KOPERASI KASIH INDONESIA

Publication Material

September 2017

empowering
millions of poor Indonesian
to exit poverty permanently

Koperasi KASIH Indonesia (KKI):
A hope that provides the way for the poor to exit poverty, permanently







KKI was founded in 2011 by 2 young professionals. Focusing on poverty and operating as social business, its 1st branch was set in Jakarta's poorest district

USD 1 = IDR 10,000

Establishment

- **KKI founders** are an **ex-McKinsey consultant** and **ex-accountant** at one of the largest property companies in Indonesia
- They **want to do work that helps people in significant manner**. Both were 25-year old
- Both **came from one of the best economics faculties** in the country: Faculty of Economics University of Indonesia
- They **received zero and USD 120 / month salary** in the beginning. Per June 2013, they **receive USD 100 and 400 / month**, consecutively

Brief characteristics

Focus: **POVERTY**

- Poverty remains as **one of Indonesia's biggest issue**. It is caused by many drivers and causes diverse social issues, e.g., crime
- "There are **~100 million Indonesians scraping by on $2 a day or less**" (The Economists, 2011)

Model: **SOCIAL BUSINESS**

- **Social business**: Solving social issue using business approach (Muhammad Yunus, Grameen Bank founder)
- Being a social business, KKI: (1) will be **sustainable** on its own, free of donations and (2) does not create **"beggar-mentality"** that often develops if we give free support to people who could actually work

1st branch: **POOREST DISTRICT**

- KKI goes to the poorest area, with the 1st branch located in Cilincing in North Jakarta, **which housed ~22,000 poor families* (2011)**

Jakarta

Cilincing

- House of **~22,000** poor **families*** (**~97,000** poor **individuals***)
- Most of the poor are **transmigrants working as fisherman, port labors**, etc.

*2011 data from TNP2K (National Team for Accelerating Poverty Reduction) who supplies poverty data for all government programs

SOURCE: 2011 PPLS data from Tim Nasional Percepatan Penanggulangan Kemiskinan (TNP2K); KKI

Starting as a 1-year trial, it then crystalized its reasons of existence, dreams and principles, as below

KOPERASI KASIH INDONESIA

Reasons of existence

- To provide hope and way for the poor, wherever they are, to exit poverty, permanently
- To become a home where our team grows and live their fullest potential

Dreams

- Become the best in empowering the poor in sustainable way
- Reach 1 million poor families from Aceh to Papua by 2035

Key principles

- We always prioritize the best interest of members & team
- We build KKI for a long run. We take time when needed
- Leaders in KKI must sacrifice, first for team, then for members

SOURCE: KKI

As of Sep 2017, it has 50 team members. Its top and middle layers are filled with young people who left their work to pursue their calling to help others

Management structure as of Sep 2017

- xxx: Leadership
- xxx: Supervisors
- xxx: Staffs

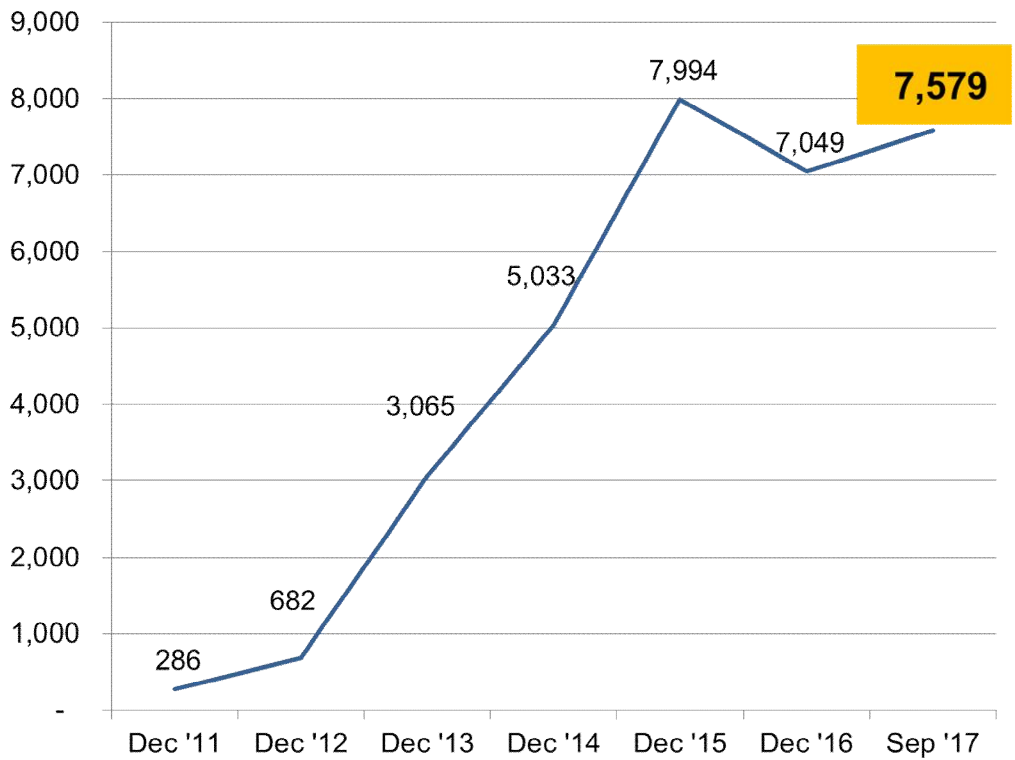
Leonardo Kamilius
CEO
(ex. McKinsey)

- Lucyana Siregar
  Chief of Operations
  (ex. Sinar Mas)
  - **1 Operations Supervisor**
  - **3 Branch Mgr.**
  - **2 Acting Branch Mgr.**
  - **2 Social Impact Officers**
    - **7 Vice Branch Mgr.**
    - **19 Field Officers**
    - **1 Operations Assistant**
    - (Total: 27 officers)
- (Vacant)
  Chief of Finance
  - **2 Supervisors (Finance & Accounting):**
    - Lidya Sarah (ex. KPMG)
    - Isabella Harefa (ex. Unilever)
      - **1 Admin Leader**
      - **4 Admin Staffs**
      - **1 Accounting Staff**
      - **2 Accounting Admin Staffs**
      - (Total: 8 officers)
- (Vacant & ongoing recruitment)
  Chief of HR
  - (Vacant & ongoing recruitment)
    HR & GA Supervisor
    - **1 HR Staff**
- Sandra Surya
  Chief of Development
  (ex. SCB, RBS)
  - **2 Development Supervisors:**
    - Winni Rulianti (ex. Astra)
    - Randy Halim (ex. Mandiri)
- Aenea Marella
  (part-time)
  Training Manager
- (Vacant & recruitment in 2018)
  Internal Audit Manager

SOURCE: KKI

To date, ~6.5 years after establishment, KKI has 7,579 active members, 99% of whom is women, 65% live with ≤USD 3 a day or less

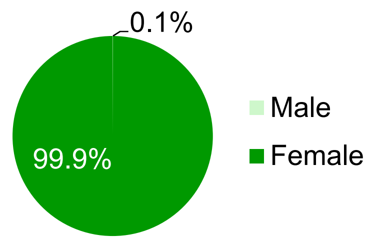
KKI's member growth, 2011 – Sep 2017, in number



Members' profile

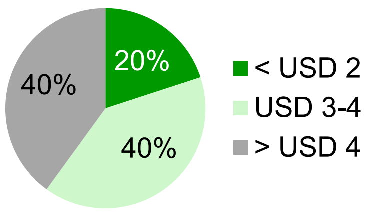
Members gender split

Percent



Members income split, per day per person*

Percent (USD 1 = IDR 10,000)



*Proxy data, calculated based on past split in conservative manner. This data is not recorded real-time

SOURCE: KKI; Interviews; Field observation

More than 52,000 loans had been disbursed, with total value of >USD 7.5 million. KKI reached operational Break Even Point in 2013

USD 1 = IDR 10,000

Operational figures (Sep 2017)

- Number of branch & satellite (in bracket) : 6 (3)
- Number of districts served : 3
- Unique members who have received loan : 17,826
- Active members : 7,579
- Number of loan disbursed : 52,933
- Number of full-time employee : 50

Financial and risks-related figures (Sep 2017)

- Total value of loan disbursed : USD 7.53 million
- Outstanding portfolio : USD ~646,805*
- Assets : USD ~735,000*
- Donations received : USD 140,975
- Non Performing Loan : 0%
- Portfolio at Risk >30 days : 0%

KKI profit & loss condition, 2013-2015 (2016 FS is still being audited by E&Y)

Financial results, full-year 2013
USD, audited (restated in 2015 audit)

Revenue	60,204
Expenses	53,202
Profit (loss)	7,002

Financial results, full-year 2014
USD, audited (restated in 2015 audit)

Revenue	154,239
Expenses	138,981
Profit (loss)	15,259

Financial results, full-year 2015
USD, audited

Revenue	354,653
Expenses	309,003
Profit (loss)	45,650

*Not a real-time data. Calculated in conservative manner. For assets, it is because 2017 financial statements are still being prepared

SOURCE: KKI

From vision point of view, KKI observes more and more of its members made progress, some are significant. Below are progress data and stories example

USD 1 = IDR 10,000

2015 progress assessment

Our simple progress assessment in 2015 shows following results

- **Savings:**
  - Average savings / member increased by 266% from USD 6 to USD 24 (2011-2014)
- **Housing Conditions (2013-2015):**
  - 25% of sample population saw improvements in housing conditions
  - 52% saw more than 1 improvements in housing condition (wall, floors, ceiling, toilets)
- **Asset Ownership (2013-2015, 2 years sample assessment)**
  - 25% were able to acquire new asset, of which, 25% acquired more than 1 new asset (Washing machine, motorcycle, bike)

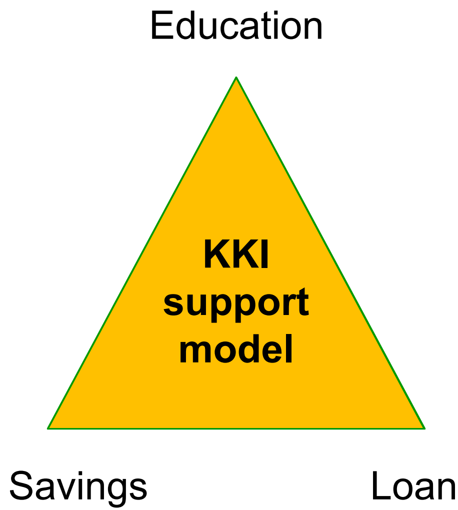
Examples of members with significant progress

Name	From …	… To
• **Ita Rosita** (picture 1-2)	• Only husband works (fisherman) and earned USD ~8 / day. They have 2 kids • Has been **renting** house for **19 years**	• Ita set up her business and **earns another USD ~8 / day** • Now **has a small house**, though without land certificate
• **Barkah** (picture 3)	• Running food stall, she and husband earned USD ~12 / day, 2 kids • Has been **borrowing from loan sharks** for **~3 years** prior to KKI	• Now she regularly **saves USD ~7 / day** and has no loan • She uses her savings **to gradually build a house** at her village

In achieving our vision, we follow our theory of change: For the poor to exit poverty, having opportunities is not sufficient. They must be ready to progress

Success = readiness + opportunity

Out of poverty	Better health, education, nutrition, assets
=	
Opportunities	Opportunities on business, funding, savings, insurance
+	
Readiness	Mindset, habit, drive to progress, knowledge, values



Applying our belief, only giving loan will not be sufficient to empower the poor. Therefore, KKI provides education, loans and savings facility to its members

Provided by KKI (core work)

1 Education

- Educations are focused to **change mindsets**
- **4 tools**: Mindset-opening session, Frame of Dreams, soft forcing and educational videos

2 Loan

- Loans are focused to **grow business and families**
- **3 types**: Business, Education and Housing Loan

3 Savings

- Savings are focused to **provide safe, reliable access that fits with members' context**
- **2 types**: Weekly compulsory and open account

Provided by others (non-core)

4 Children education

- University, high school and elementary school **scholarships**, **course** to prepare for university test

5 Health

- Free medication, free glasses

SOURCE: KKI

1 KKI believes mindset change is the foundation for the poor to exit poverty in sustainable manner. To achieve that, KKI provides education through 3 tools

USD 1 = IDR 10,000

Mindset-opening training

- Compulsory for members
- **Set "fire" in members' heart** by asking them to set realistic **dreams**
- **Deconstruct belief** that hard work is enough. They **must also manage and save** their money
- Followed up by weekly/monthly meeting

Frame of Dreams

- Optional for all members
- Members are asked to **get the pictures of their family's dreams** and put it on Frame of Dreams, provided for free
- They then put it on their house's wall, so whole family will be **motivated everyday** by looking at it

Savings-habit building

- To change old habits, sometimes it is best to **require people to do it**
- KKI requires members to **save weekly along their installments**, resulting in total savings of ~23% of their loan principal
- Also force members to be discipline and on-time

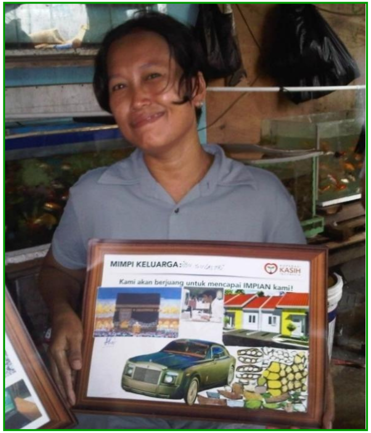
Educational videos

(This was provided until 2013. It is on freeze for further evaluation)

- Provide education on the importance of savings
- Soap opera, **5 episodes video** that were made using members' context and language
- Also shared in YouTube

SOURCE: KKI

1 Example of members with their Frame of Dreams. It is aimed to motivate members on daily basis, fuel their spirit to do their best to exit poverty



SOURCE: KKI

2 All of KKI loans are aimed to empower members: Business, Education and Housing Loan. Its Business Loan is integrated with other needed supports

USD 1 = IDR 10,000

KKI products

	Business	Education & Housing	Other MFIs*	Loan sharks
Goal	• Increase working capital (50%), other productive use (50%)	• E: All education • H: Fixing, buy land, pay down payment	• Business, but tend to be loose if it is used for consumption	• All use, including consumption
Size	• Starting from **USD 50-150**, up to USD 600	• E: USD 300-1,500 • H: USD 400-2,000	• Starting from USD 100, up to USD 700	• USD 10-500
Interest & installment	• **30%** / year, flat • Weekly: 25 or 40	• 2% / month, flat • Monthly, up to 4 years	• **30-45% / year**, flat • Weekly: 16, 20, 25	• **240-360% / year**, flat • Daily or monthly
Savings	• Compulsory, 23% of loan principal / week • **Could add voluntary**	• None	• Some has compulsory, USD 0.1-1.2/week • No voluntary	• None
Other supports	• Education, Frame of Dreams, Video, savings facility	• None	• None	• None

Note: This loan is on freeze for evaluation; 1-2 active lenders remain

KKI provides the **cheapest loan** that is **bundled with supports needed** by the poor

*Other microfinance institutions in Cilincing, most of which is older than KKI

SOURCE: KKI; Interviews; Field observation

KKI's 3 services operationalize KKI's social impact and business model. The business aspect is designed to support the social aspect – our main goal

Service	Contribution for SOCIAL aspect	Contribution for BUSINESS aspect
1 Education	• Educations are focused to **change mindsets** • Mindset change is fundamental to make sustainable impact on members	• Education provides **the least and indirect impact** to business • It will contribute to increase in savings and reduction in bad debts in mid-term
2 Loan	• Loans are focused to **grow business and families** • It will help members earn more income and acquire things needed by the family. Increase in income can be use for savings and essential needs	• Loan is **the main and the only direct revenue driver** of KKI • The 5% admin and 30% interest cover KKI's operations (>70% for salary), but not yet to finance growth. • Source of funding come from external loans and members' savings
3 Savings	• Savings are focused to **provide safe, reliable access that fits with members' context** • It enables member to form savings habit and accumulate assets	• Savings **provide indirect impact to business** • It acts as source of funding and buffer against risk

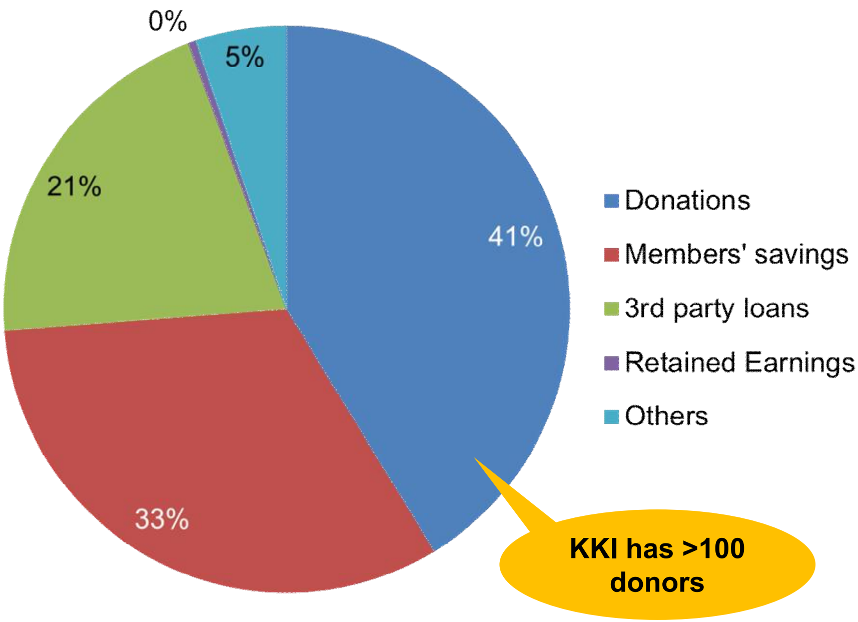
SOURCE: KKI

KKI's funding sources have been evolving. Donation was the biggest in 2011-2013, but loan from 3rd party and members' savings took over in 2014-2015

USD 1 = IDR 10,000

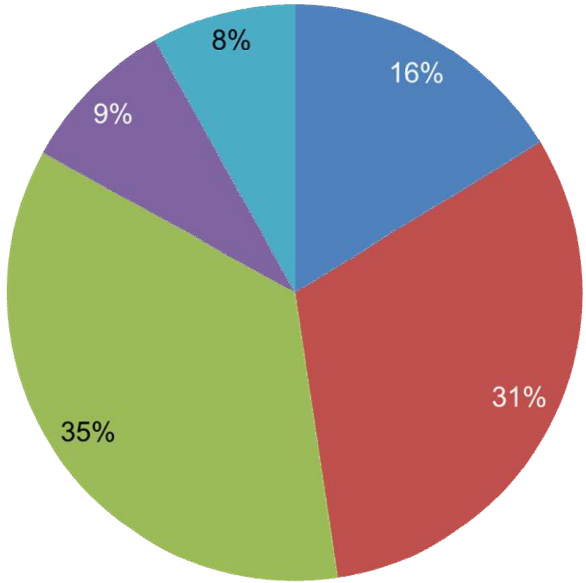
KKI Funding Sources, 2013

In %, total = USD 242,610



KKI Funding Sources, 2015

In %, total = USD 775,818



*We do not share 2016 data because the financial statements are still being audited

If you share KKI's calling for the poor, let's collaborate!

Contact Details

+62 855 825 22 18

@kasihindonesia

koperasi.kasih.indonesia@gmail.com

www.kasihindonesia.com

Jl. Cilincing Baru, Gang 2 Dalam No. 29
RT10 RW01, North Jakarta 14120, Indonesia

Bank Account Details

Bank Rakyat Indonesia (BRI)

Account No. : 1223.01.000112.30.9
Name : Koperasi Kasih Indonesia
Branch : Mal Ambassador
Transfer Code : 002
Swift Code : BRINIDJA