



Bina Swadaya: The Indonesian Third Sector in Action

Case

Author: Aluisius Hery Pratono, Andrey Fifo & Sujoko Efferin

Online Pub Date: | **Original Pub. Date:** 2020

Subject: Government & Business Economics, Social Entrepreneurship & Innovation

Level: Basic | **Type:** Direct case | **Length:** 3487 words

Copyright: © Aluisius Hery Pratono, Andrey Fifo, and Sujoko Efferin 2020

Organization: Bina Swadaya | **Organization size:** Large

Region: [South-Eastern Asia](#) | **State:**

Industry: Crop and animal production, hunting and related service activities

Originally Published in:

Publisher: SAGE Publications: SAGE Business Cases Originals

DOI: <http://dx.doi.org/10.4135/9781529700107> | **Online ISBN:** 9781529700107

© Aluisius Hery Pratono, Andrey Fifo, and Sujoko Efferin 2020

This case was prepared for inclusion in SAGE Business Cases primarily as a basis for classroom discussion or self-study, and is not meant to illustrate either effective or ineffective management styles. Nothing herein shall be deemed to be an endorsement of any kind. This case is for scholarly, educational, or personal use only within your university, and cannot be forwarded outside the university or used for other commercial purposes. 2019 SAGE Publications Ltd. All Rights Reserved.

This content may only be distributed for use within SAGE Publications.

<http://dx.doi.org/10.4135/9781529700107>

Abstract

Bina Swadaya is the largest “third sector” in Indonesia, referring to organizations that are neither public nor private sector. This article discusses the experience of Bambang Ismawan, the founder of Bina Swadaya, who attempted to support poor farmers by helping them to develop self-help communities. When the donor shortage became severe, Bina Swadaya expanded into business to finance their social enterprise activities.

Case

Learning Outcomes

By the end of this case study, students should be able to

- understand the basic concept of social enterprise,
- explain the social purpose of the social enterprise,
- explain the economic project of the social enterprise, and
- identify the challenging government transitions affecting the organisation.

Introduction

On July 14, 2017, Bambang Ismawan celebrated 50 years of leading the largest non-profit organisation in Indonesia, Bina Swadaya Foundation, and set the stage for his final year at the foundation. Many studies indicate that having power makes people more self-focused and self-interested (Miller & Ratner, 1996; Mansbridge, et al., 2009; Kittel, Kanitsar, & Traub, 2017). This was not the case with Bambang, who left nearly his entire fortune to the organisation he had led, whose works significantly benefited humanity, especially poor farmers.

For his efforts to promote social enterprise, Bambang Ismawan was awarded the Ernst & Young (Indonesia) Social Entrepreneur of the Year 2006. The government of Indonesia also awarded him a Satya Lencana Development Award for his initiatives on community development. Many other organisations also acknowledged him as a role model for social entrepreneurs in Indonesia.

Bina Swadaya is a non-profit organisation which started out as a legal form as required by Indonesian government, later expanding into a business that funded its own social enterprise activities by establishing 17 business ventures. When he founded Bina Swadaya, Ismawan did not know it would be a social enterprise; in fact, he had not even heard the term before.

Ismawan was born in Babat, a small town in the Lamongan district of the province of East Java, into a prominent family of rice merchants who introduced him to the spirit of entrepreneurship. His father was a farmer and rice trader who lived in a small town, 70 km away from Surabaya, the capital city of the province. Ismawan grew up at his father’s side, learning about social business from him, over the years.

As a young boy, Ismawan liked to join his father in his work. His father taught him that profit is not everything and encouraged him to work closely with farmers to spot the needs that arise within their community, where it took a significant commitment for them to buy the agricultural products they needed. For his father, setting the price could become a personal agreement that covered not only the cost of production but also included

a personal relationship. By learning from his father, Ismawan discovered business concepts that allowed him to see overall market behaviours and understand how to build the trust that becomes the significant social capital for a business. The experience gave him a substantial advantage over all the other traders in the agriculture market.

He also learned from his mother, an activist for a local community organisation. At weekends, he loved spending time playing football with his friends but also had to help his mother collect membership fees, introducing him to how to manage a social organisation. So, this experience not only taught him about a social organisation but also to manage his time between playing football and helping his parents. This influenced his role as being part of the community and impacted on how he did business.

When Ismawan studied at Gadjah Mada University in the 1950s, he met Fr John Dijkstra, Pastor Beek, and Christian Melchers. All were Catholic priests who then became his mentors. In 1954, the Catholic Church under Mgr. Soegijopranata mandated Dijkstra to promote socio-economic activities in an attempt to support the poor. In 1962, Dijkstra formed a partnership with Bambang Ismawan, Sajoga Soemaprawiro, and Gito Martojo. Later, Dijkstra sent the young Ismawan to join the Community Development and Credit Union in Bangkok. His experiences show how religious networks affect citizens' behaviours (Pratono, 2018).

The Organisation

The journey began in 1965 when Ismawan was appointed as chief of the Ikatan Petani Pancasila (Pancasila Farmers Association, known as the IPP) in an attempt to promote agricultural productivity by conducting training activities as well as processing and marketing agricultural products for poor farmers. The organisation focused on assisting large organisations with cooperative principles. The main activities included advocating for legislative and policy change on behalf of the rural community. The programme encouraged poor farmers to manage their financial resources by saving and taking out credit to expand their micro-sized farms. In a country where loan sharks were the only way for farmers to obtain financial access, the IPP provided alternative financial services with modest interest rates.

In May 1967, the association established a foundation named YSTM (Social Farmer Development). Along with an initial investment of IDR10,000, the foundation published the *Bulletin for Farmers Development* to support the community development program. The publication provided information regarding new agricultural technologies and innovations that allow farmers to increase crop yields while using fewer resources.

In 1969, the organisation began publishing the *Trubus* magazine to respond to demands from beginner gardeners. However, in 1985, the government imposed a rule that all publishers in Indonesia had to focus on publication activities and were not allowed to pursue other activities in addition to publication. YSTM then concentrated on managing the publication, while the Bina Swadaya Foundation was established to manage other agricultural activities. Following this change, the organisation found the magazine gained customers beyond the target groups. Hence, *Trubus* magazine became a long-running publication. The magazine covered straightforward news in agriculture and communities that focused on farming.

The organisation provided not only financial services but also technical assistance to help rural communities: for example, providing agricultural technology, offering a training programme for chicken farms, and developing a marketing programme for agriculture products. Typically, the farmers worked on leased farms as a single production unit with less than 500 square meters. To promote farmers with high productivity, Bina Swadaya supported sustainable agricultural techniques, like using organic fertilisers and drip irrigation techniques with community-based enterprises and cooperatives. Bina Swadaya also helped farmers to introduce other economic activities in order to diversify their business risks (Ismawan, 2018).

In 1979, the foundation established a training centre to respond to the growing numbers of target groups.

Located in Cimanggis, a refreshingly cool highland area in Bogor, south of Jakarta, this training centre provided everything needed for a profitable, enjoyable, and smooth-running event. The organisation ran various training activities, with financial support for local community leaders. These activities turned into a 4-month professional programme, providing training for volunteers from the self-help community, management training for the self-help community, and training for cooperatives.

From 1994, however, the training centre no longer received financial support for the training activities, resulting in a decreasing number of participants. In 1997, the organisation stopped attempting to find new funding partners and went after a new market by instead finding customers from business organisations. The centre turned into a green hotel, named Wisma Hijau. The hotel, designed primarily for conferences and training seminars, provided training programmes within a stress-free environment. To manage the programme, the training centre hired more than 60 people, ensuring that each had a strong commitment to providing high-quality service, non-discrimination, and sustainable development (Utami, 2015).

Bina Swadaya expanded by establishing branch offices in 23 Indonesian cities. This policy allowed the organisation to provide support to more than 3,000 self-help groups with more than 100,000 members. For Bina Swadaya, providing opportunities for communities to raise concerns related to the project preparation and implementation was essential in the strengthening of self-help groups. It became a challenge to encourage people to participate in discussions, especially when some people asked them what assistance Bina Swadaya was bringing to the community (Nicolas, 2009).

In 1983, the foundation established a farm shop named Toko Trubus, located at Jalan Gunung Sahari, Jakarta. In the same year, a second store was established at Cimanggis, Depok. The shops provided everything from mature trees to bedding plants. Immature plants were sent as plug plants, while older plants were delivered in 2- or 3-litre pots. These could be planted straight into the garden and would establish more quickly than plants grown from seed.

In 1992, the foundation established a microfinance institution named PT BPR Jatiartha Swadaya. In 2007 the name changed to PT BPR Bina Artha Swadaya, with 93% of shares owned by the Bina Swadaya Foundation. The company registered as a venture capital company, which offered working capital exclusively to women who did not have access to the formal financial sector, through a modified version of the traditional microfinance Grameen group methodology. The organisation also managed four other banks and 18 microfinance branches.

In 2004, the Indian Ocean earthquake and tsunami (locally known as the Aceh tsunami) claimed the lives of nearly 250,000 people in Aceh and left more than 2 million people homeless. Natural disasters remained a top priority for individual donors, who relied on fundraising organisations with great credibility (Pratono & Tjahjono, 2017). As a result of the Aceh tsunami, a charitable movement that included Bina Swadaya was started to raise funds. The Asian Development Bank hired Bina Swadaya to facilitate 2,173 local communities in the agricultural and fisheries sector (Nicolas, 2009).

The organisation promoted the idea of buying local food and encouraged customers to participate in the 'local food' movement by establishing an eco-tourism industry. This initiative continues to grow and evolve, and Bina Swadaya is experimenting with novel ways to make local agriculture an integral part of urban life. They believe that their consumers increasingly expect brands not only to have financial benefits but also to have a social impact. However, in 2010 the shops experienced declining sales performance due to the increasing number of competitors (Kirana, 2011).

In 2018, the company managed 18 farm stores across the country. Toko Trubus at Bintaro, Gunung Sahari, and Cimanggis were the largest among them and accounted for 50% of total sales. The business also provided an online shop, with the benefit of enabling customers to obtain items from a distance and order more plants than they could fit in their car. Fruit trees became top of the list of 'must haves' for customers, who usu-

ally wanted low-maintenance landscaping that looked great all year round and provided a haven for wildlife. The shops attempted to promote food sovereignty (the right of people to consume healthy, culturally appropriate food, produced by ecologically sound means) by being located near urban dwellers, providing community development, and offering technical assistance. The shops regularly responded to requests for advice on growing specific types of plants or ways to eliminate garden pests.

Business Environment

Indonesia has been witnessing the development of a third sector, comprised of social enterprises that attempt to solve various social problems. The Indonesian organisation Bina Swadaya has struggled through several political regimes. During the early development of Bina Swadaya in the 1950s, the National Constitution mandated that the cooperative should be the most relevant business model for the country and rejected free competition or capitalism (Pratono, Pramudija, & Sutanti, 2016). Hence, Ismawan and friends established the IPP to support poor farmers.

Under the dictatorship of President Suharto (1966–1998), Bina Swadaya survived by focusing more on development than on politics. The organisation remained focused on providing non-collateral small-credit disbursement schemes involving microfinance and village-based enterprise. It was under Suharto's regime that Bina Swadaya received, in 1995, the Satya Lencana Development Award, the highest honour in the field (Hoefte, Nordholt, Laffan, Vickers, & Tsing, 2015).

During the economic crisis of 1997, the Indonesian government failed to protect the welfare of its people. While the government preferred to adopt structural adjustment policies by cutting subsidies on food, health care, education, and other public services, Bina Swadaya decided to provide basic health services to the poor by conducting training for village health volunteers. The organisation also helped village communities set up microenterprise to facilitate access to basic needs (e.g., food, petrol, and water). Urban dwellers still had links with their homes in rural areas, and many also invested in agriculture and livestock in their rural home. The movement inspired many people to cultivate vacant urban lots.

In the 2000s, urban farming became popular among the middle class in Jakarta, Surabaya, and other cities in Indonesia. However, although this became the buffer for the economic needs for the poor, mainly migrants from outside Jakarta, it was not an organised movement. The middle class had become interested in being able to see the growing process of their food, most of which was currently grown far from the cities where they lived. The city administrator played a pivotal role in promoting to residents the idea that marginalised citizens could provide plants for the community to regenerate unused urban spaces. The urban farming communities grew the food naturally, although they had not yet considered marketing it.

The resulting environmental movement had similar principles to those of food sovereignty and sustainable farming: small scale, natural integration for pest control, diversifying plans, rejecting chemical use, and environment movement (Nasution, 2015). Community gardens number close to 1,000. Residents were turning plots of land beside their residential blocks into vegetable and fruit patches. These residents had started out planting ferns and flowers, but their concerns about the use of pesticides in commercially available food led them to grow their own vegetables and fruits. They have grown mangos, star-fruits, and even avocados. Hobby farmers, those deriving only 5% of their direct income from farm produce, are increasingly the primary owners of small farms.

Table 1. The Main Subsidiaries of the Bina Swadaya Foundation

	Tribus Swadaya	Tribus Agriculture store	Wisma Hijau

Founded	1969	1983	1979
Social purposes	Promoting communities' awareness of bio-diversity.	Increasing added value to the agriculture products; distributing agriculture products.	Providing a location and training with green concepts.
Products	Magazine (70,000 printed magazines per month).	Seed, plants, pots, gardening tools, fertilisers, and compost.	Training centre, conferences, workshops, trainings, accommodations,
Full-time workers	30	126	117

Source: Authors' research

Beyond Bina Swadaya

Bambang Ismawan believed that the strategy of community development should involve three main elements. The first approach should centre on institutional development by introducing the cooperative principles. For this approach, Bina Swadaya provided support to more than 25 million families. This project involved numerous partners from local government to internationally funded organisations.

The second approach focused on microfinance to address the financial gap by encouraging the poor to save their money. Since 1970, Bina Swadaya has promoted saving, which in turn changed the economic behaviour of the target group. Poor people are more likely to make bad financial decisions by borrowing too much and saving too little. Proper financial planning would enable them to save money for specific purposes instead of consuming it.

The last approach is promoting local agriculture products. *Trubus* magazine was the best way for Bina Swadaya to promote local products. More than 20 products provided opportunities to help low-income families. Many rural farmers were in a low bargaining position and reliant on external resources, while urban farming communities has not yet been exposed to the concept of food sovereignty.

Among these three approaches, the most challenging was microfinance. It was almost impossible for social workers to collect money from the poor. Most microfinance loans are used to fund consumption – to help poor people buy the necessities they need to survive. The worst case is that, if the microfinance-funded business fails, this then leads to vicious cycles of over-indebtedness that drive borrowers even further into poverty.

Bina Swadaya also gained support from various international organisations, including the Asian-Japan Partnership Network for Poverty Reduction (Japan), the Asian NGO Coalition for Agrarian Reform and Rural Development (Philippines), Asian Pacific Banking with the Poor Network (Australia), Asia Pacific Rural and Agricultural Credit Association (Thailand), the International Development Finance Leaders Forum (USA), Resource Alliance (UK), and the International Council on Social Welfare (Switzerland).

It was great to gain this financial support, which allowed the organisation to extend its services. However, this

also brought dependence on other organisations, which mostly enacted short-term projects. This approach is different from the community development programme that required continuous advances in social innovation. Therefore, the foundation established some companies, including PT Trubus Swadaya (magazine), PT Penebar Swadaya, PT Puspa Swara (book publishers), PT Trubus Mitra Swadaya (agriculture store and distributors), PT Bina Swadaya Tour (tourism industry), and Bina Arta Swadaya (microfinance) to help the foundation achieve their social mission.

Carrying out a community development programme promoting the self-help community requires a more responsive system of governance. Bina Swadaya emphasised three principles (Trigatra): pro-poor, professional empathy, and gotong-royong (the local wisdom that focuses on promoting work together). As a non-profit organisation, Bina Swadaya did not have shareholders. The organisation distributed their profit to support the community development programme. Bina Swadaya not only committed to remaining uninvolved with any political parties but also to promoting a principle of pluralism.

The strategy involves turning away from more recent prevailing business models of maximising short-term profit, towards the ways the organisation operated four decades ago. That was the time when the organisation raised concerns on social capital and short-term profit by rooting itself in the communities it served, and to which it had accountability (locally called 'tuna satak bati sanak'). The organisation claimed to have set up over 100,000 communities, with each group consisting of fifty members from various industries, such as microfinance, water irrigation systems, and agriculture (Miguel, Gertler, & Levine, 2003).

When the operation came to rely on its business ventures, it faced a new challenge. The changes brought a mission-drifting, and this extended to the relationship between the employees and the organisation. When each corporation independently recruited employees, the staff remained loyal to the corporation where they worked. For the wider organisation, it seemed the staff found it difficult to recognise the overall vision of Bina Swadaya. They were expected to understand that the organisation did not focus on doing business but adopted entrepreneurial principles to solve social problems such as poverty alleviation, job generation, and social integration (Ismawan, 2018).

For his next step, Bambang considered setting up a holding company. The Bina Swadaya Foundation became the parent organisation for the 17 corporations. He expected that all its staff would be fully aware of the ultimate goal of the organisation. However, the change might run into some resistance. He began to remember an old statement: 'It must be considered that there is nothing more difficult to carry out than to initiate a new order of things.'

Discussion Questions

1. What is the social purpose of the organisation?
2. What is the economic project, which becomes the financial resource?
3. What is the main philosophy of the organisation?
4. What is a challenging issue in organisational transitions?

Further Reading

Defourny, J., & Nyssens, M. (2017). Mapping social enterprise models: Some evidence from the "ICSEM" project. *Social Enterprise Journal* 13, 318–328.

References

Hoefte, R., Nordholt, H. S., Laffan, M., Vickers, A., & Tsing, A. (2015). *Catholics in Independent Indonesia:*

1945–2010. Leiden, Netherlands: Brill.

Ismawan, B. (2018). *Nawala Bisma: 50 Years reflection of Bina Swadaya*, Jakarta, Indonesia: Bina Swadaya.

Kirana, C. P. (2011). *Consumer satisfaction of Tribus Mitra Swadaya*. Bogor, Indonesia: Bogor Agriculture Institute.

Kittel, B., Kanitsar, G., & Traub, S. (2017). Knowledge, power, and self-interest. *Journal of Public Economics*, 150, 39–52.

Mansbridge, J., Bohman, J., Chambers, S., Estlund, D., Føllesdal, A., Fung, A., et al. (2009). The place of self-interest and the role of power in deliberative democracy. *Journal of Political Philosophy*, 18, 64–100.

Miguel, E., Gertler, P., & Levine, D. I. (2003). *Did industrialization destroy social capital in Indonesia?* Boston, MA: UC Berkeley.

Miller, D. T., & Ratner, R. K. (1996). The power of the myth of self-interest. In L. Montada & M. J. Lerner (Eds.), *Current societal concerns about justice* (pp. 25–48). Boston, MA: Springer.

Nasution, Z. (2015). *Indonesia urban farming communities and food sovereignty*. The Hague, Netherlands: Institute of Social Studies.

Nicolas, J. T. (2009). Complaint handling in community facilitation: The Bina Swadaya experience. In Asian Development Bank, *Complaint handling in the rehabilitation of Aceh and Nias* (pp. 87–98). Manila, Philippines: Asian Development Bank.

Pratono, A. H. (2018) Linking religiosity to citizenship behaviour under materialism attitude: Empirical evidence from Indonesia, *International Journal of Ethics and Systems*, 35, 75–89. <https://doi.org/10.1108/IJOES-07-2018-0104>

Pratono, A. H., Pramudija, P., & Sutanti, A. (2016). Social enterprise in Indonesia: Emerging models under transition government. *ICSEM Working Paper No. 36*. Retrieved from <http://www.iap-socent.be/agenda/new-icsem-wp-available-line-indonesia>

Pratono, A. H., & Tjahjono, G. (2017). How does materialistic attitude influence the impact of corporate brand on the customers' intention to donate to corporates' charity? *Humanomics*, 33, 484–498. <https://doi.org/10.1108/H-07-2016-0052>

Utami, P. P. (2015). *The role of communication on organization culture at Wisma Hijau*. Bogor, Indonesia: Bogor Agriculture Institute.

<http://dx.doi.org/10.4135/9781529700107>