>	<u>66.2</u>	<u>51.8</u>	<u>44.4</u>	<u>53.5</u>	<u>54.1</u>	<u>38.2</u>
Arrears (end of year) /b Portfolio	885	2,051	6,212	11,570	13,776	16,993	25,122
(end of year) /a	12,672	20,222	33,381	46,107	58,597	91,629	132,370
<u>Arrears as % of Out- standing Portfolio</u>	<u>7.0</u>	<u>10.1</u>	<u>18.6</u>	<u>25.1</u>	<u>23.5</u>	<u>18.5</u>	<u>19.0</u>

/a Data do not tally as they do not contain private banks' and BAPINDO/RDBs' portfolios.

/b Principal arrears only.

Source: Bank Indonesia.

Table 12a

KIK Arrears as Percentage of Outstanding Portfolio by Bank,
1974-79 and 1980 (as of June 30)

	1974	1975	1976	1977	1978	1979	1980 (as of 06/30)
PTI	8.7	8.3	18.9	28.4	27.9	30.2	31.7
AND	9.0	11.2	19.7	19.0	18.0	7.5	8.4
BNW	2.0	15.3	22.9	27.2	21.7	5.1	1.9
BNI	3.2	11.1	17.2	24.3	19.0	13.7	12.7
BNI 1946	6.3	14.1	13.1	16.2	14.8	2.1	5.7
<u>Total</u>	<u>7.0</u>	<u>10.1</u>	<u>18.6</u>	<u>25.1</u>	<u>23.5</u>	<u>18.5</u>	<u>19.0</u>

Source: Bank Indonesia.



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