

**THE MODIFIED GRAMEEN BANK:  
A SUSTAINABLE FINANCING SCHEME FOR MICRO  
ENTERPRISES  
IN INDONESIA**

*Abstract*

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consent.

Muhammad Yunus - a Professor in Economics from the University of Chittagong, Bangladesh - has found a brilliant idea for the best solution in helping the poor out of their poverty, which then grows over the world. It initially began in Jobra, Bangladesh and later known as Grameen Bank, the largest bank in Bangladesh and probably the biggest micro credit organization in the world. Grameen Bank provides micro credit to the poorest of the poor in rural Bangladesh without any collateral. At Grameen Bank, credit is a cost effective

weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic.

Until 2002, Grameen Bank model has been replicated, either modified or kept original, by 400 replicators in 22 countries of Africa, 19 in Asia, 3 in Oceania, 15 in America, and 7 in Europe. This proves the successful of Grameen Bank as poverty alleviation program and has been internationally accepted by different countries and cultures. Remarkable achievements have been surprising. With mostly 100% of repayment record, the program has also been able to improve the life quality, provide better food, better education, as well as better housing for the poorer community.

Grameen Bank Replication (GBR) program in Indonesia was initially started in Bogor, West Java by Karya Usaha Mandiri (KUM) in 1989. This initiative was followed in 1993 by Mitra Karya East Java (MKEJ) in Malang, East Java. Both organizations have pioneered the GBR story in Indonesia as over 15 GBRs have taken part in different places in the country since 1997. In Sumatra, Grameen Bank model was replicated by Yayasan Pokmas Mandiri (YPM). Now YPM has 2 branches in 2 regencies (Deli Serdang and Asahan) that covers over 60 villages and purely operates as a sustainable micro-credit organization. Some modification from the original Grameen Bank was made in according to the local culture and settings. Within 2 years, YPM had reached over 700 members and disbursed Rp. 320 million (approximately US\$ 32,000) as micro-loan with 100% repayment rate.

Recent coordination with international financing agency has also contributed a significant improvement the number of local micro enterprises getting financial capital and the amount of the loan given. The Citigroup Foundation has given a total grant of \$190,000 for the program to four micro credit NGOs in Indonesia, including Yayasan Pokmas Mandiri.

This paper presents a case study of a success story of modified Grameen bank replication in Indonesia by Yayasan Pokmas Mandiri (*literally mean: **Independent Community Group Foundation***). The study is expected to give an example of **a financing model for the sustainability of micro enterprises in a developing nation**. The discussion covers the establishment and development of the organization, the difficulties it faced during those processes, the programs it undertook, and the financial and non-financial benefits gained by the users (i.e., micro enterprises) as well as the surrounding communities. This all includes the modifications of the original form of Grameen bank in order to adjust to the local culture and settings and to accomplish better achievements.

This paper has the implications for the Indonesian authority and local as well as international financing institutions. The governments may benefit from this study by understanding how **micro financing can be of significant support for the sustainability of micro and small enterprises which compose of the biggest part of the business sector in most developing countries**. Appropriate policies should be developed to encourage and to support such programs. On the other hand, the local and international financing institutions, can play an important role by providing parts of their lending share to such organizations.

The results of this study can also be of benefits to the organizations considering to give financial support and loans for micro enterprises in their operation. Furthermore, it can also serve as a comparative study for organizations conducting similar programs in developing nations.