

Case Studies



Anton Naben stands proudly outside his shop front in Fatuneno village, East Nusa Tenggara.
(Photos: Nina FitzSimons)

Laughing All the Way to the Bank

How access to micro credit is reducing poverty in East Nusa Tenggara

by Nina FitzSimons

Antonius Naben has a line of customers waiting as he pulls open the doors to his store. Anton calls himself a 'kiosk' owner, but his kiosk more closely resembles a village shop. One can buy a wide choice of goods from Anton, ranging from staple food supplies, such as flour and sugar, to hardware supplies, like electrical wire and spades. By all accounts, business is booming.

Anton's current fortune is in stark contrast to the one he had in 2004. "I was a simple farmer," he says, "At most I made a profit of about Rp 500,000 (approximately \$A50) a year from selling carrots and onions at the market." Anton, like most of the other families in the arid and mountainous village of Fatuneno in East Nusa Tenggara (NTT), was a subsistence farmer.

The fortunes of the 386 families in Fatuneno began to change in 2004 when Yayasan Mitra Tani Mandiri (YMTM), a local NGO, introduced agro-forestry to the farmers. This way of cultivating crops improved agriculture productivity because it suits the steep and rocky lands of TTU. Farmers worked together in groups. Eighty-six families joined to form a total of 11 farmer groups in the

village. The groups worked collectively to implement YMTM's agro-forestry approach.

Unlike the other farmers in his group, Anton is not a family man and remains single by choice. His mild mannerisms were not well accepted in the village and he was always on the outside socially. "I had dreams of doing something other than farming," says Anton, "but I didn't complete high school and there are limited options here," he says sweeping his arms towards the quiet village in front of him.

In 2007, with support from the Australian Government, through the Department of Foreign Affairs and Trade (DFAT), YMTM assisted the farmer groups establish small saving and loans initiatives (*Usaha Bersama Simpan Pinjam - UBSP*). The micro-credit scheme was established to address the lack of formal financial options for farmers. The farmers cannot access loans from banks or credit unions because they do not have the necessary collateral. The only options for poorer families at a time of urgent need, such as a medical emergency, or to pay for school fees, is the local loan shark, who charges an astronomical 30% interest.



Under YMTM's guidance, each UBSP established their own guidelines regarding the terms of the loan. "YMTM provided us training in good financial management and we came up with the rules ourselves," explains Anton. "Our group decided on a registration fee of Rp 15,000 (\$1.50) and a minimum saving deposit of Rp 1000 (10c) per month. The interest rate for a loan is 2% per month." The fund is revolving and gradually builds up capital, based on interest earned.

In 2008 Anton was ready to chase his dream of opening a small kiosk along with two other members of his farmer group. They borrowed Rp 5 million (\$500) from their UBSP and added this to their combined savings of Rp 1.4 million (\$140) to buy stock and material to build a small kiosk. It was a one metre square semi-permanent building.

Anton and his partners stocked their kiosk with small goods, such as snacks and cigarettes. The business was a moderate success but began to flounder when Anton's partners started spending more time in their fields. "The failure was hard for me," admits Anton, "Because it was more of my dream than it was theirs."

In 2010, motivated by Petrus Naibobe, the YMTM field officer, Anton took out a loan of Rp 10 million (\$1,000) to go at it alone. He rented a very small bamboo walled shed for Rp 25,000 (\$2.50) a

month. Anton expanded his stock, which he bought from the sub-district town of Eban. To collect his goods Anton walked four kilometres each way once a week. Business took off and Anton was able to repay his loan in 12 months. He also accumulated enough capital to take out another loan in 2011.

"My most recent loan in 2011 was Rp 50 million (\$5,000)," says Anton, "I used it to buy a second hand pick-up truck and build a small house which has my kiosk at the front," he says proudly. Anton's house is made from concrete blocks and has wooden lintels. In a village where many houses still have earthen floors and bamboo walls, Anton's house is something to be proud of. What makes Anton more proud, he says, is his ability to support his family, "My father died recently and now I take care of my mother, older brother and sister and their children," he says. "I am now the main father figure." Anton is able to support his family because he now makes an incredible monthly profit of Rp 8 million (around \$800).

As well as becoming the head of his family Anton has also been nominated the head of the UBSP. This nomination is a sign of Anton's business acumen as well as his growing acceptance in the village. Both are significant achievements. "I am listened to now," says Anton, "I have a voice."

Since it commenced in 2008, the UBSP in Fatuneno has attracted a total of 180 members and has accumulated a total of Rp 357,986,000 (\$35,798) in capital, of which 62% is currently out in loans. Most loans are used to buy agricultural inputs, livestock and to cover cost of living expenses, such as school fees. "Most farmers are better off as a result of the UBSP," states Petrus.

As a result of the support from DFAT, 231 UBSPs have been established in NTT benefitting a total of 6,538 members (59% women). The UBSPs have contributed significantly to the economic wellbeing of their members and continue to provide much needed access to credit. The UBSP in Fatuneno is now fully self-sufficient and YMTM no longer provides technical support. "This long-term sustainability is the measure of success we aim for," says Petrus.

Meanwhile Anton is busy serving his customers, "Morning rush," he explains as he quickly counts out coffee sachets. In between customers Anton says he is positive about the future. "Look what I have achieved in ten years," he says pointing towards his stocked shelves, "I am accepted in the village and have a thriving business. It is more than I ever imagined possible. Life is good."

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AIP-Rural is a suite of programs that improves smallholder farmers access new markets, better inputs, knowhow and technology, irrigation and small loans. Its goal is to achieve a sustainable 30% increase in the net incomes of 1,000,000 male and female smallholder farmers in eastern Indonesia by 2022. AIP-Rural operates in East Java, West Nusa Tenggara, East Nusa Tenggara, Papua and West Papua.

The program focuses on agricultural sectors that have strong growth potential and are the main source of income for a large number of smallholder farmers. All of this is done through co-investing in new business models with local, regional, national, and international market players to create business models that improves the agriculture sector's competitiveness, especially smallholder farmers.