



# Promoting Micro and Small Enterprises through Improved Entrepreneurs' Access to Financial Services (PROMISE IMPACT)

## Project Brief

Improving policies and programs to promote more and better jobs for men and women through financial inclusion.

### OBJECTIVE



3.7 years (1 August 2015 – 30 April 2019)

### DURATION



Swiss State Secretariat for Economic Affairs (SECO)

### DONOR



USD 3,012,208

### BUDGET



### KEY PARTNERS



- ◆ Coordinating Ministry of Economic Affairs (CMEA)
- ◆ Financial Services Authority (OJK)
- ◆ Ministry of Cooperatives and SMEs (MoCSMEs)
- ◆ Regional Team to Accelerate Access to Finance (TPAKD)
- ◆ Commercial Banks, Development Banks (BPD), Rural Banks (BPR), Saving & Credit Cooperatives (KSP), Islamic Financial Institutions (BMT), and relevant associations of financial institutions
- ◆ Indonesia Employers' Association (Apindo)
- ◆ Trade Union Confederations

### GEOGRAPHICAL COVERAGE



National with pilots in West Java and East Java

### IMPLEMENTATION AGENCY



ILO Country Office – Jakarta

### CONTACT



Owais Parray  
Chief Technical Adviser  
parray@ilo.org

## Background

Around 99 percent of over 57,900,000 businesses in Indonesia are categorized as micro and small enterprises (MSEs)<sup>1</sup>. MSEs provide jobs to over 93 percent of workers in the country. In terms of value added, MSEs contribute around 43 percent to the national economic output. However, productivity in small enterprises is quite low compared to large enterprises. One of the major challenge that MSEs face is lack of financial and non-financial services which affects their growth and productivity.

At the downstream level, the Indonesian financial sector is quite diverse and it has been described as the “largest microfinance laboratory” in the world. Even with a plethora of institutions providing financial services, there is still a wide gap between demand and supply. The type of loan products and services offered to MSEs is also rather limited and not necessarily reflecting the business cycle and financing needs of the clients. Furthermore, rapid commercialization of microfinance has meant that several financial institutions in Indonesia have reached economies of scale and high level of profitability, but this has coincided with a slight “mission drift”.

Several financial institutions, at the downstream level, started with a mission to reach low-income households and small enterprises with an underlying aim to support growth and job creation. However, in their quest for high financial profitability, the depth of their outreach has been undermined. Very few are measuring the impact of their services at the client level. Success is being narrowly defined in terms of higher returns on assets, equity, and value for the shareholders.



## Project Strategy

Promoting Micro and Small Enterprises through Entrepreneur's Access to Financial Services (PROMISE IMPACT) programme was developed in partnership between the Swiss State Secretariat for Economic Affairs (SECO) and the International Labour Organization (ILO). PROMISE IMPACT aims to promote sustainable and responsible financial inclusion for micro and small enterprises. Specifically, PROJECT IMPACT aims to realize three outcomes which are interrelated and feed into each other. These include:

**Outcome 1.** Supply of financial and non-financial services are better aligned to the needs of the MSEs in the pilot areas as a result of innovations and social performance management.

**Outcome 2.** Enhanced productivity, improved working conditions, and access to financial and non-financial services for MSEs.

**Outcome 3.** Access to socially responsible finance is integrated in the national policies and in the regulatory framework.

Firstly, on **the supply side** the programme helps financial institutions to operationalize their mission into specific development metrics, and adjust their strategies and services accordingly. Secondly, on **the demand side** the programme helps MSEs to access financial services, enhance their productivity, and enable them to make effective and prudent use of financing. On **the policy and regulatory side** the programme supports the formulation, and implementation of policies and regulations to promote responsible financial inclusion in the country.



1 <http://www.depkop.go.id/berita-informasi/data-informasi/data-umkm/>

## Achievements to Date

The programme has been running for more than two years, and during this period several outputs were delivered. The programme has helped to raise awareness on social performance management (SPM) among regulators, service providers, and financial institutions. SPM provides a framework for mainstreaming socially responsible services and achieving a “double bottom line” viz. financial profitability for the financial institution and greater economic and social impact for the clients.

To identify project partners, more than 70 financial institutions and several relevant associations received project briefings. More than 30 financial institutions went through an institutional assessment exercise to help us review their suitability as future partners. These assessments covered a whole range of areas such as the governance, business processes, financial sustainability, and potential capability of financial institutions to achieve financial and social impact.

Among the financial institutions assessed, the project is currently working with a total of 13 financial institutions in two project sites. Our partner financial institutions have developed innovative pilot projects to improve services and thereby create greater economic and social value for their clients. As part of this process, selected financial institutions carried out surveys to better understand the needs of their clients. Based on the survey, marketing and financial management were identified as two key areas in which clients need assistance to further develop their small businesses.

The pilot projects with financial institutions will run for 6-8 months. The projects will be monitored and results measured using randomized control trial (RCT) which is considered as a very effective scientific method to measure change.

In addition to developing innovative projects, PROMISE IMPACT has provided capacity development support to several financial institutions to improve their performance and impact at the client level. The programme has successfully trained 15 local trainers on “making microfinance work: MMW”, a training course developed by ILO to help managers of financial institutions to improve efficiency and achieve better results.

The trainers went through an assessment process and five trainers were certified which will allow them to deliver this course independently. Having trainers in country will act as a “multiplier” to reach more financial institutions during and beyond the life of the project.

The project team has also carried out a series of capacity building activities for financial service providers and government stakeholders. To name a few, the activities implemented include seminars and training on Social Performance Management and Making Microfinance Work as well as training on business improvement. Additional surveys are also being undertaken to understand how policies can be improved to ensure that financial institutions can allocate more funds for productive sectors of the economy thereby contributing more towards national economic development.

At the policy level, the programme has been working closely with the Financial Services Authority (OJK), the Coordinating Ministry of Economic Affairs (CMEA) and the Ministry of Cooperatives and SMEs (MoCSMEs) to understand the constraints faced by small businesses in terms of access to and types of financial and non-financial services needed by them. Our focus has been on sharing global lessons and knowledge with relevant stakeholders on policy measures needed to create a more inclusive financial industry in Indonesia.

In 2018 – 2019, the project already has several activities lined-up that includes the implementation of pilot projects by partner financial institutions, knowledge-sharing seminars on financial inclusion and decent work, endline survey to measure the result of pilot projects and capacity development of financial service providers and government stakeholders.



### ILO Jakarta Office

Menara Thamrin Level 22,  
Jl. M.H. Thamrin Kav. 3  
Jakarta 10250

Tel. +62 21 391 3112;

Fax. +62 21 3983 8959

Email: jakarta@ilo.org;

Website: www.ilo.org/jakarta