



Inspiring Change

Social Accountability Report 2018



In Partnership with



Inspiring Change

“ WE ARE ALL CHANGE MAKERS.
WHETHER YOU WRITE CODE
BEHIND THE DESK, SERVE WOMEN
BORROWERS IN A FRONTIER
VILLAGE OR INVEST YOUR MONEY
THROUGH OUR PLATFORM, YOU
HAVE BEEN PART OF A GREAT
TRANSFORMATION THIS YEAR.
WORKING TOGETHER, WE FIND
WAYS TO INNOVATE SOLUTIONS FOR
A NATION WITHOUT POVERTY.

”





Our peer to peer platform channels funds from big cities to rural villages, bridging the gap, driving financial inclusion through technology.

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Access to finance for women in rural villages helps accelerate poverty alleviation.





A Sustainable Way of Doing Business

Message from The Founder & CEO



We conclude the year with optimism and gratitude, that we have accomplished such an important work. As a business we consciously pick the balance between profit, people and planet. We integrate impact and sustainability into our core business activities.

We make profit by delivering meaningful product for our customers. We help our borrowers improve their living conditions through access to affordable financial products. We also make financial and entrepreneurship education available in remote villages. To our lenders, we deliver the promise of building an impact investment products, connecting their money to businesses in rural villages and stimulating real sector with their investment.

Each day, we build a milestone towards a more inclusive society. We engineer products to deliver digital financial services at the frontier of distribution channel, the last mile delivery.

We know it's challenging. But we consciously take this path towards achieving a greater good beyond business, a more sustainable community.

I would like to thank everyone, the Amartha team, customers, stakeholders, donors and everyone of you who made this year a memorable one, who take an extra steps to achieve a milestone to reduce inequality and bring more prosperity one day at a time.

My warmest regards.

Andi Taufan Garuda Putra
Founder & CEO

Foreword from DFAT



In 2017, the Australian Department of Foreign Affairs and Trade's innovationXchange ran a challenge to find the most innovative impact-oriented businesses delivering positive change in the Indo-Pacific region. The response was phenomenal, with more than 700 applications received from over 52 countries. From these, 14 outstanding businesses were selected as our Frontier Innovator winners.

Indonesian business Amarthas is a peer-to-peer platform connecting rural villagers in need of affordable loans with lenders who wish to invest their money in micro enterprises. Amarthas is working tirelessly to facilitate inclusive economic growth in keeping with the UN's Sustainable Development Goals.

DFAT was proud to support Amarthas with financial and technical assistance to help broaden their operations and reach more people in need.

With DFAT's support, Amarthas expanded their financial literacy curriculum to include entrepreneurship education training, along with increasing training offerings. In total, they were able to reach over 29,000 beneficiaries.

The Australian Government is dedicated to supporting innovative entrepreneurs across our region to solve development challenges, and to build more resilient and productive economies and societies.

I commend to you this Social Accountability Report for 2018, titled Inspiring Change, and hope that you are as inspired as I am by the work of Amarthas and all our Frontier Innovators across the world.

Dr Sarah Pearson, FTSE
DFAT Chief Innovation Officer and Chief Scientist
Department of Foreign Affairs and Trade Australia

Key Figures

We integrate impact and sustainability into our business model.

Access to Working Capital for Villagers



US\$ **55,9** Million Disbursed in 2018

Providing alternative access to finance for entrepreneurs in the villages who want to start or scale up their businesses.



Equal to the cost of launching a satellite into orbit using SpaceX rocket.

Outreach to Women Micro Entrepreneurs



110,393 New Borrowers Onboarded in 2018

Helping women villagers develop skills and discipline and business skill to achieve better state of living and prosperity.



Equal to 2/3 population of Darwin City in Australia.

People Benefited From Our Health & Environment Program



29,245 People Benefited From Our Programs

Improving living conditions through health and sanitation, entrepreneurship and environmental awareness activities in the villages.



Equal to the capacity of 50 major hospitals in Indonesia.

Audience of Our Fintech Awareness Programs



28,647 People Joined Our Seminars, Discussions And Events.

Introducing alternative impact investment through Amartha's P2P platform to help financial access for women micro enterprise in rural villages.



Equal to 700 classrooms combined.

SEDIA MIE AYAM BASO



We help women in the villages to be more resilient and discipline, a foundation towards better prosperity

AMARTHA & SDGs



As a business, Amartha will ensure every investment (funding) made through our platform will directly help our community to be more prosperous, financially literate and inclusive. We aim at achieving Indonesia without poverty and creating environmentally sustainable society.


Sustainable Development Goals (SDG) were launched by the United Nations in 2015. SDGs are a common goals which consists of 17 targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda.

The SDGs goals are adopted by countries, business and civil society through their own actions and metrics derived from the 17 goals.


In partnership with the Financial Services Authority of Indonesia (OJK), United Nations Pulselab Jakarta, Universities and other civil society organisations, Amartha has held more than 66 financial literacy awareness events during 2018 with 28,647 participants from public (non Amartha’s borrowers) in 36 Kabupaten (region) and cities across Indonesia.

All 110,392 new borrowers onboarded during 2018 joined mandatory financial literacy classes before they receive their first loan disbursement.

For this commitment, Amartha was awarded Frontier Innovators Award from Australian Department of Foreign Affairs and Trade (DFAT) and received a grant of AUD 100,000 to scale up programs and activities related to the SDGs.

 **Through this grant program alone, Amartha was able to reach out to 29,245 beneficiaries through three pillar of intervention namely: health and sanitation, entrepreneurship and environmental awareness programs.**

The activities include free medical check ups for rural villagers, eyeglasses distribution for visually impaired women micro-entrepreneurs in the village, reusable bag distribution to replace plastic consumptions and some entrepreneurial trainings to improve skills of business.

 **In total, our SDG related activities have benefited 168,284 individuals throughout 2018 and addressed 7 out of 17 SDG goals. It was evident that during a relatively short period of 12 months, as a for-profit business enterprise, we were also able to contribute significant progress towards achieving SDGs.**

Going forward, we will continue our leading role in doing business with sustainability in mind, with the hope that our approach of “impact investing” will become an increasingly popular way for public to invest. their money and ultimately bring everyone to prosper together.

“

How can finance support sustainable and inclusive growth? 1. Fintech, 2. Female leadership, 3. Investing for the global public good.

- Christine Lagarde, IMF Managing Director.


”

ABOUT THE SOCIAL ACCOUNTABILITY REPORT

Amartha is committed to provide transparency and accountability related to our activities as a responsible corporate citizen. This Social Accountability Report (SAR) is an annual publication to highlight socio economic impact resulted from our business activities and intervention programs. The metrics are presented using a validated measurement methodology.

In 2018 we partner with Melbourne Microfinance Initiative of Melbourne University, Center for Digital Society (CfDS) of Gadjah Mada University and UN Pulselab Jakarta to conduct research and analysis on our activities.

The Social Accountability Report consists of business performance highlight, framework of sustainability and research findings based on data from our activities throughout 2018.

 **Through this report, we aim at measuring the impact created directly and indirectly from our business model, in particular the relations between provision of access to working capital for women micro-entrepreneurs in rural villages and the effectiveness of our mentoring, supervision and intervention programs towards the improvement of income and living conditions as indicated by the prosperity index in the framework of sustainable development.**

100%

Ratio of woman borrowers



USD118

Poverty line for a family of four (monthly income)



42,3%

Cellphone ownership by our borrower



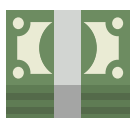
18,255

People get free medical examination in 2018



7,039

Pairs of free glasses distributed to our borrower in 2018



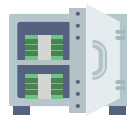
69%

Borrower are in trading sector



20%


Number of borrower who have bank accounts



885

Number of our field officers (Business Partners)



A close-up photograph of many hands of various skin tones stacked together in a circle, symbolizing unity and shared responsibility. The hands are positioned in a way that they overlap, creating a sense of collective strength. The background is slightly blurred, focusing attention on the hands. A semi-transparent purple rectangle is overlaid on the top half of the image, containing white text.

*Tanggung renteng or sharing
responsibility is the core value
of Amartha*

© Amartha, 2018

AMARTHA'S BUSINESS MODEL

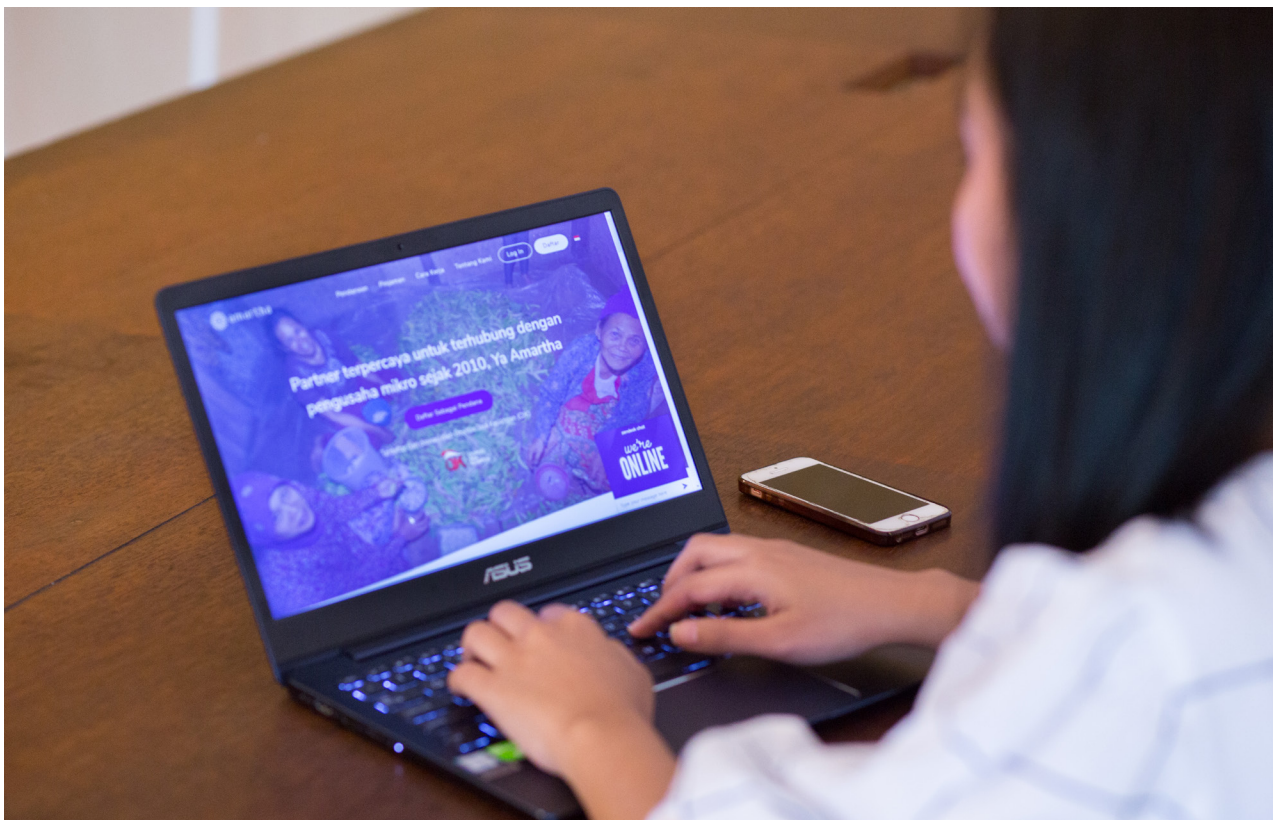
The P2P model enables micro entrepreneurs in the villages to be funded by their investors in big cities through amartha.com platform, bridging access to finance for thousands of micro businesses who were previously unbanked.

Amartha was established as a microfinance cooperative back in 2010 by Andi Taufan Garuda Putra. With the growing innovation and technology in financial industry, Amartha transformed itself into a financial technology company with peer-to-peer (P2P) lending model in 2016.

As a fintech company, Amartha build credit risk profiling embedded into an Android-based loan origination application to screen new borrowers.

The model is designed to enable assessment of creditworthiness even when the candidate of borrowers have no prior credit history or digital footprints (social media, smartphone data etc).

To enable seamless funding, Amartha build a web-based and application based investing platform connected with banking infrastructure to enable lender invest easily by selecting potential borrowers available in our marketplace.



Given that Amartha's borrowers are offline and majority of them have no access to any digital platform, Amartha's field officers or so called Business Partner (BP) will perform the servicing by visiting group meeting on weekly basis.

During the group meeting which typically lasts for 45 minutes to one hour, the BP will perform loan disbursement and collection in cash, as well as deliver some contents of education curriculum related to financial literacy and entrepreneurship. The group itself consists of 15 to 25 women who live in the same neighborhood within one kilometer radius.

© Amartha, 2018



PROFILE OF AMARTHA'S CUSTOMER



© Amartha, 2018

Borrower's Profile

Currently 100% of Amartha's borrower are women.

Geographically, they live in villages with basic infrastructures available.

Most of the villages have access to roads and electricity.

Cellular phone reception may be intermittent at some areas, especially those closer to mountainous areas such as Tenjo district in Bogor, West Java.

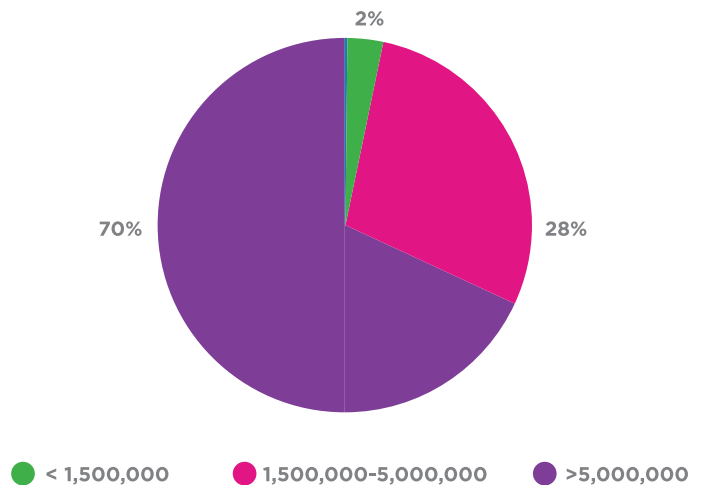
Nearest banks (mostly BRI Unit) are located within the proximity of 15 to 20 minutes motorbike ride from the area.

Our Borrowers Income

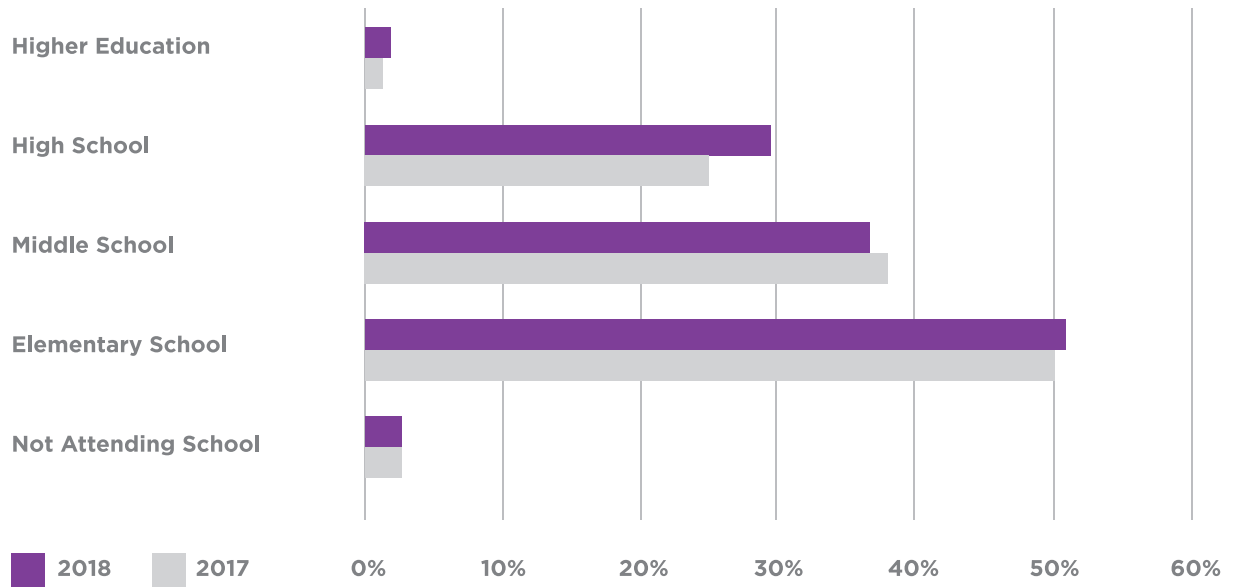
In terms of income brackets, 70% of borrower have earned family income of more than IDR 5 million (US\$ 370) per month and only less than 2% earned less than IDR 1.5 million (US\$ 111).

The income is typically combination between business income and fixed or seasonal income of the husbands.

BORROWER'S LEVEL OF INCOME IN 2018



LEVEL OF EDUCATION



Our Borrower's Education

💡 In terms of educational level, half of our borrowers graduated from elementary school. Only one in five borrowers have earned high school diploma and less than 2% have ever attended college.

According to World Bank report on Girl's Education in 2017, lower education level for women are contributed by child or early marriage which are common in rural communities.

Early marriage for girls also contributed to less decision making ability for women in the family and reduction of future earning by 9% (World Bank, 2017). With the spirit of empowering women, Amarth's financial literacy and entrepreneurship curriculum have been designed to improve the decision making of women in the family, especially with regard to budget allocation for children education, health and sanitation needs of the family.



PROFILE OF AMARTHA'S CUSTOMER

Lender's Profile

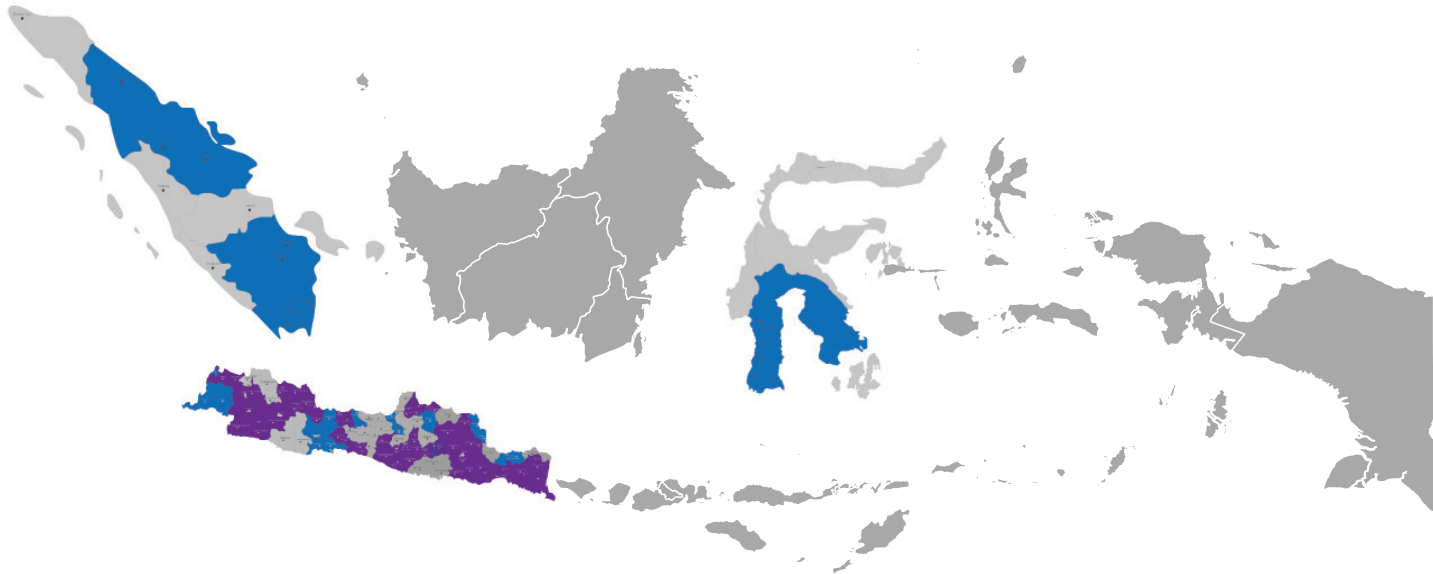
💡 On the lender's side, Amartha's typical investors are individual who are professional with disposable income of more than IDR 10 million per month. Location wise, they live in bigger cities such as Jakarta, Surabaya, Medan and Makassar. Currently, we have more than 50,000 investors registered in our platform.

“ From risk point of view, Amartha has a more secure sharing responsibility system. Amartha also registered with OJK. With Amartha you can earn better return while helping a lot of people. ”

- Rudi Rustam, Jakarta



AMARTHA'S COVERAGE AREA



More than half of poor population are located in Java island. Therefore, Amartha starts its operation from Java.

Currently, we operate in more than 3,500 villages in 36 regencies in Java.

“We are motivated to improve the living conditions of our borrowers with all the resources and network we have, one day at a time.”

- Andi Taufan Garuda , Founder & CEO of Amartha



© Amarta, 2018

“

“All this will not be finished in the first one hundred days. Nor will it be finished in the first one thousand days . . . nor even perhaps in our lifetime on this planet. But let us begin.”

- John F. Kennedy -

”



Inspiring Change, Progressing With Impact

IMPACT & SUSTAINABILITY GOVERNANCE

Amartha's Sustainability Theory of Change

Input	Amartha's Value Creation	Sustainability Output
<ul style="list-style-type: none"> ■ Capital Open pool of funding from public and institutional lenders ■ Human Dedicated personnel to serve community with work for impact mindset. ■ Technology Platform to connect lenders and borrowers and manage loan servicing. ■ Business Model Working capital for women micro entrepreneurs in rural villages. ■ Impact Program Intervention program designed to achieve sustainability. 	<ul style="list-style-type: none"> ■ Amartha provides working capital to micro entrepreneurs in the village to improve better access to finance and promote financial inclusion. ■ We educate borrowers on responsible lending, prevention of indebtedness and the danger of loan sharks. ■ Our field officer provide mandatory financial literacy training prior to disbursement of the loan to prepare sufficient knowledge on financial management. ■ We educate our lenders on the risk of investing in peer-to-peer platform and recommends diversification of their investment portfolio. ■ Amartha educate the public on the alternative access to working capital especially for micro entrepreneurs who are unbanked via Amartha's P2P platform. ■ Our technology has an algorithm to determine risk level of borrowers even without prior credit history of digital footprint, enabling unbanked population to be assessed their creditworthiness that improve their chances to get funded ■ Our platform enable seamless investing experience for the lender. ■ Our Android-based mobile application help our field team to perform servicing and manage the group under their supervision. ■ Our impact and social programs are designed based on need-analysis tailored to achieve triangle of sustainability: people, planet and prosperity. 	<ul style="list-style-type: none"> People ■ Development of entrepreneurial character: discipline, resilience, sharing responsibility. ■ Stronger engagement in community to learn together and help each other. ■ Improvement in financial literacy and knowledge in family financial management. ■ Improve participation of women in the economy. ■ Reduce inequality of financial access between cities and villages. Planet ■ Improvement in environmental awareness from the training. ■ Better hygiene and sanitation for healthier and more sustainable living. Prosperity ■ Improvement in family income of the borrowers. ■ Better opportunity for villagers to access working capital to improve their business. ■ Create more jobs in the village. ■ Better health and living conditions due to the impact intervention programs. ■ Favorable return for investor up to 15% pa.

“

Learning program at Amartha helped me become a discipline and resilient entrepreneur, tools to help me improve my income

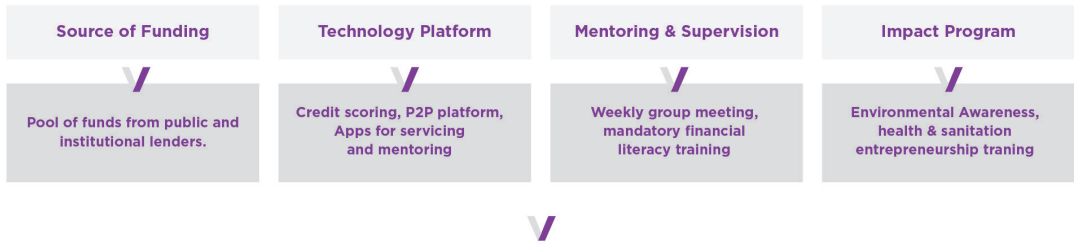
- Ibu Tini, Pasirjambu Bandung -

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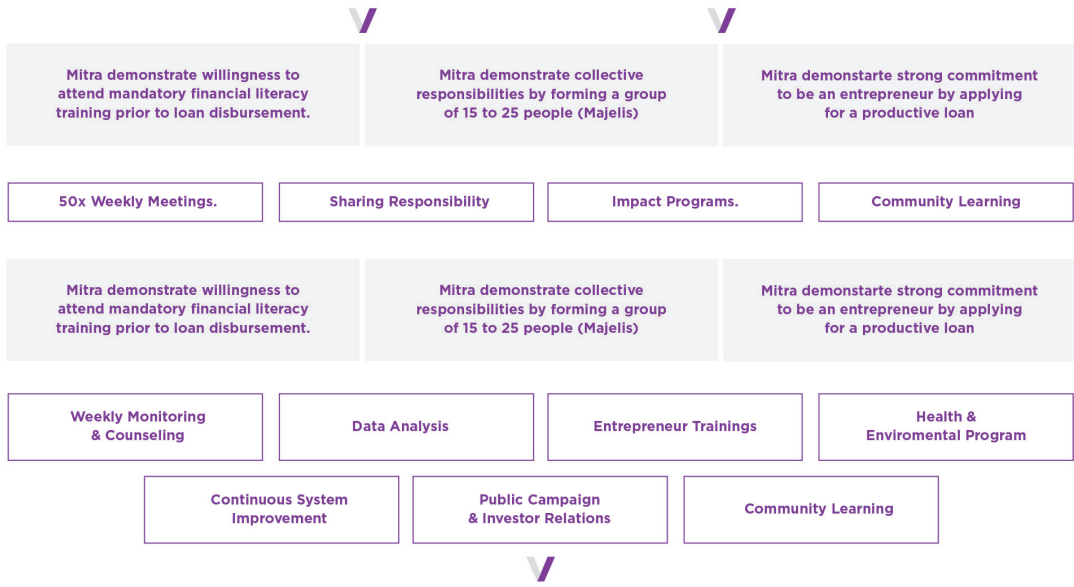


HOW WE CHANGE THE BEHAVIOR

Women micro entrepreneurs in the village, who are mostly low-educated, often find it difficult to improve their living conditions due to unavailability of financial services and lack of financial literacy and entrepreneurial mentoring



Typical loan cycle will be one year (50weeks) for first timers. Amartha's borrower ("Mitra") will sign up for a 50 week engagement journey with Amartha's Team of field officers (Business Patners") to build a character of an entrepreneur which will demonstrate discipline, resilience and sharring responsibilities among the group member.



After 50-week of engagement with Amarth, Mitra have build the character of discipline, resilient and sharing responsibilities among their community which transformed them into a sustainable micro entrepreneur. Through entrepreneurship, financial and access to finance, rural villager scan improve their income to achieve better living conditions and alleviate themselves from poverty.

AMARTHA'S SUSTAINABILITY STRATEGY

Working for sustainability is a lifetime business. Amartha believe that contributing to a change requires everyone's effort, Government, private sectors and civil society. We may not see the progress instantly, but the commitment has to be integrated into our daily lives, into our strategy and business model.

The table below shows our commitment and progress of our efforts related to the achievement of our sustainability objectives.

	2018 Sustainability Objective	Our Approach	Progress	SDGs
1.	Provide access to finance for 100,000 villagers	During 2018 we provided loan to 110,392 villagers. We believe productive loan will improve family income and help underprivileged families to be alleviated from poverty.	Achieved. 	 
2.	100% mandatory participation in basic financial literacy training.	All borrowers underwent financial literacy training prior to loan disbursement. We believe financial literacy training improve access to education and open opportunity for villagers to grow the economy in the village.	Achieved. 	 
3.	Partner with enabler ecosystem to provide entrepreneurship education and mentoring.	We partner with universities, think tank, incubators and development organization to conduct specific entrepreneurship training tailored to the needs of our borrowers. We believe new technical skill set and entrepreneurial soft skill will upgrade the micro business into a larger business.	Partially achieved. 	 
4.	Provide specific loan product for women entrepreneurs.	Amartha's community lending model is designed specifically for women borrowers. We believe this design will promote gender equality and foster participation of women in the economy.	Achieved. 	 
5.	Focus area in villages without access to banks in all 5 provinces in Java Island.	Amartha operate 103 Points in 36 regions in 5 provinces in Java Island. We believe our rural presence will bridge inequalities in access to finance between villages and cities	Achieved. 	

	2018 Sustainability Objective	Our Approach	Progress	SDGs
6.	Impact intervention program targeting 25,000 beneficiaries.	29,245 beneficiaries have received impact programs in the area of entrepreneurship, financial literacy, health & sanitation. We believe inclusive approach will help our borrowers build stronger safety net and achieve more sustainable prosperity.	Achieved. 	 
7.	Build partnership with governments, donors and other private sectors to scale up the impact.	We partnered with West Nusa Tenggara (NTB) Government, UN Pulselab Jakarta, Melbourne Microfinance Initiative, Oxford Development Consultancy and private sectors such as Essilor, Astra Life and Wahana Artha Foundation. We believe partnership with all stakeholders will promote SDG movement to larger public to scale up the impact faster.	Mostly achieved. 	
8.	Promote environmental awareness by campaigning reduction of plastic consumption.	We have introduced plastic reduction campaign to our borrowers and distributed 9,098 reusable shopping bag to replace disposable plastic bags. We believe continuous campaign and real simple example will gradually shift the mindset of the public to be more environmentally friendly.	Partially achieved. 	  
9.	Provide free general medical checkup, eye check and distribution of free glasses to 10,000 beneficiaries	We partner with CIMSA and NGV Essilor to provide free medical checkup to 18,255 people and distributed free glasses to 7,039 beneficiaries.	Achieved. 	
10.	Conduct public training and awareness on opportunity of fintech product and its risks as alternative access to finance to 10,000 people in 12 cities in Indonesia.	Amartha conducted 66 public trainings, seminars and other socialization method to 28,647 people in 36 cities during 2018. We believe public support and awareness on fintech as alternative financing will strengthen public trust to invest in the platform and ultimately promote financial inclusion in the unbanked segment.	Achieved. 	

POVERTY DIMENSION AND INTERVENTION STRATEGY

We realise that since poverty is an issue beyond economic lense, we try to demonstrate how the economic progress also improves the quality of life of the society through our research findings. However, due to some data and scope constraint, the information shown in our further analysis is limited to the monetary aspect of poverty and quality of life as measured by access of clean energy and electricity, quality of house, access of clean water, and access to technology.



© Amartha, 2018

Research and Measurement Methodology


In our approach, we compared the population of our borrowers by surveying 500 people to measure their income before and after receiving loan and mentoring program from Amartha to see whether they have passed the poverty line or not. The criteria of our sampling is the borrower who have joined Amartha for more than one year. We collected sample from eight regions that have been in operation for more than one year as well, located in West Java, Central Java, and East Java provinces.

To measure poverty level, we use Indonesia's Statistical Bureau (BPS) data using the concept of fulfillment of basic needs approach. This approach sees poverty as economic inability to fulfill basic food and non-food needs.

💡 According to BPS standard, people with monthly income of less than IDR 401,220 per person will be categorized as poor. With the assumption of four people live in one family, the poverty line per family per month is a threshold income of IDR 1.6 million (US\$ 118).

Monetary Dimension

Based on our survey, we discovered that the average household income of our segment have increased from IDR 4.2 million (US\$ 311) to IDR 6.7 million (US\$ 496) per month in 2018, or 59.5% increase within one year.

 The significant improvement was mainly due to the business performance of the borrowers as well as the external factors contributed to the betterment of village infrastructures such as public roads constructions that stimulates the economic activities in the neighborhood.



Infrastructure Matters

We found that economic activities which contributed to business growth and income are growing faster in the areas where new roads and electricity grid are being build.

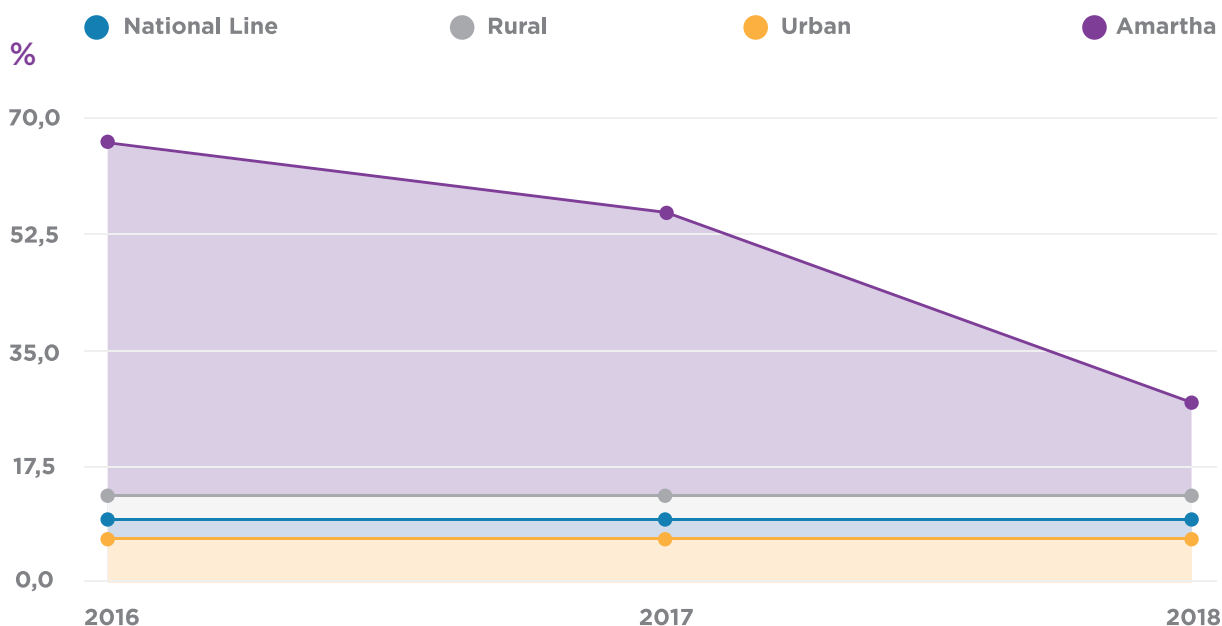
The figures are in conformity with the increase in Amartha's overall productive loan disbursement and the average of loan disbursed per borrower, which signifies bigger size of loan ticket were being utilized to fund bigger business size of the borrowers.

In terms of poverty level, we compare the population of Amartha's borrowers who live below the poverty line and the national poverty rate using BPS method.

Percentage of Population Below Poverty Line (BPS Method)

	2016	2017	2018
National Line	10,7	10,1	9,6
Rural	14,1	13,9	13,2
Urban	7,8	7,7	7,0
Amartha	63,0	55,0	31,0

Source: BPS Indonesia, 2018; Internal Source of Amartha



Source: BPS Indonesia, 2018; Internal Source of Amarthas

The data shows that since 2016, the number of poor population in Indonesia has decreased from 10.7% to 9.6% in 2018, an improvement of 1.1% in two years. In specific rural areas, the progress was slower or only 0.9% in two years.

In comparison, Amarthas's borrower in rural villages have shown progress of poverty reduction from 63% in 2016 to 31% in 2018, or an improvement of 32% in two years. Using this comparison method, it shows that the progress of Amarthas's borrower to alleviate themselves from poverty is much faster than the national average.

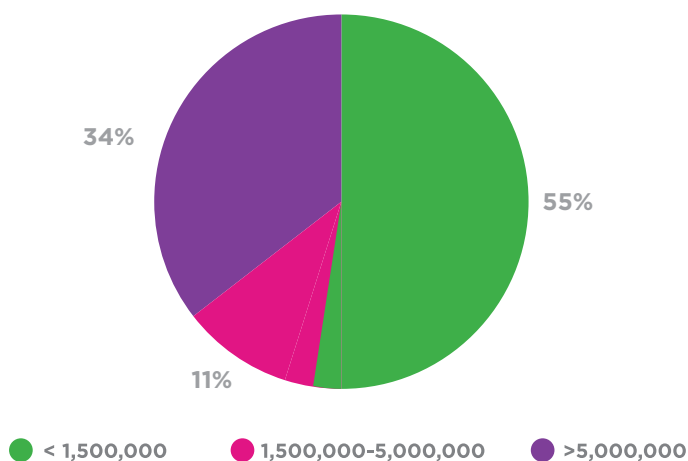
Due to limited data and scope of the research, we do not have further information on whether the significant reduction of poverty in Amarthas's borrowers were contributed solely by the improvement of the business as a result of working capital we provide, the improvement of financial literacy and entrepreneurial skills or other contributing factors such as additional income from the husband or improvement in the villages' infrastructure that contributes to the economic growth of the village in general.

Amarthas helps Indonesia alleviate poverty faster by concentrating its operation in the villager.

In terms of coverage of service, Amarthas have expanded its operations from previously dominated by extreme low income population into a more diverse income brackets, still within micro and rural market.

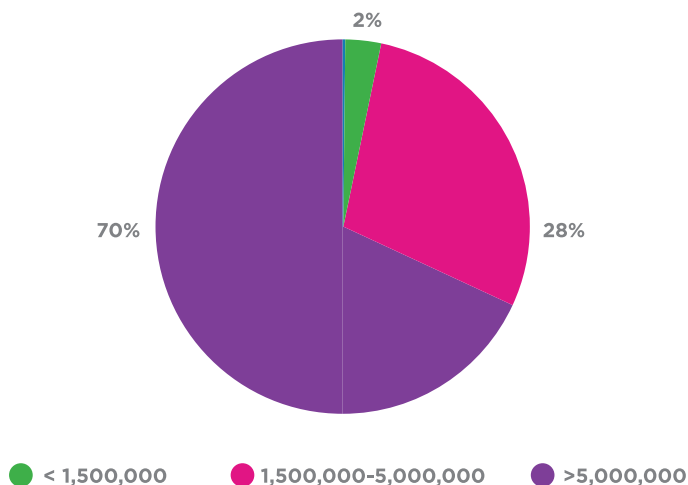
Today, more than 70% of borrowers earn more than IDR 5 million family income per month compared to 34% a year earlier, and only 2% earned less than IDR 1.5 million.

Borrower's Level of Income Year 2017

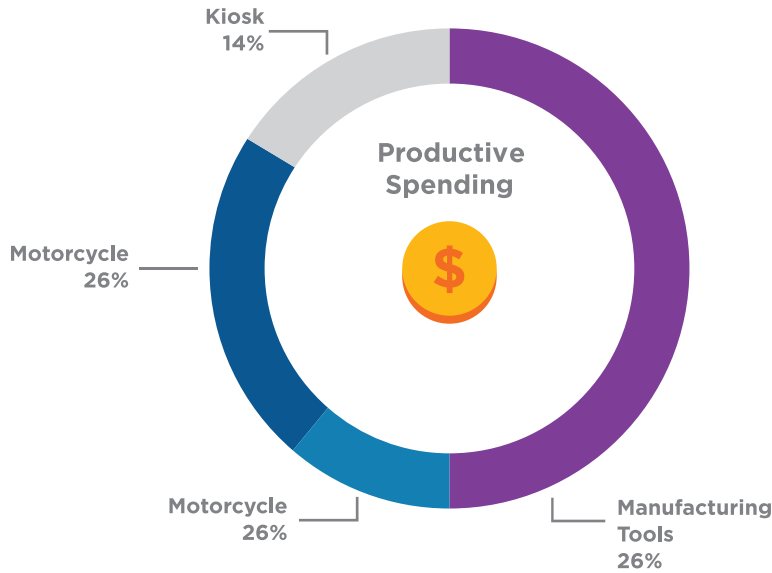


💡 Extreme poverty is low (2%) but many borrowers live in a fragile line of income. Financial literacy and entrepreneurial skill are the key to sustain their prosperity.

Borrower's Level of Income Year 2018

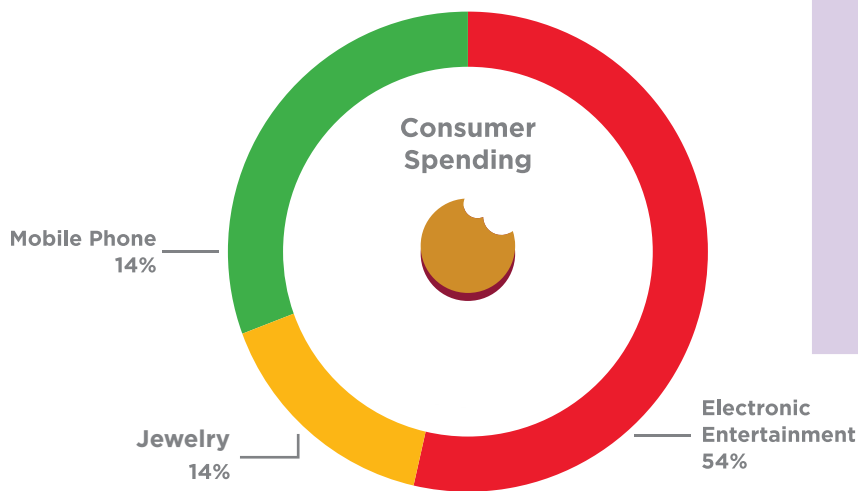


💡 With regard to the purchasing power, we also analyse the behavior of our borrowers in spending their extra income. From our research, we discovered that in terms of productive usage, more money are spent for productive assets to support borrower's businesses, such as purchasing manufacturing tools (52%), buy motorcycle and bicycle and purchase kiosk space for business separate from their houses.



💡 Our entrepreneurs are motivated to invest their profit back into the business but still afraid of taking bigger risks of scaling up.

For non productive spending, the priority of purchase is as the following: electronic appliances (television, radio, DVD player), mobile phone and jewelry.



💡 After climbing above the poverty line, all they need is entertainment. So, they purchase electronic devices like television then they purchase cellphone.

Quality of Life - Access to Clean Energy and Electricity

Through our research we analyse the behavior of our borrowers when they have extra money due to the improvement of their income. The increase of the income is measured by comparing the income at the end of year 2018 compared to their income a year earlier.

From the survey, we learned that borrowers from the lowest income bracket (<IDR1,5 million per month chose to spend their additional income to convert their cooking fuel from firewood to LPG gas and connect to electricity grid.



Usage of electricity and gas is expected to improve productivity and opportunity for the villagers to start their business at home.

This behavior drives the number of borrowers using LPG gas to cook into 98% in 2018 compared to 97% a year earlier and 91% in 2016 respectively. The same rate happen with electricity access, where 98% of borrowers are now connected to the grid.

We learned that converting firewood to cleaner LPG Gas for cooking is the top priority for lower income family once they gain extra income.

Quality of Life - Proper Housing

Our research indicates that 97.7% of our borrowers' house have proper flooring made from tiles or solid cement. 95.3% have proper walls from cement and 100% have proper roof.

This finding signifies the success of financial literacy program embedded in Amarth training module. In our financial literacy curriculum, we educate that proper housing is one of the goals to be set when borrowers have extra income from their business.

Proper housing is an indicator method implemented by many microfinances to measure poverty level. Poor quality of house indicates that the household are not able to protect themselves from disease and natural disasters, and therefore an indication of poverty.




Besides financial literacy, we also educate our borrowers to improve their quality of life using a standart poverty indicator.

Quality of Life - Access to Clean Water

The issue of access to clear water has been highlighted in SDG number 6, where the focus is on the role of women and girls in water collection for the 80 per cent households without access to water on premises. The UN Women explained that this role raised some concerns related to the risk of violence during their way to get the water as well as the time required to collect the water can cause girls to abandon school and prevent them from the opportunity to earn better income in the future.

From our research, we discovered that 99% of our borrowers have proper access to clean water from well (81%) and from water piping system (18%).

 **From our survey, we discovered that 99% of our borrowers have proper access to clean water from well (81%) and from water piping system (18%). However, the quality of sanitation and hygiene needs to be improved.**

Therefore, in 2019 Amartha will work together with Water.Org, an international non-profit organization with mandate to improve access to quality drinking water and sanitation, to help our borrowers live a healthier lifestyle through better sanitation.

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“ I used to walk for 3km to get clean water. After I received loan from Amartha, I start earning more money from farming. I use the extra income to build toilet and well for my water resources at home. ”

- Ibu Junengsih, Bogor -

See the full story video:
<http://bit.ly/AmarthaInspiringChange-Junanengsih>

Quality of Life - Access to Technology




© Amarta, 2018

Based on a joint research with UN Pulselab Jakarta, we learned that digital inclusion will help women in rural villages improve economic opportunities by leveraging their digital potential. Through better connectivity, women can access more information through mobile platform and get access to digital financial services which are more efficient.

In 2018, for the first time we measure the number of cellphone ownership among our borrowers. The result showed that 47% of borrowers own at least one cellphone in the family.

The cellphone is a combination of a feature phone (with call and text features only) and smartphone (with internet applications capability). Only 42.3% of our borrowers own a personal cell phone for their own private usage.

 **Despite lower cellphone ownership in the villages at the moment, the growth of cellphone penetration is high in rural areas (+16%) and therefore it is an opportunity to digitize this segment and offer digital financial services in the near future.**

Poverty Intervention

For poverty intervention, we start our strategy by educating our women borrowers about financial literacy and awareness as we believe that the gap will negatively impact the long term financial well being of the women as well as their family. When basic financial literacy is acquired, we continue the intervention with subsequent activities, as follow.

✓	✓	✓	✓
<p>Providing financial access to rural communities through our loan products, so they have better opportunity to start and scale up their businesses.</p>	<p>Improving the productivity of rural communities through series of trainings, sharing sessions and workshops related to entrepreneurship.</p>	<p>Creating new jobs opportunities in the villages when the business is growing, preventing urbanization.</p>	<p>Improving consumption capacity of rural communities as a result of the betterment of income and living conditions.</p>

© Amartha, 2018



HEALTH & ENVIRONMENT DIMENSION AND INTERVENTION STRATEGY

According to the recent study of **Multidimensional Poverty Index by World Bank in 2018**, health issue has the most contribution to poverty in Indonesia. By putting this into the context of Amartha's borrower, we realise that health related expenses may be a threat to the sustainability of our borrowers' economy.

In terms of environmental related issue that contributes to poverty, we discovered that hygiene and waste management are still a low priority for our borrowers who are generally belong to a lower socio-economic society.

For example, it is very common in rural villages that livestock cages and farms are not separated from the house. This condition may cause severe contamination of pathogenic bacteria that causes illness in humans.



Health Intervention

💡 To help improve the well-being of our borrowers, during 2018 Amartha have performed medical examinations activities to 18,255 beneficiaries, which consists of general medical check-up by medical doctors from CIMSA volunteers and eye examination by ophthalmologist from NVG Essilor.

From the eye examination, we also distributed 7,039 pairs of free eye-glasses to improve productivity of our borrowers. Based on our survey, 33% of beneficiaries experienced productivity increase by 4 hours a day after wearing eye-glasses and 67% of them experienced one hour of additional productivity. Improvement in productivity time will directly impact the capacity of production and more hours spend on productive activities that will lead to better opportunity to prosper.

© Amartha, 2018



Thank you for help us with the reading glasses. Now I can have a better vision and be more productive as a tailor.

- Ibu Tati, Cirebon -

Environmental Intervention

In most of our operational area, we discovered that proper waste management is still a major issue. Livestocks farming and its waste are not properly managed according to hygiene standard.

Based on this finding, together with Oxford University, we have developed a curriculum to improve awareness of the negative impact of improper waste management. The training module is aimed at preventing contamination of pathogenic bacteria that may cause diarrhea and other sickness that will threaten the sustainability of the family's economy.

Further, the curriculum is also designed to raise awareness of the villagers about food hygiene and reduction of plastic consumption to minimise ocean waste.

Specific for reduction of plastic waste, throughout 2018 Amartha have prototyped plastic reduction campaign to the borrowers and distributed 9,098 reusable shopping bag to replace one time plastic bags. From time to time we will monitor the behavior shift as a result of such campaign.

Hygiene and Environment Matter

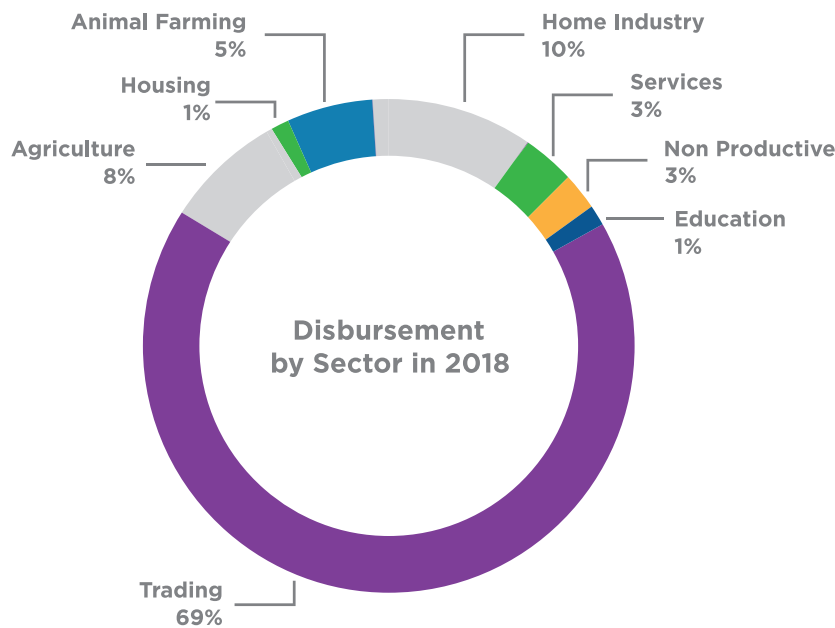
We educate our borrowers to practice hygiene standard and reduce plastic consumption. Health and environmental awareness help the society to sustain prosperity.



LEARNING FROM 2018

Productive Loan and Entrepreneurship

We put together various insight we acquired during our journey in operating a socially conscious business, from challenging experience in serving our borrowers up to the success stories our borrowers share as a result of their engagement with Amarthartha.



💡 With our focus and campaign to improve prosperity through entrepreneurship, the ratio of productive loan have increased from 88% last year to 95% in 2018 or equivalent to IDR 717 billion (US\$ 53 million).

💡 The number signifies that market demand to start and to scale up business in the villages which requires working capital are strengthening.

In terms of the total loan disbursed, major increase happen in home industry sector (up 3%), followed by livestock farming, services and agriculture, each contributes to 1% increased in ratio relative to the current total loan disbursed.

💡 This fact showed that the needs for working capital in micro segment are strong. Women villagers are motivated to improve their living conditions by becoming an entrepreneur.

To support this motivation, Amarthartha's sustainability strategy for 2019 will be designed to focus on strengthening entrepreneurial skill of our borrowers through revamping our education curriculum as well as partnering with other stakeholders to implement the program.

As a woman villager, Bu Ratna had experienced the struggle in fulfilling the basic needs of her family, including education for her child. Eight years ago, the economic condition of her household was tough even to enroll her first daughter to the high school.

Bu Ratna knew about Amarthartha eight years ago, after she heard the information from her neighbor who attended the weekly meeting. She and the other curious women villagers decided to attend the introduction meeting by Amarthartha's Business Partner.

© Amarthartha, 2018

**Empowering women,
Educating children.**



See her full story on the video: <http://bit.ly/AmartharthaInspiringChange-Ratna>

From this event, she learned how to access working capital even when she has no collateral. She then decided to use this opportunity to make a change in their life.

Bu Ratna waste no time and started to gather other women in her neighbor to form a group to qualify for the loan from Amarthartha. She recalled the discussion with her husband back then, "But what if we can not repay this loan? Isn't it too risky for our current condition?". Then the husband responded, "If it's for the sake of our child's education, I believe opportunity will knock for those who fight for it, just like us".

After receiving her husband's blessing, Bu Ratna gain more confidence in taking her first responsibility to borrow money from Amarthartha. She received IDR 500 thousand for her first loan. She used it to enroll her daughter to school and start her small business at home.

She started to make handcrafted doormat. The sales is enough to repay the loan from Amarthartha. From gaining this first time business experience, she realised the potential of expanding the business.

After finished she repaid the first cycle loan with Amarthartha, she continued to take another round to scale up her business. Gradually, she add up more manpower to support the growth. She recruited and trained her neighbors to help her with the production of the doormats.

💡 Today, she managed 22 women other women in the neighborhood to be a doormat producer, so they can generate additional income for the family. From scaling up her business, Bu Ratna is now able to renovate her house and improve the whole family's living condition. Moreover, she also creates jobs in the village for her neighbors.

Women and Financial Inclusion

Based on Global Findex Database from World Bank in 2017, bank account ownership in Indonesia is categorized as low, with more than 100 million people have no relationship with banks. World Economic Forum's Global Gender Gap Report 2017 also mentioned that the majority of unbanked population, or more than 50 million, are women from low educated segment and underprivileged families.

Those reports confirmed what Amartha have been doing where we focus on providing access to finance for women from low socioeconomic status. In fact, more than 80% of our borrowers have never been in any relationship with banks.

While in terms of education, most borrowers are only elementary school graduates (50.58%) and 26% of them are graduated from junior high school level.

By providing opportunity for this segment to have access to productive loan, Amartha have contributed to the improvement of financial inclusion for women. Of the 50 million unbanked women in Indonesia, Amartha have contributed access to 110,393 of them or 0.22% in one year. In less than three years time, Amartha aims at providing financial inclusion for one million people or 2% of Indonesia's unbanked women.

💡 **80% of our borrowers have no bank accounts and only one out of 5 borrowed graduated from high school. Education for women and financial access are closely related.**

© Amartha, 2018



Partnership for Sustainable Prosperity



© DFAT IxC Frontier Innovators, 2018

We learned from our experience in operating peer-to-peer lending (P2P) model that our business has not only impacted the economic aspect of our customers, but also the community as a whole. Together we build partnership among various stakeholders to achieve sustainable living through the balance among the people, planet and prosperity.

The P2P concept has raised awareness among investors community about alternative impact investment, connecting their money with real sector in the villages through working capital loan offered by Amartha.

The community lending model have encouraged our borrowers to build support system and promote sharing responsibility.

Impact activities involving non-borrowers in the village have promoted awareness about the presence of Amartha as an alternative lending platform for the unbanked, opening up opportunities for them towards better access to finance.

Government, international and multinational organizations (UN-Pulselab Jakarta, DFAT Australia), academic institutions (Gadjah Mada University, Brawijaya University, Melbourne University, Oxford University), civil society organization such as CIMSA and non-profit organization such as Wahana Artha Foundation and NVG Essilor have collaborated with Amartha to deliver impact activities together. With this partnership, we proved that achievement of SDG goals can only be materialized if all stakeholders are collaborating and contributing.

Synthesis Between Technology and Human Approach



© Amartha, 2018

While lenders are all connected to the internet, our borrowers are mostly offline. Also with the reality that more than half of Amartha's borrower are graduated only from elementary school, financial literacy and other "out of poverty" curriculum have to be delivered face to face by our field staff. As of December 2018, we have 885 field officers and 52.1% of them are women.

💡 **52,1% of our field staff are women.**

💡 **Our marketplace at amartha.com has been able to connect rural villagers who need access to working capital with lenders in big cities, opening up better opportunities for a real impact investment experience.**



© Amartha, 2018

Digital Literacy Supports Financial Inclusion



© Amarth, 2018

In 2018, Amarth conducted a joint research with UN Pulselab Jakarta on Banking on Fintech. The research focused on understanding the behavior of Amarth’s customer with regard to the services offered by Amarth and their perception about technology adoption by using a human centered design approach under the umbrella of qualitative research methodology.

From the research we learned that ownership of mobile phone among our borrowers are at 47%, a total of feature phone and smartphone.

However, they only use their mobile phones for basic functions such as texting and calling when there are urgent needs. Only a few of the smartphone users ever use social media and typically they share their phone with other members of the family.

From the in-depth interview result, they admit that the financial tools introduced via mobile phone features and application might be able to help them manage their money and business, but there is a self-limiting belief in their ability to use their phones in ways that they do not immediately understand. Although we did a visual walkthrough of our concepts, they feel overwhelmed by the number of steps required to understand the range of services offered by an app. In this sense, we see a promising opportunity to use mobile phone to drive financial literacy and inclusion.



Onward



Majority of Amartha's borrowers are small shop owners, home industry owners and farmers.

VISION FOR 2019 AND BEYOND

From our learning journey, we have developed a sustainability framework for 2019 and beyond by integrating our business model and products to help achieving SDGs.



We understand that by integrating sustainability into our business strategy, we will be able to better manage our risks exposure while helping the society and planet to thrive. For instance, from our experience in 2018, we learned that our financial literacy programs helps our borrower understand their financial goals, and therefore guide them to improve metrics that will eventually drive them out of poverty. With the improvement of their economic capacity, their ability to repay will also be improved and the demand for larger and more diversified financial services will unfold.

In 2019 we will continue to revamp and improve our baseline survey methodology to better understand our customer's behavior. We also develop some tools to improve our ability to collect and analyze the data from our surveys.

Our long time existing partners include Melbourne Microfinance Initiative of Melbourne University, Oxford Development Consultancy and Department of Foreign and Trade (DFAT) Australia.



To validate and improve our sustainability management, we have developed partnership with international think tanks and universities to help us build an international standard framework of impact measurement and analysis.

In 2019, we will extend our partnership with universities in Indonesia, such as Brawijaya University in Malang, University of Indonesia and the Center for Digital Society (CfDS) of Gadjah Mada University in Yogyakarta. Engagement with academia is aimed at giving relevance to the research and discourse within the universities by connecting them with the real sustainability issues faced by the businesses.

VISION FOR 2019 AND BEYOND

Amartha is also keen to conduct research on digital behavior of our customers. We understand that as a financial technology company, we have the responsibility to develop digital products that will eventually help the bottom of the pyramid population to get access to affordable digital financial services. Understanding their behavior, needs and preference will help us design product that brings most values to them as our customers.

Lastly, in 2019 Amartha will join The Smart Campaign as global effort to unite financial leaders around a common goal: to keep clients as the driving force of the industry.

Through the Smart Campaign, Amartha share the same believe that protecting clients is not only the right thing to do but it's the smart thing to do.



The Smart Campaign is part of the Code of Conduct that Amartha adopts to ensure sustainability of the micro and SME market.

Through series of self-regulating ethics and regulations, we help microfinance industry to be healthier, more client focused and eventually foster a stronger portfolio and ensure healthy returns.





IMPACT REVIEW BY CENTER FOR DIGITAL SOCIETY (CFDS) - GADJAH MADA UNIVERSITY

Amartha's presence has contributed to fill the gap of financial inclusion in Indonesia. In fact, to date 185,637 women micro entrepreneurs in the village have received financial access from Amartha to support their businesses.

In addition to other intervention, the peer-to-peer model operated by Amartha have contributed significantly towards the reduction of poverty in Indonesia. Based on the survey to the borrowers of Amartha during 2017-2018, the income have improved significantly to the average of IDR 3,47 million per month in late 2017 compared to average of IDR 1.44 million two years earlier before they start the business with the support of working capital from Amartha.

On a national scale, the number of poor population in Indonesia in 2018 have decreased to 25,95 million people from 26,56 million in 2017. Geographically, the most improvement happen in rural villagers where the population who live in poverty have decreased 505,000 people compared to the previous years. In this sense, Amartha's presence in rural villages have a strategic value to help reducing the poverty.

In addition to economic benefit, Amartha's impact can also be seen from the way it collaborate the community, as follow.

- Build social awareness for the investor in the city to contribute their money for rural development.
- Build cohesiveness of groups of women in the villages so that they can support each other.
- Strengthen interaction and social integration among the villagers through discussions and regular dialogs as a platform to share experiences and learning.

From the business perspective, Amartha's borrowers are mainly entrepreneurs in trading and home industry segments. These two sectors were the biggest contributor within SME segment to the national economy.

In terms of giving opportunity for women to participate in the economy, Amartha's conscious option to serve women entrepreneurs echoed the research from World Bank that women are a potential engine of economic growth.

In 2016, World Bank released a report that shows the ratio of women's ownership in micro and small business was at 51 per cent, higher than men. Recent report of economic equality for women by McKinsey in 2018, stated that Indonesia could gain additional GDP of up to \$135 billion in 2025 driven by women entrepreneurs.

The Center for Digital Society (CfDS) of Gadjah Mada University suggests that within the scope of "Gender Impacts", Amartha needs to integrate gender equality to the SDGs target through the following efforts.

As a complex issue, the approach of alleviating poverty can be seen from various viewpoints. However, there is a shared vision emphasizing that the role of women cannot be separated from the mainframe of poverty issue. From the lense of financial inclusion, economic empowerment, and digital inclusion, everyone suggests that through the active role of women, we can win big on the fight against poverty.

- Strengthening the role of women in the family as agent of change;
- Increasing opportunities for women to improve quality of life;
- Supporting women villagers to get informal learning opportunities.

As a complex issue, the approach of alleviating poverty can be seen from various viewpoints. However, there is a shared vision emphasizing that the role of women cannot be separated from the mainframe of poverty issue. From the lense of financial inclusion, economic empowerment, and digital inclusion, everyone suggests that through the active role of women, we can win big on the fight against poverty.

SUSTAINABILITY PARTNERS

We have been privileged to work together with various international and national organizations, businesses, Governments and civil society in implementing our sustainability programs during 2018.

DFAT Australia - iXc Frontier Innovators

As the winner of Frontier Innovator challenge, Amartha received supports from DFAT Australia's "innovationXchange" Program to scale up impacts in the area of financial literacy and entrepreneurship education. Within the program, Amartha have been able to reach out to 29,245 people through various intervention.



Australian Government
Department of Foreign Affairs and Trade



UN Pulse Lab Jakarta (UN PLJ)

UN Pulse Lab Jakarta is embodied with the United Nations and Bappenas Indonesia in the scope of using big data and social research for development agenda and humanity act. In 2018, Amartha conducted a joint research with the UN Pulselab Jakarta entitled "Banking on Fintech".



Melbourne Microfinance Initiative (MMI)

Amartha partners with the MMI of Melbourne University for developing an entrepreneurship training modules for the micro-merchants in rural area. The final modules contains marketing strategy for micro-merchants and communication skills for customer retention.



SUSTAINABILITY PARTNERS

Oxford Development Consultancy

Previously known as Oxford Microfinance Initiative of Oxford University, Amartha continue the partnership established since 2017. The Oxford Development Consultancy and Amartha have collaborated in developing training module to educate villagers to be more environmentally conscious in doing their business practice.



2.5 NVG Essilor

2.5 NVG Essilor is a special division under the Essilor Group with a mission of improving the well-being through a better vision. During 2018, the 2.5 NVG team and Amartha had organised regular eye examinations and distributed free-reading glasses in several areas in Banten, West Java, Central Java, and East Java. All the Amartha's Business Partner who participated in this program is also trained for giving an eye-examination by themselves.



Astra Life

The CSR program of Astra Life covered a medical check-up and financial literacy education for raising the awareness of the importance of having a financial protection like insurance. The activities held through mini-workshop session discussing relevant diseases with the locals in rural area, the importance of insurance product, and medical check-up.



Rumah Sehat Wahana

Rumah Sehat Wahana is a health facilities belongs to Wahana Artha Foundation that operates in Tangerang area. The foundation committed in promoting the well-being through education, health, and entrepreneurship skills. In 2018, Amartha has partnered with Rumah Sehat Wahana for supporting more affordable health services in Tangerang.



Dinas Kesehatan NTB

in channeling donation for the earthquake victims in Lombok, West Nusa Tenggara in 2018. We partner with the institution to gather updates about the critical supplies needed by the most vulnerable group of the evacuee. Amartha provide the supplies and necessities for breastfeeding mothers that spread over three refugee shelters around the Lombok area.



AWARDS AND ACCOLADES

InnovationXchange (iXc) Frontier Innovator - DFAT Australia

In the scope of public sectors that committed their contribution in progressing toward the SDG targets, Amartha has chosen out of of 700 innovators by the DFAT Australia as the Frontier Innovator as one of the most impactful businesses in Indo-pacific.



30 Promising Growth-Stage Start-Ups 2018 - Forbes Indonesia

After closing the Series A stage, Amartha has short-listed by Forbes Indonesia as one of the 30 Promising Growth-Stage Start-Ups of 2018. This award was given to the potential "the next unicorn" based on their recent business performance and highlighted growth.



Innovative Fintech in Financial Inclusion - UNCDF

UNCDF SHIFT and UN Pulse Lab Jakarta launched the Challenge Fund on Digital Technology Solutions for Micro Enterprises in Indonesia. From 33 applications and 12 pitches, Amartha has selected as a fintech start-up that innovatively bridging the gap of financial inclusion and increasing women participation in the economy.



Digital Inclusion Awards 2018 BEKRAF & Kemenkominfo

Amartha received the 2018 Digital Inclusion Award for the contribution in digital innovation to promote inclusivity in digital economy in Indonesia. This event was held by the Indonesia's Ministry of Informatics, Communication and Information (ICT), the Indonesian Agency for Creative Economy (BEKRAF), and Indonesian Telematics Society (MASTEL)



THANK YOU FOR BEING A CHANGEMAKER



Change doesn't happen overnight. And we believe that great changes are not the result of a single act of one person.

As a business and as a member of the civil society, Amartha sees collaboration as part of our sustainability strategy. For that reason, Inspiring Change becomes our core message for the annual Social Accountability Report 2018.

Through this publication, we want to emphasize that everyone involved in our impact activities is a significant stakeholder, not only for us but also for the sustainability of our society and planet.

We thank brave women and men in 3,500+ villages who serve as Business Partners for our borrowers, our team at Head Office in Jakarta, our partner universities and think tanks as well as our faithful lenders for their impactful investment.

We also sincerely express our gratitude for the support of our regulator, the Financial Services Authority of Indonesia (OJK), for creating such a conducive ecosystem for our growth.

Last but not least, it was an honor to work closely with Australian Department of Foreign Affairs and Trade (DFAT) to scale up our impact and sustainability programs during 2018. We thank DFAT for the financial support and technical assistance extended to Amartha in strengthening our sustainability footprint in our community.

Once again, thank you for being part of Amartha's journey and achievement. Your works have contributed to the betterment of our society and planet. Let us continue this endeavor, together.

Aria Widyanto
Vice President





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Research Partner : Center for Digital Society (CfDS) Gadjah Mada University
Grant Partner : DFAT Australia

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