



SOCIAL ACCOUNTABILITY REPORT 2016

# Microlending Reimagined



# Message from the CEO



Currently, more than 2 billion people around the world are categorized as unbanked, with most of them living in Asia and Africa. Indonesia alone has 68 million micro businesses, the majority of which do not have access to financial services despite their contribution of providing jobs to more than 90 percent of Indonesia's total workforce.

The lack of access to financial services turns out to be a major factor behind the low productivity of small and medium sized businesses.

Such a problem, for instance, is being faced by Atinah, a villager who makes rice bowls out of rattan to make ends meet. The 42-year-old woman lives in Bogor and belongs to one of the 196,000 families living on the edge of poverty that have no banking access in the region.

Amartha, which operates a peer-to-peer (P2P) lending platform, is able to reach out to these unbanked communities by developing psychometric approaches and credit scoring technologies that allow clients like Atinah to become credit-worthy loan recipients.

Such initiatives will create economic democracy and open up opportunities for economic participation by those who would otherwise be denied access by banks. This is the real meaning of financial inclusion.

In our Social Accountability Report, I'm excited and proud of Amarthar's rapid scale and immense social impact. Our findings show a 41% increase in borrower incomes after receiving a working capital loan to expand their businesses. Additionally, we have also learned of indirect improvements in the standard social indicators of poverty such as access to clean cooking fuels, better transportation methods, adequate sanitation and nutrition.

Amartha's journey towards economic and social justice has just started. Together, we hope to provide financial technology services for micro businesses to eradicate poverty, empower those in the informal sectors and increase financial inclusion among Indonesians to create a united and prosperous nation.

Andi Taufan Garuda Putra  
CEO & Founder, Amarthar

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"When we invest in women, we invest in the people who invest in everyone else."

Melinda Gates,  
Bill & Melinda Gates Foundation

# About Amarta

Amartha is an Indonesian financial technology company that empowers women in remote villages with access to financial education, working capital and technology.

Incorporated in 2010 as a microfinance institution, Amarta transformed into an online marketplace in 2015 and opened its lending platform to the international community. The company's unique peer-to-peer (P2P) lending platform connects aspiring micro-entrepreneurs with individual investors interested in making profitable, impactful investments. By leveraging technology to lower operating costs and reach geographically remote villages, Amarta ensures its borrowers obtain affordable financing rates while investors enjoy favorable returns. Today, Amarta attracts more than 5,200 investors and serves 29,000 women micro-entrepreneurs throughout the Bogor, Bandung and Subang regencies of Java, while maintaining a 0% default rate.

Amartha's dedicated field teams, comprised of 150 agents operating in West Java and Banten, create a cohesive culture that directly benefits its members. Field agents work around the clock to conduct financial literacy trainings, orchestrate weekly group meetings, facilitate loan disbursement and repayment, and mentor borrowers in both a professional and personal capacity. The use of machine-learning in Amarta's robust credit-scoring platform guarantees a secure and transparent approach to measure each borrower's risk profile so investors can choose investments according to personal risk appetites. The industries Amarta supports include trade, agriculture & farming, housing, services, water & sanitation, education and health.

# Amartha's Approach

Providing Indonesia's 68 million micro-business entrepreneurs the ability to participate in the formal economy and contribute to the national GDP, while working with policy-makers to amend regulations for the financial technology industry.

Amartha follows the group-lending model, a financing model created by the founder of Grameen Bank in Bangladesh and 2006 nobel peace prize winner, Professor Muhammad Yunus.

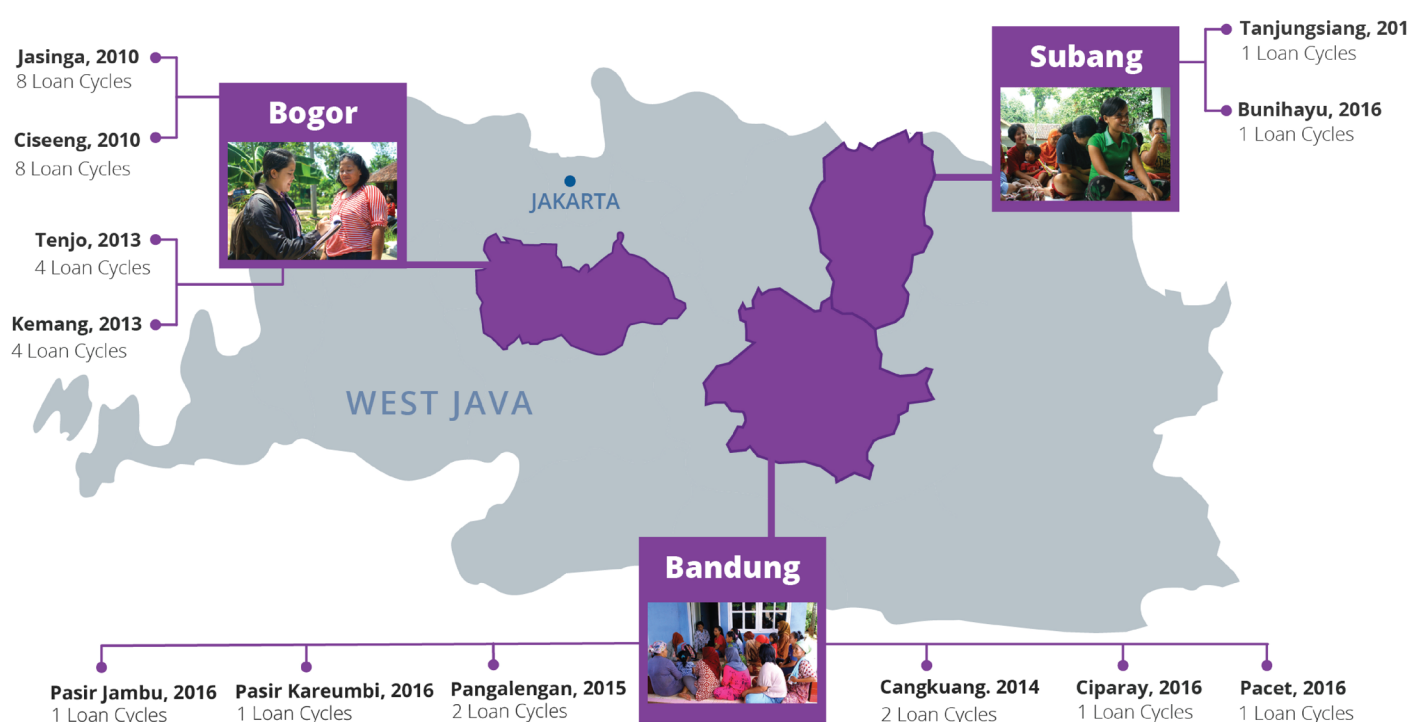
While any woman with a capital need of at least IDR 1.5 million can apply for membership, Amartha requires prospective individual borrowers to form groups of 15-20 people in order to be eligible to receive financing. Through this model, members share the risk and responsibility for each other's timely payment because if one individual defaults on her loan, the others will be required to assume the repayment. The goal is to encourage members to select trustworthy partners to minimize risk and guarantee return.

The first loan may be allocated toward improvements in family education, health and/or the household, but all subsequent loans must fulfill a working capital need for an existing business.

Amartha operates in over 150 villages throughout the regions of Bogor, Bandung, and Subang, West Java. The highest concentration of borrowers resides in Bogor, and its branches were established in Amartha's early years when it still operated as a microfinance institution.

Every year, once the existing loan has been paid in full, borrowers have the option to renew and begin a new cycle. Every branch, as indicated in the map below, enjoys low attrition rates as members have stayed with Amartha for as long as the branch has been in existence.

Retention rates in Amartha are very high, with 80-90% of first-time loan recipients returning to Amartha for a second loan.





# Borrower Demographics

Four in five Indonesians are unbankable and 70% of the most vulnerable population comprise of women. Amarthas strives to build an inclusive economy where socially and economically marginalized communities can prosper.

Amartha's focus is to empower young women in remote regions with the confidence to manage their own businesses. Many of those who started Amarthas-funded businesses have doubled their household income and can now contribute to developing their local communities.

Over 50% of micro-entrepreneurs are less than 40 years old.

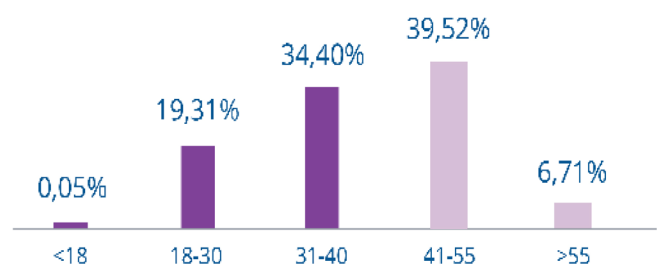
Amartha fosters entrepreneurship opportunities for women with limited education. Over 60% of Amarthas women micro-entrepreneurs have not received any education beyond elementary school, and less than 1% hold a degree. Typically, high school graduates earn IDR 1.7 - 2.7 million (USD \$125-200), while those without a high school diploma earn far less and face severe cyclical unemployment.

Amartha provides educationally-disadvantaged women an alternative avenue to create economic value.

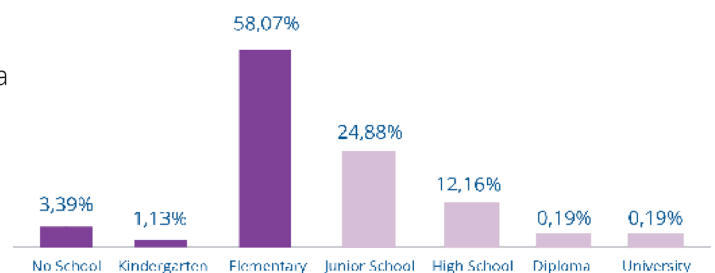
"A woman multiplies the impact of an investment made in her future by extending benefits to the world around her," says international aid organization USAID. Amarthas encourages investment in profitable business ideas within the trade sector to help women achieve financial inclusion for themselves and their families. Even those who leverage their initial loan for non-business purposes return for subsequent loan cycles with an enterprising business idea and the ambition to join the labor force.

Amartha invests 100% of its loans in women

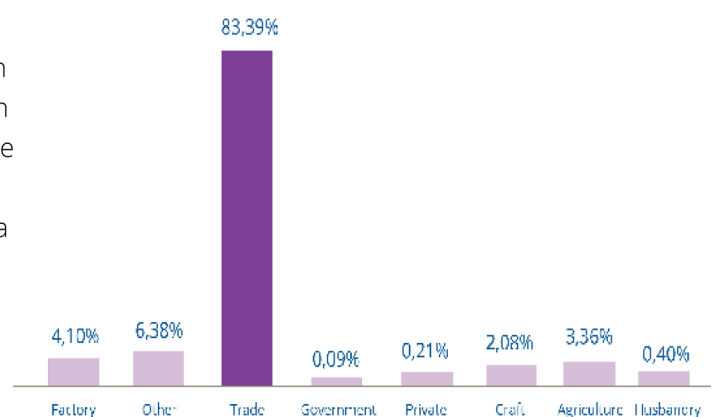
## Age



## Education



## Occupation



Sources: Ministry of Manpower and Transmigration  
World Bank's 2014 Global Findex



5 years ago, Ning and her husband tailored garments to earn a mere IDR 3 million (\$240) per month. After saving carefully, and with an additional loan from Amarthia, they converted their small field into a catfish farm to start their own business. Today, they earn more than IDR 5 million per month and hope to open several more farms in the future.





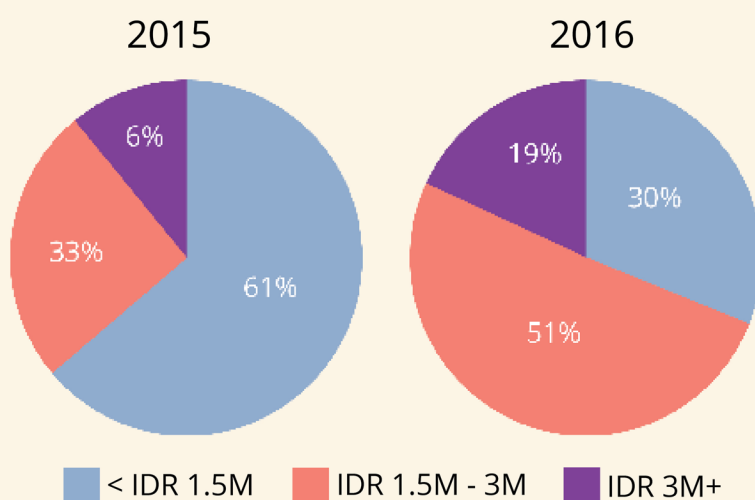
# Social Impact

## Business Performance

Micro-entrepreneurs experienced a 41% increase in monthly business revenue one year after receiving a working capital loan from Amarth.

Amartha conducted an impact assessment to isolate and measure the social and economic benefit its financial services have on its active borrowers. Based on measurement criteria provided by the Progress out of Poverty Index, an accredited poverty measurement tool, the survey questions have been designed to highlight changes in household asset ownership and business performance for borrowers who have participated with Amarth between one to three years. With a sampling size of 400 participants chosen at random across the regions of Bogor and Bandung, the survey minimizes selection bias and controls for variables in geography, industry, age, household size, and income level. Given Subang's branches opened in late 2016, its participants have been excluded from the survey because they have yet to complete one full loan cycle with Amarth. Their progress will be monitored throughout the course of 2017.

**Chart 1: Monthly Business Income**



41% increase  
in monthly  
business income  
after one year

The two pie charts above compare the change in average monthly business revenue at the beginning and end of a one-year loan cycle. Amarth's findings show an upward shift in revenue after borrowers received a working capital loan to expand their businesses. Loan sizes ranged between IDR 2 million - IDR 4 million depending on the stage of the borrower's loan cycle. While some participants were new borrowers applying for their first loan in 2015, most were existing Amarth borrowers who had been

operating an Amarth-funded enterprise for at least one year. Micro-entrepreneurs used the loan to invest in inventory, open new business locations, expand operations and introduce different products.

End of Q4 2015, the majority of micro-entrepreneurs reported earning less than IDR 1.5 million (\$115) per month and only 6% earned over IDR 3 million (\$220). Across Amarth's sample, micro-entrepreneurs generated an

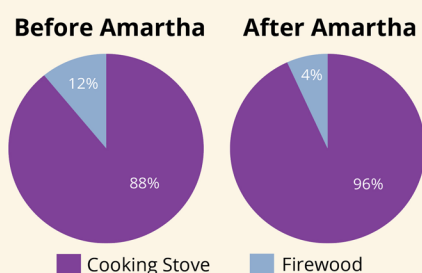
average monthly salary of IDR 1.44 million (\$108).

End of Q4 2016, one year after receiving an up-front working capital loan, average monthly business revenue increased to IDR 2.03 million (\$152), a 41% increase from 2015's figures. 51% of businesses now earn between IDR 1.5 million - IDR 2.5 million while nearly one-fifth of businesses generate greater than IDR 3 million, a shift from the 33% and 6%, respectively, one year prior.

# Social Indicators of Poverty

To effectively understand the impact of development interventions, poverty is often measured multi-dimensionally. Beyond direct improvements in economic welfare, the study also monitored changes in social indicators of poverty including access to clean cooking fuel, proper flooring, a refrigerator, a motorbike and adequate toilet facilities.

## Indicator 1: Clean Cooking Fuel



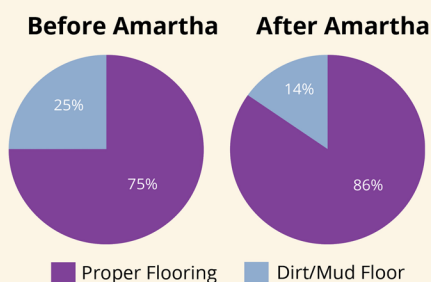
**Two-thirds of households previously using firewood upgraded to a cooking stove**

According to a World Bank study in 2014, 24.5 million families in Indonesia continue to use traditional fuel sources such as firewood for cooking, with many households burning the firewood indoors. Exposure to this toxic air pollution often leads to severe respiratory infections such as asthma and lung tuberculosis. Amatha's study measured the extent to which its borrowers replaced firewood with safer cooking stoves as economic welfare rose after joining Amatha's program. Results showed that currently, only 4% of borrowers still rely on firewood for cooking, a significant decrease from the 12% of borrowers who used firewood prior to joining Amatha.

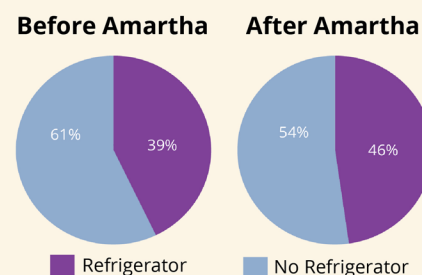
## Indicator 2: Proper Flooring

In David Gordon's report, "Indicators of Poverty & Hunger", for the United Nations, he defines individuals living in homes with mud, dirt, or clay floors as severely deprived. These floors harbor unsanitary living conditions primarily because they are difficult to clean, retain moisture that attract mosquitoes and other pests, and encourage the spread of disease such as typhoid and malaria. Amatha's study found that the number of households who relied on dirt floors dropped from 25% to 14%.

**Today, over 40% of households who previously had dirt floors have upgraded to tile**



## Indicator 3: Access to a Refrigerator



**Over 60% of households did not have access to a refrigerator before Amatha**

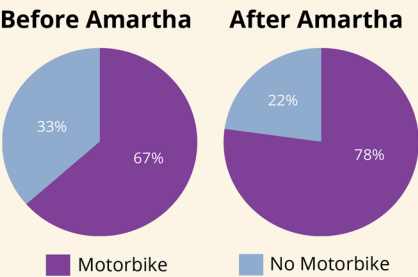
Refrigerators are valuable tools and a key domestic good used to improve the health and nutritional well-being of a family. There exists a strong negative correlation between households with access to a refrigerator and absolute poverty levels. Nearly two-thirds of the sample population did not have access to a refrigerator prior to joining Amatha. However, as borrowers experienced a gradual increase in business income and consumption habits changed, these figures shrunk to 54% as more households could afford a refrigerator.



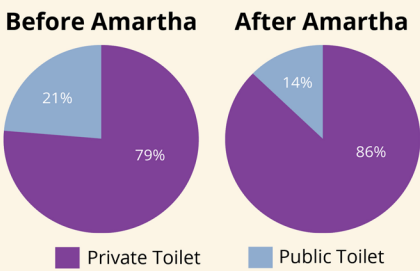
Indicator 4: Access to a Motorbike

The villages Amarthas supports are located in remote geographical locations, often with underdeveloped infrastructures and difficult to reach by car. People residing within these regions rely heavily on motorbikes as an efficient and sustainable way to conduct business, transport goods, and travel. Households with access to a motorbike grew by 11% after joining Amarthas, and nearly 80% of Amarthas members have a reliable form of transportation.

Today, nearly 80% of Amarthas members have reliable transportation



Indicator 5: Adequate Toilet Facilities

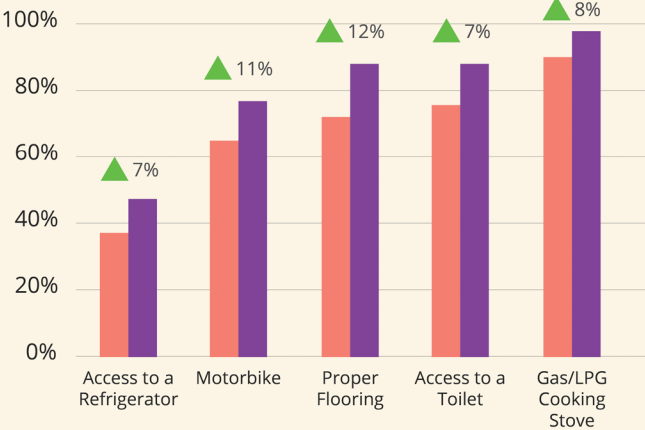


One-third of borrowers who did not have toilets built private facilities within their homes

Lack of adequate sanitation and indoor toilet facilities have a formidable effect on health, education, security and prosperity for households worldwide. In Indonesia, 50% of households live in unhygienic environments with improper sewage systems that contaminate the water and soil. One-fifth of borrowers stated they either had no toilet or they shared a general toilet with several other families in the village, but these figures decreased to 14% after borrowers received access to financial services.

On average, households enjoyed a noticeable increase in access to critical goods that improved their mobility, health, education and security after leveraging Amarthas financial services including working capital loans and financial literacy.

Changes in Social Welfare 2016



Amarthas findings were unanimously positive across all sectors. The pink and purple bars represent the borrower’s access to basic social needs before and after joining Amarthas, respectively. Interestingly, the survey also indicates trends in purchasing preferences, specifically which products borrowers are more likely to purchase after experiencing increases in income levels. While most households prioritize access to transportation (i.e. motorbikes) and proper flooring, families are least likely to invest in a new refrigerator. Amarthas will be able to leverage this data to tailor its products according to borrower needs.

# Modernizing Microlending



Amarta's peer-to-peer lending platform, established in 2016, now attracts more than 5,200 lenders and connects them to 29,000 women borrowers in rural villages across the island of Java.

According to Statistics Indonesia, a research division within the government, more than 62 million people in Indonesia work in the informal sector. While this sector contributes to a significant portion of the nation's GDP, stringent banking regulations and geographical challenges inhibiting business scalability contribute to a predominantly unbanked population within the informal economy.

To address this issue, Amarta has pioneered the use of a robust credit-scoring model designed specifically for seemingly "unbankable" micro-borrowers. By leveraging psychometric and machine learning technology, Amarta can profile each borrower's ability and willingness to pay, even if they do not have a previous credit history or any evidence of an income stream. This breakthrough will enable Amarta to screen the credit-worthiness of millions of micro-entrepreneurs and create opportunities for them to access formal financial services, thus creating an inclusive economy.

Furthermore, as the first and only financial technology company in Indonesia that serves micro-entrepreneurs through the Grameen model, Amarta is committed to raising the bar for the micro- and small-business segments.

The peer-to-peer lending platform allows for individuals to transact with one other directly and reach micro-segments that have never been served before.

By continuously developing and deploying innovative technologies for the unbanked, Amarta strives to modernize microlending for a more prosperous Indonesia.





In addition to providing financial services, Amarthas has orchestrated various social programs dedicated to improving access to medical services, education and food security for women and their families.

# Social Programs

## Health

Amartha partnered with WeCare.id, CIMSA, HEUP, and Universitas Trisakti to deliver health services to over 500 Amarthas members and their families.

During workshops, doctors and dentists administered blood & cholesterol tests, cardiac screenings, and dental examinations while other health professionals counseled families on proper nutrition, basic hygiene and exercise.

During Project Kacamata in Bogor, Amarthas recruited eyecare experts to examine over 1,000 citizens and distribute 513 prescription eyeglasses to the visually-disabled population in order to improve productivity and working conditions. Through crowdfunding platform, KitaBisa, Amarthas fundraised more than IDR 63 million by 141 donors to support the project.



**"I can work longer hours pain-free. Even my kids have started enjoying school now that they can see better"**  
explained Ibu Apsia whose family received eyeglasses from Amarthas.



## Education

In Bojong, Jasinga, and Tenjo, Amarthia recruited 6 inspirational leaders to coach 112 members on business management best practices in trade, agriculture and hydroponics.

Leaders comprised of successful, experienced Amarthia entrepreneurs with established techniques to scale micro-businesses sustainably while maintaining a 100% repayment rate with Amarthia. Speakers shared their ideas on how to mitigate daily challenges and re-invest profits to generate the most economically fruitful returns within each industry. The goal of the workshop was to champion local women to collaborate with their

community members and empower them to become effective thought leaders, mentors and guides.

Amartha has also partnered with Bank Indonesia, Allianz and Indosat to regularly provide OJK-accredited financial training regularly to its borrowers. In the villages of Bojong,



## Sembako

Amartha raised IDR 71 million to during Ramadan and distributed Sembako supplies to over 5,750 women.

Every year before Idul Fitri, Amarthia designs a savings and subsidy program to lighten the financial burden imposed by the 30%+ inflation of sembako products. For Project Tabungan Sembako, Amarthia creates separate savings accounts for its borrowers and crowd funds donations to subsidize the inflated costs of sembako products. Amarthia encourages early savings to ensure borrowers prepare effectively for Indonesia's largest holiday without experiencing any additional


financial hardships during the festive month. Along with its own personal donation, Amarthia leverages funds raised from KitaBisa to heavily subsidize the cost of sembako products, decreasing the price nearly 50% from IDR 65,000 to IDR 35,000 for oil, sugar, rice flour and peanuts. The borrowers' separate savings accounts covers the remaining cost entirely and general savings are not disturbed.











"Thanks to my investor's IDR 500,000 loan, I've been able to generate enough income from my home business to finally install electricity in my house and pay for my son's education."

## Social Partnerships

Amartha formed fruitful partnerships throughout 2016 to advance its social mission and expand its impact.

### Amartha & Bukalapak

Amartha partnered with Bukalapak to deepen its understanding of the tools necessary to successfully navigate the online world. Indonesia's growing e-commerce industry demonstrates a unique opportunity for micro-entrepreneurs and small business owners to significantly expand their network and increase product demand.

Indonesia currently trails marginally behind India and China, and global investors project its online marketplace to reach \$130 billion by year 2020. Recognizing the strong role e-commerce could play in development, especially for those often isolated from trade markets due to geographical barriers, Amartha partnered with the e-commerce giant Bukalapak to understand how to connect its offline entrepreneurs to the digital ecosystem. Amartha ran an impact

*Amartha is committed to discovering innovative solutions that will guide our women to become sustainable e-commerce vendors.*

assessment to identify and highlight unique challenges its borrowers experienced while fielding the online platform and managing incoming orders. Interestingly, Amartha discovered its women entrepreneurs were very eager to onboard their products to e-commerce, citing reasons such as increasing demand, facilitating sales, and improving profits. However, several important challenges were also uncovered such as a lack of mobile phones, limited technology skills, and obstacles with the shipping & handling process.

Amartha's vision is to bring remote villages the technological resources necessary to help its members become active participants in today's increasingly competitive economy and have their voices heard.





## Amartha & Sikola Mombine

Amartha has partnered with Sikola Mombine, a Sulawesi-based NGO that educates women to become political participants in their local communities. In November 2016, the two organizations traveled to the post-conflict zone of Poso to conduct a financial literacy training.

The training highlighted the importance of diversity within communities and highlighted solutions to daily challenges such as limited access to markets outside Poso, increased competition, low skills/education, underdeveloped infrastructure, access to affordable working capital and poorly managed government programs.

The energy, vigor, and passion the women micro-entrepreneurs brought to the workshop clearly demonstrated their dedication to rebuild Poso into an economically prosperous society where future generations could thrive. In 2017, Amartha will expand its reach beyond West Java into Sulawesi and provide access to its financial services to the women of Sikola Mombine.

*The training, sponsored by the US Embassy and YSEALI, equipped women with the skill-sets required to successfully manage their businesses and become vehicles for social, political, and economic change in Poso.*

## Amartha & Melbourne Microfinance Initiative (MMI)

Amartha has engaged with Melbourne Microfinance Initiative (MMI), a nonprofit organization out of the University of Melbourne that provides consulting services to microfinance institutions across Australia and the Asia Pacific, to design randomized evaluations and measure the impact of its program on entrepreneurs' business performance, savings, health and education. Amartha's findings underscore the value of impact trials as important tools to measure poverty alleviation and rigorously monitor its progress.

## Other Partnerships





"I knew I couldn't let the sadness from his death break me down. I had mouths to feed, children to support.. I had to find the strength to go back to work."



## Success Story: Ibu Keni

After losing her husband in 2013, Ibu Keni realized her daily income of IDR 100,000 (\$8) selling snacks and sembako products hardly covered her existing household expenses. Banks refused her loan petitions and she was forced to borrow from village sharks, whose exorbitant interest rates sank her deeper into poverty. "At that point, I wasn't working to feed my family, I was working for the rentenir" explained Ibu Keni.

In 2014, Ibu Keni learned of Amarta and borrowed a small amount of IDR 1 million. Her initial loan, coupled with Amarta's business management and financial literacy training, guided her to purchase the additional inventory needed to sell rice cakes, coffee and several other grocery items. Further, Amarta's flexible repayment plan allowed her to concentrate on growing her business sustainably. Demand increased

as she diversified her product line and by the time she repaid her first loan, her monthly income had more than doubled to IDR 7 million. Eventually, the 130% increase in salary significantly improved her financial health; she built an educational fund for her children and even began contributing towards retirement savings.

A single parent of three and a tireless businesswoman, Ibu Keni's continues to radiate a contagious energy, spirit and enthusiasm within the community and serves as one of Amarta's most influential borrowers today.



# Testimonials

“

**VIVI ALATAS**  
LEAD ECONOMIST AT THE WORLD BANK



*"Amartha has developed a breakthrough technique and leverage technology to obtain micro-loans and liberate women in rural areas from poverty. I see tremendous potential for Amartha to empower millions more women in Indonesia."*

”

**5,200** INVESTORS

**IDR 61 BILLION**  
LOANS DISBURSED

**29,000+**  
WOMEN EMPOWERED



**ARIEF RASYAD**  
RELOCATION SERVICES CONSULTANT

*"Through Amartha's unique platform, I can now sustainably invest in Indonesia's micro-entrepreneurs and improve the welfare of its underserved population. Though the investments – a few million rupiah – don't seem high, these small amounts of capital go a long way for the borrowers."*

*"Amartha's well-organized platform, group-lending system and credit-scoring technologies make my investment feel secure and allow me to reach the populations I want to impact most: the rural women and housewives that don't fit a traditional bank's risk appetite."*



**BELLA NAWANGSIDI**  
BANKING PROFESSIONAL



# A Special Thank You

## The Year of Great Transformation...

We conclude the year of 2016 with tremendous gratitude for our partners, our staff and all the families we've served. Though our long journey continues, we've made significant progress towards reducing poverty. Our integrated approach to achieve financial inclusion for the unbanked and those living at the bottom of the pyramid shows great promise. While the numbers, as portrayed in this report, speak for themselves, we have also witnessed the happiness and hope shining on the faces of our women entrepreneurs.

Our decision to remain at the forefront of financial technology innovation in Indonesia has been rewarding. The peer-to-peer lending platform that we developed throughout 2016 has successfully connected impact investors with the new asset class of a micro-segment that has never been served before. Further, our hybrid approach of combining proprietary technology with direct human interaction has advanced the reputation of our field officers and strengthened our ability to serve the nation.

We would like to especially thank our staff for going the extra mile to ensure this transformation has brought most extraordinary value to our community. To our fellow field officers, branch managers, technology experts, product teams and all other professionals working behind the scenes: thank you! Let's continue our journey towards justice and equal opportunity for everyone to prosper, together.

**Aria Widyanto**  
*Vice President, Amarta*



WE ARE A TEAM WITH A COMMON GOAL:  
A NATION WITHOUT POVERTY  
WE EXPLORE NEW PLACES AND DISCOVER NEW FACES  
OF THE PEOPLE WE CARE ABOUT. WE BELIEVE  
T E C H N O L O G Y  
CAN BRIDGE INEQUALITY.  
WE BELIEVE WE CAN REACH THE UNREACHED  
WE DELIVER EXCELLENCE BUILD PARTNERSHIPS AND  
PROSPER TOGETHER.  
WITH SPEED, INTELLIGENCE, AND INNOVATION, WE  
MODERNIZE MICROLENDING  
FOR INDONESIA'S ECONOMICALLY-DISADVANTAGED.  
WE VALUE ENERGY, ENTHUSIASM. WE TAKE OWNERSHIP,  
WE KEEP OUR PASSION ALIVE. AND WE ARE DEDICATED TO  
FINANCIAL INCLUSION.  
IF OUR CLIENTS WIN, WE WIN.



*Bridging Indonesia's informal economies through sustainable, impactful investments.*

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