

# PEAC

Promoting Enterprises Access to Credit

or

How to develop the market for credit- related  
business services



  
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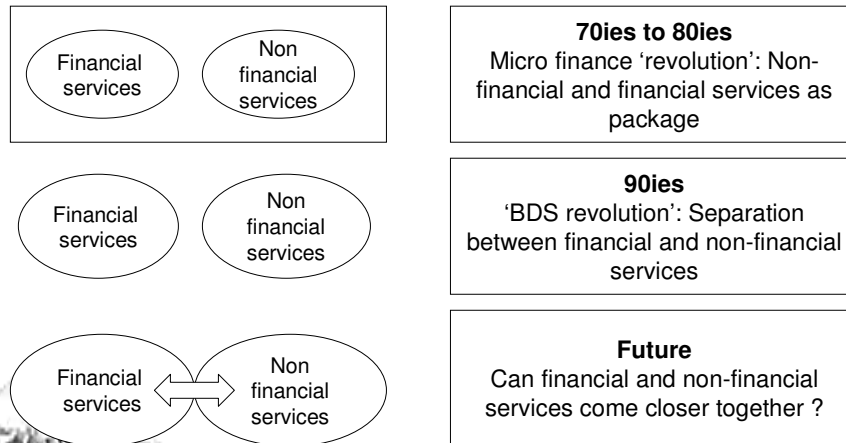
## Overview Presentation

- Introduction: BDS and Finance: an new old topic
- Indonesian experience: banks want, SME need, but it doesn't work....
- Developing a market for credit related services
  - Understanding constraints
  - Linking services
  - How to facilitate linking services
  - Pilot project: set-up, certification services and first results
- Issues for discussion



  
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## BDS and finance: a new old topic



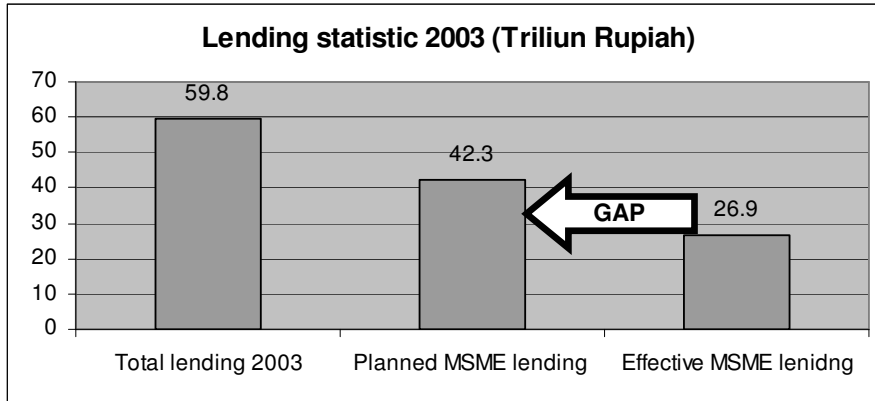
  
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## Indonesian Background

- Major SME constraints in Indonesia
  - Access to markets
  - Access to finance
  - Business Environment
- Swisscontact approach in Indonesia
  - Focus in the past on BDS market development (generic services, sector approaches)
  - Future focus: Business Services related to SME lending

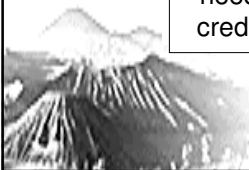
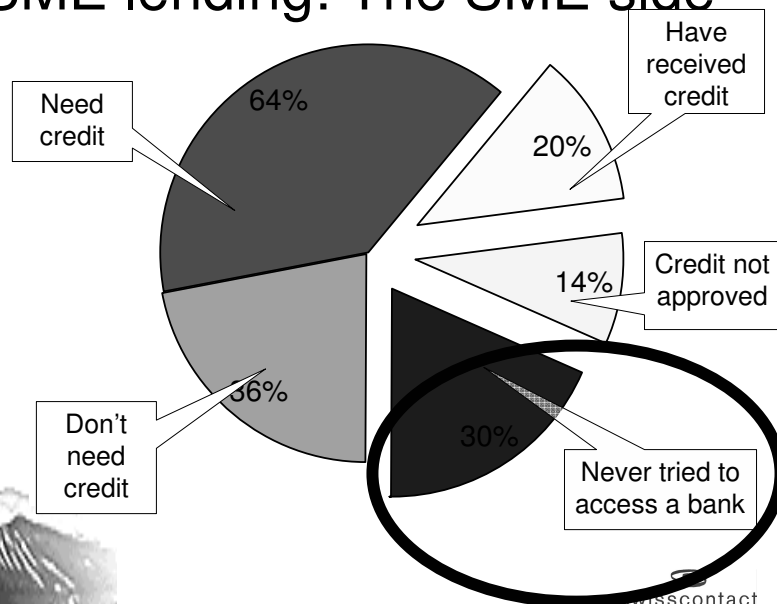
  
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## SME lending: The Bank side



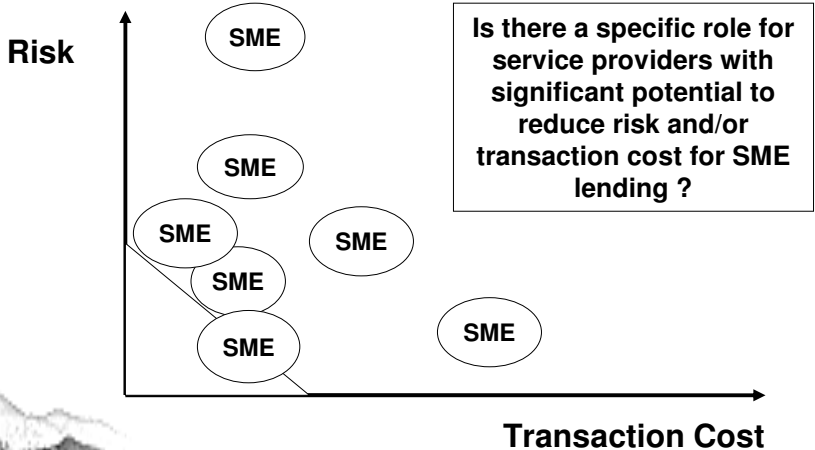
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## SME lending: The SME side



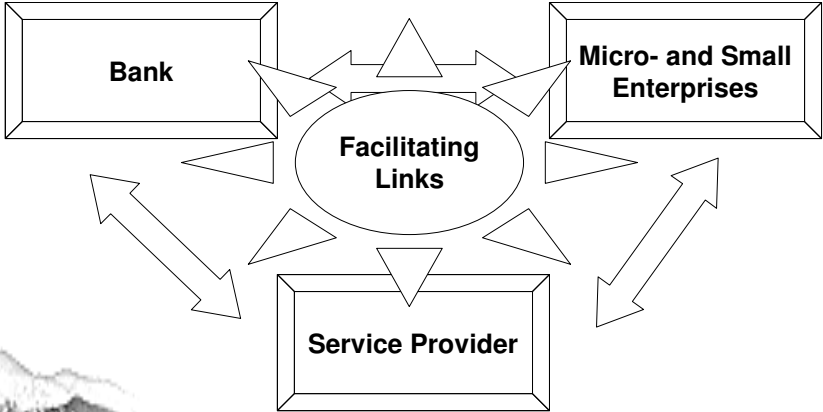
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# The Issue



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# How to make the triangle work



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## 1<sup>st</sup> step: Knowing each others

### BDSP' perception of banks

- Banks are not interested in SME customers
- Banks are not interested in cooperation with third parties

### Bank' perception of BDSP

- What are BDSP?
- 'NGO' touch: social orientation
- Limited commercial understanding and professionalism
- Partly negative experience with pre-credit services provided by BDSP

### BDSP' expectations

- Banks should work closer together with BDSP
- Banks should provide better information on financial services
- Banks could outsource services to BDSP and pay for such services

### Bank' expectations

- Banks are willing to test cooperation with BDSP
- BDSP should have good technical and sector know how (not accountants!)
- BDSP should provide not only credit delivery services but also and monitoring services

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## Type of providers and services banks are looking for

### • Provider

- Specialized on specific sectors
- Good and existing access to SME clusters
- Long-term relation with SME clients
- Technical know-how
- Good links within value chain
- Reliable and professional

### • Services

- Identification of potential customers
- Pre-credit services, such as feasibility studies, collection of financial data, business plans
- Post-credit services: credit monitoring (early warning system), technical support during lending period

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## 2<sup>nd</sup> step: How to facilitate links

### *Two possible approaches*

#### **Institutional Approach:**

- Linkage services as commercial services, offered by a specialized service provider (facilitation unit)
- Open to all banks and BDSP
- Assumption: sufficient market size for credit-related services
- Sustainability on two levels:
  - Facilitation unit
  - BDS provider

#### **Direct link approach**

- Project as a temporary facilitation unit provides linkage services between individual banks and BDSP
- Linkage with individual banks, based on their specific needs
- Number of participating BDSP limited
- Sustainability on level BDSP only

## Institutional Approach: Range of Facilitation Services

### *Potential services provided by a facilitation unit:*

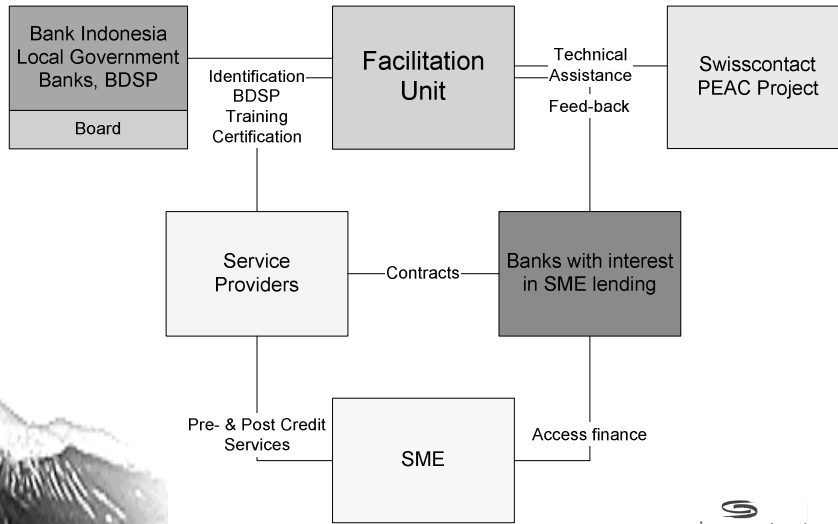
#### **Services to BDSPs**

- Facilitating cooperation with banks
  - Information on financial services
  - Training on credit related services
  - Certification services
  - Facilitation of business linkages
  - Networking services among BDSP

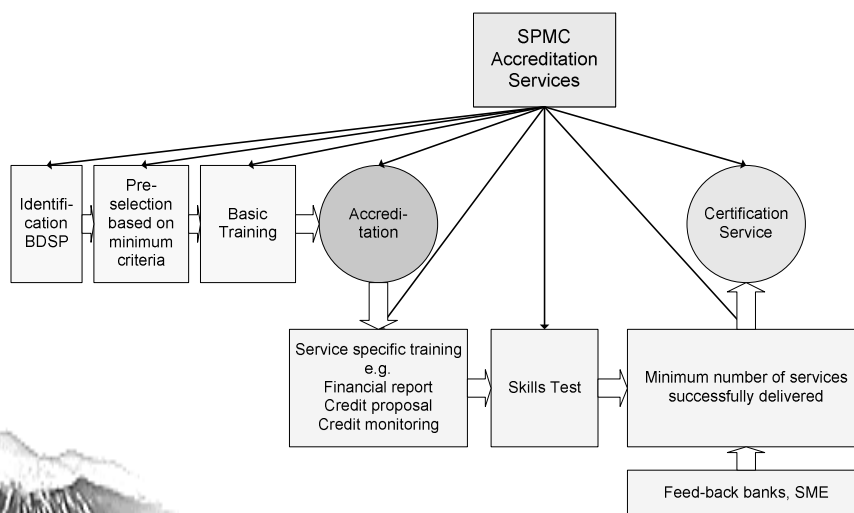
#### **Services to Banks**

- Facilitating cooperation with BDSP and SME
  - Identification of potential BDSP
  - Information on potential SME sectors
  - Training for SME account officers
  - Certification services for BDSP
  - Information services to SMEs

# Pilot Project: SPMC Bandung



# Certification Process



## SPMC: Results after 1 year

Number of BDS providers accredited	21
Number of participating banks	8
Number BDSP with contracts with banks	12
No of BDSP successfully facilitated credit	7
Total amount of credit facilitated through BDSP Mio US\$	2.5
% small business credit (> US\$ 5'000)	3,94 %
% micro credit (group lending) (< US\$5'000 per customer)	96,06 %
Number of SME receiving credit	330
Number of BDSP staff trained for specific services	64
Pass rate for skill test	71.4 %

  
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## Issues for Discussion

- Effectiveness of BDS-Finance link as instrument for improved SME lending ?
- Commercial viability of facilitating services?
- Certification of BDSP: potential or hurdle for market entry ?
- Conflict of interest: BDSP between bank and SME interests ?

  
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