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**5. Author (s)**

1. Thomas A. Timberg  
2. Irfan Abdullah  
3.

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None of the financial institutions appear to be operating among the 70,000 refugees now in the process of resettlement. They are apparently being given some government inputs on credit by the government corporations that resettle them. The NGOs working with them do not feel that the refugees have the orientation or social networks to sustain credit, somewhat similarly to what is alleged for the residents of Irian Jaya. The absence of credible intermediaries willing to handle microcredit for refugees, in contrast to the situation in the Maluku, militates against providing it. To the extent that microfinance is available and desirable it might be introduced by World Vision, which is experimenting with a model in the Jabotabek area at the moment but is also active in Kalimantan, but that will not occur for several years. For non-refugees, the high profitability of much SME credit in North Kalimantan foreshadows a rapid development of all of the institutions there. This is a development which should *ipso facto* draw funds, but, as with every rapid expansion, it poses special challenges for the supervisory authorities to maintain the prudential soundness of the system using public deposits without unduly hampering its growth. New licenses need to be and are scheduled to be given, but prudential standards have to be maintained.

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## Small Credit in West Kalimantan

By Thomas A. Timberg and Irfan Abdullah, Partnership for Economic Growth (PEG)<sup>1</sup>  
December 2001

### The General Situation

West Kalimantan is clearly a good market for financial institutions and the smart ones are exploiting it. Because of the limited abilities of the commercial banks, the lead has been taken by the eight BPR (Bank Perkreditan Rakyat, Rural Banks) all of them large and mostly highly profitable, and the credit unions. The BPR account for roughly 30 billion of credit and the Credit Unions for 50 billion and these amounts are growing rapidly as can be seen in Table I below. Two of the Credit Unions and several of the BPR have more than 5 billions in assets each; the three BPR surveyed had ROA (Return on Assets) of 5-20%, the two big ones 20 and 21% respectively. This would appear the norm, though two of the eight had to get capital injections from their owners. The credit unions are based around, but not limited to the Dayak community. They provide technical assistance and training to other credit unions and other credit cooperatives throughout Kalimantan. There is also a rapidly growing group of Bait Maal wa Taamwil (BMT - Islamic Savings and Loan Coops), credit cooperatives, and NGO (Non Government Organization) programs. The 19 BMT have almost two billion in assets among them. The NGO programs include four funded by the Community Reconstruction Program (CRP), as well as numerous government sponsored efforts. The employees savings coops of the government university and the governor's office have more than two billion of credit out in the market each.

It is no accident that Bank Syariah Mandiri (the shariah subsidiary of Bank Mandiri) and Bank Bukopin (oriented toward cooperatives) intend to open branches in Pontianak in the next several months. BRI (Bank Rakyat Indonesia) intends to add four retail sub-branches and 3 Unit Desa over the next year. The commercial banks as a whole account for about six trillion of deposits and 3 trillion of credit in West Kalimantan, much of this to large companies, and though booked through local offices, probably decided on in Jakarta. The Provincial Development Bank (BPD) has several programs for lending, some based on funds from the province's budget and some on its own deposit mobilization. Though the BPD has a troubled history and is still very much a distributor of subsidized government credit, it appear to be keeping its head above water.

The BPD in November 2001 had 227 billion of outstandings – 187 billion in consumption credit and 35 billion in small business credit of which 12 billion was on roughly commercial terms – or even 22 billion if another definition is used. The modal amount of each loan was well under 5 million. Much of the lending was funded out of the provincial budget. – items such as the PER (Proyek Ekonomi Rakyat) project in which 6 billion was spread over 2000 borrowers.

The dynamic commercial bank in the market is BNI (Bank Nasional Indonesia) with a Pontianak branch, which appears to account for the bulk of small business lending in the

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<sup>1</sup> PEG is a United States for International Development (USAID)-funded Project with the Government of Indonesia. The views expressed in this report are those of the authors and not necessarily those of USAID, the U.S. Government or the Government of Indonesia.

province. In fact, it appears to be the only bank specializing in small business lending. BNI is expecting to open 2 full branches and 2-3 subbranches over the coming year. The other small lenders are predominantly sources of consumer credit, mostly secured against civil service salaries. This appears to apply to BRI as well, which has a limited role at the moment. BNI is about to add a program of roaming microbankers (based on a Jakarta prototype) who will gather deposits and make loans to microenterprises.

**TABLE I -- Small and Microfinance Institutions in West Kalimantan**

*Table IA Amount of Credit in Billions of Rps*

Name	Amount of Credit Aug 2001	Amount of Credit August 2000	Amount of Credit 1996
Commercial Banks <sup>1</sup>	3054	3052	2695
Government Banks <sup>2</sup>	2407	2576	2390
BPD <sup>3</sup>	173 (Sept. 30)	105(Sept. 30)	NA
BRI <sup>4</sup>	297(Dec.)	263(Dec.)	162(Dec.1999)
BNI <sup>5</sup>	202	NA	NA
Mandiri <sup>6</sup>	850		
Private Banks <sup>7</sup>	747	476	305
BPR <sup>8</sup>	30	20.5	20.3
Cooperatives <sup>9</sup>	NA		
Credit Unions <sup>10</sup>	52		
BMT <sup>11</sup>	About .8		
NGO			
CRP <sup>12</sup>	4 Programs		
KDP (Kecamatan Developmen t Program) <sup>13</sup>	7.2		
Governor Office <sup>14</sup>	NA		

Sources: 1. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II.10, pp. 32-33. Includes BPR.

2. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II.10, pp. 32-33. Includes BPR.

3. Interview with BPD, January 7, 2002 and tables. This number is from a report published in the newspapers as of September 30, 2001. The previous data refer to Sept. 30, 2000. The level was reportedly up to 227 Billion by the end of November 2001 by a BPD spokesman.

4. Data from Provincial Office, BRI Kalimantan in Jakarta, January 17, 2002. These are for December 2000 and 2001 and December 1999. This is actually a total of Retail and Micro Credit which should cover everything booked through local offices.

5. Interview with Provincial Office, BNI in Jakarta, January also Branch Manager Armen Rasyid in Pontianak. Data is from December.

6. Interview with Officers of Local Hub, Bank Mandiri, Pontiana, S. Alamsyah, Hub Outlet Manager, January 7, 2001.
7. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II.10, pp. 32-33. Includes BPR.
8. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II. 9, pp. 30-31. Includes BPR.
9. Not Available in Comparable form. Appears to be 5 Billion in non Credit Union credit December 31, 2001. If added to the Credit Union figures this would give 57 Billion but is probably an underestimate because of non-reporting units.
10. Table on Credit Unions from Yayasan Panchor Kasih, January 8, 2001. Sentani. A published table of the 18 Credit Unions they "consult" gives 30 billion in Assets in July 2001 with 26,000 members and 24 billion in Loans.
11. Table from PINBUK (Pusat Inkubasi Bisnis Usaha Kecil, Centre for Micro Enterprise Incubation), Pontianak, Data Perkembangan BMT Kalbar Per 31 Oktober 2001.
12. Interview with Abdullah, Community Reconstruction Project Representative.
13. Interview with Mr. Eka Kawiraya, West Kalimantan Regional Development Planning Board, January 9, 2001.
14. Interview with Head of Badan Pemberdayaan Masyarakat and Dinas Sosial Politik Kalimantan Barat, Pemda -- the details have not yet been finalized and jurisdiction is being transferred.

Table IB: Small Credit Funding Including Consumer Lending in Billions of Rps.

Type of Institution	Small Credit August 2001 except as noted	Small Credit August 2000 except as noted	Small Credit 1996 except as noted
Commercial Banks <sup>1</sup>	545	821	583
Government Banks <sup>2</sup>	434	785	504
BPD <sup>3</sup>	220		
BRI Retail <sup>4</sup>	165	145	88 (Dec. 1999)
BRI Micro <sup>4</sup>	132	1189	74(Dec. 1999)
BNI <sup>5</sup>	80	NA	NA
Mandiri <sup>6</sup>	11	NA	NA
Private Banks <sup>7</sup>	111	36	79
BPR <sup>8</sup>	30.5		
Cooperatives <sup>9</sup>	NA		
Credit Unions <sup>10</sup>	52		
BMT <sup>11</sup>	About .8		
NGO			
CRP <sup>12</sup>	4 Programs		
KDP <sup>13</sup>	7.2		
Governor Office <sup>14</sup>	NA		

Source: 1. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001, Table II.12, pp. 38-39. Includes BPR.

2. Ibid.

3. This figure is supplied by the Bank for November 2001. Thus is part of the 227 billion of overall credit.

4. Data from Provincial Office, BRI Kalimantan in Jakarta, January 17, 2002. These are for December 2000 and 2001 and December 1999.

5. Interview with Provincial Office, BNI in Jakarta, January also Branch Manager Armen Rasyid in Pontianak. Data is from December.

6. Interview with Officers of Local Hub, Bank Mandiri, Pontiana, S. Alamsyah, Hub Outlet Manager, January 7, 2001. The figure for all small and retail credit, up to 5 billion loan size is 83 billion.

7. Same as Note 1.

8. Same as Note 1.

9. Not Available in Comparable form. Appears to be 5 billion in non CU credit December 31, 2001. If added to the Credit Union figures this would give 57 billion but is probably an underestimate because of non-reporting units.

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12. Interview with Abdullah, Community Reconstruction Project Representative.

13. Interview with Mr. Eka Kawiraya, West Kalimantan Regional Development Planning Board, January 9, 2001.

14. Interview with Head of Badan Pemberdayaan Masyarakat and Dinas Sosial Politik Kalimantan Barat, Pemda -- the details have not yet been finalized and jurisdiction is being transferred.

Table IC: Consumption Credit in Billions of Rps.

Type of Institution	Consumption Credit August 2001 except as noted	Consumption Credit August 2000 except as noted	Consumption Credit 1996 except as noted
Commercial Banks <sup>1</sup>	302/486	297/343	201/230
Government Banks <sup>2</sup>	312/481	290/331	184/230
BPD <sup>3</sup>	185	NA	NA
BRI Retail <sup>4</sup>	119	87	52 (Dec. 1999)
BRI Micro <sup>4</sup>	NA	NA	NA (Dec. 1999)
BNI <sup>5</sup>	NA	NA	NA
Mandiri	NA	NA	NA
Private Banks <sup>6</sup>	13/60	8/33	18/---
BPR <sup>7</sup>	19	12	14
Cooperatives	NA	NA	NA
Credit Unions	NA	NA	NA
BMT	NA	NA	NA
NGO			
CRP	NA	NA	NA
KDP	NA	NA	NA
Governor Office.	NA	NA	NA
Pawnshops <sup>8</sup>	NA	NA	NA

Source:

1 and 2. There are problems with comparable data. The first numbers come from the itemization of SME credit, and therefore will be deducted from SME credit to get business credit, Table II.12; the second numbers come from Tables II.8 and .7 and apparently include much credit which is not SME credit. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Including BPR Data.

3. Interview with BPD, January 7, 2002 and tables provided.

4. Data from Provincial Office, BRI Kalimantan in Jakarta, January 17, 2002. These are for December 2000 and 2001 and December 1999. As a matter of principle the BRI has heretofore not separated Unit Desa credit on account of consumer and non-consumer purposes. Probably the majority is consumer credit, but much of it is for enterprise purposes.

5. Interview with Provincial Office, BNI in Jakarta, January also Branch Manager Armen Rasyid in Pontianak. The amount of consumption credit is small.

6. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II.10, pp. 32-33. Includes BPR.

7. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II. 9, pp. 30-31. Includes BPR.

8. A study on the national level estimated that 69% of pawnshop credit is used for business purposes.

The other intermediaries undoubtedly have a significant portion of consumer lending. The report of the large Panchor Kasih Credit Union reports that 6.8 of 14 billion in lending is for consumption, but 242 million is for emergencies.

Table ID: Small Business Credit in Billions of Rps.

Type of Institution	Small Business Credit August 2001 except as noted	Small Business Credit August 2000 except as noted	Small Business Credit 1996 except as noted
Commercial Banks	243	524	384
Government Banks	122	495	320
BPD	40		
BRI Retail	45	58	36 (Dec. 1999)
BRI Micro	NA	NA	NA
BNI	80	NA	NA
Mandiri	Small	NA	NA
Private Banks	121	29	64
BPR	10	7	6
Cooperatives	NA	NA	NA
Credit Unions	NA	NA	NA
BMT	NA	NA	NA
NGO			
CRP	NA	NA	NA
KDP	NA	NA	NA
Governor Office	NA	NA	NA
Pawnshops	NA	NA	NA

Source: Residual after deducting small consumer credit from small credit. The Government Bank data has some problem with it. In particular, the individual reported amounts (admittedly for varied months) far exceed the reported total credit in the banking statistics. Though the bank data are generally later the change seems unlikely in the few months considered. The banking statistics are from August, the bank data generally from November and December 2001.

*Table IE Number of Institutions for West Pontianak Population of 3.94 Million*

Type of Institution	Number of Inst. August 2001 except as noted	Number of Clients August 2001 except as noted
Commercial Banks <sup>1</sup>	13	1020000
Government Banks <sup>1</sup>	5	812000
BPD <sup>2</sup>	1	55000 depositors, 18,000 borrowers
BRI <sup>3</sup>	7 Branches, 45 Unit Desa, 3 Sub Branch, to add 4 Sub Branch and 3 Unit Desa in 2002.	NA
BNI <sup>4</sup>	4 and 3 Sub Branches	NA
Mandiri <sup>5</sup>	1	NA
Private Banks <sup>1</sup>	8	190000
BPR <sup>1</sup>	8	25,000
Cooperatives <sup>6</sup>	301	52000
Credit Unions		
BMT <sup>7</sup>	20	
NGO		
CRP <sup>8</sup>	4	4 Projects
KDP <sup>9</sup>	26	26 Villages
Gov Office	NA	NA
Pawnshops		

Source: 1. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II.3, pp. 14-15. Includes BPR.

2. This figure is supplied by the Bank for November 2001.

3. Data from Provincial Office, BRI Kalimantan in Jakarta, January 17, 2002. These are for December 2000 and 2001 and December 1999.

4. Interview with Provincial Office, BNI in Jakarta, January also Branch Manager Armen Rasyid in Pontianak.

5. Interview with Officers of Local Hub, Bank Mandiri, Pontiana, S. Alamsyah, Hub Outlet Manager, January 7, 2001.

6. Table Kondisi USIPA (Unit Simpan Pinjam) Di Kalimantan Barat Tahun 2001, 31 Desember 2001. Only Credit Cooperatives.

7. Table from PINBUK, Pontianak, Data Perkembangan BMT Kalbar Per 31 Oktober 2001.

8. Interview with Abdullah, Community Reconstruction Project Representative.

9. Interview with Mr. Eka Kawiraya, West Kalimantan Regional Development Planning Board, January 9, 2001.



Table IF Deposits Mobilized in Billions of Rps.

Type of Institution	Funds Mobilized August 2001 except as noted	Funds Mobilized August 2000 except as noted	Funds Mobilized 1996 except as noted
Commercial Banks <sup>1</sup> Excluding Giro	5968	4907	1796
Government Banks <sup>1</sup> Excluding Giro	3602	2775	902
BPD <sup>2</sup>	308	252	NA
BRI <sup>3</sup>	805	637	540 (dec. 1999)
BNI <sup>4</sup>	NA	NA	NA
Mandiri <sup>5</sup>	NA	NA	NA
Private Banks <sup>1</sup>	2334	2132	894
BPR <sup>1</sup>	32	22	16
Cooperatives <sup>6</sup>	42		
Credit Unions <sup>7</sup>			
BMT <sup>8</sup>	About .8 Billion		
NGO			
CRP	NA		
KDP	NA		
Gov Office	NA		
Pawnshops	NA		

Source: 1. **Statistik Ekonomi Daerah Kalimantan Barat**, Pontianak, Bank Indonesia, September 2001. Table II.3. Includes BPR.

2. This number is from a report published in the newspapers as of September 30, 2001.

3. Data from Provincial Office, BRI Kalimantan in Jakarta, January 17, 2002. These are for December 2000 and 2001 and December 1999.

4. Interview with Provincial Office, BNI in Jakarta, January also Branch Manager Armen Rasyid in Pontianak.

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6. Table Kondisi USIPA Di Kalimantan Barat Tahun 2001, 31 Desember 2001.

7. Interview with Mr. Paulus of Pancor Kasih, January 8, 2001

8. Table from PINBUK, Pontianak, Data Perkembangan BMT Kalbar Per 31 Oktober 2001.

There are (Dec. 31, 2001) 42 TPSP (Tempat Pelayanan Simpan Pinjam) in West Kalimantan (Cooperatives and Pre-Cooperatives connected with BRI comparable to BKD (Badan Keuangan Desa) in Java. Of these it appears that 20 are already registered as cooperatives. The amounts involved, roughly a billion rps should be counted in the cooperative figures. Somewhat similar Swamitra cooperatives with Bukopin are scheduled to be added in 2002.

Of course, the other normal sources of government and NGO credit are in place – the Pawnshops, the Kecamatan Development Program (26 villages in 2002 who will receive 10 billion f which about 40% usually is used as credit), special resettlement credit for refugees

(60,000 to be resettled according to the provincial governments, and the PUKK involving 5% of public sector enterprise profits. See Table II below.

TABLE II Credit Programs in West Kalimantan

Program	2002 or 2001 Amount	Sponsor
Subsidy Money <sup>1</sup>	10.2 Billion/7 spent,	State Ministry for Cooperatives and Small Enterprise
Through Coops	7.2 Billion/7 spent	7008 beneficiaries
Through PreCoops <sup>2</sup>	3 Billion/2 spent	1978 beneficiaries
PUKK (Pembinaan Usaha Kecil <sup>3</sup> )	11.5 Billion	All Government Enterprises
KDP Money	10 Billion 40% Credit	Badan Pemberdayan Daerah (Local Development Agency)
?	NA	Provincial Government
Modal Ventura (Venture Capital) <sup>4</sup>	12 or 144 Billion	
Bank Credit Programs	NA <sup>5</sup> (Probably between 20 and 70 Billion Rps.	

Sources: 1. Progress Penyaluran Dana Bergulir Dalam Program Pemanfaatan Dana Subsidi BBM (Bahan Bakar Minyak, Fuel Subsidy) Terarah BAGI KSP/USP - KOP (Koperasi Simpan Pinjam/Unit Simpan Pinjam Koperasi, Savings and Loan Cooperatives and Units in Cooperatives) Dan LKM (Lembaga Keuangan Masyarakat, Microfinance Institutions -- which are not cooperatives or banks) Di 9 Kabu/Kota Propinsi Kalbar (Kalimantan Barat, West Kalimantan). Of this amount 400 million went to BMT and Koppontren (Pesantren Cooperatives, connected with Pesantren, religious boarding Schools) and should be included in their overall figures.

2. Entities with which the Cooperative Department deals which are not yet cooperatives. These would fall under the new Microfinancial Institutions Law.

3. This is a program under which 5% of the profit of all public sector companies is supposed to be used in some fashion to support SME, though the manner varies. The local Cooperatives Department is sponsoring a study on the effectiveness of this process, similar studies have been done by the ADB TA (Asian Development Bank Technical Assistance) team at the State Ministry for Cooperatives and Small Enterprise in Jakarta, and another is under way with a PEG/USAID In Kind Grant from Makassar. From Table Realisasi Penyaluran Dana Pembinaan BUMN (Badan Umum Malik Negara, State Enterprise) Propinsi Kalimantan Barat, 31 Desember 2001. The Table lists 17 State Enterprises with which the Department is familiar, but not PT Telkom or PLN (The Electricity Company) (which typically extend their own credit to Small and Medium Enterprise) The total allocation appears to be 11 Billion Rps. of which over one billion went to cooperatives and the remainder to small enterprises. About 250,000,000 was in the form of grants, the rest presumably loans under a variety of conditions.

4. Table Pemanfaatan Modal Ventura Oleh Koperasi/KUD (Koperasi Unit Desa)/PK Dan Kelompok Propinsi Kalimantan Barat. The former two are different forms of cooperative, PK means small entrepreneur, and Kelompok refers to unregistered small groups, or Microfinance Institutions. The figures are given only for the months of December and November. There appears to be an average of 12 billion a month -- but perhaps that is an outstanding and there are 8-9 billion more in the pipeline.

5. For specific banks we have data. The BPEK (Badan Pembangan Ekonomi dan Koperasi) reports 92 billion for 2001, but this appears outstanding authorizations through 1998/1999 of which 71 Billion has actually been lent. The BPD which is listed from a number of loans, but no reported amount in the BPEK figures reports 6 Billion under the program listed by BPEK, 4.3 billion for a PUKK program it handles, and 12 million in miscellaneous programs for SME of which 9.7 is one it runs on "commercial principles" with depositors funds. Since these programs go through banks, almost entirely government ones they would account for almost all of reported government bank business credit -- but we know that this is not the case. The BNI and BRI figures for small enterprise are exclusive of program lending.

In Table III below Financial Geography of West Kalimantan in August 2001 in Million Rps is shown the geographic distribution of banking activity. Among salient factors is the widespread nature of credit. Actually while Pontianak city has four times as many deposits as credit, deposits and credit elsewhere is much more balanced. The credit outside of Pontianak is actually more for Medium and Large Enterprise than that in the city, and I gather reflects several large companies whose credits are booked through the various local offices, even though the decisions about them are made in Jakarta.

**Table III**  
**Financial Geography in West Kalimantan as of August 2001 in Million Rp**

Type	Name of Regency								Total
	Kotamadya Pontianak	Kabupaten Pontianak	Kabupaten Bengkayang	Kabupaten Sambas	Kabupaten Sanggau	Kabupaten Sintang	Kabupaten Ketapang	Kabupaten Lainnya	
<b>Third Party Fund</b>	4,068,290		600,443	239,504	203,565	206,444	235,542	381,949	5,967,680
Government Banks									3,601,635
Private Banks									2,334,102
Rural Banks									31,943
<b>Third Party Fund<sup>1</sup></b>									5,934,737
Demand Deposits	708,532		33,005	32,796	60,841	69,861	22,324	111,930	1,039,289
Time Deposits	1,438,077		170,247	59,128	27,396	39,814	64,395	65,887	1,864,944
Saving Deposits	1,921,681		396,191	147,580	115,328	96,769	148,823	204,132	3,030,504
<b>Amount of Credit</b>	1,078,241		133,855	192,557	411,763	99,494	147,265	991,031	3,086,074
Government Banks									2,401,105
Private Banks									653,101
Rural Banks									31,868
<b>Amount of Credit<sup>1</sup></b>									3,054,206
Working Capital	396,660		28,505	34,018	31,809	26,539	47,023	606,362	1,170,916
Investment	450,245		53,719	125,284	346,743	39,123	63,697	317,952	1,396,763
Consumer	231,336		51,631	33,255	33,211	33,832	36,545	66,717	486,527
<b>Small Credit</b>	241,084		89,364	41,883	79,101	18,969	38,029	36,860	545,017
Government Banks									433,523
Private Banks									111,494
Rural Banks									31,868
<b>Small Credit<sup>1</sup></b>									545,017
Small Business	127,462		27,034	14,881	28,320	6,217	17,137	9,267	230,318
Working Capital	59,918		21,882	13,162	26,150	5,509	14,801	9,053	150,475
Investment	67,544		5,152	1,719	2,170	708	2,336	214	79,843
Consumer	113,622		62,330	27,002	50,781	12,479	20,892	27,593	314,699

Note : 1)Not including BPR

Source : Regional Economic - Financial Statistics West Kalimantan, BI Pontianak, September 2001

## SUMMARY

As long as no one opposes the process it would appear that the prospect for the growth of Microcredit in the province is good.

### **Refugees and Microfinance**

None of the financial institutions appear to be operating among the 70,000 refugees now in the process of resettlement. They are apparently being given some government inputs on credit by the government corporations that resettle them. The NGOs working with them do not feel that the refugees have the orientation or social networks to sustain credit, somewhat similarly to what is alleged for the residents of Irian Jaya. While not being in the position to evaluate this myself, I would only point out that the absence of credible intermediaries willing to handle microcredit for refugees, in contrast to the situation in the Maluku, militates against providing it.

To the extent that microfinance is available and desirable it might be introduced by World Vision, which is experimenting with a model in the Jabotabek area at the moment but is also active in Kalimantan, but that will not occur for several years.

For non-refugees, the high profitability of much SME credit in North Kalimantan foreshadows a rapid development of all of the institutions there. This is a development which should *ipso facto* draw funds, but, as with every rapid expansion, it poses special challenges for the supervisory authorities to maintain the prudential soundness of the system using public deposits without unduly hampering its growth. New licenses need to be and are scheduled to be given, but prudential standards have to be maintained.

### **For the Future**

West Kalimantan is a good candidate for most the institution building initiatives USAID and other donors are supporting including the following:

- Support to encourage new private investment in BPR. It would seem a far preferable use to capital flight, no matter what the ethnicity of the investors.
- Support to banks in developing retail lending technologies.
- Support to existing BPRs in upgrading their technology. There are still so few BPR that this will have to be done in combination with other provinces.
- Support for NGO initiatives would have to await their further emergence, as in the case of World Vision, mentioned above.
- The Credit Unions may soon have need of outside money, and for complex reasons donors may be the obvious source of funds, though other sources have excess liquidity. Banks usually do not lend to them, and government cooperative funds rarely come their way.
- Because of the continuous rapid development of shariah finance, the shariah institutions need to benefit from the technical improvements and regulatory upgrading elsewhere.

- Bank Indonesia has three specific proposals as follows:
  - 1. A seminar putting together bankers and SME to consider how to increase lending is scheduled for this year. I will attend if I am able and am providing background material from similar efforts elsewhere.
  - 2. An interest in the problems of landed security posed by the widespread Dayak Adat tenures gives a basis for cooperation with the Rural Land Institute.
  - 3. There was discussion of Pontianak as a possible pilot effort to link Bank Indonesia libraries, databases, and regional research to local universities and research institutions.