

a study of the maha bhoga marga small enterprise support program

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October 1987

Prepared for :
MBM / Bali and USAID / Indonesia

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SMALL ENTERPRISE SUPPORT PROGRAM**

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EXECUTIVE SUMMARY

1. Introduction

The study is to assess the effectiveness of the Maha Bhoga Marga (MBM) foundation's small enterprise support program. The three areas of focus are:

- 1) A description of the MBM small enterprise support program and strategy.
- 2) An assessment of program performance from a quantitative analysis of individual loans data collected by MBM.
- 3) An assessment of the strengths and weaknesses of the program as an approach to micro-enterprise development, through indepth interviews and case studies.

Field work was carried out in the province of Bali for three weeks in August 1987. Data from a selected random sampling of 921 loan cases (27% of total MBM loans) as well as the total number of large multiple borrowers with individual loans of above Rp. 500,000 were collected and computer analyzed. In addition, indepth interviews were conducted with staff and 30 MBM clients from the three branch offices located in north, west, and south Bali.

Maha Bhoga Marga

MBM is a small independent development foundation based in the province of Bali. It was established in 1980 as part of the

development arm of the Bali Protestant Church (GKPB) but functions independently of church management. It is overseen by a board of directors which provides regular program guidance through the executive director and is actively supported by the strong and extensive network of the church. The foundation operates out of the head office near Denpasar and two branch offices located in west and north Bali. It enjoys high credibility in Bali and elsewhere. Since its inception, it has been receiving strong technical assistance and financial support from outside sources.

MBM has current capital assets of close to one billion rupiah. Its three major program activities are: 1) agriculture and livestock rearing; 2) community social development; and 3) community economic development.

The small enterprise support program is the major part of its third program activity and accounts for an average of 54% of total MBM expenditure. From 1981 to 1986, MBM has disbursed over half a billion rupiah and has so far encountered an insignificant 0.3% of default on loans. Of the 3,375 total loans disbursed over the same period, 81% went to female borrowers and 83% were in trading activities.

The criteria for selection of potential clients are based on the evidence of an on-going economic activity, the ability of repayment, good personal and credit history, and some collateral.

Clients are accepted after careful screening, which includes site visitation of business, and upon the recommendation of church officials for Christian borrowers and village leaders and/or MBM staff for non-Christian borrowers.

2. Findings

The critical findings from the present review of the loan portfolio of the MBM small enterprise support program are summarized below:

- 1) Number of accounts. From 1981 to 1986 an average of 93% of loan requests were approved and serviced. Compared to the "formal banking arena" there appears to be an inordinately high ratio of the number of loan requests to the number of loans actually approved/disbursed. The ratio indicates a relatively high economic strata of loan applicants in the region being served by the program.
- 2) Loan recipients. The majority of borrowers (83%) are engaged in Trading which appears to be the simplest form of economic activity. Women (81%) and Hindus (68.5%) form the majority of the overall borrowers as well as the majority of borrowers with small size loans. Christians account for a bigger share of the amount of total loans disbursed. A small segment of the loan recipients are multiple borrowers dominated by men who are predominantly in Production.
- 3) Loan collateral. A sampling of the loan portfolio indicates a collateral cover of 5.2 times mostly in the form of property.

- 4) Interest rates. MBM charges an average interest rate of 2% per month and a one time loan processing and administrative fee of 0.5% and 2% respectively. Based on variations in interest rate and repayment schedules, the effective annual interest rates for the three branch offices are different. Kapal's interest rate is 2% per month decreasing (i.e., the amount of interest paid monthly decreases with each payment of principle) and a repayment system of monthly installments of principle and interest. Melaya's interest rate is 2% per month flat (i.e., the amount of interest paid monthly is the same even when the remaining principle gets smaller) with repayment of principle in one sum at the end of the loan period. Sangsit's interest rate is 2% per month flat with daily repayment of principle and interest. For example, for a loan of Rp. 100,000 to be repaid in four months, Kapal's effective annual interest rate is 24.15%, Melaya's is 24.6%, and Sangsit's is 128.85%.
- 5) Loan earnings and costs. Loan earnings of the program derived from interest, loan and administrative fees averaged 24% per annum from 1981 to 1986. Reported administrative costs for the same period averaged 15%; adjusted costs to reflect market rates would be higher. While the growth in earnings has been fairly steady albeit at a declining rate, the growth in program expenditures has shown wide fluctuations from 1981 to 1986. The 1986 figures indicate a narrowing gap between earnings and cost.
- 6) Loan repayment. Over 83% of the loans are repaid on time or

early while the remaining late repayments are usually informally rescheduled. Bad loans (default) resulting from business failure represent 0.3% of the total portfolio.

- 7) Job creation. The sample cases of 921 loans created 167 additional jobs apart from income generation for clients themselves. Big multiple borrowers with total loans numbering 259 created 200 jobs. The findings indicate that big multiple borrowers are able to create more jobs than sample borrowers who borrow mainly small size loans. The overall number of jobs created by MBM loans is small but the addition of family labor, which has so far been unaccounted for, is considerable.
- 8) Operating efficiency. Some upward adjustment in the program's loan portfolio would be necessary to arrest the increasing growth rate of administrative expenses over loan earnings. Given that the salary structure is already low the adjustment would require either an increase in funding support from external sources and/or an increase in interest rate or a cut in services. In general, the program's high collection efficiency and minor loan delinquency indicate that the application of its loanable funds has been carried out at an optimum level.

MBM's strengths lie in its strong organizational capabilities and in its extensive supporting network of church members all over Bali. The strategy of its micro-enterprise development effort is in providing entrepreneurs access to unfettered credit

as well as to sources of formal credit for the future. The success of the foundation's small enterprise support program is based on the following major areas:

- 1) Organizational strength. The program's extensive and well-developed network in information and referrals on the character of its borrowers and the efficient deployment of its field personnel in the various stages of lending and collection activities have assured a healthy loan portfolio.
- 2) Grass-roots operation. MBM's level of operation has allowed it to be responsive to community needs. The organization's management has demonstrated the flexibility to design programs (e.g., opening branch offices, different repayment schedules) to meet the needs of the community and to react to changes and adjustments (e.g, shortening loan periods) when they become necessary.
- 3) Sound business practices. MBM keeps a balanced loan spread where a minimum of 10% of loan portfolio are for loans to credit worthy clients in the Rp. 5 to Rp. 10 million loan size category. Potential clients are carefully screened and the loan amount adjusted to the realistic ability to repay.
- 4) Relationship to donor agencies. From the beginning, MBM has been receiving strong technical assistance and financial support from Maranatha Trust, an Australian-based private development institution, and from the Institute of International Development Incorporated, a leading private voluntary organization in the United States. MBM also receives financial support from other external sources.

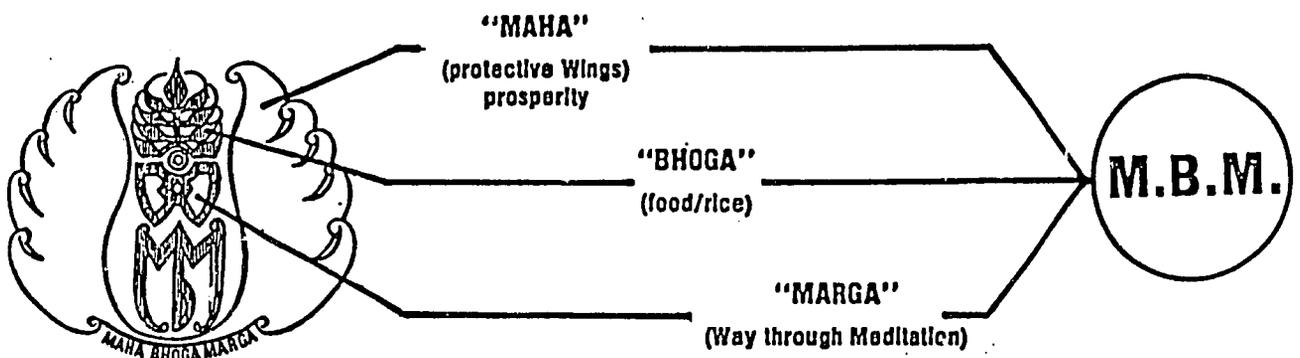
- 5) Effectiveness. Contrary to the claims of MBM supporters and staff, technical assistance for borrowers is minimal. The effectiveness of the program, therefore, lies in its provision of significant opportunities for villagers to become better entrepreneurs by opening avenues to "no strings attached" credit, low transaction costs, and assisting them in building strong credit histories for outside loans. In the process, many first time borrowers learn about the credit system and its pivotal function in business expansion. MBM's crucial role in providing credit to those with little or no collateral has given many the singular chance they needed to be more enterprising and to improve their livelihood. Women appear to be the majority of borrowers who are accessing MBM loans.

Below are several recommendations for the development of small enterprise support programs based on the replicable aspects of the MBM program and from the findings of the study.

- 1) Utilize local existing NGOs working in the field of economic development.
- 2) These NGOs should have high community credibility.
- 3) They should have access to community networks down to the village level.
- 4) They should also have access to committed and qualified personnel.
- 5) Their salary structure should reflect market wage rates.
- 6) Possess plans and commitment for decentralization in the near future in order to be able to respond appropriately to specific community needs in the various regions to be served.
- 7) Secure the commitment of a foreign donor partner who is

willing to provide early assistance in the following areas: provision of project funds, technical assistance, program design and implementation, development of systems documentation and recording procedures, program monitoring and evaluation of performance, and staff training. The length of time of commitment should be "reasonable" and not for the life of the program.

- 8) Develop a long-term viability strategy with a goal towards self-sufficiency, e.g., through a balanced loan spread with branch offices serving selected target groups.
- 9) The monthly rate of interest for loans should be about the level of prevailing rates of local private lending institutions or higher than 2%.
- 10) Formal training for personnel in accounting, book-keeping, and small enterprise development.
- 11) Send staff to observe MBM system first hand.
- 12) Develop and implement tools for longitudinal measurement of program impact.
- 13) In addition to credit assistance for clients, other components of the development process to be included are: skills training, technical assistance, product development, and market research.
- 14) Become part of a national and international network of similar small enterprise development programs for learning and exchange of ideas.



(symbol of M.B.M.)

ECONOMIC DEVELOPMENT PROGRAM OF G.K.P.B.

1. INTRODUCTION

The general objective of the study is to assess the effectiveness of the Maha Bhoga Marga (MBM) foundation's small enterprise support program. The study focuses on the following areas:

- a. A description of the MBM small enterprise support program and strategy.
- b. An assessment of program performance from a quantitative analysis of individual loans data collected by MBM over the years.
- c. An assessment of the strengths and weaknesses of the program as an approach to micro-enterprise development, through indepth interviews and case studies of assisted entrepreneurs and enterprises.

Field work was carried out in the province of Bali for three weeks in August 1987. A selected random sampling of 921 loan cases or 27% of the total loans was obtained from MBM records and computer analyzed. In addition, data from all multiple borrowers with individual loan size above Rp. 500,000 were also analyzed. Field interviews were conducted with 30 MBM clients from the three districts where MBM offices are located--Kapal (south Bali), Sangsit (north Bali), and Melaya, (west Bali). Indepth interviews with MBM staff were also conducted.

2. MAHA BHOGA MARGA

2.1 Organization

Maha Bhoga Marga or Way of Prosperity is a small independent development foundation based in the province of Bali. Though some of MBM's activities were begun as early as 1976, the group was legally established as a foundation (yayasan) in 1980. MBM was established as a development arm of the Bali Protestant Church (GKPB) to serve the poorer sector of the Balinese community. Even though it functions independently of church management, much of the success of its development programs is through the strong cooperation of a wide and far reaching network of church officials, elders, pastors, and congregation members spread over Bali. MBM enjoys high credibility in Bali and has extensive local and considerable external networks. The foundation is overseen by a board of directors, primarily from the business community, which actively provides regular program guidance through the executive director who is responsible for day to day operations. The MBM head office is located at Kapal, 19 kilometers from Denpasar, with branch offices in Sangsit (north Bali) and Melaya (west Bali).

From its inception, MBM has received strong technical assistance from two private foreign organizations: 1) the Maranatha Trust, an Australian based private foundation which still has regular working contact with MBM; and 2) Institute for International Development Incorporated (IIDI) of the United

States. The IIDI, which received its main funding from a USAID/Washington Co-Financing grant, provided resources for MBM's first revolving fund in 1981 and fully committed four years for underwriting all administrative costs. In addition, it has provided foreign consultants and assisted with staff training. MBM also receives financial contribution from several other foreign religious organizations (refer Table A in the Appendices). It is currently receiving assistance through a USAID/Indonesia grant.

2.2 Program Activities

MBM program activities are divided into three main areas:

- a. Agriculture and livestock
- b. Community social development
- c. Community economic development

The agriculture and livestock program is housed at the farm site adjacent to MBM's head office in Kapal. The program includes a wide variety of projects, such as: rearing of poultry, goats, pigs, and rabbits; orchid and fruit trees cultivation; rice cultivation; fish farming; and grain drying and storage technologies. The projects serve several important purposes:

- 1) They are models of applied technology in agriculture and animal husbandry.
- 2) They serve as training aids for teaching MBM beneficiaries.
- 3) They generate income to cover MBM's administrative and

program overhead expenses.

MBM social program in community development includes the following activities: provision of supplies and other assistance in agricultural and livestock production; community projects in clean water supply, bridge construction, irrigation system, and road building; and transmigration orientation and training.

The third main program activity of community economic development involves MBM's dual goal of income and employment generation. Today, MBM's small enterprise and revolving credit scheme is its best known and most widely utilized program. This small enterprise program is the focus of the present study and will be fully described in the next section.

The value of MBM's current capital assets is close to one billion rupiah (Table B in the Appendices). Its program activities has increased significantly over the years. This is reflected in the steady annual increase in expenditure (Table C in the Appendices). Paid program staff has increased from 9 in 1981 to 30 by the end of 1986. The small enterprise and revolving credit program accounts for a major share of program funds each year, reaching well over an average of 58% per annum or a total of Rp. 549,751,575 in six years.

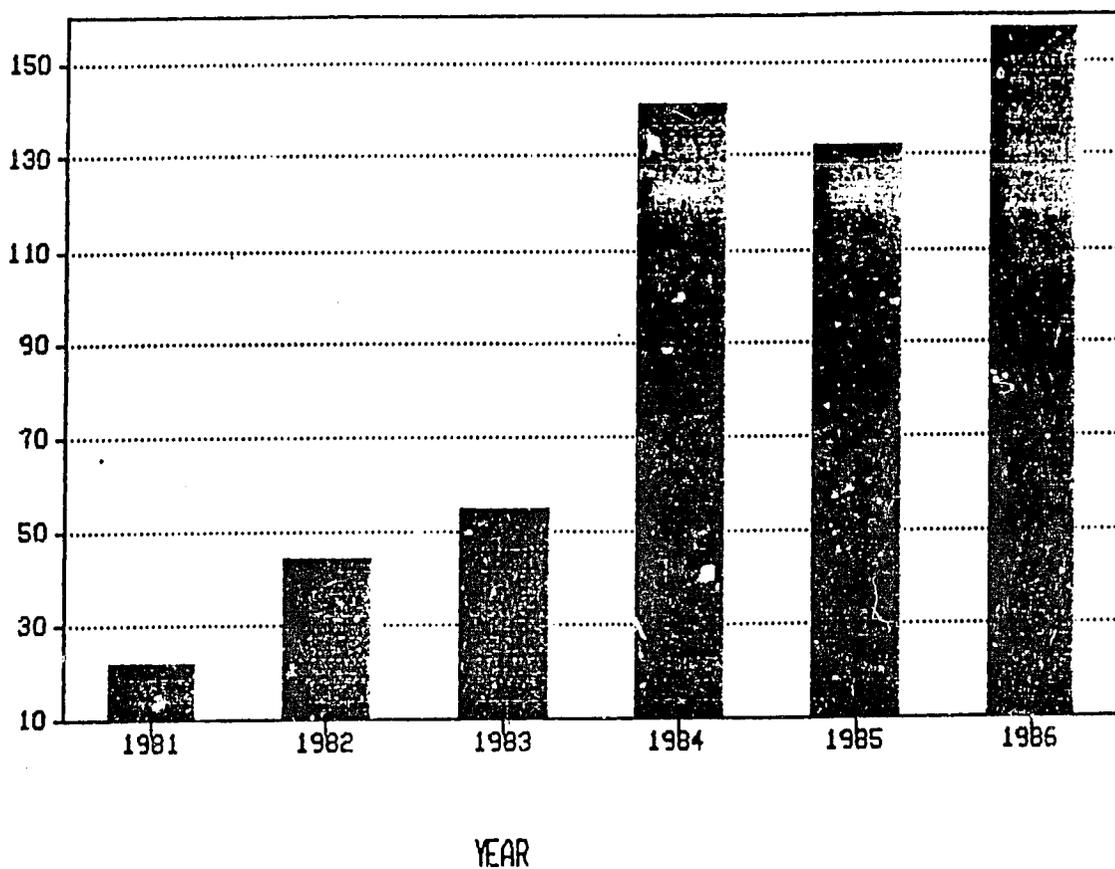
3. SMALL ENTERPRISE PROGRAM

3.1 Program Description

Based on the felt needs of the village community, MBM established the small enterprise program with the dual objective of generating income and creating employment. Program strategy was initially envisioned as the provision of a twin package of small enterprise development training, through "barefoot training seminars," and financial assistance in the form of credit. However, it has rapidly evolved into a credit program with lesser emphasis on technical assistance. The preference in client selection is for potential borrowers to have some kind of a business or economic activity prior to the loan. All clients receive an initial on-site visit of the economic activity and some subsequent counseling/motivational visits.

MBM's revolving credit scheme has demonstrated a steady growth over the years. It began with an initial modest sum of about Rp. 21,000,000 in 1981 for loan disbursements and has reached over Rp. 156,000,000 by the end of 1986, averaging nearly 150% growth per annum (refer Chart 1 and Table 1). Besides income generated from the loan activity, a portion of the funds has also come from foreign contributions. Since 1981 Indonesia has experienced several devaluations of the rupiah (Table D in the Appendices).

CHART 1: Growth of MBM Revolving Fund



■ FUND-MILLION Rp.

TABLE 1: Growth of MBM Revolving Credit Fund, 1981-86

YEAR	CREDIT FUND (Rp.)
1981	21,162,250
1982	44,094,045
1983	54,683,825
1984	140,854,275
1985	132,424,380
1986	156,532,800
TOTAL	Rp. 549,751,575

The number of loans requested has consistently been higher than the number of loans made (refer Chart 2 and Table 2). The discrepancy is due more to the unavailability of funds at the MBM office than to the denial of loans due to the applicants' lack of qualifications. By the end of 1986, a total of 3,375 individual loans had been granted. Trading dominated the economic category where most loans (83%) were given. Loans to women (81%) predominated (see Chart 3 and Table 3). Even though MBM is a Christian organization, a significant number of its beneficiaries (68.5%) is from the Hindu majority that makes up the population of Bali (see Chart 4 and Table 4). The total amount of Hindu loans, however, is smaller than Christian loans.

CHART 2: No. of Loans Requested/Disbursed

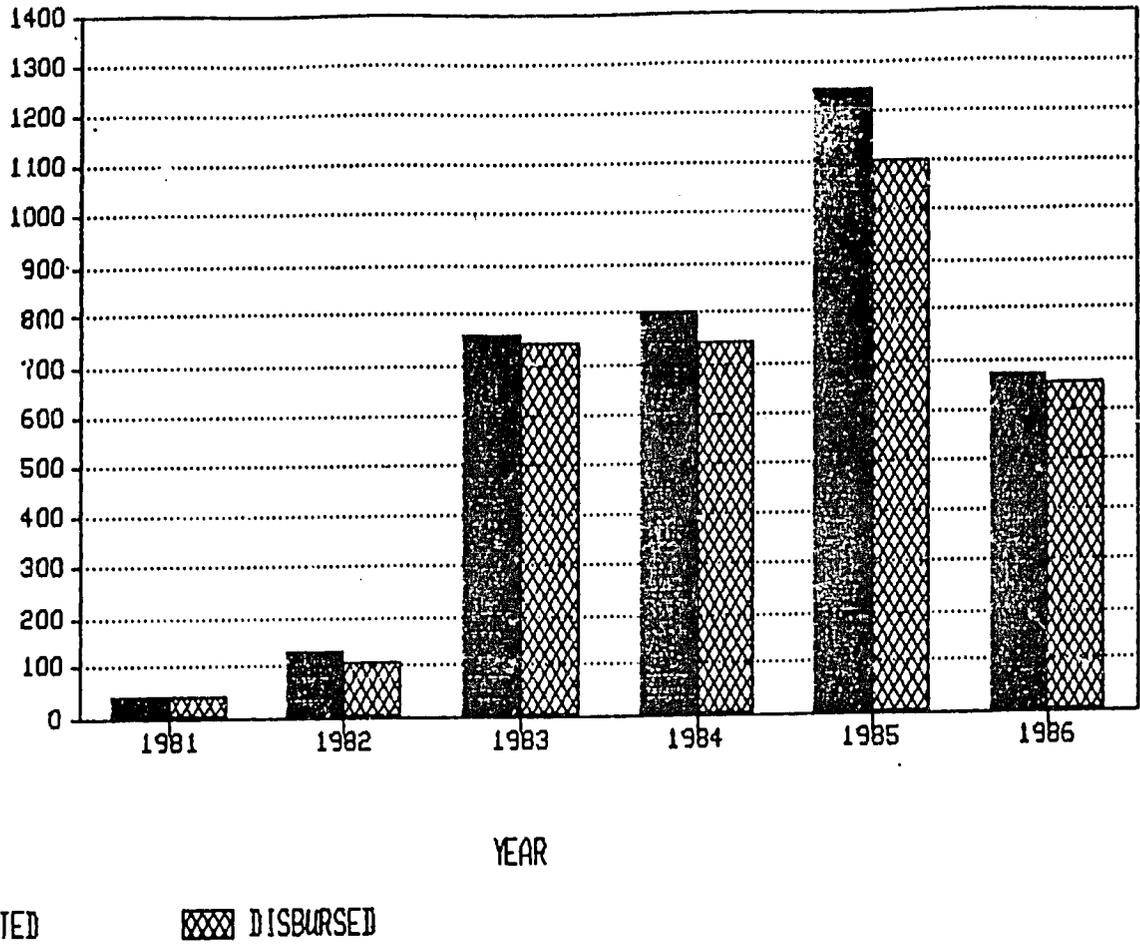
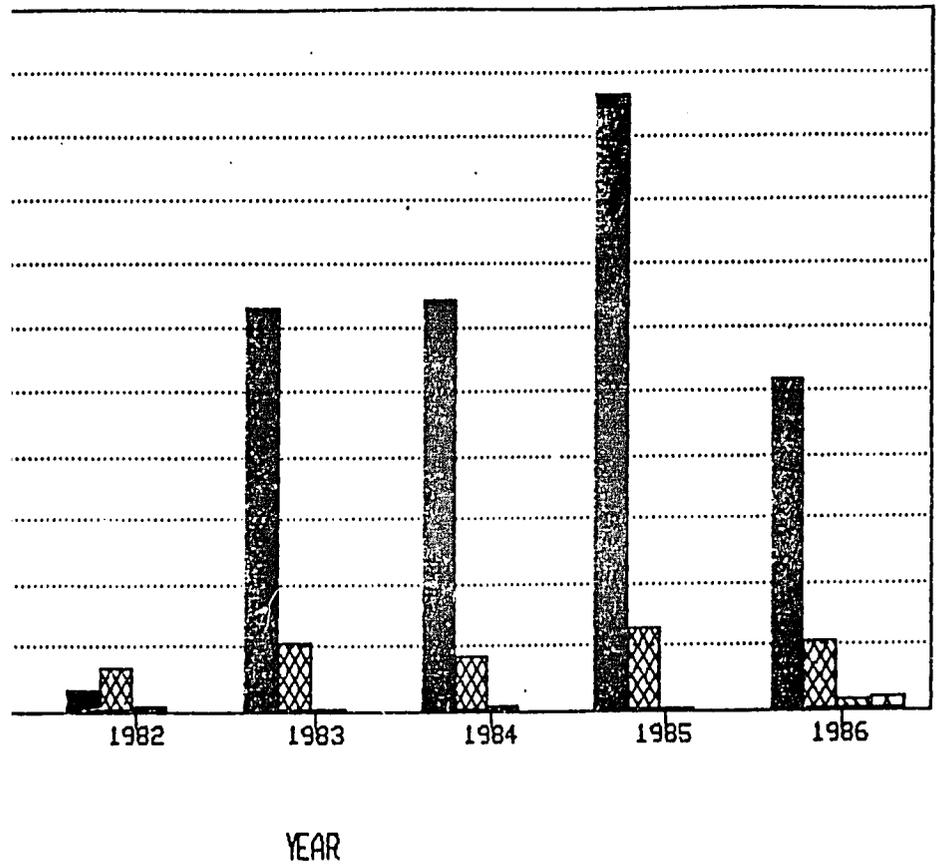


TABLE 2: Number of MBM Loans Requested and Disbursed
1981-1986

YEAR	REQUESTED	DISBURSED
1981	39	39
1982	127	105
1983	757	739
1984	804	738
1985	1243	1098
1986	669	656
TOTAL	3639	3375

Loans by Economic Activity



TRADE
 PRODUCTION
 SERVICES
 OTHER

TABLE 3: Number of Loans by Economic Activity and Sex
1981-1986

YEAR	TRADE		PRODUCTION		SERVICES		OTHER		TOTAL	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
1981	9		23	1	6				38	1
1982	30	2	67	1	5				102	3
1983	20	610	103	2	4				127	612
1984	15	633	76	6	8				99	639
1985	17	948	124	5	4				145	953
1986	15	504	98	6	13		20		147	510
TOTAL	106	2697	491	21	40		20		657	2718
%	3.8	96.2	95.9	4.1	100		100		19.5	80.5
%	83.0		15.2		1.2		0.6		100	

CHART 4: Number of Loans by Religion

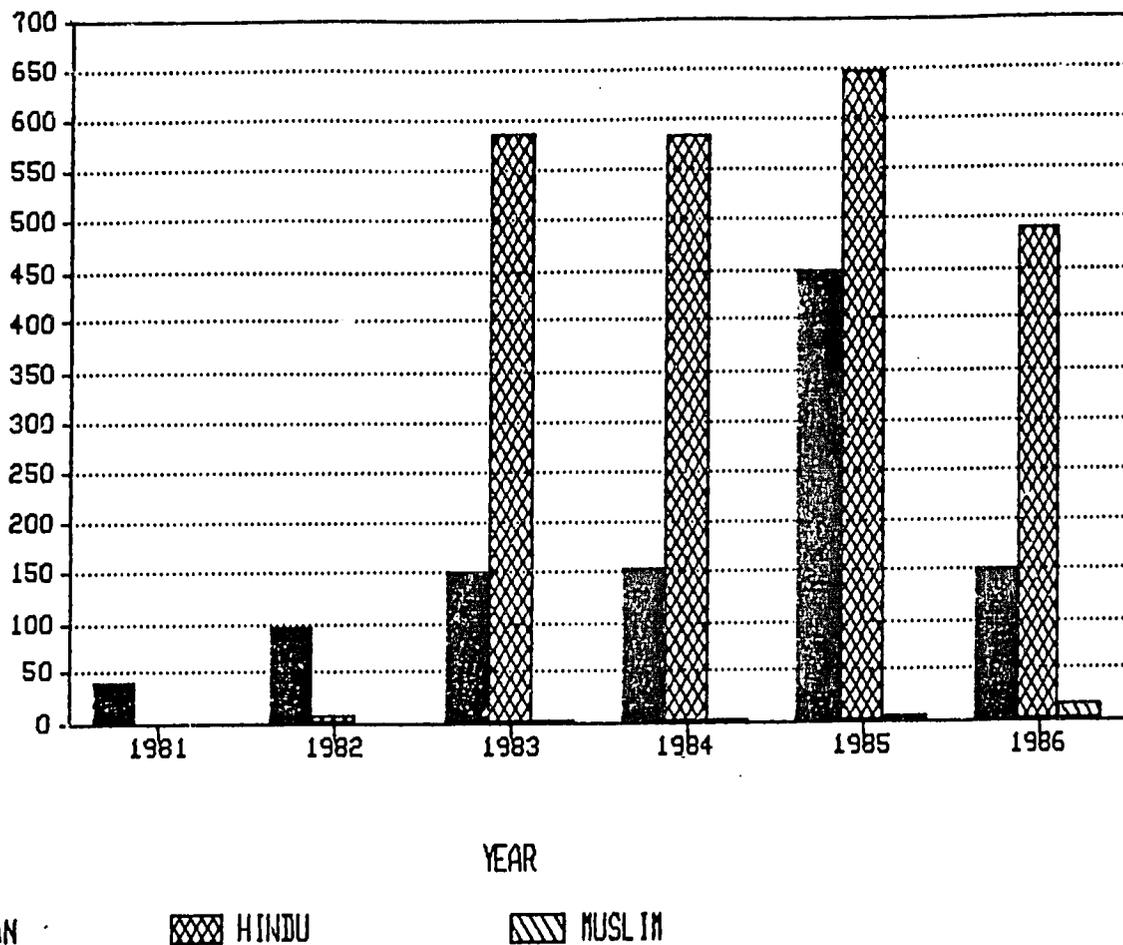


TABLE 4: Number of MBM Loans by Religion, 1981-86

YEAR	CHRISTIAN	HINDU	MUSLIM	TOTAL
1981	39			39
1982	97	8		105
1983	151	587	1	739
1984	153	584	1	738
1985	449	646	3	1098
1986	151	490	15	656
TOTAL	1040	2315	20	3375
%	30.8	68.6	0.6	100

The make-up of the three MBM offices show marked differences in their loan and client profiles (refer Table 5). Up to the end of 1986 Kapal, the head office, made only 15.7% of the loans but accounted for 82% of the amount of loan disbursed; the borrowers were mainly Christians. Sangsit in north Bali served 77.8% of the borrowers who were mainly Hindus, but disbursed 10% of the total loan amount. Melaya in west Bali served mainly Christians and showed a more proportionate profile --8% of the loan disbursed to 6.5% of the borrowers.

TABLE 5: Amount of Loan Disbursed by Office and Number of Borrowers, 1981-1986

OFFICE	LOAN DISBURSED (Rp.)		BORROWERS	
	AMOUNT	%	NO.	%
Kapal	390,012,180	82	530	15.7
Sangsit	45,674,530	10	2626	77.8
Melaya	37,487,450	8	219	6.5
TOTAL	473,174,160	100	3375	100.0

3.2 Loan Process

Any individual who makes an MBM loan application has a very good chance of qualifying for a loan because s/he has been recommended by either the pastor, a church elder, an MBM staff, or another borrower.

Normally, an individual comes to the office to inquire about a first loan. The loan officer spends about 15 minutes explaining about MBM and the credit program. The individual buys an application form for Rp. 200 and takes it home to complete it as well as to get the signed approval of either the pastor for Christian applicants or the village head for non-Christian applicants. In villages where the village heads are uncooperative, MBM staff make the final approval themselves. An appointment is made where the loan officer visits the location of business or economic activity and spends time discussing the business operation, primarily in relation to loan repayment. The application is checked and the system of repayment, collateral, interest rates, and other fees are discussed. This visit takes approximately 30 to 45 minutes. Subsequent loan applications require no visits at all unless they are for activities different from the first. When the loan is approved, the individual receives payment between one to two weeks from the time of application.

The criteria used for the selection of a potential client are based on the evidence of an on-going economic activity, the ability of repayment, personal and credit history, and collateral. The size of the loan is frequently based on the ability to repay and/or no more than 50% of the person's asset base. In a few cases when recommendation from a guarantor is strong, particularly for the Christians, no collateral is required and small loans are made to begin an economic activity.

The two page application form devised for borrowers from the MBM head office in Kapal includes a simple business plan which lists projected income, expenditure, and employment creation capability of the enterprise to be supported by the loan. The office in Melaya uses the same application form. The office in Sangsit, however, has its own application form of one page which does not include the business plan information (see Appendices for samples of application forms). In Sangsit, where most of the loans are small and the clients have less formal education, MBM staff members assist applicants in completing the form; many Sangsit clients never visit the MBM office.

3.3 Loan Systems

The MBM loan system varies among the three offices depending on both the internal organizational and external community needs of the three regions. Essentially, each branch office can independently evaluate, approve, and process loans up to Rp. 200,000, and now up to Rp. 500,000. Loans beyond Rp. 500,000 are usually managed by the head office. The interest rates, loan period, and the repayment schedule, however, vary among the three offices. In general, all offices charge a one time fee of 0.5% for loan processing and a 2% administrative fee. The variation in the interest rate system is illustrated below.

MBM Interest Rates Per Month

Year	KAPAL	SANGSIT				MELAYA
		Christian Farming*	Other	Non-Christian Farming*	Other	
1982	2% dec	-		-		-
1983	"	2% decreasing		2.5% decreasing		-
1984	"	2% dec	2% flat	2% dec	2% flat	2% flat
1985	"	"	"	"	"	"
1986	"	"	"	"	"	"

* Farming also includes gardening

Interest Rates

Interest rates are computed on a monthly basis. The term "2% decreasing" per month means that the amount of interest paid monthly decreases with each payment of principle. In the case of "2% flat" per month, the amount of interest paid monthly is the same even when the amount of the remaining principle gets smaller. When the interest rates are annualized the effective annual interest rate for 2% per month decreasing is close to the nominal rate of 24% per year. However, the effective annual interest rate for 2% flat could be close to or significantly higher than the nominal rate depending on when principle is paid. This difference is illustrated in the example below.

Effective Annual Interest Rates
for a Loan of Rp. 100,000 for Four Months

OFFICE	INTEREST RATE/MONTH	LOAN FEE	PRINCIPLE (RP.)*	REPAYMENT SCHEDULE	EFFECTIVE ANNUAL INTEREST RATE
KAPAL	2% decreasing	2500	97500	4 times (monthly)	24.15%
MELAYA	2% flat	2500	97500	1 time	24.60%
SANGSIT	2% flat	2500	97500	120 times (daily)	128.85%

* Actual amount given to borrower after deduction of loan fees

At an interest rate of 2% per month decreasing with a monthly repayment schedule of principle, the effective annual interest rate of 24.15% for Kapal borrowers is close to the nominal rate of 24% per year.

For Melaya, at an interest rate of 2% per month flat with repayment of principle once at the end of the loan period, the effective annual interest rate of 24.6% is still close to the nominal rate.

Sangsit borrowers, on the other hand, pay an effective annual interest rate over five times higher than the nominal rate. With an interest rate of 2% per month flat and daily repayment (amount due at the end of the month divided by 30 days), Sangsit borrowers end up paying an effective annual

interest rate of 128.85%. From a brief survey of loan arrangements by other lending institutions in the area, the system of daily repayment appears to be widespread in the Sangsit/Singaraja district.

For Sangsit borrowers who are in farming and gardening, the interest rate is 2% per month decreasing. Farmers generally repay the principle once at the end of the loan period, thus bringing the effective annual interest rate close to the nominal rate as in Melaya. However, the number of Sangsit borrowers affected by this interest rate is small; only 8.7% of all Sangsit borrowers are in the farming category as indicated by the sample.

MBM Kapal

The office at Kapal is the head office of MBM. All program funds are channeled and distributed from here. Kapal operates the small enterprise and credit program for borrowers from south, central, and east Bali as well as for all borrowers with loans above Rp. 500,000. The interest rate from the beginning of the program has been 2% decreasing per month; repayment of principle and interest is on a monthly basis unless otherwise arranged. Clients come to the office for repayment while the loan officer tries to make brief visits to each person at least once a month. Kapal accounts for 15.7% of the borrowers and 82% of the total loan amount. There are six paid full-time staff including the executive director.

MBM Melaya

Melaya's office was established in 1984 and mainly serves the small Christian population in west Bali. The interest rate is 2% flat per month for clients. Melaya pays the Kapal office for the use of credit funds--1.75% flat per month in 1984 and 1.5% flat per month since 1985. About half the borrowers are in agriculture (mainly tangerine and coconut cultivation) and the other half in trade and other economic activities. Repayment of principle for those in agriculture is at the end of the loan period to coincide with harvest while interest is paid monthly. Borrowers in all other economic activities repay principle and interest monthly. Melaya serves 6.5% of the borrowers with a loan amount of 3% of total MBM loans. There is only one paid full-time staff, a book keeper. A pastor coordinates the program while three church elders take turns to run it; the latter receive a bonus each at the end of the year. Visits to over half the borrowers are made monthly for loan collection.

MBM Sangsit

The loan program in Sangsit began in early 1983 not so much as a branch of Kapal but more as a parallel development along similar lines but with different conditions. The impetus for the program came from the drastic 1982 fruit crop failure, particularly tangerines (jeruk) due to pests in north Bali. The area is economically poor due to poor soil and lack of water. After the crop failure, the Christian congregation made a conscious development effort to move people from agriculture to

small-scale trading and industry by the provision of credit. Sangsit patterned its credit program after Kapal and since its inception has borrowed program funds from Kapal at a monthly interest rate of 1.75%. A portion of the staff's salaries is paid directly by Kapal.

Initially, there was objection from the government to Sangsit's credit operation but since it changed its operational description to credit in kind (pinjaman modal sarana usaha), it has been allowed to operate. In 1987, discussions have taken place to make Sangsit a full branch office of Kapal.

Sangsit serves the majority of MBM borrowers who are mainly of the Hindu faith and who are in small-scale trading; loans are generally small, under Rp. 100,000. Up to the end of 1986, Sangsit accounted for 77.8% of MBM borrowers and 10% of the total amount of MBM loans. Interest rates in 1983 varied for Christians and non-Christians but since 1984 they are similar for all denominational groups with 2% decreasing per month for farmers and 2% flat per month for all other borrowers.

Clearly, it is more expensive to borrow in Sangsit than in Kapal or Melaya. Staff members in Sangsit explain that it is necessary to charge more because their administrative overhead is high: they have to pay Kapal interest for their funds; the repayment method for most borrowers is daily; and collection is carried out by the staff. According to reported expenditure

figures, before any adjustments have been made to reflect real costs, Sangsit is the most expensive program utilizing 84% of its earnings for administrative expenses, followed by Melaya with 80%, and Kapal with 53% (refer Chart 5 and Table 6).

Unlike Kapal and Melaya, Sangsit operates both a savings and loan program. Anyone can open up a savings account at the office and receive 1% interest per month. In addition, all borrowers prior to their first loan have to open a savings account at the office and save up to a minimum of Rp. 2500 for one month. This prerequisite serves three purposes: 1) it encourages clients to save; 2) it gets them into the rhythm of daily payment; and 3) it is an indication of clients' ability as well as discipline to repay a loan. Subsequent loans require a minimum savings of 10% of the loan amount.

Sangsit has seven full-time staff members with six salaried and one unsalaried; the latter is a pastor and acts as coordinator of the program. Three of the staff members are loan officers who are responsible for daily collection of repayment and spend a large part of the working day making their rounds.

CHART 5: Credit Program Income & Expenses

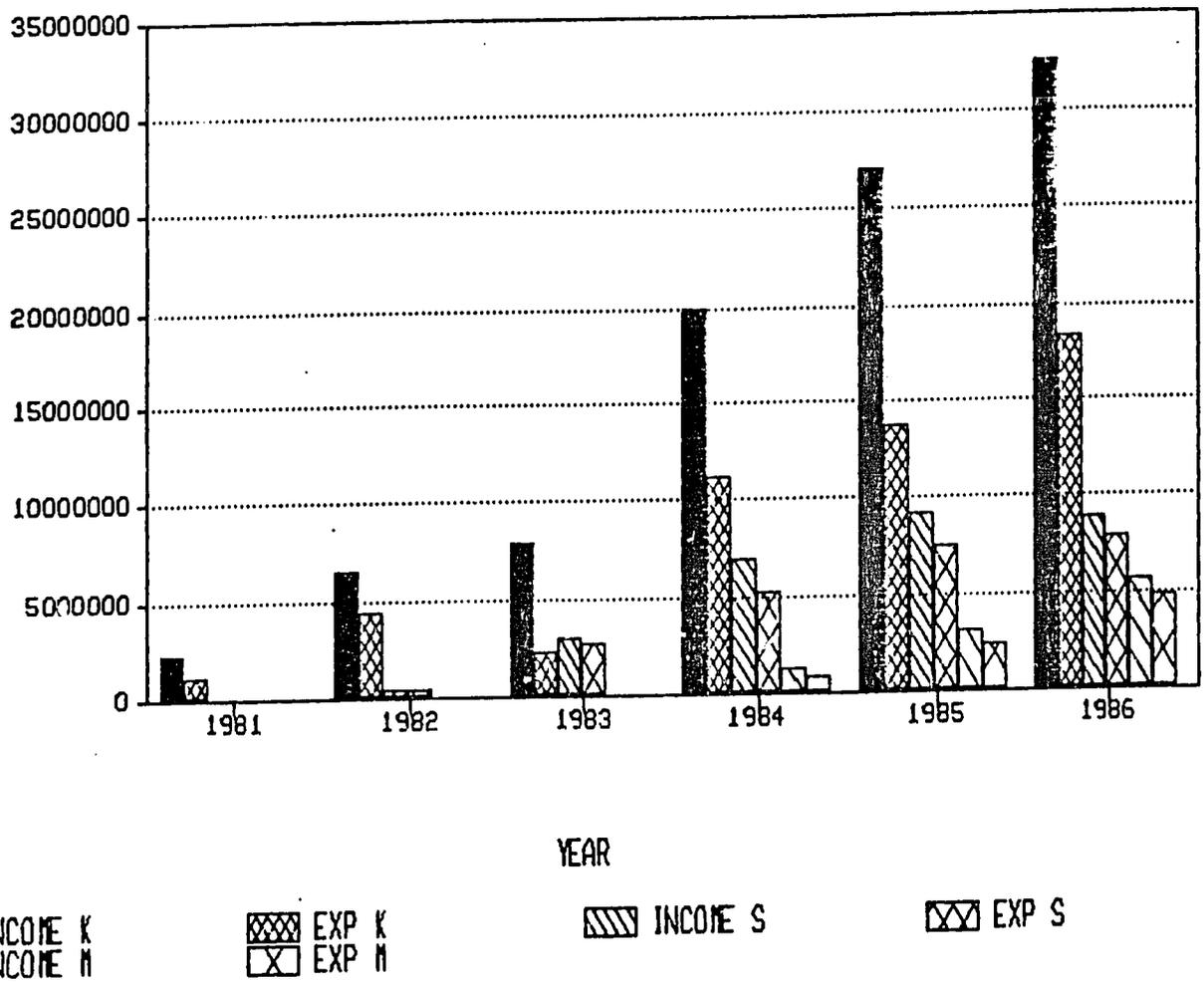


TABLE 6: MBM Credit Program Income and Expenditure by Office (Rp.) 1981-1986

YEAR	KAPAL		SANGSIT		MELAYA	
	INCOME	EXPEND.	INCOME	EXPEND.	INCOME	EXPEND.
1981	2164232	1068145				
1982	6512757	4476147	330895	315945		
1983	7931874	2117635	3027006	2716865		
1984	19939350	11107462	6873830	5307175	1154500	804380
1985	27019194	13761581	9159550	7550640	3111975	2244720
1986	32568680	18234577	8907180	7874420	5629075	4857700
TOTAL	96136087	50765547	28298461	23765045	9895550	7906800
	100%	53%	100%	84%	100%	80%

4. LOAN PERFORMANCE

The financial viability of the MBM revolving credit program is assessed through the loan performance of a selected random sampling of 921 loan cases or 27% of the total number of MBM loans with a loan amount of Rp. 181,849,435. The period of analysis covers 1983 to 1986 because these are the years with the most complete records. MBM's excellent record keeping system has allowed us the flexibility to examine both individual as well as overall loan performance.

4.1 Client Characteristics

The sample of 921 loan cases shows that about 59% of the number of loans are made by women and about 41% by men (refer Table 7). Women tend to borrow smaller sums than men; the majority (65.1%) borrow under Rp. 100,000. Most women (31.2%) borrow between Rp. 50,000 to Rp. 100,000 while most men (25.5%) borrow between Rp. 100,000 to Rp. 200,000. Over 85% of the large loans above Rp. 500,000 are made by men. Even though the number of loans made by men are smaller than women, the amount of total loans made are significantly larger--70% for men and 30% for women (see Table 8).

Balinese of the Hindu religion dominate the number of sample MBM clients (see Table 9). Over three quarters (76.9%) of the loans in the sample are by Hindus, the rest by Christians (21.8%) and a minority of Muslims (1.3%). The majority of the Hindus

TABLE 7: Number of Loans by Loan Size and Sex
1983-1986

LOAN SIZE	MALE		FEMALE		TOTAL	
	NO.	%	NO.	%	NO.	%
5,000- 25,000	13	3.5	52	9.5	65	7.1
25,000- 50,000	50	13.3	133	24.4	183	19.9
50,000- 100,000	72	19.1	170	31.2	242	26.3
100,000- 200,000	96	25.5	121	22.2	217	23.6
200,000- 300,000	40	10.6	33	6.1	73	7.9
300,000- 400,000	21	5.6	18	3.3	39	4.2
400,000- 500,000	12	3.2	6	1.1	18	2.0
500,000- 600,000	30	8.0	2	0.4	32	3.5
600,000- 700,000	3	0.8	3	0.6	6	0.7
700,000- 800,000	9	2.4	3	0.6	12	1.3
800,000- 900,000	2	0.5	2	0.4	4	0.4
900,000- 1,000,000	0		0		0	
1,000,000- 2,000,000	19	5.1	1	0.2	20	2.2
2,000,000- 5,000,000	5	1.3	1	0.2	6	0.7
5,000,000-10,000,000	4	1.1	0		4	0.4
TOTAL	376	100.0	545	100.0	921	100.0
%		40.8		59.2		100.0

TABLE 8: Amount of Loans by Sex
1983-1986

SEX	LOAN	
	AMOUNT (Rp.)	%
Male	126,583,470	69.6
Female	55,265,965	30.4
TOTAL	181,849,435	100.0

TABLE 9: Number of Loans by Loan Size and Religion
1983-1986

LOAN SIZE	CHRISTIAN		HINDU		MUSLIM		TOTAL	
	NO.	%	NO.	%	NO.	%	NO.	%
5,000- 25,000	7	3.5	57	8.1	1	8.3	65	7.1
25,000- 50,000	23	11.4	158	22.3	2	16.7	183	19.9
50,000- 100,000	22	10.9	217	30.6	3	25.0	242	26.3
100,000- 200,000	33	16.4	179	25.3	5	41.7	217	23.6
200,000- 300,000	24	11.9	49	6.9			73	7.9
300,000- 400,000	21	10.4	18	2.5			39	4.2
400,000- 500,000	11	5.5	7	1.0			18	2.0
500,000- 600,000	26	12.9	5	0.7	1	8.3	32	3.5
600,000- 700,000	1	0.5	5	0.7			6	0.7
700,000- 800,000	7	3.5	5	0.7			12	1.3
800,000- 900,000	1	0.5	3	0.4			4	0.4
900,000- 1,000,000							0	0.0
1,000,000- 2,000,000	15	7.5	5	0.7			20	2.2
2,000,000- 5,000,000	6	3.0					6	0.7
5,000,000-10,000,000	4	2.0					4	0.4
TOTAL	201	100.0	708	100.0	12	100.0	921	100.0
%		21.8		76.9		1.3		100.0

TABLE 10: Amount of Loans by Religion
1983-1986

RELIGION	LOAN	
	AMOUNT (Rp.)	%
Christian	104,187,535	57.3
Hindu	76,346,900	42.0
Muslim	1,315,000	0.7
TOTAL	181,849,435	100.0

(61%), however, borrow under Rp. 100,000 for each loan. The disproportionate borrowing is also reflected in the total amount of loans made by them, where their loans account for only 42% of the whole while those of the Christians make up 57.3%; the Muslims account for only 0.7% of the loan amount (see Table 10).

4.2 Economic Activities

Trading significantly dominates the number of loans made (73.5%) with production trailing a poor second (15.8%), followed by other economic activities (7.3%) and services (3.4%). Refer Table 11. Trading is mainly in food items with a few in agricultural and livestock supplies, clothing, and furniture. Production includes farming, livestock rearing, gardening, fishing, and cottage industries (e.g., pottery). Services involves primarily bicycle and motorbike repair, with some repair of motorized fishing equipment and four-wheeled vehicles. This category also includes accommodation and transportation. The category for other economic activities refers mainly to construction.

The amount of loans in trading accounts for 47.8% or the largest share of the total as well (see Table 12). The majority of the loans in trading are made by women but the amount of loans in trading between men and women are almost the same. This means that 71.5% of the number of loans in trading are made by women but for 49.3% of the amount while 28.5% are made by men for 50.7% of the amount (refer Tables 13 and 14). The number and amount of

TABLE 11: Number of Loans by Loan Size and Economic Activity
1983-1986

LOAN SIZE	TRADE		PRODUCT.		SERVICES		OTHER		TOTAL	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
5,000- 25,000	55	8.1	4	2.7			6	8.9	65	7.1
25,000- 50,000	155	22.9	12	8.2	5	16.1	11	16.4	183	19.9
50,000- 100,000	203	30.0	18	12.3	8	25.8	13	19.4	242	26.3
100,000- 200,000	160	23.6	35	24.0	7	22.6	15	22.4	217	23.6
200,000- 300,000	40	5.9	23	15.7	1	3.2	9	13.4	73	7.9
300,000- 400,000	21	3.1	14	9.6	2	6.5	2	3.0	39	4.2
400,000- 500,000	13	1.9	3	2.1			2	3.0	18	2.0
500,000- 600,000	13	1.9	17	11.6	1	3.2	1	1.5	32	3.5
600,000- 700,000	4	0.6	1	0.7	1	3.2			6	0.7
700,000- 800,000	2	0.3	7	4.8	2	6.5	1	1.5	12	1.3
800,000- 900,000	3	0.4	1	0.7					4	0.4
900,000- 1,000,000									0	0.0
1,000,000- 2,000,000	6	0.9	9	6.2	3	9.7	2	3.0	20	2.2
2,000,000- 5,000,000	1	0.2	2	1.4	1	3.2	2	3.0	6	0.7
5,000,000-10,000,000	1	0.2					3	4.5	4	0.4
TOTAL	677	100.0	146	100.0	31	100.0	67	100.0	921	100.0
%		73.5		15.8		3.4		7.3		100.0

TABLE 12: Amount of Loans by Economic Activity
1983-1986

ECONOMIC ACTIVITY	LOAN	
	AMOUNT (Rp.)	%
Trade	86,969,850	47.8
Production	46,644,205	25.7
Services	10,329,615	5.7
Other	37,905,765	20.8
TOTAL	181,849,435	100.0

TABLE 13: Number of Loans by Economic Activity and Sex
1983-1986

ECONOMIC ACTIVITY	MALE		FEMALE		TOTAL	
	NO.	%	NO.	%	NO.	%
Trade	193	28.5	484	71.5	677	100.0
Production	114	78.1	32	21.9	146	100.0
Services	27	87.1	4	12.9	31	100.0
Other	42	62.7	25	37.3	67	100.0
TOTAL	376	40.8	545	59.2	921	100.0

TABLE 14: Amount of Loans by Economic Activity and Sex
1983-1986

ECONOMIC ACTIVITY	MALE		FEMALE		TOTAL	
	AMOUNT (Rp.)	%	AMOUNT (Rp.)	%	AMOUNT (Rp.)	%
Trade	44,098,335	50.7	42,871,515	49.3	86,969,850	100.0
Production	38,199,190	81.9	8,445,015	18.1	46,644,205	100.0
Services	9,454,615	91.5	875,000	8.5	10,329,615	100.0
Other	34,831,330	91.9	3,074,435	8.1	37,905,765	100.0
TOTAL	126,583,470	69.6	55,265,965	30.4	181,849,435	100.0

loans made by men in the other three economic categories of production, services, and other activities are substantially higher than those made by women.

4.3 Loan Performance

Loan Earnings

The total earnings of the sample loans from interest, loan fees, and administrative fees amount to Rp. 33,745,965 from 1983 to 1986. These earnings are broken up as follows (Table 15):

TABLE 15: Total Loan Earnings, 1983-1986 (Rp.)

YEAR	INTEREST	LOAN FEE	ADMIN. FEE	TOTAL AMOUNT	%
1983	5,968,435	122,030	446,720	6,537,185	19.4
1984	8,239,875	171,905	641,750	9,053,530	26.8
1985	7,813,180	278,600	691,280	8,783,060	26.0
1986	7,921,810	582,965	867,415	9,372,190	27.8
TOTAL	29,943,300	1,155,500	2,647,165	33,745,965	100.0
%	88.7	3.4	7.9	100	

The earnings of sample loans from interest charges are shown to be decreasing starting in 1984. Earnings from loan and administrative fees, however, are increasing progressively throughout the four year period. In terms of total earnings for the same period, interest accounts for 88.7%, loan fee 3.4%, and administrative fee 7.9%.

Average Loan Yield

The average annual interest rate of the sample loan from 1983 to 1986 is shown below (Table 16):

TABLE 16: Average Interest Rate, 1983-1986 (Rp.)

YEAR	LOANS DISBURSED	INTEREST PAYMENTS	AVERAGE INTEREST RATE
1983	30,323,555	5,968,435	19.7
1984	45,806,355	8,239,875	18.0
1985	46,733,000	7,813,180	16.7
1986	58,986,525	7,921,810	13.4
TOTAL	181,849,435	29,943,300	16.5

The preceding table points out the loan samples' declining interest yield throughout the years from 1983 to 1986. This trend is compared with the average rate of earnings (interest plus loan fee plus administrative fee) of the loan samples, and is presented below (Table 17):

TABLE 17: Average Earning Rate, 1983-1986 (Rp.)

YEAR	LOANS DISBURSED	AVERAGE INTEREST RATE	AVERAGE EARNING RATE
1983	30,323,555	19.7%	21.6%
1984	45,806,355	18.0%	19.8%
1985	46,733,000	16.7%	18.8%
1986	58,986,525	13.4%	15.9%
TOTAL	181,849,435	16.5%	18.6%

The trend shown above for both interest and total earnings, given the increasing amount of loans disbursed each year, indicates perhaps a softening of basic loan charges combined with a faster repayment rate which shortens the period for the accrual of loan charges.

Loan Collateral

The sampling brought out four types of collaterals securing loans. The breakdown of the different collateral arrangements are shown below (Table 18):

TABLE 18: Types of Collateral

TYPE	NUMBER	%
Guarantor	4	0.4
Property	877	95.2
Wages	23	2.5
Other	17	1.9
TOTAL	921	100.0

The value of collaterals in the sampling amount to Rp. 946,695,790 for the four year period from 1983 to 1986 (refer Table 19). The ultimate importance of collateral value lies in its actual coverage of the loan amount. In the case of these sample loans, their total loan size compared with the total value of the collaterals shows an extremely conservative collateral cover of 5.2 times.

TABLE 19: Value of Collateral (Rp.)

LOAN SIZE	LOAN		COLLATERAL	
	AMOUNT	%	AMOUNT	%
< 100,000	20,733,790	11.4	292,176,000	30.9
100,000- 500,000	61,688,770	33.9	358,838,790	37.9
500,000-1,000,000	31,963,835	17.6	143,158,700	15.1
>1,000,000	67,463,040	37.1	152,522,300	16.1
TOTAL	181,849,435	100.0	946,695,790	100.0

4.4 Repayment

The rate of repayment by MBM clients demonstrates an exceptionally good record--52% pay on time and an additional 31% repay before the due date, making it a total of 83% of borrowers who are good credit clients (refer Tables 20). Of the remaining clients, over 14% take longer than the planned repayment period to repay while only about 2% are delinquent.

The average period in which the sample loans are repaid during the four year period from 1983 to 1986 is 5.3 months. The average repayment period for each of the four categories of economic activity reflects the nature of the activities (see Table 21). Trade, which accounts for the majority in terms of both the number and amount of loan samples, has the shortest average loan period of 4.1 months. Production, which is second to Trade in terms of both loan number and amount, has the longest

TABLE 20: Actual Repayment by Economic Activity
1983-1986

REPAYMENT	TRADE		PRODUCT.		SERVICES		OTHER		TOTAL	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
Early	188	27.8	64	43.8	15	48.4	18	26.8	285	30.9
On Time	395	58.3	46	31.5	12	38.7	28	41.8	481	52.2
Late	84	12.4	27	18.5	2	6.45	21	31.4	134	14.6
Delinquent	10	1.5	9	6.2	2	6.45			21	2.3
TOTAL	677	100.0	146	100.0	31	100.0	67	100.0	921	100.0

TABLE 21: Average Loan Period by Economic Activity
1983-1986

ECONOMIC ACTIVITY	MONTHS	
	SCHEDULED	ACTUAL
Trade	4.4	4.1
Production	10.0	9.2
Services	8.6	8.3
Other	6.7	6.8
TOTAL	5.6	5.3

loan period of 10 months. The principle for loans in the productive category is usually repaid in one lump sum at the end of the agricultural cycle, i.e., after harvest. Services has an average loan period of 8.3 months and the category for Other economic activities show an average of 6.8 months. Overall, the average loan repayment period of 5.3 months is faster than the average scheduled period of 5.6 months.

Delinquency is defined for the purposes of this report as no repayment activity either of interest or principle for a minimum of six months. From the sample of 921 loan cases only 21 cases are delinquent. These and other late loans are rescheduled until all are eventually repaid. Over 68% of the overdue loans are repaid within three months from the due date (see Table 22). For most of the late loans there are no formal rescheduling contracts, only continuous collection visits from MBM staff. The default on loans is significantly low. In all the years of operation only 3 clients defaulted on their loans for a combined total of Rp. 1,675,000 or 0.3% of the total MBM credit fund when their businesses failed (Table E in the Appendices).

4.5 Multiple Borrowers

In addition to the sample of 921 loan cases, we examined all MBM clients who have borrowed individual loans above Rp. 500,000 or more to see if there are any significant differences between them and the other borrowers. This section refers to a total of

TABLE 22: Number of Additional Months for Rescheduled Loans
1983-1986

ADDITIONAL MONTHS	TRADE	PRODUCT.	SERVICES	OTHER	TOTAL	
					NO.	%
1	47	12		10	69	44.5
2	14	8	1	2	25	16.1
3	10	2			12	7.75
4	3	2		4	9	5.8
5	5	3		2	10	6.5
6	1	1		2	4	2.6
7	2	3			5	3.2
8	5				5	3.2
9	3		1		4	2.6
10	2		1		3	1.9
12		1			1	0.65
14		1	1		2	1.3
16				1	1	0.65
18		1			1	0.65
19	1				1	0.65
20		1			1	0.65
23		1			1	0.65
35	1				1	0.65
TOTAL	94	36	4	21	155	100.0
%	60.6	23.2	2.6	13.6		100.0

92 clients with total borrowings of 259 loans amounting to Rp. 221,138,805.

The 92 big clients have borrowed from a range of 2 to 8 times. The majority (80.4%) are men who borrow over 83% of the total loan amount and who are of the Christian faith (78.3%). Refer Tables 23 and 24. It is interesting to note that unlike the sample cases, these big clients borrow more for productive enterprises than for trade--over 50% of the number of loans and 41% of the total amount are for production while about 40% of the number of loans and 32% of the amount are for trade (see Table 25).

4.6 Job Creation

Of MBM's twin goal of income generation and job creation, it is clear that it has succeeded in the former by the evidences of clients' business expansion, construction of bigger and more permanent homes, and purchase of consumer goods. The question of whether MBM has succeeded in job creation is more difficult to answer.

For this report, job creation is defined as employment in exchange for regular cash remuneration/wage. MBM clients are not included in the calculation of jobs created because the overwhelming majority had the same occupation or economic enterprise prior to MBM loans. The majority of MBM clients do not hire wage labor in their business expansion but use additional family

TABLE 23: Multiple Borrowers by Sex and Amount of Loan
1981-1986

SEX	NO.	%	LOAN	
			AMOUNT (Rp.)	%
Male	74	80.4	183,835,995	83.1
Female	18	19.6	37,302,810	16.9
TOTAL	92	100.0	221,138,805	100.0

TABLE 24: Multiple Borrowers by Religion and Amount of Loan
1981-1986

RELIGION	NO.	%	LOAN	
			AMOUNT (Rp.)	%
Christian	72	78.3	183,702,665	83.0
Hindu	19	20.6	36,627,890	16.6
Muslim	1	1.1	808,250	0.4
TOTAL	92	100.0	221,138,805	100.0

TABLE 25: Number of Loans by Economic Activity and Amount
1981-1986

ECONOMIC ACTIVITY	LOAN		LOAN	
	NO.	%	AMOUNT (Rp.)	%
Trade	103	39.8	70,121,250	31.7
Production	130	50.2	90,710,910	41.0
Services	19	7.3	17,306,645	7.8
Other	7	2.7	43,000,000	19.5
TOTAL	259	100.0	221,138,805	100.0

labor instead. Family labor is not provided in exchange for a regular wage; family workers are given food and lodging and occasional spending money.

From data for both the sample loan cases as well as the multiple borrowers, we find relatively few jobs created (refer Tables 26 and 27). From the sample of 921 loan cases, only 167 jobs are created; 39 borrowers from the total sample are responsible for creating the jobs. From the multiple borrowers, 200 jobs are created by 34 of the borrowers. Jobs are created mainly in the construction business ("Other" category) for both sets of borrowers and in the productive enterprises by the larger multiple borrowers. Among the job creators, a job created by big multiple borrowers costs less (an average of Rp. 551,916 per job) than a job created by sample borrowers (an average of Rp. 794,240) (see Table 28).

From the above findings it appears that big multiple borrowers create more jobs than borrowers in the sample who are mainly small borrowers. The number of jobs created with MBM loans is small but the addition of family labor is substantial. It should be mentioned here that MBM's definition of job creation is different than the authors'. MBM assumes that each loan in itself automatically creates one job for the client in addition to any other person that is hired and paid a wage. This definition inflates the number of jobs created by a considerable margin.

TABLE 26: Job Creation from MBM Loans

BORROWERS	NO.	TOTAL LOAN		JOBS CREATED
		NO.	AMOUNT (Rp.)	
Sample	626	921	181,849,435	167
Multiple	92	259	221,138,805	200

TABLE 27: Job Creation by Number of Borrowers and Economic Activity

BORROWERS	NO.	TRADE		PRODUCT.		SERVICES		OTHER		TOTAL	
		NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
Sample	39	36	21.5	31	18.6	13	7.8	87	52.1	167	100.0
Multiple	34	52	26.0	72	36.0	7	3.5	69	34.5	200	100.0

TABLE 28: Job Creation by Amount of Loan

BORROWERS	NO.	LOAN AMOUNT (Rp.)	JOBS CREATED	AMOUNT PER JOB
Sample	39	132,638,060	167	794,240
Multiple	34	110,383,290	200	551,916

4.7 Overall Program Cost

The cost of managing the MBM revolving credit program has been regularly understated by program staff to be less than 10% of the total credit program funds (including income generated). When quantitative information was obtained and calculated for 1986 the reported cost of the credit program rose to 15% (refer Table 29). Upon further investigation we found that the program was partially subsidized by program staff through the low salary structure (see Table 30). Moreover, several key personnel, e.g., the pastor-coordinators and church elder-managers, were not paid. It should be noted that several staff members received some subsidies from other unreported sources.

In order to produce a truer reflection of the cost of running the credit program, we adjusted the salary scales of the staff and provided a rupiah value for the work of several staff members who are currently unpaid. The result of such an adjustment showed a 174% increase in the salaries of staff (refer Table 30), thus bringing the final adjusted cost of the program to over 22% of the total credit program funds (see Table 31). That the adjusted cost of the program for 1986 is 97% of the income generated for the same year as compared to the reported 66%, is an indication that the financial growth of the program is subsidized by the low salary structure

The program is costly if we include the technical

TABLE 29: Reported MBM Revolving Credit Program Cost, 1986 (Rp.)

OFFICE	CREDIT FUND (a)	INCOME (b)	EXPENSES (c)	COST (d)
Kapal	124,886,970	32,568,680	18,234,577	11.6%
Sangsit	14,429,840	8,907,180	7,874,420	33.7%
Melaya	19,000,000	5,629,075	4,857,700	19.7%
TOTAL	158,316,810	47,104,935	30,966,697	15.1%

$$d=100xc/a+b$$

TABLE 31: Adjusted MBM Revolving Credit Program Cost, 1986 (Rp.)

OFFICE	CREDIT FUND (a)	INCOME (b)	EXPENSES (c)	COST (d)
Kapal	124,886,970	32,568,680	22,751,927	14.4%
Sangsit	14,429,840	8,907,180	12,980,420	55.6%
Melaya	19,000,000	5,629,075	9,777,700	39.7%
TOTAL	158,316,810	47,104,935	45,510,047	22.2%

$$d=100xc/a+b$$

NOTE: See next page for Table 30

TABLE 30: Reported and Adjusted Salaries of MBM Staff, 1986 (Rp.)

OFFICE	STAFF		REPORTED		ADJUSTED*	
	NO.	POSITION	PER MTH	PER YEAR	PER MTH	PER YEAR
KAPAL	1	Director/Manager	190,899	2,290,790	300,000	3,600,000
	2	Accountant	125,640	1,507,680	150,000	1,800,000
	3	Credit Officer	59,515	714,180	85,000	1,020,000
	4	Credit Control	12,500	150,000	70,000	840,000
	5	Bookkeeper	0	0	100,000	1,200,000
	6	Driver	0	0	60,000	720,000
			Subtotal		4,662,650	
SANGSIT	1	Manager	87,500	1,050,000	150,000	1,800,000
	2	Credit Officer	53,292	552,000	80,000	960,000
	3	Cashier	53,292	552,000	80,000	960,000
	4	Field Staff	40,250	483,000	70,000	840,000
	5	Field Staff	40,250	483,000	70,000	840,000
	6	Bookkeeper	34,500	414,000	70,000	840,000
	7	Coordinator/pastor	0	0	200,000	2,400,000
		Subtotal		3,534,000		8,640,000
MELAYA	1	Manager**	0	0	85,000	1,020,000
	2	Bookkeeper	15,000	180,000	70,000	840,000
	3	Field Staff	0	0	70,000	840,000
	4	Coordinator/pastor	0	0	200,000	2,400,000
		Subtotal		180,000		5,100,000
TOTAL	17			8,376,650		22,920,000
% Increase				100%		274%

* Adjusted by the authors to reflect real salaries

** Melaya has four church officials who take turns to manage the program; their role is counted as one full-time position

assistance, staff training, and underwriting of five years of program administrative expenses by IIDI. Without these and financial assistance from other groups, the growth of the program will be much slower. The cost may be even higher if we also take into account the contribution of the Protestant Church's network of pastors and church officials who act as counselors and motivators for the program. Their support and assistance have contributed significantly to the success of the program.

The real cost of the program, therefore, is very difficult to calculate because of all the "extra" assistance and support unaccounted for in the yearly financial reports. Given that 20% of overall program budget is the reasonable administrative cost for an NGO, this program operates at a considerable higher percentage, especially if we are to take into account the hidden cost and subsidization of the program.

Growth in Earnings and Expenditures

The returns or yield of the loan portfolio against the expenditures required to operate and sustain the corresponding lending and collection activities measure the program's basic viability as well as the operating efficiency of its offices. Table 32 shows that total gross gain (earnings less expenditures) amounting to Rp. 51,833 million over the six year period has been declining in relation to the annual earnings of the loan program. The annual growth in administrative expenses has been outpacing the growth in loan earnings.

TABLE 32: MBM Credit Program, 1981-1986

YEAR	TOTAL EARNINGS		TOTAL EXPENDITURES		GROSS GAIN	
	AMOUNT Rp. ('000)	GROWTH %	AMOUNT Rp. ('000)	GROWTH %	AMOUNT Rp. ('000)	GROWTH %
1981	2,164	-	1,068	-	1,096	-
1982	6,844	216	4,792	349	2,052	87
1983	10,957	60	4,835	1	6,124	198
1984	27,968	55	17,219	256	10,749	76
1985	39,291	40	23,557	37	15,734	46
1986	47,105	20	30,967	31	16,138	3
TOTAL	134,331	78%	82,438	135%	51,833	82%

TABLE 33: Administrative Cost of Loan Program
1981-1986

YEAR	LOANS DISBURSED	ADMINISTRATIVE COST*	
		AMOUNT	% of LOANS
1981	21,162,250	1,068,145	5.0
1982	44,094,040	4,792,092	10.9
1983	54,683,825	4,834,499	8.8
1984	140,854,275	17,219,016	12.2
1985	132,424,380	23,556,941	17.8
1986	156,532,800	30,966,697	19.8
TOTAL	549,751,575	82,437,390	15.0

* Reported administrative cost; not adjusted to reflect hidden costs and subsidies.

The declining profitability to the total portfolio can be arrested by either reining in the growth of administrative expenditures or increasing the volume and turn-over of the loan portfolio to realize a level of earnings which can support the actual cost of running the program.

Operating Efficiency

Table 33 further shows the administrative cost of the loan program as a percentage of actual loans disbursed. At the start of the program in 1981, total administrative cost represent only 5% of total loans disbursed for the year. By 1986, total administrative costs have grown to 19.8% of the total loans disbursed for the year.

The performance of each of the three offices over the six year period from 1981 to 1986 in terms of the above findings is summarized as follows (Table 34):

TABLE 34: Loan Performance by Office, 1981-1986 (%)

PERFORMANCE	KAPAL	SANGSIT	MELAYA
Contribution to total loan portfolio	82.4	9.7	7.9
Contribution to loan earnings	71.6	21.0	7.4
Contribution to total administrative cost	61.6	28.8	9.6
Loan earnings as % of loan portfolio	21.2	53.1	22.8
Admin. cost as % of loan portfolio	11.2	44.6	18.2
Gross gain (earnings less cost as % of portfolio)	10.0	8.5	4.6

The comparative efficiency of the Kapal main office over the branch offices of Sangsit and Melaya is quite evident. The Sangsit office appears to have a higher yield on its portfolio. This is largely due to the faster turn-over of its loans, given the profile of its borrowers who have much smaller and shorter-term loans than borrowers from the other offices. Consequently, the Sangsit office has a higher percentage of administrative cost in relation to its loan portfolio.

Portfolio Requirement

The decreasing growth rate of loan earnings compared to the annual growth rate in the loan program's expenditures is further illustrated below (see Chart 6).

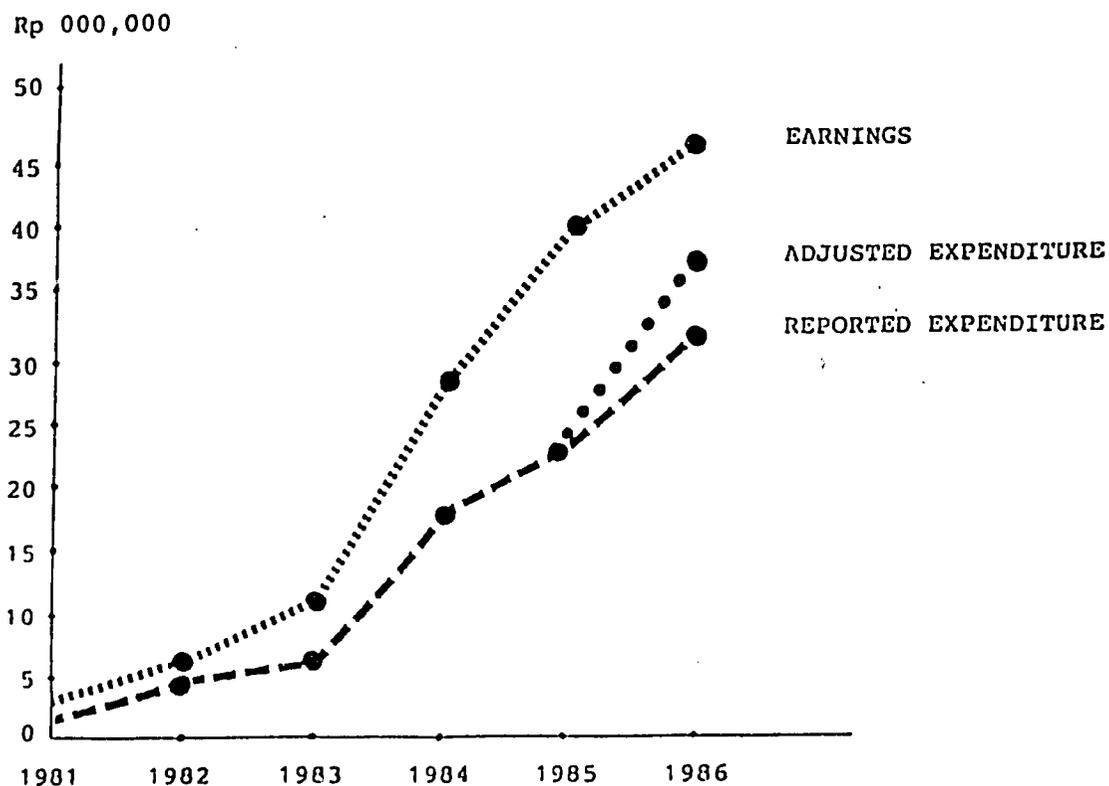
While the growth in earnings has been fairly steady albeit at a declining rate, the growth in the program's expenditures has shown wider fluctuations from 1981 to 1986. The last year points to a narrowing trend between earnings and expenditures. Given the substantial value of the manpower cost component of total administrative expenses, the revolving credit program should be examined to determine the required size of its portfolio in order to maintain a reasonable gap between total earnings and expenditures.

The portfolio size, particularly the average level of loans that should be disbursed in 1987, can be established following the average performance ratios over the six year period:

- * average yield (total loan earnings over total loans disbursed) of 24% from 1981 to 1986
- * average earnings to expense ratio of 1.63 times from 1981 to 1986
- * expenditure growth rate of 31.9% in 1987 as in 1986
- * adjusted manpower cost in 1987 to eliminate 26% understatement of total administrative expenses in 1986

Given the above information, the program's loan disbursements for 1987 should be Rp. 189,314 million higher than total disbursements of Rp. 156,533 million in 1986.

CHART 6: Growth in Earnings and Expenditures, 1981-1986



5. STRATEGY

From the above analysis of loan performance it is clear that MBM runs a successful revolving credit program, but only with the injection of heavy outside subsidies. But is it successful as a small enterprise development program? Does MBM merely provide credit or does it develop entrepreneurs as well? In this section, we will examine MBM's strategy and assess its role in developing entrepreneurs.

The basis of MBM's strategy in its revolving credit program is severalfold: 1) strong organizational structure; 2) grass-roots level operation; 3) sound business practices; and 4) long-term committment from external donor agencies.

5.1 Organizational Structure

As mentioned before, MBM is the development arm of the Bali Protestant Church. However, it is set up as a separate foundation and functions autonomously from the Church. It is governed by an active board of directors made up of successful business persons in the community who make policy decisions, act as consultants, and check all loan requests over Rp. 1,000,000. No doubt, as a Christian organization, its higher goal is to "demonstrate Christian values." As a development agency, however, its main goal is to assist people to be economically independent and self-sufficient.

While it is independent of the Church management, MBM is dependent on the far-reaching and well-developed network of 30 pastors, church officials and elders, and members of the 57 congregations spread over much of Bali. Pastors have strong community ties and credibility in the areas in which they serve. They are called upon to act as references for potential clients. When there is difficulty in repayment of loans, they assist in visiting and counseling the problem cases. In Sangsit and Melaya, they serve as coordinators of the credit program itself.

All members of the MBM staff, except for one in Sangsit, are members of the Church. Nearly all are church officials (mailis). As such, they are strongly motivated not by remuneration incentives but by the biblical mandate to help the poor; they are hard-working, compassionate, and honest in their dealings with their clients.

Operating under the umbrella of the Church allows MBM to select promising and bright staff members from a wide pool of candidates. The dynamic executive director of MBM himself ascended from the ranks of the Church candidates. A major part of the success of the program is attributable to his personal dynamism, vision, and strong leadership abilities. In addition, the Church sponsors numerous related training courses and seminars which all MBM staff attend.

5.2 Grass-roots Operation

MBM appears to be responsive to expressed community needs and is able to design appropriate programs to address those needs. The revolving credit program was established as a direct result of a felt need in the community. Even though MBM initially started out to serve its Christian members, it soon extended its services to other groups as well. It has direct access to the community and vice versa, thus by passing bureaucratic formalities and delays. It has the ability to quickly clear credit rating through its congregational network and respond to credit needs in a timely fashion. It provides low effective interest rate loans with no hidden costs to clients and no strings attached. One of the borrowers interviewed reported that he was referred to the MBM program by a staff of KUD (a government rural credit program) who had borrowed from MBM himself. One of MBM's most attractive and effective feature is its willingness, based on sound recommendation, of providing loans to people with little or no collateral.

Based on interviews with 30 MBM clients, the three most frequent replies to the question "Why do you borrow from MBM?" were (refer Chart 7):

- 1) it involved minimum bureaucracy and conditions;
- 2) it had a daily repayment system; and
- 3) the client had no collateral to borrow from another credit institution.

CHART 7: Reasons for Borrowing from MBM



WHY MBM1
WHY5

WHY2
WHY6

WHY3

WHY4

Why do people borrow from MBM?

1. Minimum bureaucracy and conditions
2. Low interest rates
3. Daily loan repayment
4. No collateral to borrow from another institution
5. It belongs to "our" church
6. Familiar with MBM staff

It is interesting to note that only the larger borrowers mentioned low interest rate as a reason for MBM loan; the small borrowers hardly mentioned it at all. This reinforces a previous USAID/Indonesia study (1986) which indicated that interest rates had little bearing for borrowers of rural credit.

For borrowers from the Sangsit office, the daily repayment of loan was an important consideration because most people had difficulty holding on to cash to repay at the end of the month. Borrowers said that they did not feel the pinch (tidak terasa) when they had to repay daily. They also appreciated collection service by the staff; it saved them time and transportation costs from having to go to the office themselves.

It is important to note at this juncture that the effectiveness of the extensive Christian network applies mainly to Christian borrowers. It has little application for other borrowers as pastors and church officials are not capable of vouching for the credit worthiness of the non-Christian clients. Even though the total amount of loan by non-Christians is small, it is significant that delinquency in loan repayment among this group is lower than among the Christians. Of the 21 delinquent cases from the sample of 921 loan cases, 6 were from non-Christian and 15 from Christian clients. One of the reasons for the good repayment record, therefore, must be due to the daily collection method of the Sangsit office.

5.3 Business Practices

Part of MBM's success as a revolving credit program is due to its sound business practices inculcated from its inception. Potential clients are screened and checked for credit worthiness through one or a combination of several of the following ways: 1) recommendation from either a pastor or village head and/or MBM staff; 2) business plan listing of application; and 3) on-site visitation of place of economic activity. The last check is compulsory for all first time borrowers.

The size of the loan is dependent on the estimated capability to repay and/or equivalent to 50% of the person's asset base. If there is some doubt regarding repayment capability, the first loan will be small; subsequent loans will be larger based on good repayment performance history.

MBM keeps a balanced loan spread where a minimum of 10% of the loan portfolio are for loans to credit worthy clients in the Rp. 5 to Rp. 10 million loan size category. This is a low risk area with safe collateral and involves minimum overhead administrative costs. The "savings" from this category is used to service the poorer segment of the community. In addition, not more than 15% of the loan portfolio is allowed to remain idle. So far, this has not been a matter of concern as there are more requests than there are funds.

5.4 Relationship with Donor Agencies

MBM maintains strong relationships with external donor agencies who have long-term commitments to its growth and development. The inculcation of sound business practices is a direct result of the strong early technical assistance provided by foreign consultants from Maranatha Trust and IIDI who are all retired and successful business people. Moreover, the executive director was invited twice to the United States by IIDI for two weeks training each time. The advisory contact between MBM and the above organizations remains strong to this day.

MBM has also benefits from being a member of an international network of 18 credit programs assisted by Maranatha Trust in Asia. Annual workshops bring the groups together for cross-fertilization and learning. The annual meeting for 1987 will be held in Bali in September/October.

5.5 Entrepreneurial Development

How effective is MBM in its micro-enterprise development effort? Is it merely another credit program or is it also helping to develop entrepreneurs? These are not easy questions to answer, especially in the absence of a longitudinal study to assess impact. However, with the aid of indepth interviews and case studies, some surface relationships may be drawn which may add light to the matter.

If we accept the adage that entrepreneurs are born not made

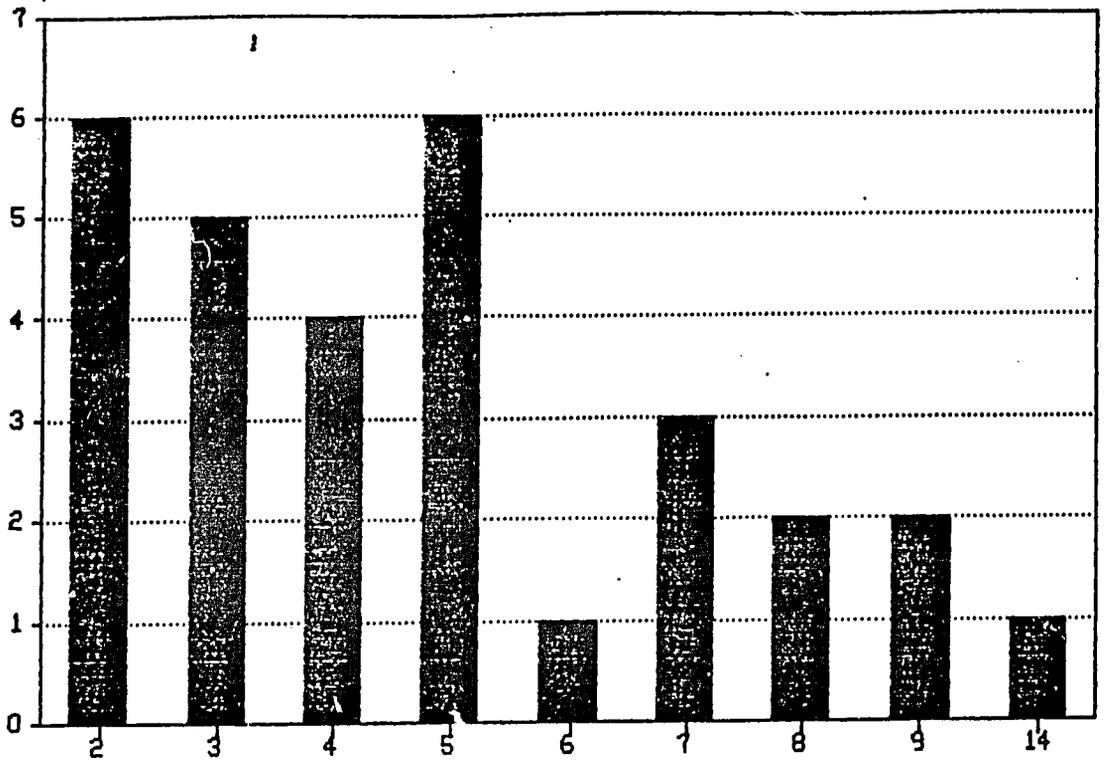
then MBM's effectiveness should be viewed in the light of helping existing entrepreneurs be better at what they do. Certainly, MBM has been effective in this area. In all the years of operation, the fact that only three businesses have failed and defaulted demonstrates the overall effectiveness of the program. In the short time we had for the study, however, we were not able to seek quantitative data that would illustrate the extent of growth or retardation of the enterprises funded.

For many of the borrowers interviewed, MBM's assistance has been crucial in the following ways:

- 1) expanding their enterprises, particularly for those with little or no collateral;
- 2) given the opportunity to start an economic activity;
- 3) teaching first-time borrowers about the system of credit and the possibility of accessing formal sector loans;
- 4) helping them to build collateral for outside loans; and
- 5) building a good credit rating.

From the indepth interviews we can see that the number of multiple borrowings range from a minimum of 2 to a maximum of 14 times; the average is 5 times (refer Chart 8). Over 86% of the borrowers began with a smaller size loan and ended with the most recent loan of a larger size (refer Table 35). Of the 30 borrowers, 23 had some kind of property as collateral for their first loan, 2 used their wages, and 5 had guarantors. For their latest and most recent loan all 30 borrowers had property for

CHART 8: No. of Loans by No. of Borrowers



NO. OF LOANS



No. of Borrowers

TABLE 35: Interviewed Clients' First and Last Loan
(in rupiah)

BORROWER	FIRST LOAN	LAST LOAN
1	10,000	150,000
2	20,000	150,000
3	25,000	300,000
4	40,000	75,000
5	40,000	500,000
6	50,000	150,000
7	50,000	700,000
8	50,000	500,000
9	50,000	150,000
10	50,000	100,000
11	75,000	200,000
12	75,000	900,000
13	75,000	150,000
14	100,000	100,000
15	100,000	250,000
16	150,000	150,000
17	150,000	300,000
18	150,000	150,000
19	200,000	100,000
20	200,000	200,000
21	200,000	1,000,000
22	200,000	900,000
23	250,000	500,000
24	300,000	500,000
25	300,000	400,000
26	500,000	2,000,000
27	500,000	1,000,000
28	750,000	2,500,000
29	750,000	1,500,000
30	5,000,000	10,000,000

collateral. Of the 23 who had property as collateral for their first loan, 11 had substantially improved the value of their property by the latest loan while the remaining 12 continued using their original valuable assets (farmland, house, and business equipment) as collateral.

Case Studies

Of the 30 MBM clients interviewed, 25 had expanded their enterprises with the assistance of MBM credit while 5 saw little or no change in size of their economic activities. Prior to MBM credit assistance, 4 clients were unemployed, 2 worked as farm laborers, and 1 was in a different economic activity; the remaining 23 clients continued in the same line of business. The present category of economic activity of interviewees are as follows: trade--15; production--7; services--7; and other--1 (construction). A few case studies will be briefly presented below to illustrate the impact of MBM credit on entrepreneurs.

Case Study 1

Ketut Sukarje rears chickens for eggs which her husband helps to sell. She is 34 years old, a high school graduate, and a very active member of the Bali Protestant Church. She heard about the MBM program from the pastor. She first began rearing chickens in 1975 with 25 chicks. In 1982, after seven years her enterprise had grown to 200 chickens. She borrowed Rp. 500,000 from MBM in 1982 and added 300 more chickens bringing the total to 500. In the last four years she has borrowed four times from

MBM, her most recent loan being Rp. 2,000,000. She now has 1800 chickens of which 1000 are mature enough to produce 600 eggs per day.

When her present loan is repaid, she wants to borrow more to add another 500 chickens to her enterprise. Her knowledge about rearing chickens comes from work experience and from a former neighbor who is a veterinary doctor. She recently received a simple manual from MBM on chicken rearing which she refers to occasionally for vaccine information. Her primary workforce includes herself and two female relatives.

Case Study 2

Made Tegeg is 65 years old and has been in the unglazed pottery business all his life. He is a Hindu and heard about the MBM credit program from a customer who is a church official of the Bali Protestant Church. Prior to his first MBM loan of Rp. 200,000 in 1983 his business was small and he had one major customer, the Bali Beach Hotel, for whom he supplied flower pots. Since 1983 he has made nine MBM loans with his largest loan at Rp. 700,000.

With the loans he has built a larger and more permanent kiln, added to his work space, and expanded his business considerably. He now supplies 12 major hotels in Bali. Besides flower pots, he also produces unglazed wall tiles, statues, candle-holders, and ash-trays. His workforce of 12 people

consists entirely of family labor. His most recent loan is down to Rp. 100,000 because he can manage with less.

Case Study 3

Nengah Parmi is a dynamic lady of 45 years old with a grade school education and a Hindu background. She began selling cooking spices (bumbu dapur) at an early age out of necessity to support herself and her young child; her husband was in another location and provided no financial support. She heard about the MBM credit program from other small traders in the market. Prior to her first MBM loan in 1983 she had no knowledge about credit and was afraid to borrow. She has borrowed eight times from MBM starting with a loan of Rp. 25,000; her current loan is Rp. 300,000.

With the assistance of the loans, she has switched from a retailer of cooking spices to a wholesaler of dry goods like snacks and sweets. She now occupies a large space in the market and wants to reserve two kiosks whenever the local government decides to put in shops. She attributes her success to hard work and to MBM assistance.

Case Study 4

Wayan Sukarde is a fish trader. He is 34 years old, has a partial high school education, and is a Hindu. Prior to his first MBM loan of Rp. 50,000 in 1983 he was a small fish seller. He purchased small quantities of fresh fish from local fishermen

as they landed on the beach and sold them at the neighborhood market making barely enough to live by. Since 1983 he has borrowed 14 times from MBM. He has switched from a retailer to a wholesaler of fresh fish and travels to as far as East Java to sell if he gets more than three tons of fish in one night. He now owns a house, a stereo, a TV, and a motorbike. Someday, he would like to purchase a truck with a refrigeration unit for his business. He would also like to learn more about fish preservation and marketing techniques in order to expand his business.

Case Study 5

Ketut Widya and his wife, Nyoman Sudiarti, both 35 years old, returned to west Bali from a Christian transmigration village in Sulawesi. They arrived with hardly any possessions and had difficulty finding steady employment. The pastor, sensing an honest and hard-working couple, informed them about the MBM credit assistance program. Initially they were reluctant to borrow for fear that they could not repay the loan. They applied for their first loan of Rp. 75,000 in 1984 using the pastor's trust as their collateral and began selling snacks and drinks placed on a small table in front of where they lived. Now after four loans from MBM, they have a small shop (warung) selling various sundry goods and snacks as well as drinks. They proudly report that they have Rp. 500,000 in their bank account and are able to save Rp. 50,000 monthly. If they take up the suggestion of the MBM staff to sell petrol by their strategic

corner location they may borrow from MBM again. Otherwise, they feel they can proceed on their own from now on.

Case Study 6

The previous five case studies are illustrations of entrepreneurs who have expanded their businesses. This final case study shows a client who has more or less remained the same.

Made Sukabagia appears to be a thoughtful and sensitive Church official of the Bali Protestant Church. He is 45 years old and teaches math at a junior high school (SMP). His first MBM loan of Rp. 750,000 in 1983 went into rearing goats; so did his second and third loan. He found that livestock rearing took too much of his time which he had to divide up among school and church matters as well. With his fourth loan of Rp. 1,500,000 made this year, he switched to gardening and purchased a small plot of land. The interview took place in his new garden which was planted with young plants of various types (e.g., tangerines, cloves, and coffee); it appeared unkempt and looked like it had a while to go before he could reap any harvest from it.

Made considers gardening a secondary activity and does not put in too much time into the endeavor. As a church official, however, he is interested in utilizing MBM credit to organize a group of housewives in copra production. This idea is still a long way from becoming a reality because he does not have the time to coordinate it at present.

5.6 Technical Assistance

At present, the provision of technical assistance (TA) to borrowers as part of the package of the MBM credit program is more an ideal than a practice. Regular TA may have been a component part of the program in the early years but as the program grew and the number of clients increased, less and less TA occurred. MBM staff report that they have less time with each individual client now that their case loads have increased. It is true that all potential clients receive an on-site visit of their economic activity prior to their first loan. In addition, potential clients from Kapal and Melaya have to complete a business plan listing. These activities, however, are more to check the repayment capability of the clients than to provide them with business planning skills or TA per se. MBM loan officers themselves admit that the clients know more about the business aspects of their enterprises than they do.

What MBM staff do provide is motivation in their occasional monthly visits for Kapal and Melaya clients and in the daily collection visits for Sangsit clients. If clients have any problems in their enterprises, they will find a willing ear in the staff member who may or may not be able to offer alternative suggestions. Otherwise, it is a few minutes of friendly chatter until the next visit.

I followed an MBM staff member on his daily collection tour of clients selling in the Sangsit market. We started at 6:30 in

the morning. Each stop at a client's stall took about two to three minutes. In a few cases, it took a minute or two longer because clients wanted to know when funds were arriving at the office for new loans. One stop took five minutes because we waited for a delinquent borrower who had bolted when she saw us coming. The staff member appeared to be well-liked by the clients and they expressed their appreciation to me for the collection service he was performing.

The Sangsit staff member does his rounds daily and gets to the office by 10:00 or 11:00 o'clock each morning to complete his paperwork. The office closes at 1:00 o'clock in the afternoon. He is responsible for 125 clients and, therefore, does not have much time to spend with each one individually. However, he does make home visits to four or five clients a month who may have repayment problems. He sees these visits as "counseling" sessions in order to motivate the delinquent clients.

Nearly all MBM clients borrow not only for their economic activities but also for the education of their children, construction of homes, purchase of consumer goods, and ritual obligations. MBM staff say that a major cause of repayment difficulties is due to the numerous ritual obligations when villagers have to present goods at a death, marriage, birth, or a village activity.

For a minority of the MBM clients, especially the better

educated and larger borrowers, they can benefit from MBM's occasional TA activities, such as: 1) lectures on farming or livestock rearing held in conjunction with the government Department of Agriculture; 2) simple manuals on farming, gardening, and livestock rearing; and 3) church-sponsored seminars on management. For the majority of the borrowers, who are mainly in trade, they say they have little time for these extra-curricular activities. Moreover, many feel they will not benefit from these sessions because of their low education.

5.7 Areas for Improvement

The strengths of the MBM program far outweigh the weaknesses. The few weak points that were observed will be mentioned in order that corrective measures may be taken to assist in its overall growth and development.

To a certain extent, the program is being subsidized by the staff through the low salary structure which is reflected in the reportedly low administrative cost of the program. In several cases, staff members are not paid a salary even though they work full-time. The need for a higher salary structure is not only for equitable compensation but also to attract a wider variety of professional people in order that the organization can grow and remain innovative.

Presently, different application forms and book-keeping systems are used by the different offices. This can be confusing

not only for evaluation purposes but also for the running of the program as a whole. A standardized set of application forms and book-keeping system will be more efficient and beneficial for the organization to monitor its development.

MBM's excellent system of record keeping and classification has allowed it to readily extract information on its client transactions over the years. There appears, however, to be less information available on the individual business performance of loan clients. It is possible to design data control systems that would provide information on individual business performance which could be extracted and monitored following the same classification system developed for the present study.

Information on individual loans should include the following data:

- 1) Application of loan proceeds -- whether for capital expenditures or for working capital, the respective amount and area (province) where such requirements are expended.
- 2) Operating ratios -- simple business ratios involving liquidity, solvency and returns on sales and assets.
- 3) Employment and skills -- number of family members and outsiders employed, amount of wages, and general skills developed.
- 4) Profit generation -- amount reinvested back into the business and amount taken out.

The above data could serve to further quantify the effectiveness of the MBM strategy, as well as enable the computation of both internal and social rates of returns for all the major program activities.

The different systems of interest rates among the three MBM offices should be standardized. As it stands now, it costs more for the poorer segment of the community to borrow than for the other clients. If the Sangsit office is to become a full branch office of MBM in Kapal, then program funds should be interest-free. It can pass on the "savings" to the borrowers by lowering the current monthly interest rate of 2% flat to 2% decreasing.

A recommendation for the program is to change its heavy emphasis on providing credit for trade to credit assistance and development of small enterprises in manufacturing. Presently, the informal sector is already saturated with small-scale traders. For sustained economic development to take place, attention has to be turned to manufacturing and production.

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The views expressed in the above report are mine and no other person(s) and/or institution(s) should be held responsible for them.

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APPENDIX I

TABLES

- A: Amount of Financial Contribution to MBM, 1981-1986
- B: Value of Current MBM Capital Assets, 1986
- C: MBM Overall Program Expenditure, 1981-1986
- D: Effective US Dollar Value of Loans Disbursed,
1981-1986
- E: Total Default on MBM Loans, 1981-1986

TABLE A: Amount of Financial Contribution to MBM (RP.)
1981-1986

DONOR	1981	1982	1983	1984	1985	1986	TOTAL
Bali Church (Indonesia)		145,000					145,000
Jubilee Fund (USA)		1,280,000					1,280,000
Maranatha Trust (Australia)		2,899,494	10,785,732	724,468			14,409,694
I I D I (USA)	14,336,000	33,115,779	43,061,790	12,090,029			102,603,598
D G I (Indonesia)		2,000,000	9,400,000				11,400,000
A C C (Australia)			7,084,540	23,493,720	40,162,359		70,740,619
E Z E (Germany)		5,246,705				65,063,140	70,309,845
Interchurch Aid (Holland)		5,388,000					5,388,000
I C C O (Holland)					45,136,874	13,812,518	58,949,392
Miscellaneous				270,000			270,000
TOTAL RP.	14,336,000	50,074,978	70,332,062	36,578,217	85,299,233	78,875,658	335,496,148
Exchange Rate	450	650	700	990	1,100	1,500	
US \$ Value	31,858	77,038	100,474	36,948	77,545	52,584	376,447

TABLE B: Value of Current MBM Capital Assets, 1986

ASSETS	VALUE (Rp.)
Land	830,000,000
Buildings	88,240,340
Office Equipment	5,962,700
Training Equipment	344,920
Accommodation	774,730
Farm Equipment	398,000
Fish Pond	6,850,000
Vehicles	40,400,000
Laboratory Equipment	7,089,970
TOTAL	Rp. 979,860,660

TABLE C: MBM Overall Program Expenditure
1981-1986

(RP. '000)

ITEM	1981		1982		1983		1984		1985		1986		TOTAL	
	AMT.	%	AMT.	%	AMT.	%	AMT.	%	AMT.	%	AMT.	%	AMT.	%
Revolving Credit	21,162	46.1	44,094	57.3	54,684	62.4	140,854	69.3	132,425	67.1	156,533	47.5	549,752	58.4
Farm Projects	21,688	47.2	25,847	33.6	21,658	24.7	30,190	14.8	32,959	16.7	47,191	14.3	179,533	19.1
Community Projects					2,472	2.8	10,570	5.2	1,800	0.9	85,565	25.9	100,407	10.7
Admin. Costs*	3,064	6.7	6,729	8.7	8,515	9.7	20,665	10.2	28,861	14.6	37,915	11.5	105,749	11.2
Misc.			287	0.4	375	0.4	941	0.5	1,398	0.7	2,642	0.8	5,643	0.6
TOTAL	45,914	100	76,957	100	87,704	100	203,220	100	197,443	100	329,846	100	941,084	100

* Administrative cost of total program

TABLE D: Effective US Dollar Value of Loans Disbursed
1981-1986

YEAR	RP.	EXCHANGE RATE*	U.S. \$
1981	21,162,250	450	47,027
1982	44,094,045	650	67,837
1983	54,683,825	700	78,120
1984	140,854,275	990	142,277
1985	132,424,380	1,100	120,386
1986	156,532,800	1,500	104,355
TOTAL	549,751,575		560,002

* Based on the average annual rate

TABLE E: Total Default on MBM Loans, 1981-1986 (Rp.)

YEAR	LOAN VALUE	SEX		AMOUNT PAID	TOTAL
		MALE	FEMALE		
1981	-	-	-	-	-
1982	350,000	1	-	0	350,000
1983	350,000	1	-	0	350,000
1984	975,000	1	-	0	975,000
1985	-	-	-	-	-
1986	-	-	-	-	-
TOTAL	1,675,000	3		0	1,675,000