

Cracking The Multidimensional Poverty

A Commitment to Alleviating Poverty in All Its Forms

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How We See The Poor?

“People ... were poor not because they were stupid or lazy. They worked all day long, doing complex physical tasks. They were poor because the financial institution in the country did not help them widen their economic base.”

–Muhammad Yunus, 2006 Nobel Peace Prize Winner



Who's The Poor in The Small Enterprise Economy?

The poor are individuals – men and women, children, youth, old people, those with disabilities – **who may live alone but who, more commonly, live together in households.**

But other issues from households, not all of them operate in a supportive, collective manner, however. **In particular, gender imbalances** in the household division of income may result in skewed access to total income, with men receiving a larger share.

This may **reinforce the poverty trap,**

“as women tend to spend more of their income on the welfare of children. Men tend to spend more on tobacco and alcohol” (Case and Deaton, 2002).

the relationship between small enterprises and poor households, there are five categories of the poor:

Poor Entrepreneurs

Who operate on small enterprise, usually sole worker/works only with family labor, do not reach above a minimum level of well-being.

Poor Workers

These include those whose income, benefits, rights and protection are not sufficient to meet basic levels of well-being. Workers may have regular employment, dependent employment (such as homeworkers) or casual employment (irregular, i.e. day laborer, farm and non-farm)

Unemployed

This group includes poor people without work who may be able to reduce their poverty by starting their own enterprises or by gaining employment in a small enterprise. Poverty is reduced through the job creation aspect of small enterprises.



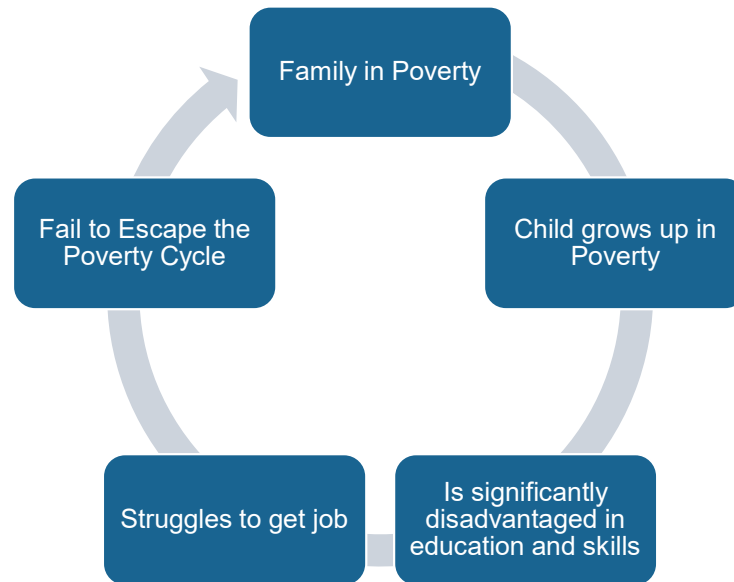
Household members dependent on poor workers and entrepreneurs

These include children, older people and other dependents (sick, disabled and household poverty may force some members to become economically active.

Poor consumers who purchase from small enterprises

This group includes poor people who receive services or buy products from small enterprises, which reduce their poverty. Services can include water, sanitation, waste disposal, health and education, which are provided by MSEs when public provision is weak.

Intergenerational Poverty?



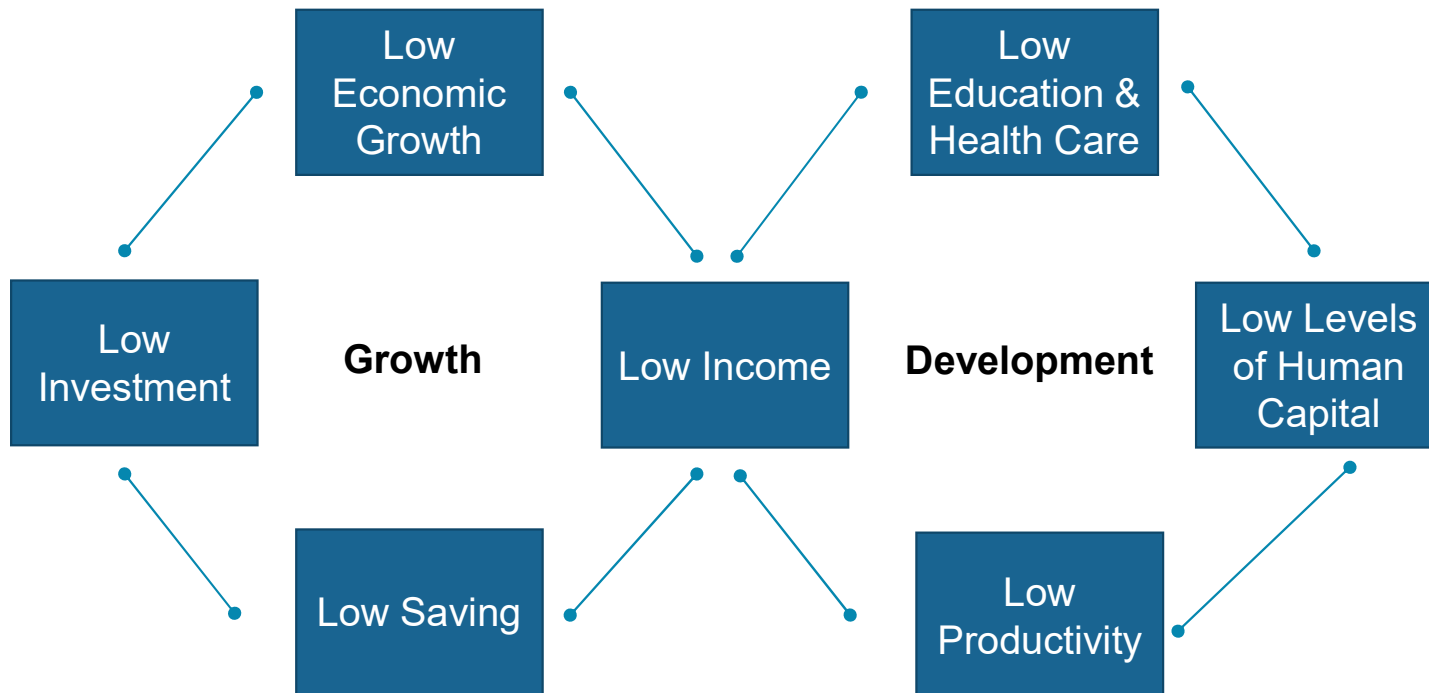
Some researchers conclude that children who have poor parents will be poor as adults, that means when we fail to overcome poverty in the current generation, it means we continue the cycle of poverty in the next generation

Source :

1. Corcoran, M. (2001). Mobility, persistence, and the consequences of poverty for children: Child and adult outcomes. In S. Danziger & R. Haveman (Eds.), *Understanding poverty* (pp. 127–161). Cambridge, MA: Harvard University Press.
2. Corcoran, M., & Adams, T. (1997). Race, sex, and the intergenerational transmission of poverty. In G. J.
3. Duncan, G. J., Yeung, W. J., Brooks-Gunn, J., & Smith, J. R. (1998). How much does childhood poverty affect the life chances of children?. *American Sociological Review*, 63(3), 406–423. doi: 10.2307/2657556.
4. Intergenerational Transmission of Poverty in Indonesia, 1993–2014, Using IFLS Data Memy Irwana,* , & Jossy P. Moeis (Ilmu Ekonomi, Fakultas Ekonomi dan Bisnis, Universitas Indonesia), 2019

Poverty Cycle Paradox

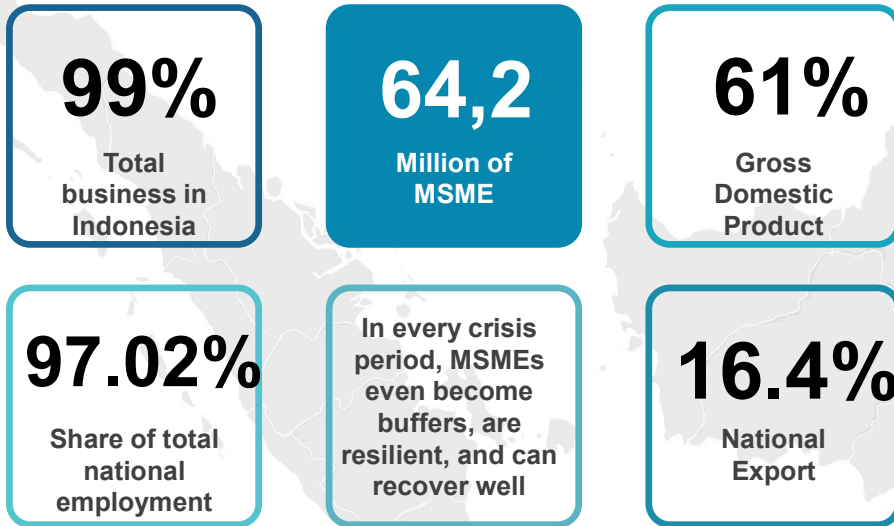
Poverty is a complicated problem with a complicated history, impacted by complicated system, and so it's easy to get overwhelmed and just go back to doing what we've always done or worse yet, do nothing at all.



Even poverty is not just the absence of income, money and/or money-like resources required to meet needs, but lack of finance obviously make fewer option to access growth and development.

“Let’s stop blaming someone for being born poor, for growing up poor and ending up poor as though it’s somehow his/her fault”

MSME X Poverty in Indonesia



MSME is dominate and the strongest economic core in Indonesia

As the main sector of employment, the progress of MSMEs will have a significant impact on improving the welfare of the people involved in it, so that the number of poor people will decrease.

However, the development of MSMEs still faces many obstacles, including access to financing.

- ❑ There is still a gap in access to financing for MSMEs, for example, the portion of MSME loans to total bank credit has been relatively stagnant at around 18% since 2014, far below some peer countries which reached around 30% to 80%.
- ❑ The current pandemic has hit MSMEs quite deeply. The impact is that the vulnerability of MSMEs increases, especially those managed by women due to the loss of income and limited access to finance.
- ❑ Ability on digitalization stems from low digital literacy skills and low financial literacy, especially those who work in the informal sector.

Reverse Thinking : Creating Shared Value (CSV)

Shared Value: Corporate policies and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which it operates

- Create economic value by creating societal value : What is good for the community is good for business
- All profit is not equal. Profit involving shared value enables society to advance more rapidly and allows companies to grow faster



- ❑ The pursuit of shared value represents the next evolution of Capitalism
- ❑ Concern with societal issues will be a defining characteristic of the post-crisis era
- ❑ Incorporating societal issues into strategy and operations is the next major transformation in management thinking

Reverse Thinking : Creating Shared Value (CSV)

Or CSV, assessing impact in both business and social aspects simultaneously.

The Background

- ❑ Various factor has been limited MSME's potential development, one of them is Lack of Finance
- ❑ Another significant problem regarding access to formal financing because of high asymmetric information
- ❑ MSME's can't provide their creditworthiness by the absence of proper bookkeeping and insufficient assets as collateral

Purpose – The purpose of this study is to simultaneously examine the role of microfinance from the business and social lenses by using the creating shared value (CSV) framework by Porter and Kramer (2011) in the context of Indonesia.

Bank Indonesia (2015) reports that 70% of Indonesia's MSMEs do not have access to bank financing (which is one of the major obstacles for them in increasing the scale of their business). Therefore, KUR and KUPEDDES play a significant role as substitutes for conventional bank loans with the aim of channelling loans to the unbanked business sector

Design/methodology/approach – A survey among more than 170,000 borrowers of two specific credit schemes by PT Bank Rakyat Indonesia Tbk., the largest microfinance provider in Indonesia, was conducted to understand the perceptions of borrowers on the benefits of microcredit under the CSV framework.

Loan Schemes - KUR (government program in increasing access to financing for MSME which are channeled through financial institution guarantee and KUPEDDES (Bank BRI Loan for bankable and could access commercial credit).

Findings – The result confirms that, overall, the debtors acknowledged the importance of the loans in various aspects of CSV.

Level	Details	KUR	KUPEDDES
I	Case stimulating the increase business growth	4.39	4.56
II	Business Productivity	4.29	4.48
III	Fulfilling need of consumers	4.20	4.41

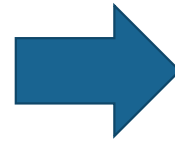
Source : Examining the role of microfinance: a creating shared value perspective by Rofikoh Rokhim and Arief Wibisono Lubis (Faculty of Economics and Business, Universitas Indonesia); Ida Ayu Agung Faradynawati (KTH Royal Institute of Technology, Stockholm, Sweden), and Winalda Ajaniara Perdana and Andrew Deni Yonathan (Faculty of Economics and Business, Universitas Indonesia) June 2022

Changing The Perspective

CSR

- ❑ **Values:** “doing good”
- ❑ Good citizenship, philanthropy, and sustainability
- ❑ **Discretionary**
- ❑ **Separate** from profit maximization
- ❑ Agenda **externally determined**
- ❑ Impact is **limited** by the corporate footprint and CSR budget

Example: Fair trade purchasing

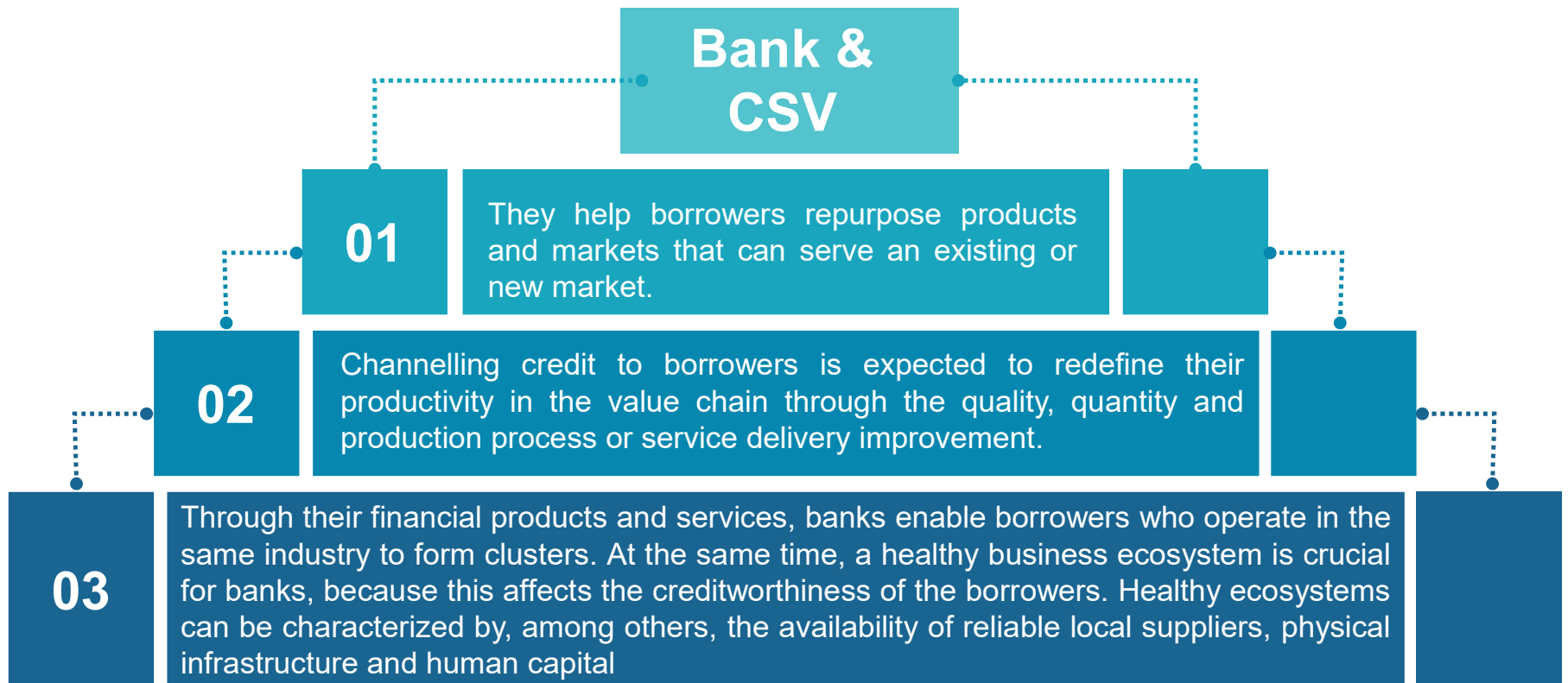


CSV

- ❑ **Value:** economic and societal benefits relative to cost
- ❑ **Joint** company and community value creation
- ❑ Integral to **competing**
- ❑ **Essential** to profit maximization
- ❑ Agenda is **business specific**
- ❑ Mobilizes the **entire company** budget

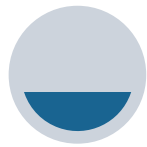
Example: Transforming procurement to increase quality and yield

Benefit CSV for Banking



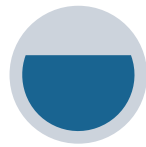
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CSV : An Alternative Evaluation Framework of Microfinance



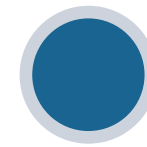
Product Market and

- Household Financial Stability
- Increase Profitability Growth
- Increase Business Growth
- Increase in Market Share
- Increase in Business Revenue



Productivity & Value Chain

- Employee Income
- Increase in Employee Skill
- Efficiency of Water and Electricity Usage
- Usage of Environmentally Friendly Raw Material
- Increase in Business Quality
- Raw Material Availability from Supplier
- Saving of Logistics and Operational Costs
- Increase in Business Productivity



Cluster Development

- Fulfilling Consumer Needs
- Establishment of Business Cluster
- Distributing Business Value To Society
- Use of Local Labor

MSME with CSV as the Main Gate for Tackling Current Issues

- Tackle the Gap between the Poor and The Rich by MSME is best way to get firm growth during the uncertainty
- With focus in MSME and maintenance them with Creating Shared Value can be settled as main gate, will make policy involvement bigger reach every level and targeted society to improve society's well-being as the main basic.
- Supporting MSME also can tackle current issues and cracking multidimensional poverty with these recommendations :

Support children more through learning, social protection, health and nutrition and child protection.

Expand food assistance and address disruptions to supply, to combat rising food insecurity.

Maintain support to poor and low-middle income groups, who are now poorer and more vulnerable, through a suite of labor market

Continue assistance to family businesses to recover through cash transfer programs by linking recipients with complementary support.

Ensure women-owned businesses are equally supported and reduce women's care burden by

Ensure people with disabilities can access the health and care services they need complement with access to upskilling and reskilling training opportunities.

Link new registrations for social assistance into a single database for future targeting.

Promote greater understanding of government support by developing a user-friendly medium with up-to-date information about business support programs.

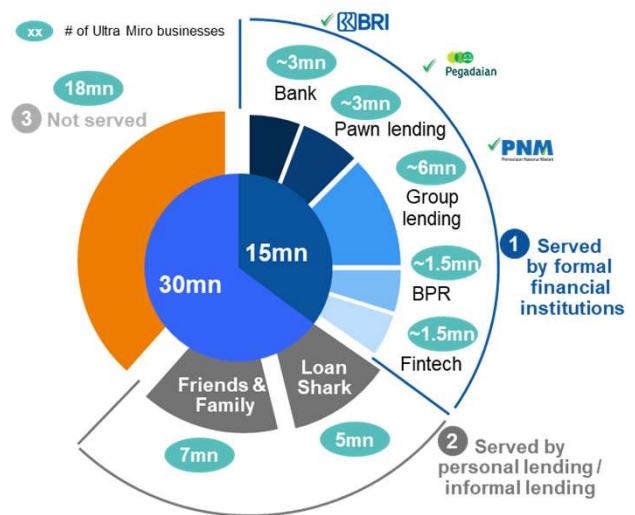
Source :

1. Analysis of the Social and Economic Impacts of COVID-19 on Households and Strategic Policy Recommendations for Indonesia, Jakarta. UNICEF, UNDP, Prospera, and SMERU, 2021
2. Examining the role of microfinance: a creating shared value perspective by Rofikoh Rokhim and Arief Wibisono Lubis (Faculty of Economics and Business, Universitas Indonesia); Ida Ayu Agung Faradynawati (KTH Royal Institute of Technology, Stockholm, Sweden), and Winalda Ajaniara Perdana and Andrew Deni Yonathan (Faculty of Economics and Business, Universitas Indonesia) June 2022

Bank BRI : Involvement MSME with Establishment of Ultra Micro

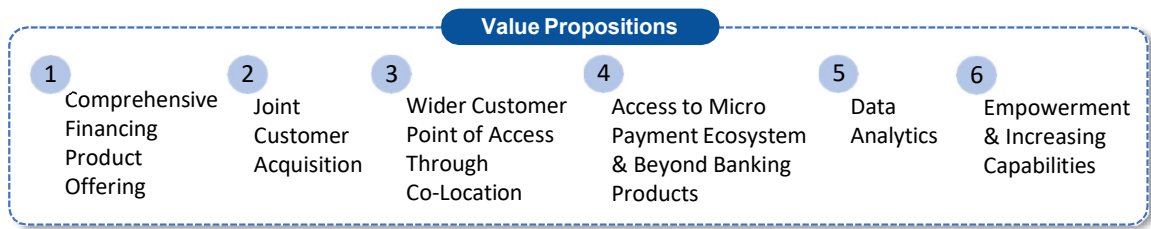
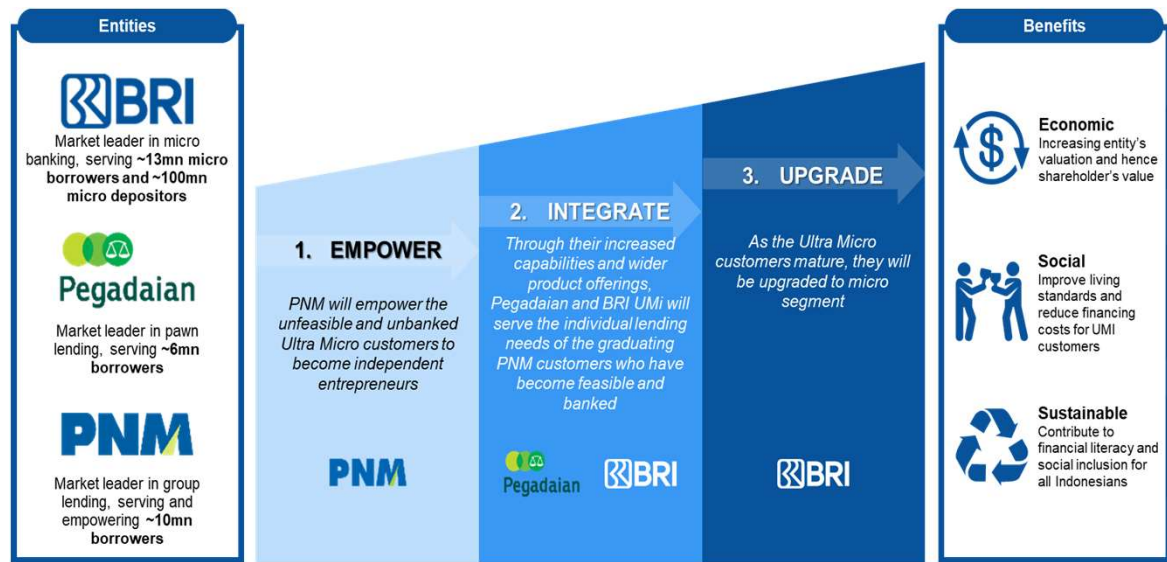
Ultra Micro Business will serve as BRI's New Source of Strong and Sustainable Growth

- 45mn required additional funding ...
- 1 But only 15mn were served by formal financial institutions...
- 2 And 12mn were served by personal lending / informal lending...
- 3 With the remaining 18mn still not served by any providers



The huge potential of Micro and ultra-micro business will serve as the new source of growth and therefore strengthen BRI's core competency in Micro and Small business.

Business ecosystem of BRI, Pegadaian and PNM will create integrated customer journey through Unique Value Propositions



Source: BRI 2022

Case Study of BRI

Leading and Well-positioned To Serve Micro Banking

BRI Micro Banking Highlights



Large Customer Base

+31.1 million Borrowers
(+13.5 million BRI, +11.7 million PNM, +6.7 million Pegadaian borrowers)
+137 million depositors



Comprehensive Product Offerings

Lendings:

Individual (Secured & Unsecured), Group Lending, Pawn Lending

Deposits: Simpedes, Time Deposit

Insurance: Life and Health Insurance, General insurance



Community-based Business Model

From Locals to Locals: Micro banking employees (from salesforces to the head of BRI Units) are from local community to build trust with local customers and support local development.



Extensive Banking Networks

5,181 BRI Units **539,705** BRILink Agents
1,614 Teras BRI **4,085** Pegadaian Outlets
3,676 PNM Outlets



Experienced Financial Advisors

+27,000 Financial Advisors (“Mantri”) to serve and empower micro borrowers and depositors



Digitized Business Process

BRISPOT Micro, Selena, PNM Digi (Loan Underwriting App)
BRILink Mobile (App for BRILink Agents)



Micro Payment Ecosystem

Pasar ID (Payment ecosystem for traditional market merchants and buyers)

Stroberi (Integrated electronic transaction solutions for micro entrepreneurs)

Well-Positioned to Serve Micro Banking

1 Corporation

- c. 5.5k businesses
- Price sensitive and has easy access to capital markets and banking

2 Medium

- 60k businesses with assets, >IDR500mn - IDR10bn and sales >IDR2.5bn - IDR50bn
- Limited production and distribution network
- High NPL

3 Small

- c. 785k businesses with assets >IDR50-500mn and sales >IDR300mn - IDR2.5bn

4 Micro & Ultra-Micro

- Total c. 62mn businesses, including ~57mn businesses eligible for ultra micro loans
- Access to group loans or KUR only
- Limited players in this segment

1 HNWI

- 129k people with assets of USD500bn
- 50% family-owned businessmen and conglomerates, 15% investors

2 Premium

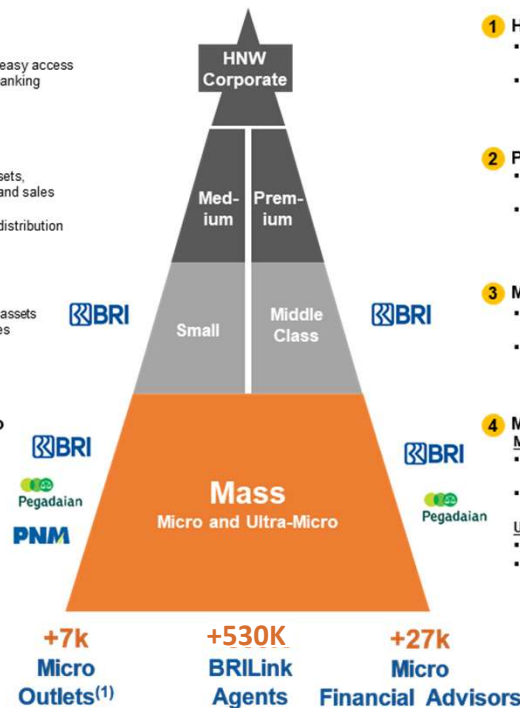
- c. 1.1mn people with assets >IDR500mn
- Fairly small market, but contributes significantly to financial industry in Indonesia

3 Middle Class

- c. 90mn people with assets of IDR50mn - IDR500mn
- High knowledge of products and services

4 Micro & Ultra-Micro

- Ample knowledge of basic savings product
- Start using digital banking technology
- Ultra Micro**
- Mostly reliant on informal funding
- BRI, BPRs dominant in this segment



Source: BRI's public filings
(1) Micro outlets include BRI Unit and Teras BRI.



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Career:

- Professor, Faculty of Economics and Business, Universitas Indonesia, 2006-now
- President Commissioner PT. Hotel Indonesia Natour (Persero), 2015 – 2017
- Service & Membership Committee BPJS Employment, 2015-2017
- Village Fund Task Force of Municipality, Transmigration and Underdeveloped Regions Ministry 2016-2017
- Oil and Gas Task Force of Energy and Mineral Resources Ministry , 2014-2015
- Audit and Risk Committee, PT. POS Indonesia, 2012-2015,
- Head of Bisnis Indonesia *Intelligence* Unit, 2008-2013
- Journalis of Bisnis Indonesia, 1995-2007