



FAITH-BASED MICROFINANCE IN INDONESIA

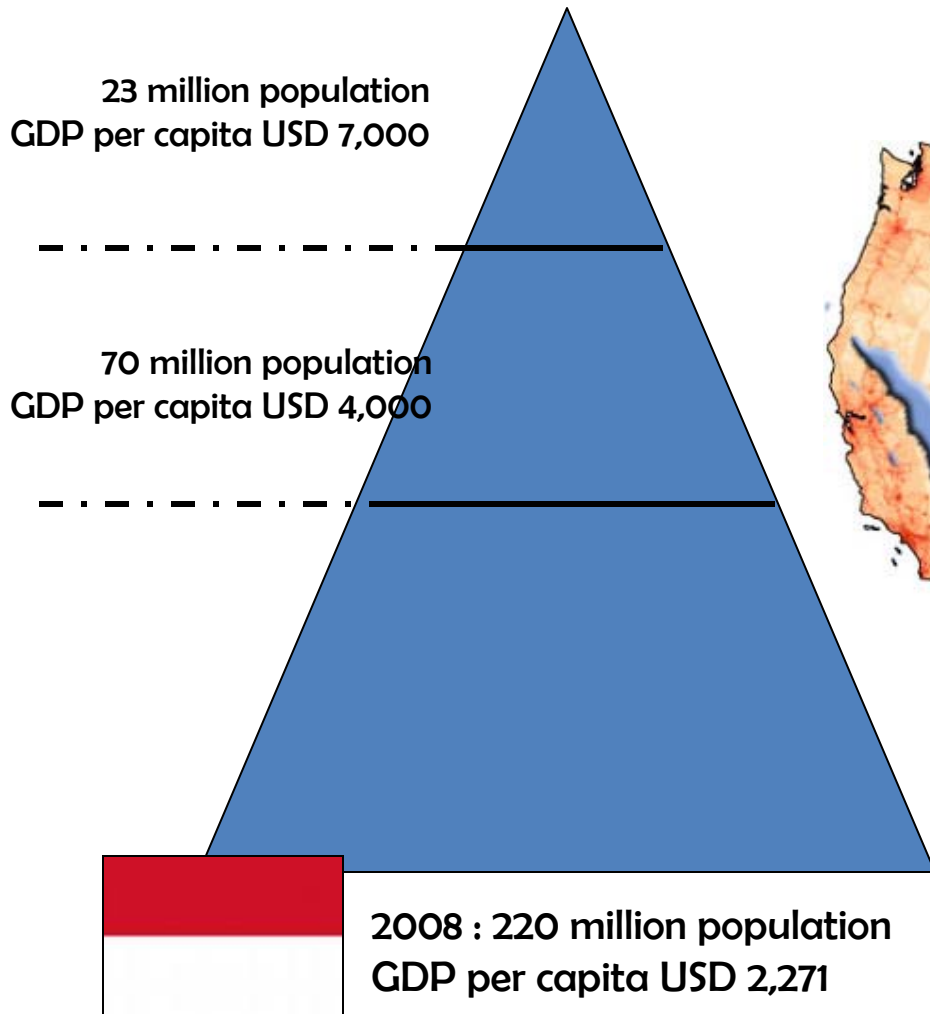
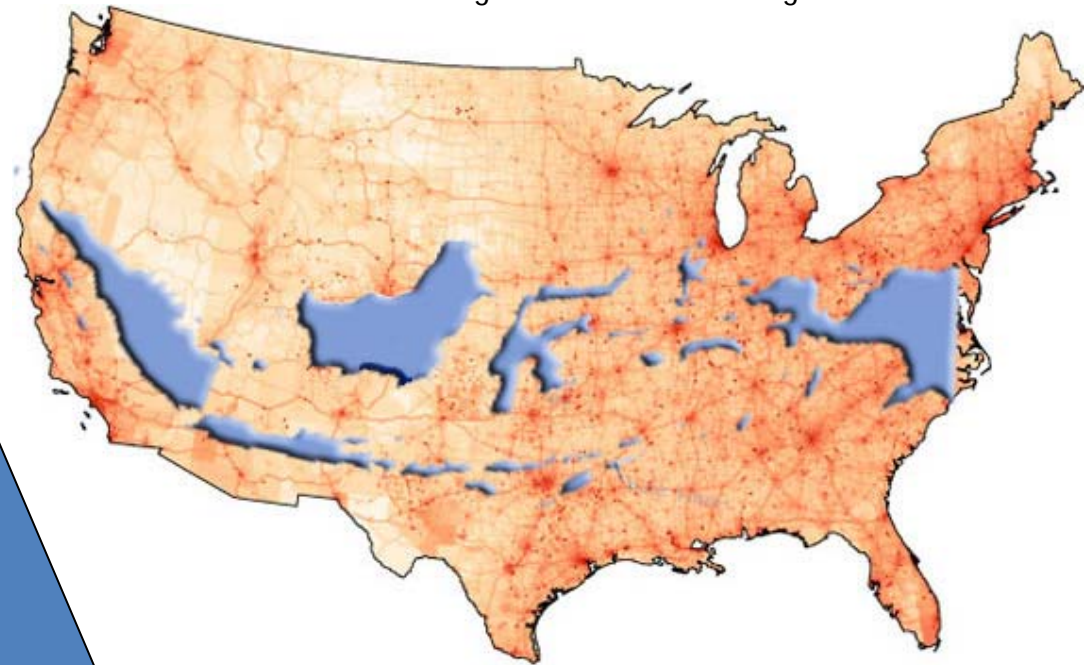
By:
Adiwarman A. Karim
(President Director, KARIM Business Consulting)

*2009 FOROMIC
Arequipa Peru, September 30 - October 2*

INDONESIA : BIG POPULATION, GROWING ECONOMY, AN ARCHIPELAGO SPREAD OUT FROM CALIFORNIA TO NEW ENGLAND

Geography of Indonesia

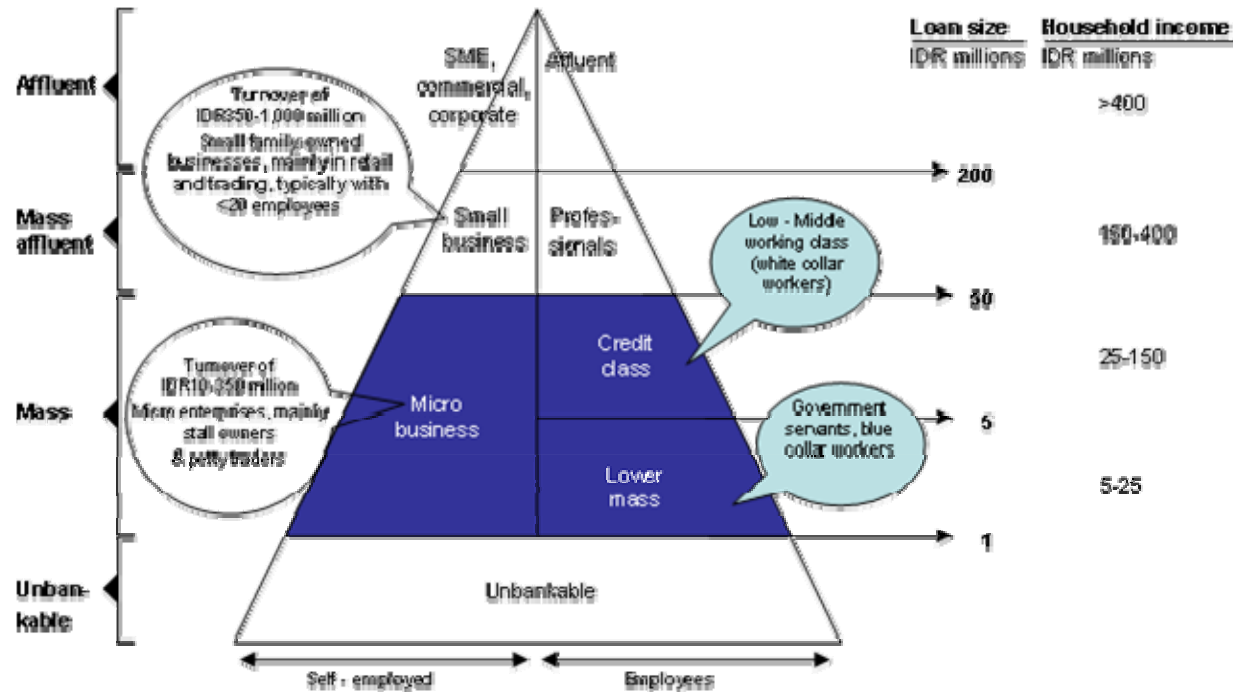
6° North Latitude - 11° South Latitude &
95° East Longitude - 141° East Longitude



MICROFINANCE IN INDONESIA

MICROFINANCE IN INDONESIA : MARKET SEGMENT

1. Mass Market Segmentation



There are around 50 million households in Indonesia. These households are divided into 2 groups which are self employed and employee (consumer) segments. The consumer mass market segment comprises of lower mass and credit class with household income ranging from IDR 5 - 150 million per annum.

EUR 1 = IDR 14000

MICROFINANCE IN INDONESIA : SIZE OF WALLET

2. Size of Wallet

		Number of entities Millions	Average loan size IDR millions	Total loan potential IDR trillions	Loan spread Percent	Revenue pool IDR trillions
SELF EMPLOYED	Small business	~0.7	~84	~58	9%-15%*	~8
	Micro business**	18.8	7-9***	123-180	27%-32%	36-53
EMPLOYEES	Credit class	2.9	8-10	23-29	32%	7-9
	Lower mass	19.2	1-2	19-38	32%	6-12

* Lower target spread are for current tapped market. Assume banks can charge a higher rate for untapped customers

** Includes micro and what was formerly known as small businesses (over IDR50- 350m) in earlier progress review

*** Ranges from IDR 1-10 million. This is a weighted average

Source: Asian Demographics; BPS; US AID; Bank Indonesia; Danamon; BRI; industry data; team analysis

Based on our research, there are approximately 22.1 million potential customers in the consumer mass market segment. Average financing size for credit class and lower mass is IDR 8-10 million and IDR 1-2 million respectively; and the net interest margin is around 32% both for credit class and lower mass with the estimated financing revenue pool is IDR 13 trillion.

EUR 1 = IDR 14000

MICROFINANCE IN INDONESIA : CUSTOMER NEEDS & EXPECTATIONS

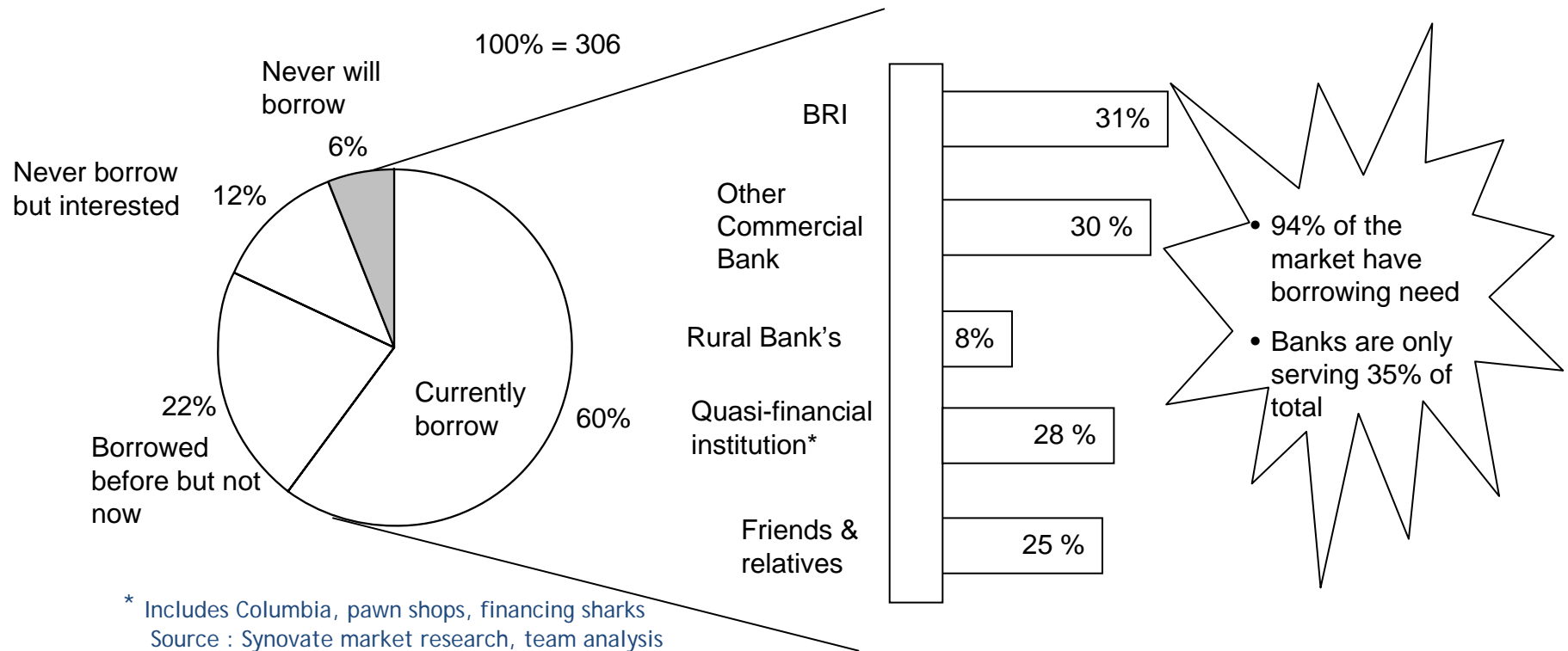
3. Customer Needs & Expectations

From our market research, we also know that these individuals value fast turnaround and service time, simple requirements and process and convenient service over price.

Simplicity	Speed	Convenience
<i>"I don't borrow from bank because the procedure is too complicated"</i>	<i>"I borrow because I need the money urgently. It takes too long for the bank to process my loan and I can't wait"</i>	<i>"I save my money at home so I can use the money any time I need it"</i>
<i>"Banks require too many documents and verifications"</i>	<i>"Why can't I get the money transferred at the bank in one day?"</i>	<i>"I don't like to take my kid and take the transportation to go to the bank which is far away"</i>
<i>"I have very small amount of money to save, and saving at the bank is too complicated for this small amount "</i>	<i>"If I need money for tomorrow, I just go and borrow from my friend. I can get the money immediately "</i>	<i>"I borrow and keep my money with the same bank because it is easy and convenient for me to only make one trip a month "</i>
<i>"I am not sure if I can meet all the requirements by banks for setting up an account or borrowing a loan"</i>	<i>"There is always a long line at the bank and I don't like to wait"</i>	<i>"I like the other non-bank lenders because they come to my home instead of for me to go to them"</i>

MICROFINANCE IN INDONESIA : PLAYERS

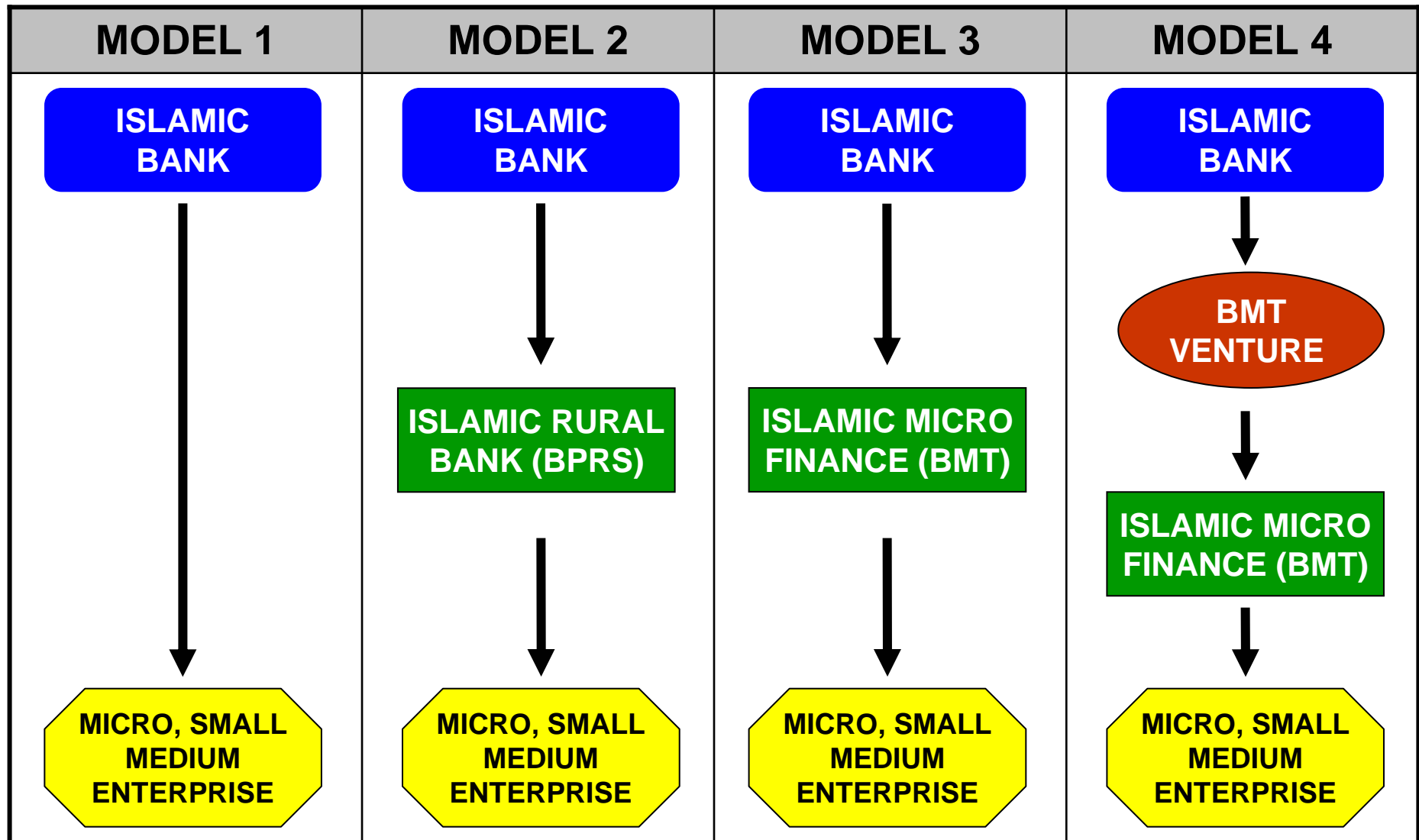
4. The Player in Microfinance



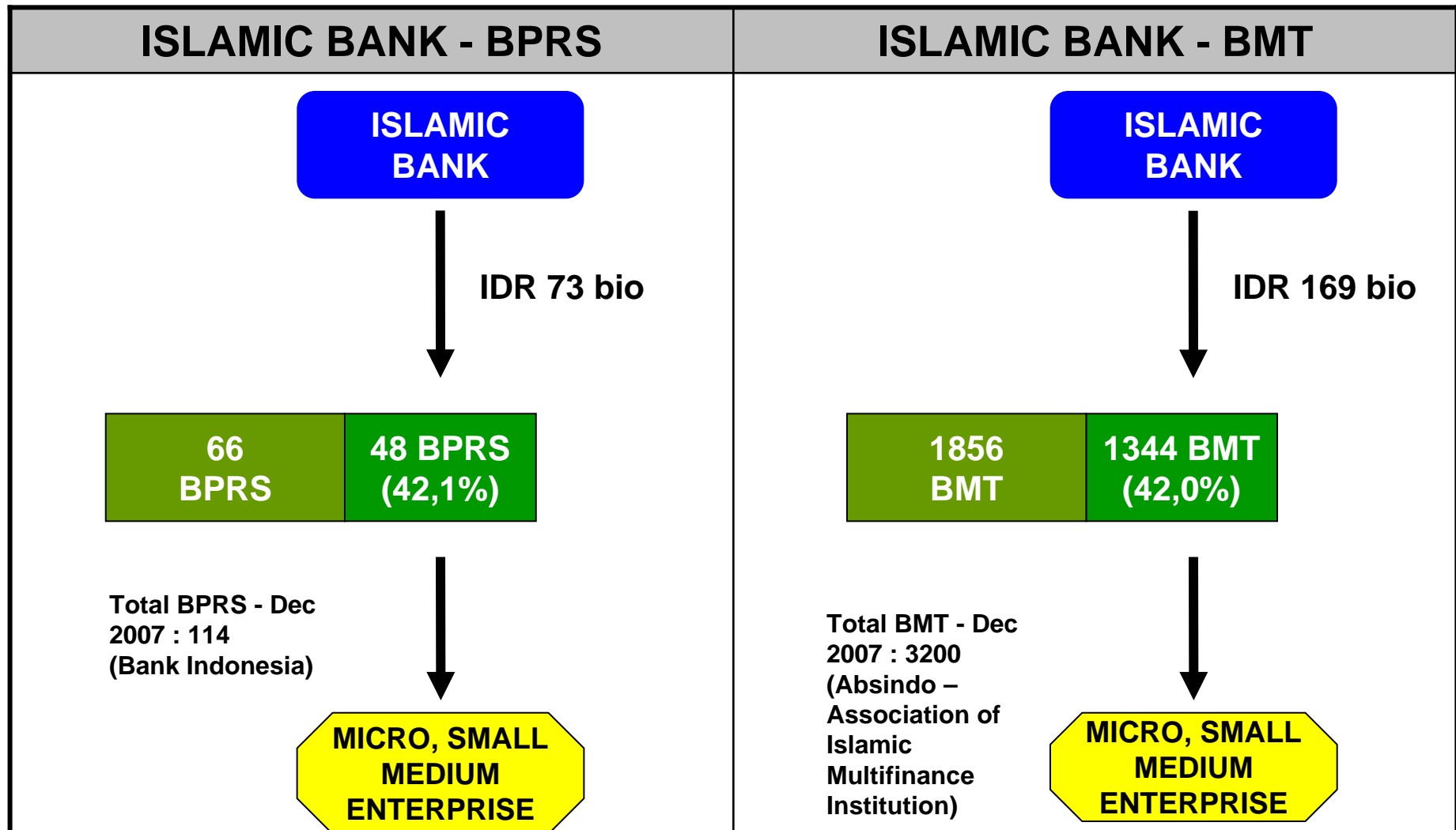
This significant market is largely untapped by banks. While 94% of these customers have borrowing needs, only 35% borrow from BRI and other commercial banks. Other than banks, they borrow from BPR (people’s bank), friends and relatives, pawn shop and financing shark.

ISLAMIC MICROFINANCE IN INDONESIA

ISLAMIC MICROFINANCE : BUSINESS MODEL FOR SELF EMPLOYED (MICRO BUSINESS)

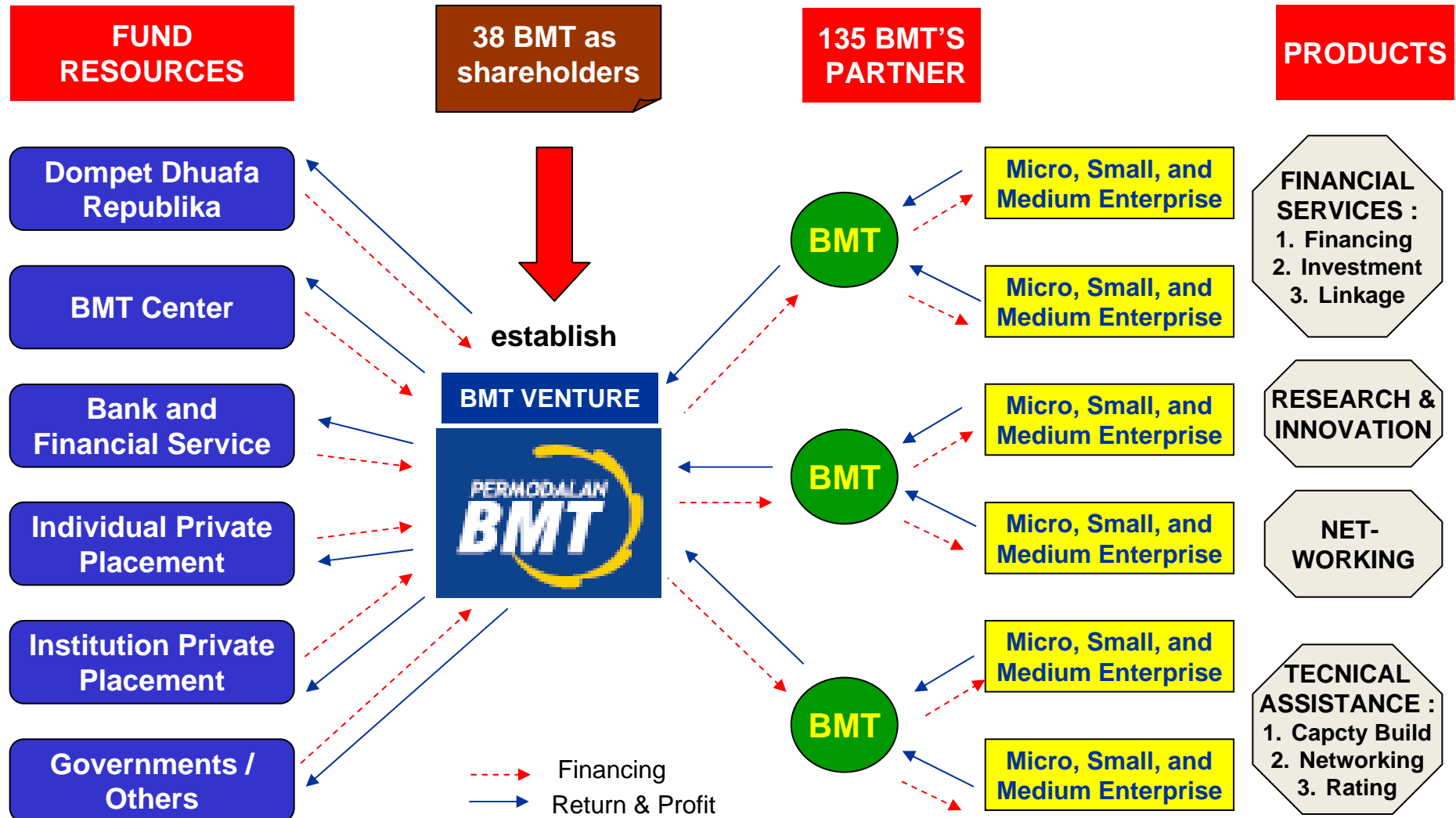


ISLAMIC MICROFINANCE : ISLAMIC RURAL BANK (BPRS) & BMT SYNERGY WITH ISLAMIC BANK



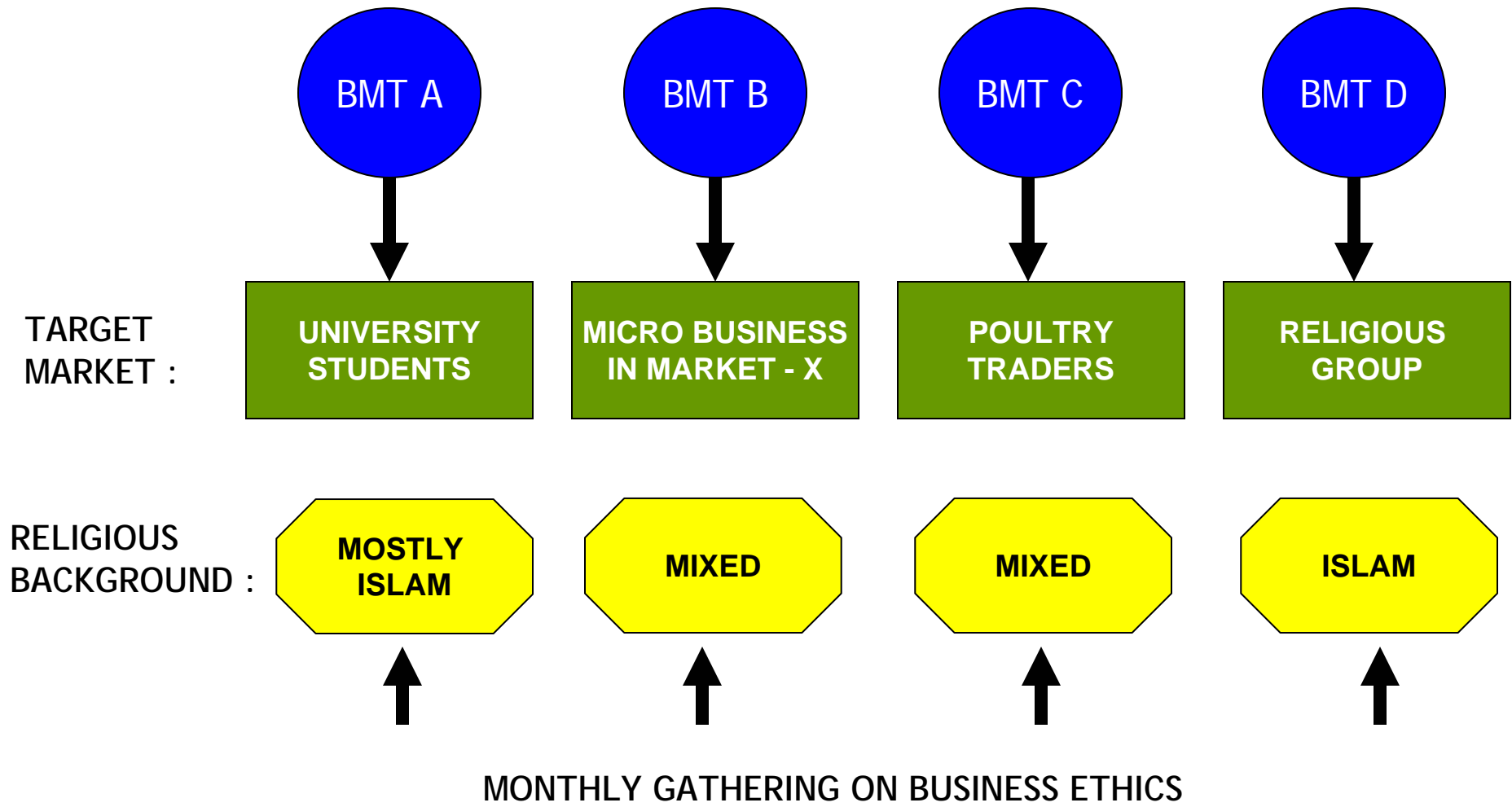
EUR 1 = IDR 14000

ISLAMIC MICROFINANCE : BMT VENTURE

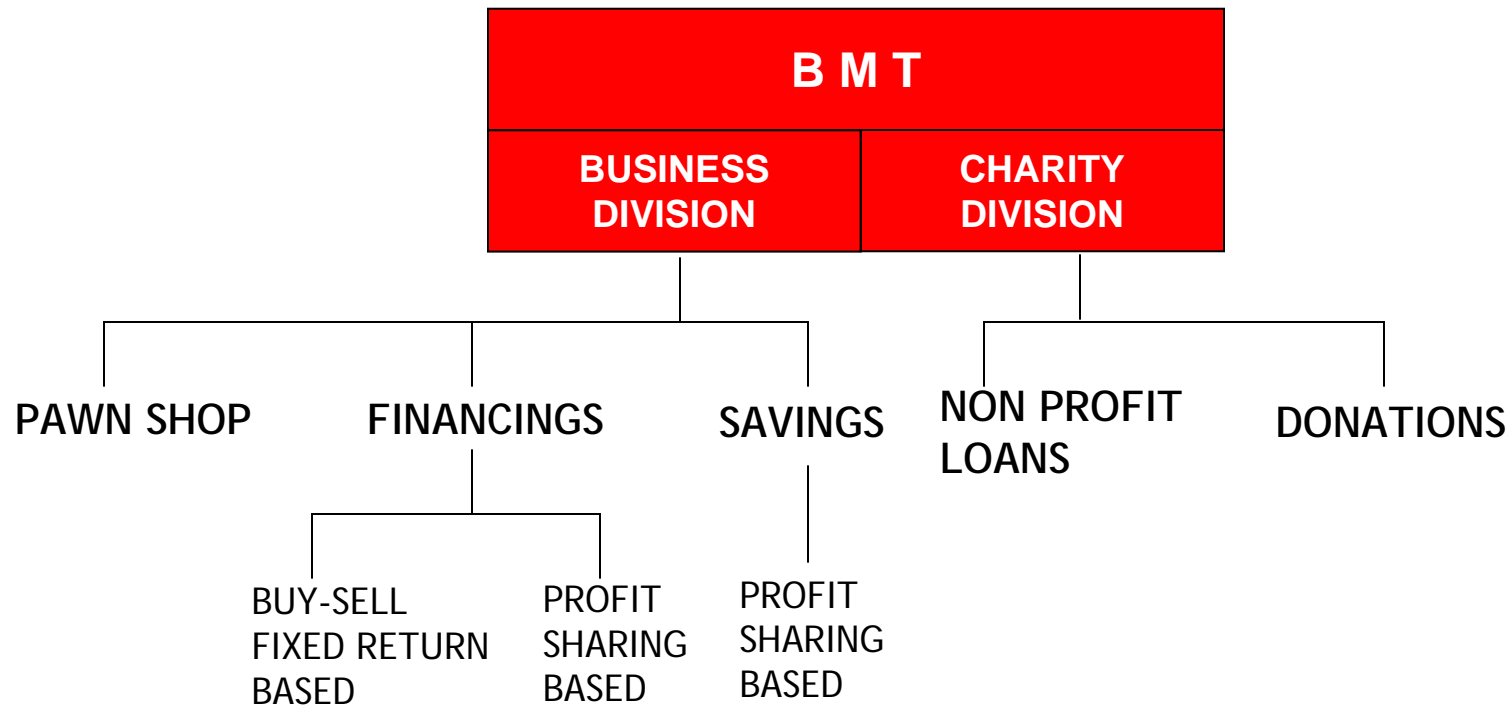


FEATURES OF ISLAMIC MICROFINANCE

ISLAMIC MICROFINANCE : SEGMENTED MARKET



ISLAMIC MICROFINANCE : BEYOND MICRO FINANCE



SUCCESSFUL CUSTOMERS PAY DONATIONS TO BMT (ON THE TOP OF THEIR COMMERCIAL OBLIGATIONS)

UNSECCESFUL CUSTOMERS MAY GET DONATIONS FROM BMT TO REPAY THEIR COMMERCIAL OBLIGATIONS (IF ELIGIBLE)

ISLAMIC MICROFINANCE : PERCEIVED AS GOD-BLESSED TRANSACTIONS

