



Business Transformation in the Asia/Pacific Financial Sector

Bank Rakyat Indonesia (BRI): A World-leading Microfinance Lender Prepares for the Future

Asia/Pacific: Retail Financial Services

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Situation Overview

Bank Rakyat Indonesia (BRI) is one of Indonesia's largest banks. It has assets totaling over Rp 100 trillion and the widest network in the country. Thanks to this branch network, it is able to run a microfinance program that is one of the biggest in the world. In fact, BRI has been recognized by the United Nations (UN) as having one of the best microfinance practices in the world.

While it is one of the country's major banks, BRI is contending with its large competitors, most of them acquired by foreign players eager to compete in Indonesia's growing market.

Indonesia's banks are turning to technology to help them become stronger and more competitive. Financial Insights projects that spending by the 10 largest Indonesian banks will increase by about 26% in the next four years. BRI chose to revamp its core banking system to ensure that it would not be left behind.

The Challenge

BRI is able to run one of the world's largest microfinance programs because of its extensive branch network. It has over 4,500 branch offices around the archipelago and does 4.5 million transactions per day.

Given the far-flung network, most of BRI's branch offices have always operated in a decentralized fashion.

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A key goal, however, was to centralize its operations. Because it was decentralized, managing the systems and database was difficult and expensive: each branch had its own, individual systems. In addition, data could be a month old before it could be analyzed. BRI aimed to improve and update its reporting, which they could not undertake if the branch offices were not run from the head office.

The bank also wanted to roll out new services to meet the challenge from competitors, and offer services such as Cash Management, SMS banking, Internet banking and credit cards. To be able to offer these services to outlying districts, BRI determined that it would need a new core banking system and centralized operations.

The Solution

After assessing its options, BRI decided on the Silverlake core banking application, a popular core banking application that runs on IBM's eServer iSeries platform.

The bank picked the Silverlake/iSeries combination because of Silverlake's functionality and modular architecture, and the robustness and scalability of IBM's iSeries.

The bank began the switch to Silverlake/iSeries in 2000, and completed the project for all branches and sub-branches across the country in 2003. BRI currently has 978 branches (including 450 BRI unit offices) using Silverlake.

The Benefits

Centralization — BRI has centralized its operations and moved everything onto a single platform, thus allowing the bank to do faster, more up-to-date reporting, which helps in faster decision making.

Standardization — The different branches now have standardized operations and procedures.

System resources — Previously, each branch had to maintain its own database. Now that everything is centralized, bank branches can focus on meeting the needs of their customers, while one IT team at the head office takes care of the core banking applications. This rationalization has led to cost savings for the bank.

Functionality — With the new system, it can now roll out new applications such as credit cards. In addition, the new centralized systems make it easier for the bank to join other banks in a shared ATM network. BRI's ATM network now has 21 partners, which ensures BRI customers can access services from multiple locations throughout the region and around the world.

Expectations of Greater Financial Benefits — As a result of this centralization, some processes have been redesigned, allowing the bank to see operational efficiency benefits. Several manual processes were eliminated, and other processes rationalized. Better financial performance is expected, as centralization continues to improve cost management.

The Future

With the new system in place, BRI is now able to enhance and develop new features more easily.

Moving forward, BRI is planning to add new delivery channels, such as point of sale (POS) and SMS banking, to increase its customer base, and deepen its relationship with its existing customers.

In addition, all of the bank's branches and sub-branches have been converted to the Silverlake/iSeries solution. Approximately 450 of BRI's microfinance offices have already been converted as well. The bank is on track to bring online at least 300 more of these microfinance offices each year over the next few years.

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