

BIDUK is a DFAT-funded **lending platform**¹ aimed at meeting the needs of Jakarta-based small and growing businesses (SGBs), with an emphasis on those owned by women (wSGB). BIDUK is designed to show that **flexible debt products** are incredibly well-suited to meet the needs of wSGBs in Indonesia and elsewhere. Testing new debt products will also allow us to select those that are best suited to meet the needs of the target SGBs, and to give recommendations for adaptation and next steps.

A *biduk* is an Indonesian riverboat used in fishing or transport of goods in between very large places and very small ones; in many ways, it is the maritime equivalent of the financial services platform we aim to build. In Indonesian, BIDUK is an abbreviation of *Berinvestasi Dalam Usaha untuk Kemajuan*, which translates to “Investing in Business for Progress” and gives the name double meaning.

Filling a Market Gap: Most formal financial intermediaries are unable or unwilling to develop financial products that meet the actual business needs of wSGBs, because they focus on their needs as financiers. This causes SGBs to retrofit financial products to meet their needs, increasing the risk to both parties.

- Market Gaps that BIDUK seeks to address:**
- Investment sizes for wSGBs are too small relative to transaction and due diligence costs for large investors;
 - Lack of traditional exit options for commercially driven investors;
 - Collateral and formal financial statements required by conventional banks are inappropriate for wSGBs;
 - Financial product structures and characteristics are not conducive to actual business needs;
 - Potential investors are unwilling to overcome limited business or operating experience, despite strong business models, products or services;
 - The lending process is burdensome and rife with unintentional bias;
 - Investors and banks focus on transactions, but wSGBs want a relationship with a financial partner;
 - Investors under-appreciate the need for the entrepreneur to trust them; focusing only on their trust of the entrepreneur.

Effective financial products serve specific needs, while most banking products serve general needs. Too often, investors and financial intermediaries lack the experience or understanding to structure an investment beyond conventional debt and equity structures, which are ill suited to SGBs, especially those in the wSGB sector in Indonesia. For example, women tend to start more service businesses, which

have few or no assets to pledge, cyclical and short-term cash flows, slow-but-steady growth over a long time horizon, and incremental growth funded by operating revenues. These factors make

the businesses unlikely candidates for bank financing, and not particularly well suited to more straightforward larger-scale debt or equity investment.

Our Solution: The BIDUK approach to wSGB financing will illustrate that flexible, yet simple, structures and repayment mechanisms can reduce onerous due diligence and deal execution, thereby lowering transaction costs, which are often a barrier to smaller investments. Examples of products included in our value proposition are summarized in the blue box.

BIDUK Value Proposition

- Unsecured loans
- 6-18 month tenor
- US\$ 10-70,000
- Cash-flow based lending
- Underwriting on both willingness and ability to repay
- Flexible repayment structures, including grace periods, bullet and balloon schedules
- Bespoke products bundled with financial and non-financial services
- Trust-based relationship beyond financial transaction
- Intended uses: working capital, revenue smoothing, structural investment, growth

BIDUK’s value proposition should also help reduce the focus typically placed on exit strategies for equity investments, as traditional liquidity events may not be realistic in these markets.

BIDUK supports businesses in nearly any industry, with a focus on “main street,” steady growth businesses. Projected high growth tech companies are not in our area of expertise. Although we are not exclusively focused on lending to socially oriented companies, we will not lend to businesses involved in any of the “sin” industries, for example tobacco and alcohol production.

Underwriting for wSGBs is as much an art as it is a science. The BIDUK underwriting methodology is based upon understanding the creditworthiness of the business, intended as the ability and the willingness to repay. Therefore, our approach is based on rigorous, applied quantitative analysis (rather than just data collection) coupled with a qualitative understanding of the risks, business model and capacity for growth during the repayment period.

Relationship-based Investing: The BIDUK model includes more than just capital, it is a **relationship-based approach to building healthy businesses**. Subsequently, it also involves supporting clients in integrating into the larger ecosystem of other wSGBs and stakeholders, other donor-funded programs, the private sector, and a variety of partners in Indonesia and beyond. The BIDUK model fundamentally embraces the **“it takes a village” approach to building successful businesses**, using suitable financing as the entry point. By partnering with

¹ BIDUK has been generously funded by DFAT’s Frontier Brokers program (part of Innovation Exchange) as well as Investing in Women.

entrepreneurs, we can reach companies, technologies, and processes that are sound and scalable but may be lacking some aspect of business acumen to make them investment worthy. Our global experience tells us that healthy business transactions are dependent on strong relationships between parties, based on trust. This is true with financial relationships, and even more true for wSGBs. In most robust economies, like OECD markets, much of the trust in relationships is created through legal contracts and mechanisms for transparency and recourse. Recourse can supplement a personal relationship, but it is no substitute. In Indonesia and throughout Southeast Asia, relationships are critical to business deals, and contract and other legal formalities come only once trust and camaraderie has been established.

The BIDUK approach is grounded in a quantitative, product-oriented business model, bundled with qualitative relationships and trust between financier and investee. As much as BIDUK invests capital in the businesses we support, the businesses invest trust and partnership in BIDUK.

Gender Equality and Social Inclusion Integration



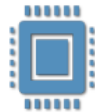
CLEAR DEFINITION (60% total portfolio value)

- Women owned/women led
- Women in management
- Women on Board
- Including women AND men



UNCONSCIOUS BIAS REMOVED FROM PROCESS

- Equitable process and pipeline screens
- No need to pledge physical collateral
- No requirement for spousal consent
- Qualitative and quantitative underwriting



COMPANY STRUCTURE

- Athena and BIDUK are both women-owned businesses
- Gender, ethnic, religious and nationality team diversity
- Inclusive hiring, salary and promotion policies and practices



COLLECT AND TRACK INVESTEE INFORMATION

- Women ownership and leadership
- Women in supply chain
- Gender equitable policies
- Hiring, salary and retention rates for women employees

Holistic Approach to Valuing Women: BIDUK’s approach to gender lens investing goes well beyond reaching women entrepreneurs. To enhance innovation, BIDUK tests additional metrics to attempt to capture larger social equity impact to show actual positive correlation between transparency in reporting and reduced risk, which may eventually lead to showing causality between valuing women—as SGB business owners, in leadership roles, and as employees—and reduced business risk.

Importantly, as a prototype financial intermediary, BIDUK is purpose-built to ensure processes, practices and products are designed **to eliminate intentional or unintentional gender and social bias** as thoroughly as possible. BIDUK does not exclusively lend to women clients; in our experience, products and service offerings designed only for women tend to be derivative and not taken seriously. Our approach is to treat women not as “beneficiaries,” but as clients, leaders and business decision makers, as we would do with male clients. Therefore, introducing true

gender equity within our model means working with clients (men and women) on building sustainable and equitable businesses for all. We focus on wSGB because we recognize that women disproportionately lack access to appropriate financing, and we can bring about gender equity by bringing those numbers into balance.

BIDUK’s Vision: BIDUK is currently supported by DFAT as a proof through to June 2022. During this initial phase of BIDUK, we will be able to support 25-30 entrepreneurs with whom we will refine our flexible financial products and TA and network facilitation through our partnerships. However, in order to guarantee the sustainability of this model and test the potential to expand to other markets, we are seeking investment to increase operating runway through 2028 in order to expand outreach and outcomes for systematic change.

BIDUK is by design not a conventional fund structure. As a straight lending platform, we are able to better meet the needs of SGBs and keep overhead low as an operating entity. We are actively fundraising for additional capital to expand the lending platform.

The initial focus for BIDUK is Jakarta, Indonesia, with rollout nationwide and potentially in similar markets within Asia or Africa in later stages.

Pandemic Response: BIDUK began and continues to actively lend under COVID, with exceptional loan portfolio quality. Our underwriting methodology and trust-based relationships allow us to completely customize lending products to meet the needs of entrepreneurs, even in times of crisis. Our approach to supporting SGBs as a financial intermediary is founded on the idea that businesses can and should leverage strategic debt financing to grow businesses at a healthy pace, and to “walk before your run.” With a global pandemic, this notion also helps to build resiliency into SGBs to help them successfully navigate through uncertainty and volatility in an ever-changing world.

BIDUK is implemented by Athena Global

For more information, please visit our websites:
www.athenaglobalalliance.com or www.bidukindonesia.com

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