

# CORPORATE SOCIAL RESPONSIBILITY

## focus



**PT Bank Mandiri (Persero) Tbk**  
Mandiri Micro Business, Indonesia

### Organizational Description

PT Bank Mandiri (Persero) Tbk. (Mandiri) is one of the largest banks in Indonesia, even in Southeast Asia, and holds the status of a state-owned enterprise, in which the majority of its share is owned by the state.

Established in 1998 as a part of the government's banking restructuring program, over the years Mandiri has expanded its network across Indonesia as well as overseas. The Company currently has over 2,000 branch offices across Indonesia and 7 foreign or representative offices in Timor Leste – Dili, Malaysia

– Kuala Lumpur, Singapore, Hong Kong, China – Shanghai, Cayman Island – George Town, and United Kingdom – London.

Mandiri's expansion goes beyond its network and into its products and services. Mandiri established Mandiri Mitra Usaha (Micro Mandiri) on 8 December 2004 as a business unit that is focused on credit and funding facilities for micro businesses.

Each and every single one of Mandiri's products is tailor made to meet the customers' needs. For Micro Mandiri, Micro Business Credit (*Kredit Usaha Mikro / KUM*) and Micro Multipurpose Loan (*Kredit Serbaguna Mikro / KSM*) products are specifically designed for small business owners with a credit limit of IDR 200 million. Micro Mandiri's savings program, *TabunganMU*, is also micro-focused with an initial deposit of IDR 50,000 with a small administration fee.

Striving to be among our customers, our network offices are spread across Indonesia where our customers are. Understanding that Micro Mandiri's customers are mostly micro business owners who are tied to their businesses most of the time, we have four Micro Credit Sales (*Mikro Kredit Sales / MKS*) officers in every network office who actively visit customers to provide them with information on our credit facilities and savings programs. For our customers' convenience, the MKS officers also visit the customers for collection or deposit pickup for savings so that our customers don't have to leave their businesses to come to us.

As a state-owned enterprise, we also work closely with state financial offices. It is vital for us to comply with the regulatory framework set up by the national financial authorities. We closely follow regulations issued by Bank Indonesia and Financial Service Authority (*Otoritas Jasa Keuangan / OJK*) to ensure compliance and the smooth organization of the business. As a financial institution, we also set up a rigorous procedure on risk management.

### Mandiri Bersama Mandiri

Mandiri aims to be a company whose presence will boost economic growth, help put its customers to get in touch with available opportunities, encourage a thriving business sector and support the wheels of the economy, and assist individuals and communities achieve their hopes, dreams, and ambitions.

These goals are achieved through implementing our commitment in the Company's Corporate Social Responsibility programs with the vision of "Building Self-Reliant Indonesian community through CSR program as an inspiration to be Indonesia's progressive financial institution which grows along the growth of Indonesia".

### Background

Urbanization is a widely spread social phenomenon throughout developing countries around the world, including Indonesia. Urbanization also contributes to social problems where it creates slum areas with people living below the poverty line standard and groups of people with unclear residency status or illegal inhabitants.

Currently the villages are no longer seen as prospective to achieve a prosperous life. In fact, there is a very common opinion among people that "if you want to succeed then leave the village, go to the city because the city has more opportunities to obtain money". The village is no longer considered to be able to provide living space and livelihood. Amid the modern economic progress, the cities indeed look more promising, especially for young people who have an adequate level of education.

These perspectives come from two mainstream views which are the limited livelihood source in the village and more promising employment opportunities in the cities. This is mainly because the development in Indonesia is currently still favors in urban development. Cities are structurally designed to contain big investments, hence can absorb bigger workforce than rural areas.

There are several problems that need to be solved in order to develop the village potentials. One of the most basic problems is the limited capacity in managing its local potential to be a source of livelihood. In terms of natural resources, environmental damages adversely impact agriculture sector and food production. The majority of Indonesian people (65%) who live in the rural areas depend their livelihood on agriculture will suffer problems such as food shortage, unemployment, poverty, and criminality.



Villages in fact have so many potentials that can provide opportunities and source of livelihood. There are various natural resources that can be developed which will generate sustainable income. Unfortunately, integrated-comprehensive initiatives have not yet been established in developing the potentials of villages in Indonesia.

Mind frame for *Mandiri Bersama Mandiri* Program Micro Mandiri aims to overcome these challenges through the *Mandiri Bersama Mandiri* (Be Independent with Mandiri) program held in Argorejo village in the province of Yogyakarta, the Bank engages Gadjah Mada University, the largest university in Indonesia, as the facilitator for many community based development programs, such as organic farming and gardening, rice intensification, biogas production, and freshwater fishery.

## Developmental Strategies

The fundamental objective of this *Mandiri Bersama Mandiri* MBM (Be Independent with Mandiri) is to develop a self-reliant community through a Total Solution Approach, a comprehensive and integrated mentoring and local potential empowerment, which aims for *Mandiri Pangan* (food self-sufficiency), *Mandiri Energi* (energy self-sufficiency), and *Masyarakat Mandiri* (independent community), and to create a socio-entrepreneurship that influences the community's development and empowerment within a region.

The comprehensive development of Total Solution Approach includes:

### 1. Sociocultural Development

Transforming and reinforcing the social culture of a community development towards a more forward-thinking society.

### 2. Infrastructure Development

Facilitating and developing public and production infrastructures along with the local community to support the improvement of the quality and standard of life of the community.

### 3. Strengthening of Economic Institutions

Supporting locally-run productive units in terms of production, human resource management, financial management, and business legality

### 4. Transfer of Technology

Mentoring the community to apply efficient technology to enhance the local potential.

### 5. Strengthening of Market Access

Empowering the community with a more expansive knowledge of the market and enhancing the network through greater access to market.

Through MBM program, various food local potentials in project areas will be developed in order to increase productivity and/or expand product varieties. This program will also serve as a vessel for alternative energy source development. These alternative energy developments also refer to implementing proper technology and environmentally friendly technology.

Moreover, energy efficiency patterns will also be developed within the

community. To empower village is to prevent urbanization and create an Independent Community.

The most essential objective is actually not food and energy self-sufficiency which is just a small part in creating an Independent Community. The most important objective is fostering people's awareness to independently and sustainably develop the potentials within self and the local environment.

## CSR Programs and Practices

As a state-owned enterprise, PT Bank Mandiri (Persero) Tbk. (Mandiri) has always played a real role in the development of the country. This has never been more apparent than in the business conduct of Mandiri Mitra Usaha (Micro Mandiri), which focuses on helping smaller companies and individuals no matter where they are, to establish and develop a profitable business. While we strive to ensure that this spirit is reflected in all aspects of our company, the Corporate Social Responsibility programs of Micro Mandiri are the embodiment of our commitment to community empowerment by accommodating and facilitating the micro segment.

The programs in Mandiri are developed to encourage community involvement which are hoped to result in a highly functioning, self-reliant, and sustainable society. Through Mandiri's business unit, Micro Mandiri, we launched a Corporate Social Responsibility program namely, *Mandiri Bersama Mandiri* / MBM (Be Independent with Mandiri) program, to establish self-reliance and sovereignty in rural areas.

For the MBM pilot program, Mandiri engages Gadjah Mada University (*Universitas Gadjah Mada* / UGM), the largest university in Indonesia as the facilitator for many community based development programs, and other stakeholders to actively contribute to the development of the local community.

The rural communities are involved in every step and aspect of the program—from the mapping of potentials to execution and evaluation—as by the end of the program's lifetime they are expected to be able to start up and then sustain new businesses with a high level of self-reliance. Ultimately, the MBM program's long-term objective is to bring in economic power and equality to rural areas, thereby moderating urbanization rate among villagers in Indonesia.

## Process of Implementation

This program is conducted through the cooperation between Micro Mandiri and Gadjah Mada University (UGM) represented by Animal Husbandry Faculty and Small Medium Enterprises Development Center.

As the project's funding agent, Micro Mandiri engages practitioners from UGM to facilitate knowledge and technology transfer while providing an advisory function to rural communities. The objective, thus, is to aid these communities in recognizing the resources around them and their potentials, and to equip them to develop these potentials in an independent and sustainable fashion. This program also promotes the synergy and contribution of local government and central government in supplying the needs for the development of target villages.

The concepts of implementation are partnership financing, training



assistance, infrastructure facilities, publication, and promotion. The scope of this program almost covers all aspects of the village community economy aspect (income increase), technology and socio-culture development, and marketing access strengthening. However, the scope is narrowed down to three focus areas, which are Integrated Agricultural Development and Alternative Energy, Small and Medium-sized Enterprises (SMEs) Strengthening, and Infrastructure Development.

The project is developed to undergo four phases, namely:

- 1. Mapping of Potentials** - A thorough analysis of community's potentials was conducted at the start.
- 2. Formulation of Action Plans & Budgeting** - Action plans were developed in line with the resources, knowledge, and technology available at UGM. Micro Mandiri provides the funding in stages and in line with each project strand's progress.
- 3. Execution, Counseling, Monitoring & Evaluation** - Demonstration plots were set up as the venue in which UGM provides training and hands-on practice for villagers.
- 4. Exit Plan** - At this point the communities, armed with new knowledge and skills, will have been deemed able to continue the programs independently, sustaining their relationship with Micro Mandiri.

## Social Projects

The MBM program has been implemented in Argorejo village in the province of Yogyakarta, Indonesia. Argorejo was selected to host the pilot project due to its underdeveloped state despite its enormous potentials. Comprehensive and integrated mentoring and empowerment programs aimed at local potentials, with the focus being on agriculture, livestock husbandry, and the creative industries so as to improve food self-sufficiency.

The project makes use of many food crops found locally and improve them in terms of both productivity and product variety. This encompasses rice planting, oyster mushroom cultivation, cattle farming, gardening, and freshwater fishery. As an aside, it also promotes the use and development of alternative sources of energy.

Argorejo is a village with strong agricultural characteristics. Its territory was divided into 13 hamlets. Spatially there are two agricultural land characters, which are the regional wetland paddy (rice) with an area of approximately 170 ha and the hills as dry agricultural land with an area of over 200 ha. As many as 12,340 life inhabitants are mostly farmers (land owner) and farm laborers (landless). Agricultural land is fragmented in to narrow land ownership with the average of 1,000 m<sup>2</sup>; therefore the public cannot rely solely on agriculture life. In addition, many farming communities also work as urban informal workers, such as construction workers or bricklayers / wood. The average family income of farmers and farm workers are in the range of 1 million IDR / month (total income of all household members). The number of poor families increased drastically within the last 2 years from 469 (2010) to 1,122 (2012).

The infrastructure condition in Argorejo is quite good which includes irrigation water flows throughout the year. This is potential for the development of inland fishery; although it is still halted by expensive feed

prices. Today some residents began pioneering small-scale mushroom cultivation. Livestock and lawn/garden optimization is not maximally managed yet.

The programs' activities are conducted in four Argorejo's sub villages which are Hamlet Pendul, Hamlet Metes, Hamlet Polaman, and Hamlet Kalakan. The program is implemented in four programs activities which are:

### 1. Rice Productivity Improvement

This program is implemented through training and developing of demonstration plots in farmer's premises and manufacturing of organic fertilizer. Through this program, agricultural lands especially paddy will be managed in an intensive integrated manner by optimizing existing resources both natural and human resources, including farmer organizations (farmer groups).

### 2. Oyster Mushroom Cultivation

Training in building oyster mushroom housing unit and cultivating the mushroom, as well as developing business for processed mushroom products are implemented through two approaches which are mushroom house in Hamlet Polaman and Hamlet Pendul; and also bag log (growing media) production house in Hamlet Metes.

### 3. Optimization of Lawn / Garden

This program is implemented through training in optimizing unproductive lawns and gardens with home-grown marketable plants, such as spices and vegetables by polybag utilization and back yard and front yard utilization. The program is conducted by *Kelompok Wanita Tani / KWT* (women farmers group) because it has a direct impact on their household productivity.

### 4. Farming & Freshwater Fishery

This program provides training in catfish and livestock farming. At the end of January 2014, catfish cultivation demonstration plots have reached about 40 days (the stocking is done in mid-month in December 2013). The catfish condition is good with a number of deaths only 3% (90 fishes out of 2,800 seeds that were spread). Harvesting month is expected to be by the end of February 2014.

## Impact

The rural communities are involved in every step and aspect of the project from the mapping of potentials to execution and evaluation, as by the end of the project's lifetime they are expected to be able to start up and then sustain new businesses with a high level of self-reliance.

MBM program reflects a high degree of local stakeholder (i.e. rural community) engagement in bringing them towards better livelihoods and greater potentials for increasing productivity through the project's Total Solution approach.

Two notable achievements are a one-third increase in income through rice productivity improvement and creation of new income streams from previously nonexistent businesses in the beneficiaries' villages, such as mushroom cultivation and freshwater fishery.

Each project strand is thoroughly facilitated by both Micro Mandiri and

UGM to ensure that the communities acquire these new capabilities and can apply them in the future self-reliantly.

To measure progress, four indicators are measured: productivity increase, land use, asset growth, and income growth.

Within 6 months since the project's initiation, the rice intensification program in Argorejo brought a 20% increase in rice yield, from 7.4 tons to 9.3 tons per hectare, translating to a rise in farmers' income by 31%. Overall results varied from plot to plot due to the different conditions of the soil and discipline of the field workers.

#### First 6-month Progress of Mandiri Bersama Mandiri Program

At the end of December 2013, the outcome of activities undertaken as part of the MBM program in this Argorejo village was as follows:

Development of Mandiri Bersama Mandiri Program

#### Ensuring Sustainability

MBM program sustainability is ensured by the exit plan in the last phase

of program implementation when Micro Mandiri established that working capital is already accumulated and technical knowledge is adequate for the implementation of future programs to be carried out independently.

The outcome of the MBM program is an encouragement for Micro Mandiri plans to roll out similar projects and expand its coverage to include other villages in the region. Local universities will continue to be engaged as project facilitators.

Economic growth will prepare and propel rural communities to obtain additional financing to further expand their businesses. This is where Bank Mandiri's Micro Business Development Group can serve its primary purpose and convey its ultimate value as an integral part of the society.

*PT Bank Mandiri (Persero) Tbk, Mandiri Micro Business, Indonesia is a winner of Golden Peacock Award for CSR-2015*

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