

Commercialization of Microfinance and Linkages Between microfinance and Commercial banking



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BACK GROUND

- **THE ROLE OF MICRO ENTERPRISES IN DEVELOPING COUNTRIES**
 - Pedestal of economic development
 - Smooth out distribution of income
 - Embryo of Small, Medium and Large Enterprises
- **THE STRENGTHS OF MICRO ENTERPRISES**
 - Resistance to economic fluctuation
 - Responsive to market change
 - Efficient Use of Capital

BACK GROUND

- **MICROFINANCE AS A MAJOR ISSUE**
 - As a Tool for Poverty Alleviation
 - As a Commercial Business
- **BRI'S MICROFINANCE HISTORY**
 - Prior to 1983: The Agent of Development
 - After 1983: Commercial Microfinance

BRI's Basic Strategy

1. BANKS FOLLOW BUSINESS

- ✓ From Supply-leading Approach to Market-Driven approach

2. CREDIT IS NOT A MAGIC CURE

- ✓ Helpful if it is the only missing ingredient
- ✓ Not only credit



Number of People below Poverty Line in Indonesia

YEAR	
1987	17.420.000
1990	15.080.000
1993	13.670.000
1996	17.070.000
1999	18.170.000
2003*)	20.000.000

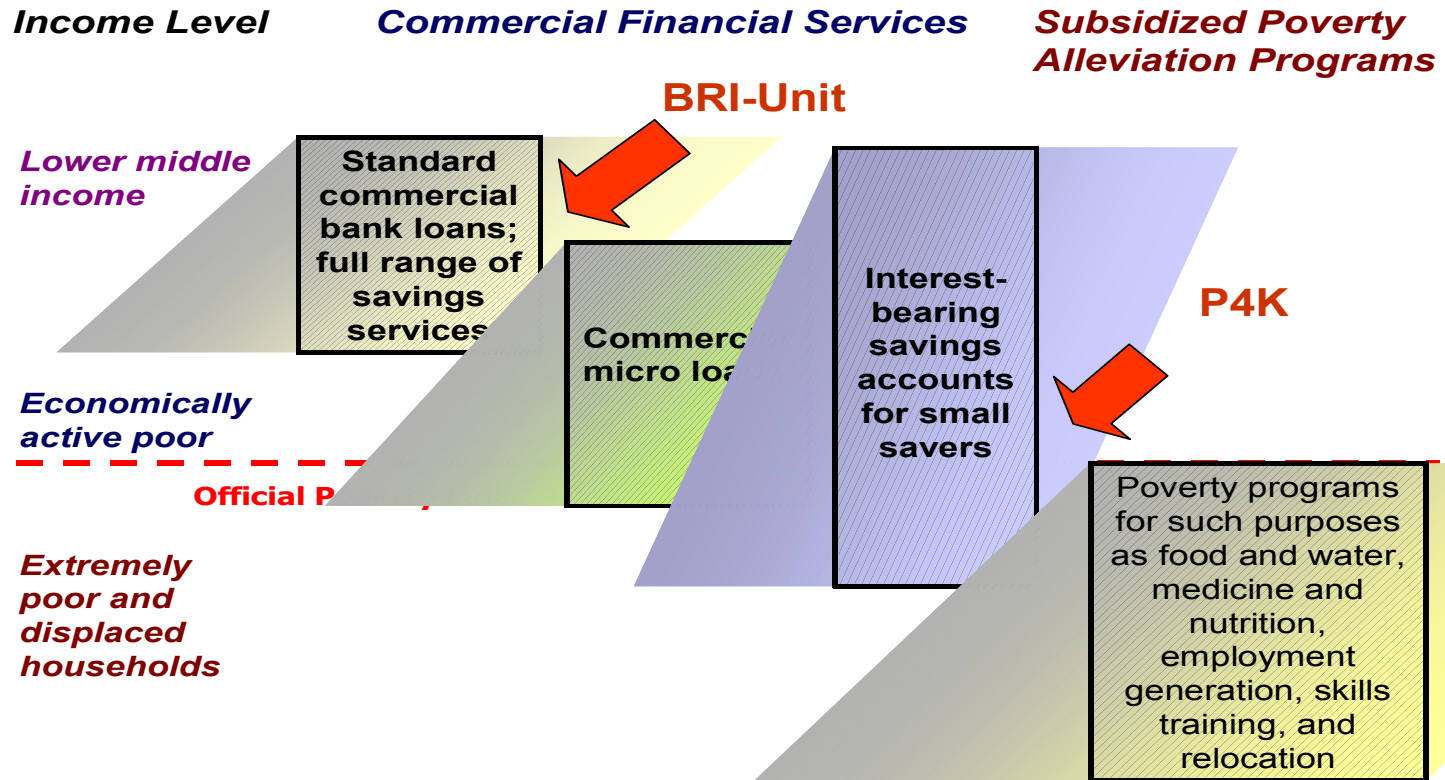
*) Estimated



Understanding The Poor

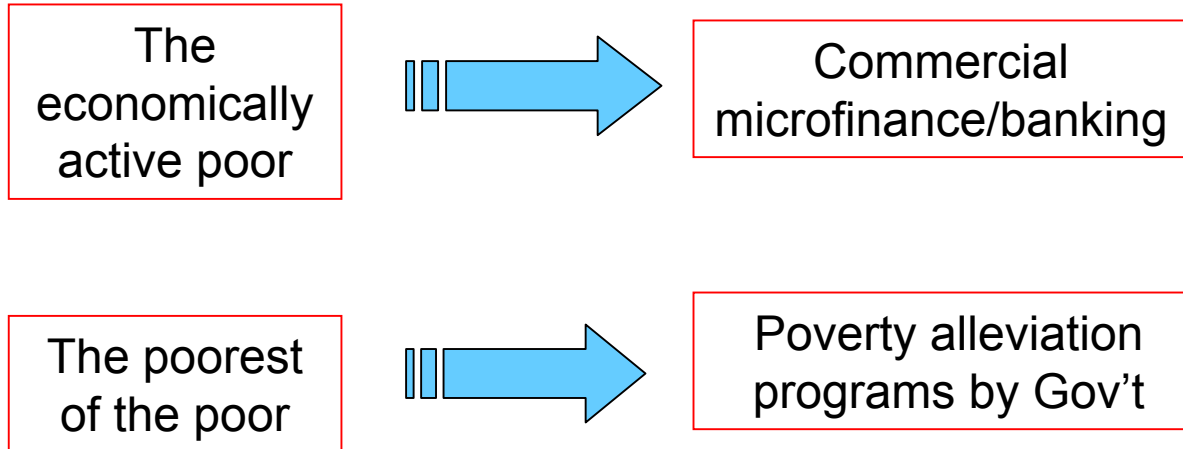


FINANCIAL SERVICES IN THE POVERTY ALLEVIATION TOOLBOX



Basic Strategy (cont'ed)

3. USING THE RIGHT TOOLS



KEY SUCCESS FACTORS

1. **CONSTANT FOCUS ON SUSTAINABILITY**

- ✓ Pricing
- ✓ Loan Quality

2. **SIMPLICITY**

- ✓ Simple products and services
- ✓ Simple procedures

3. **TRANSPARENCY**

- ✓ Active supervision
- ✓ Timely Management Information Reports
- ✓ Good Reward and Punishment System

Key Success Factors (cont'ed)

4. PRUDENTIAL BANKING PRACTICES

- ✓ Applying multi-dimensional approach
- ✓ Client's repayment capacity

5. ACCESSIBILITY

- ✓ Open outlets as close as possible to clients
- ✓ Requires huge amount of capital expenditures

BRI Loan Outstanding

In Billion Rupiah

SEGMENT	2002		2003		Sep-04	
	Rp	%	Rp	%	Rp	%
Micro	12,011	30.57	14,540	30.58	18,146	31.22
Small/Retail	18,970	48.28	23,955	50.38	29,621	50.97
Medium	4,258	10.84	2,092	4.40	2,598	4.47
Total	35,239	89.68	40,587	85.36	50,365	86.66
Corporate	4,056	10.32	6,959	14.64	7,754	13.34
Grand Total	39,295	100.00	47,546	100.00	58,119	100.00

BRI's LDR
The highest among the banks in Ind



BRI Network

MICRO BUSINESS

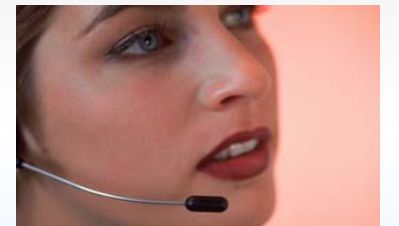
BRI Unit	=	4.049
Village Post (PPD)	=	199

RETAIL BUSINESS

Branches	=	325
Sub Branches	=	126
BRI ATM Network	=	582
Shared ATM network	=	2.385
ATM Himbara (state owned bank)	=	3.627

MEDIUM BUSINESS

Head Office	=	1
Regional Offices	=	13



FUTURE CHALLENGE

- **BUILDING A LINKAGE BETWEEN BIG / CORPORATE & SMALL ENTERPRISES**
- **EXTENDING OUTREACH**
- **BRINGING ICT TO MICROFINANCE (E-COMMERCE)**

BRI'S COMMITMENT

To promote
microfinance through

The BRI's International Visitor Program (IVP)

- ✓ Training Programs
- ✓ Study Visits
- ✓ Consulting
- ✓ Seminar, workshop,
conference
- ✓ Comparative study
- ✓ Research

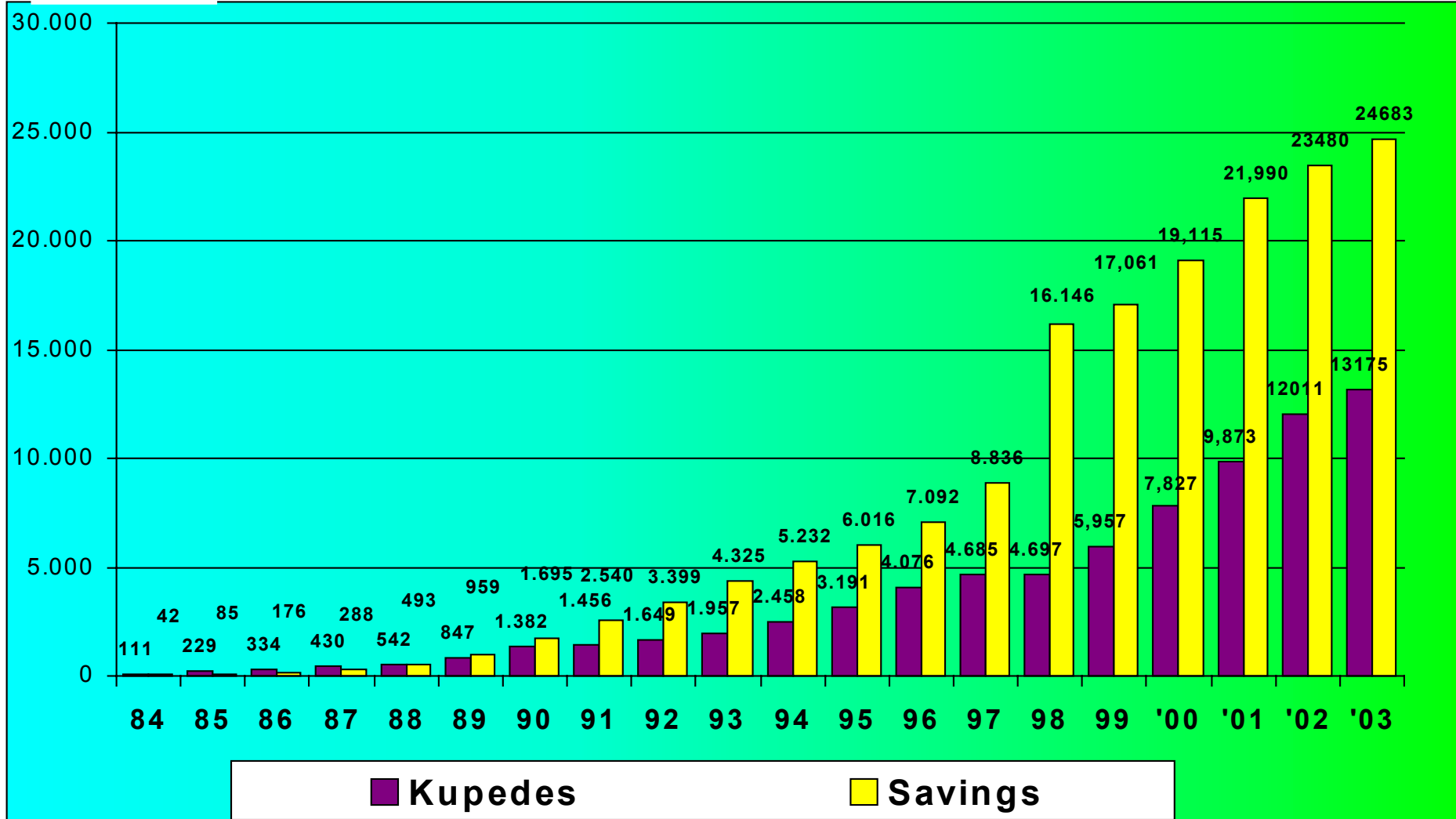


BRI UNIT DESA FACTS & FIGURES



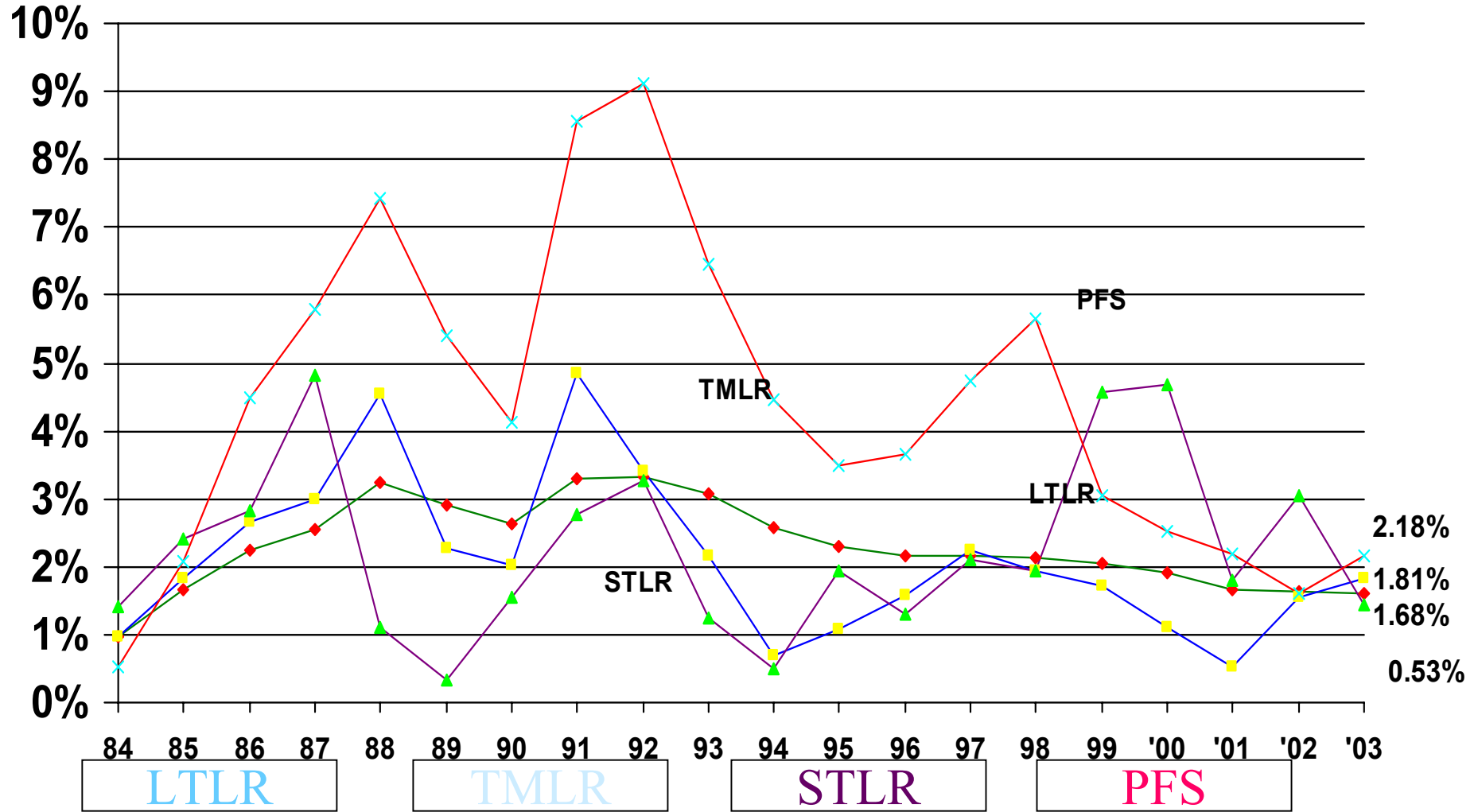
BRI UNIT : Loan vs Saving

Billion IDR





LOAN QUALITY



Thank You

Terimakasih