

Saving and Loan Cooperative Model In Indonesia



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Outline

What we will talk about

- Fact and Figure of Indonesia's Economic
- Brief History And Development Of Saving And Loan Cooperatives In Indonesia
- Positioning Of Saving And Loan Cooperatives In The Financial System In Indonesia
- Understanding Business Models Of Saving And Loan Cooperatives In Indonesia
- Risk Management Practices
- Conclusion

Fact and Figures

Some key facts of Indonesia:

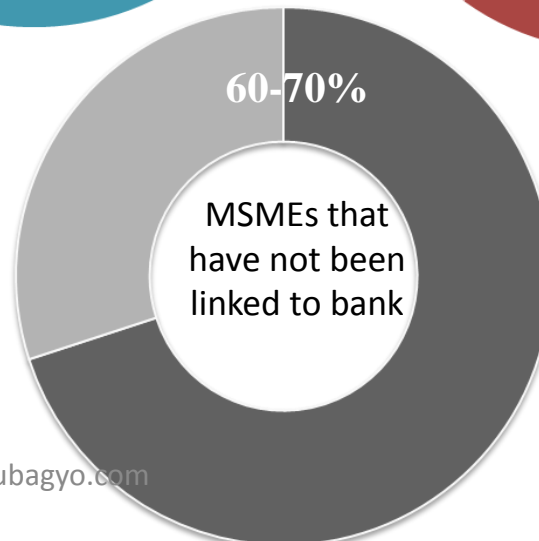
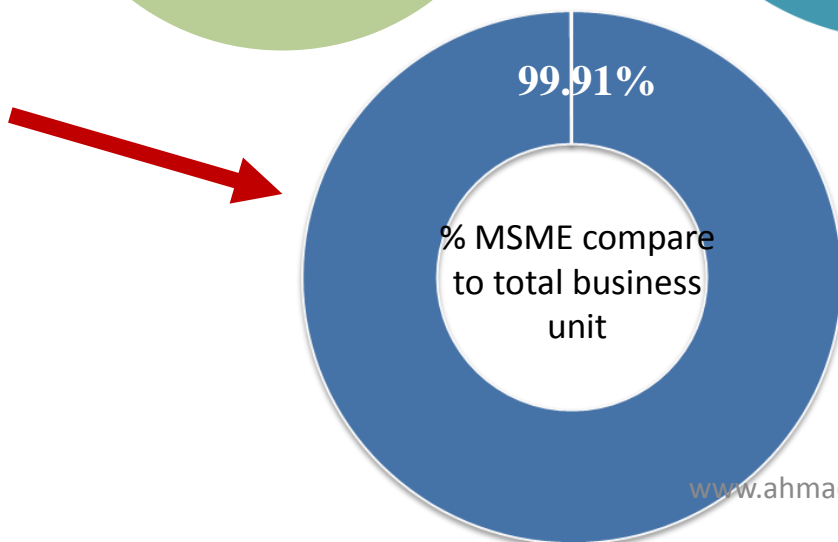
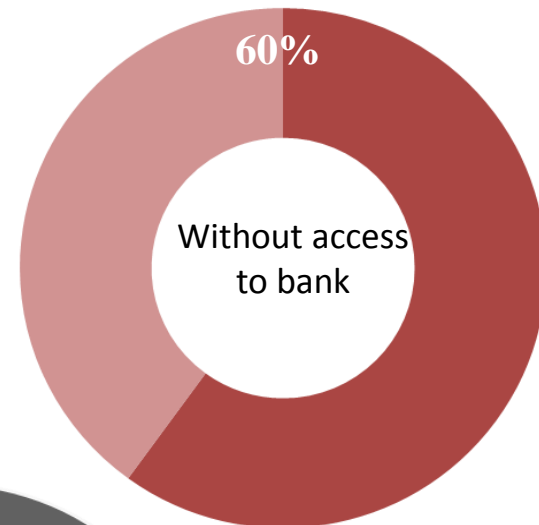
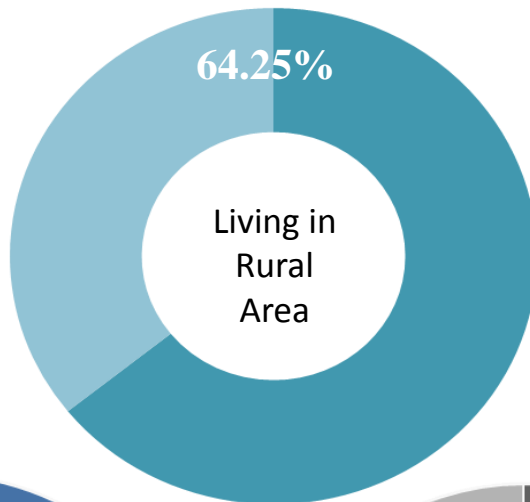
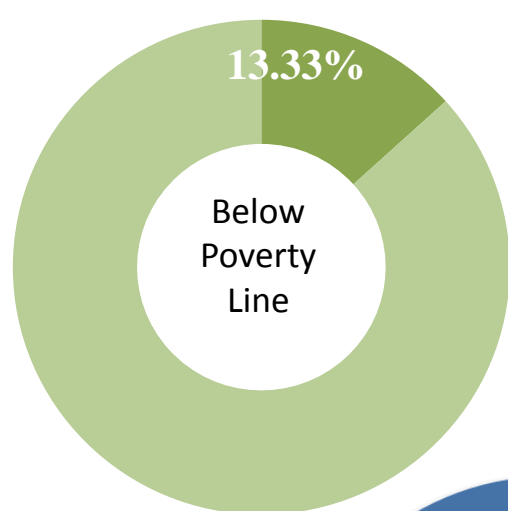
- Population of Indonesia: 237 million
- GDP per capita: USD 3,508
- Banking industry holds more than 80% of financial sector assets
- 97.4% of banks accounts are less than Rp100 million (less than USD10,000)
- Number of commercial banks: 120
- Number of rural banks: ±1.667
- **Number of S&L cooperatives: ±13.000**
- Number of microfinance institutions: ±8.000

Category	Quantity	Percentage on Total Population
Population	237.641.326	
Number of Loan Account	37.929.527	15,96%
Number of Insured life Insurance	34.564.028	14,54%
Number of pension fund participant	2.817.997	1,19%

Public access on financial services is relatively low that is reflected by (a) the number of loan accounts which reach only 15.96% of the population, (b) the number of insured life insurance which reach only 14.54% and (c) the number of pension fund participants which is only 1.19 %

Sources: OJK, 2014

ACCESS TO FINANCE IN INDONESIA



Financial Services : Comparison

No	Indikator	Indonesia	Malaysia	Thai	Phil	Brazil
1	Financial Services Utilization*) (Percentage of Total Population)					
	Account at Formal Financial Institution	20%	66%	73%	27%	56%
	Adults saving in the past year (using Formal Account)	15%	35%	43%	15%	10%
	Adults Originating a new loan in the past year (Formal Financial Institution)	9%	11%	19%	11%	6%
	Adults With Mortgage	1%	13%	5%	4%	1%
	Adults paying personally for health insurance	1%	16%	24%	5%	8%
2	Banking Services Access**)					
	Number of Bank Branch per 1.000 km2	7,71	6,18	11,59	15,69	2,33
	Number of Bank's Branch per 100.000 adult population	8,32	10,48	11,16	7,69	13,76
	Number of ATM per 1.000 km2	12,39	33,12	80,68	30,35	20,46
	Number of ATM's per 100.000 adult population	13,37	56,18	77,69	14,88	120,62

Source :

*) WorldBank Policy Research Working Paper, April 2012

**JIMF & WorldBank, 2010

❖ SAVING & LOAN COOPERATIVE FIGURE

per June, 2014

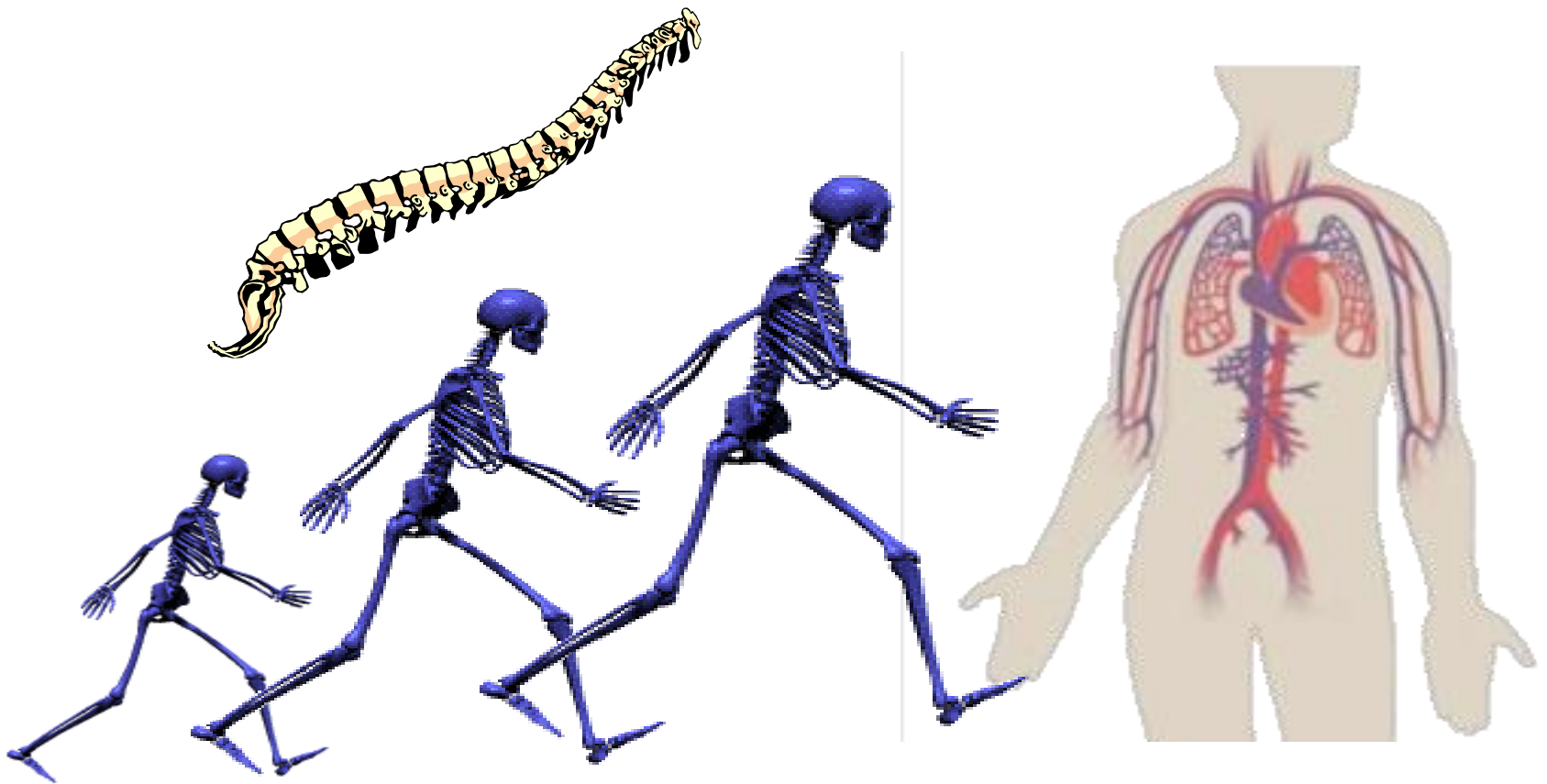
No	Remark	Amount (Unit)	Member (People)	Asset (IDR Billion)	Saving (IDR Billion)	Loan (IDR Billion)
1	S&L Model	10,838.00	3,052,641.00	24.20	10.65	17.23
2	S&L Unit	95,881.00	15,409,283.00	57.63	8.48	44.84
3	Sharia Model	1,197.00	136,710.00	4.28	2.37	3.15
4	Sharia Unit Model	2,163.00	333,282.00	1.16	0.63	0.91
	Total	110,079.00	18,931,916.00	87.27	22.13	66.13

Source: Cooperative & SME Ministry of Indonesia Republic, 2014

Brief History And Development Of Saving And Loan Cooperatives In Indonesia

Cooperative is the **backbone** of the Indonesian economic within Indonesia State Law – article 33

Efficient and accessible financing is the **blood** of economic activities

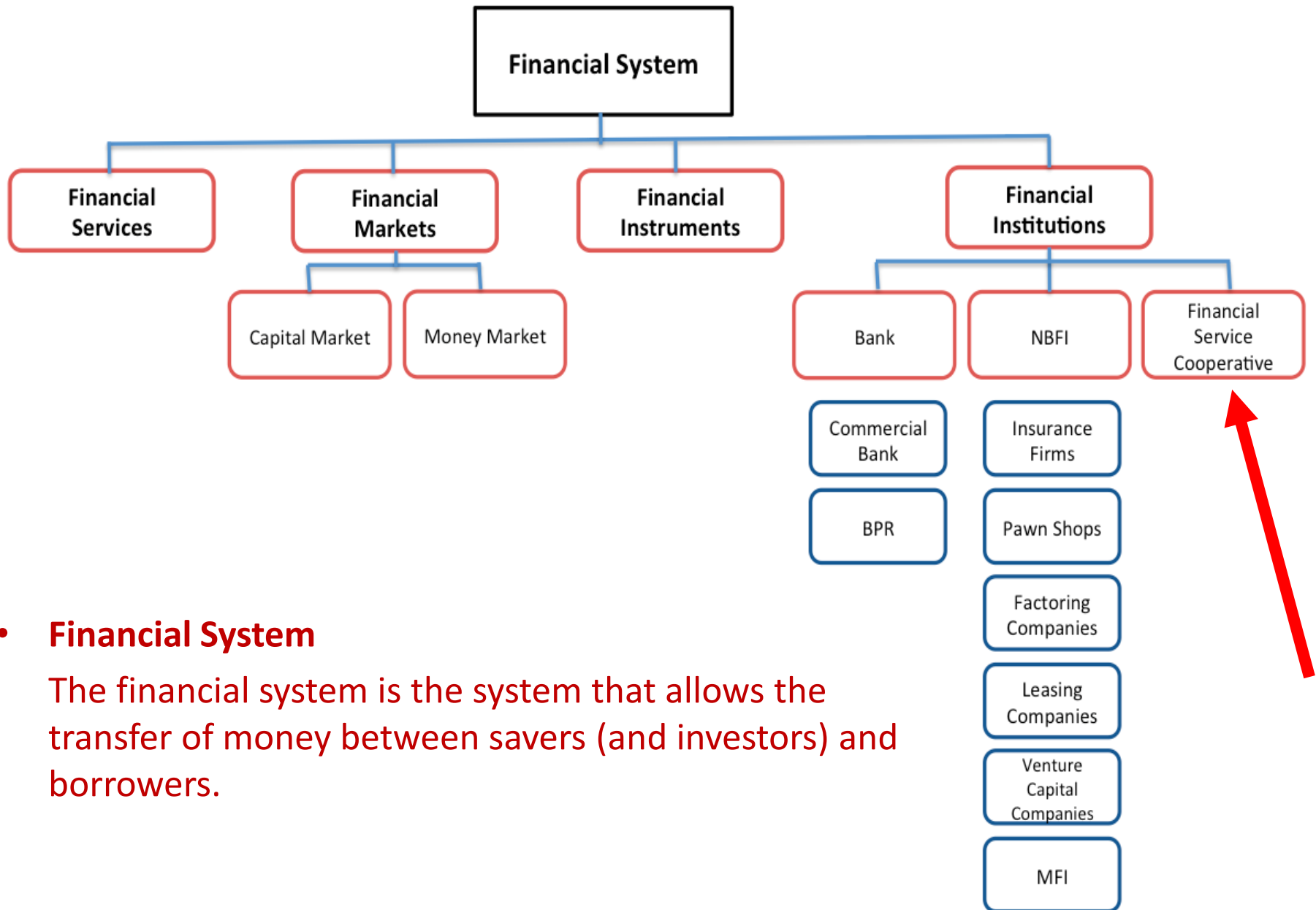


Types of Cooperatives

- Producer cooperative
- Consumer cooperative
- **Saving and loan cooperative**
- Marketing cooperative
- Services cooperative

Structure of a cooperative, as defined by the Regulations, involves:

- Founders
- Supervisory Board
- Management Board
- Members (as represented during the Annual Members Meeting or RAT)
- Clients (members and other parties that receive the cooperative's services)



- **Financial System**

The financial system is the system that allows the transfer of money between savers (and investors) and borrowers.

Why Business Models?

Mapping of Business Models are conducted to gain a better understanding of the diversity of services and the management of Saving and Loan Cooperatives in Indonesia



Definition of Business Model

Business Models are broadly defined as the way Saving and Loan Cooperatives in Indonesia deliver the services and manage their businesses to achieve their mission.

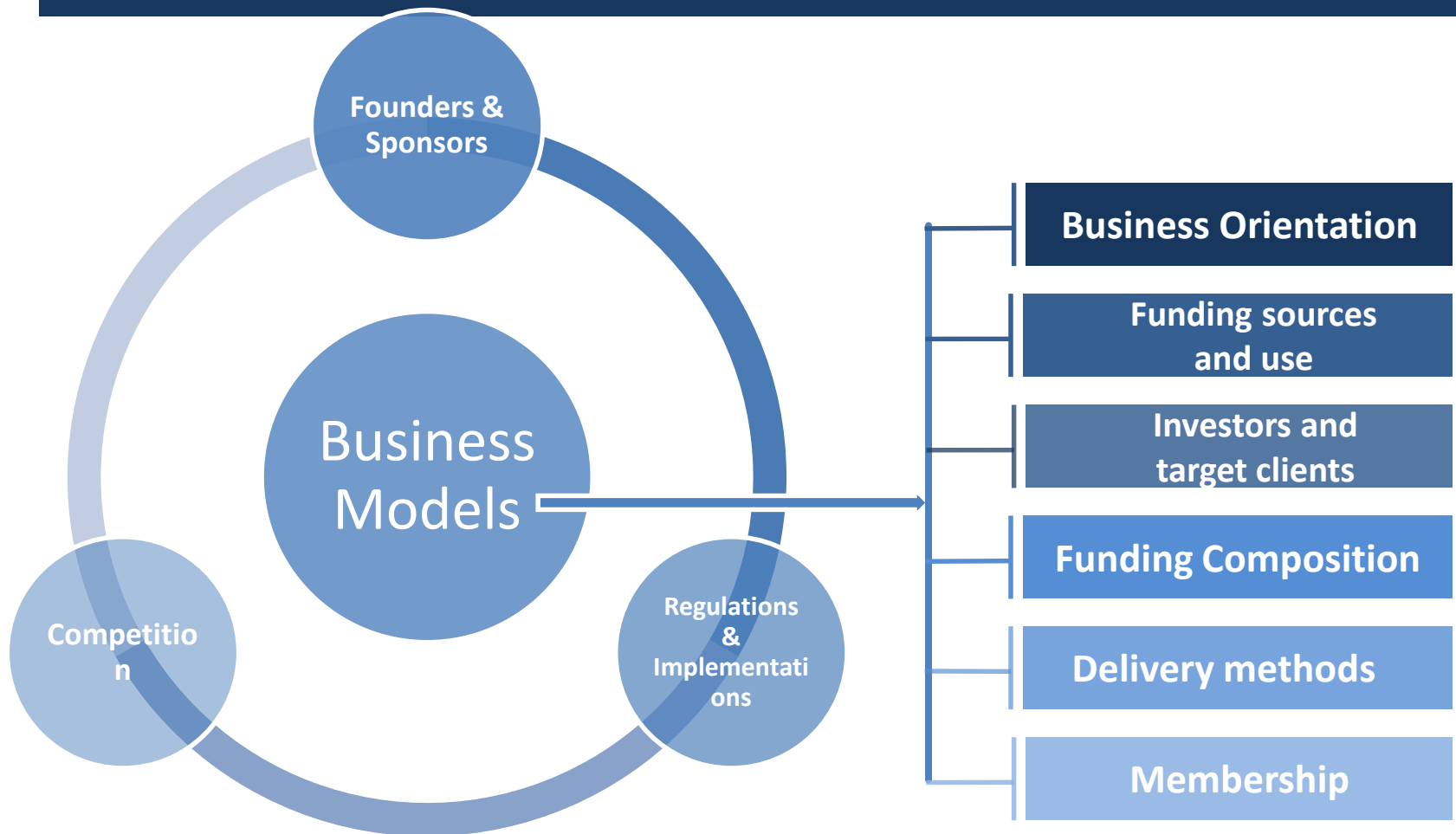


Distinguishing factors for Business Models

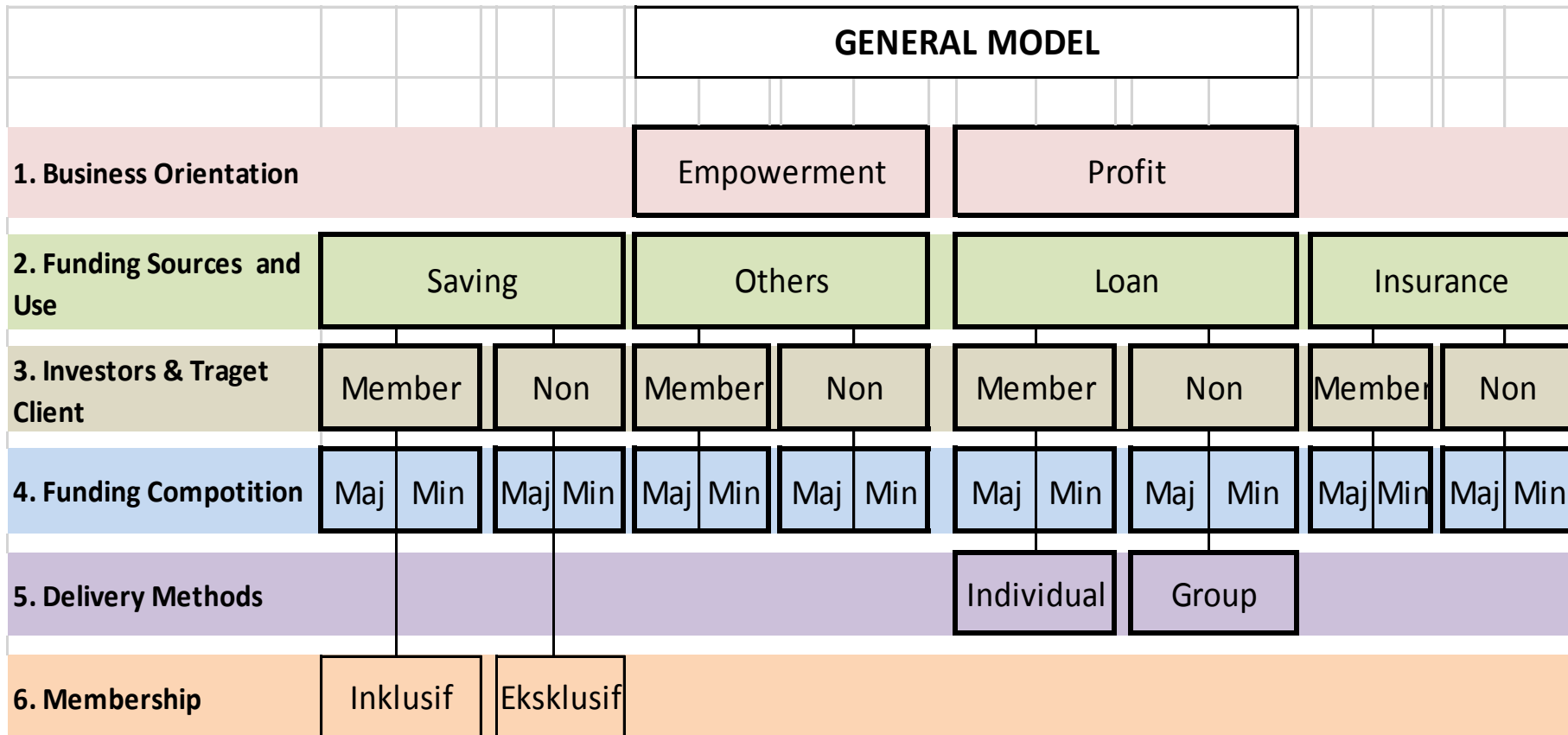
Based on the case studies, the business models can be distinguished from one another by:

1. Business orientation
2. Funding sources and use
3. Investors and target clients
4. Funding composition
5. Delivery methods
6. Membership

Business Models Distinguishing Factors



GENERAL BUSINESS MODEL OF S&L Coop



Maj = Major

Min = Minor

1. CREDIT UNION MODEL



2.1 CREDIT UNION MODEL																
1. Business Orientation	Empowerment				Profit											
2. Funding Sources and Use	Saving				Lainnya				Loan				Insurance			
3. Investors & Target Client	Member		Non		Member		Non		Member		Non		Member		Non	
4. Funding Competition	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min
5. Delivery Methods					Individual				Group							
6. Membership	Inklusif				Eksklusif											
Maj = Major																
Min = Minor																

2. QUASI CU Model

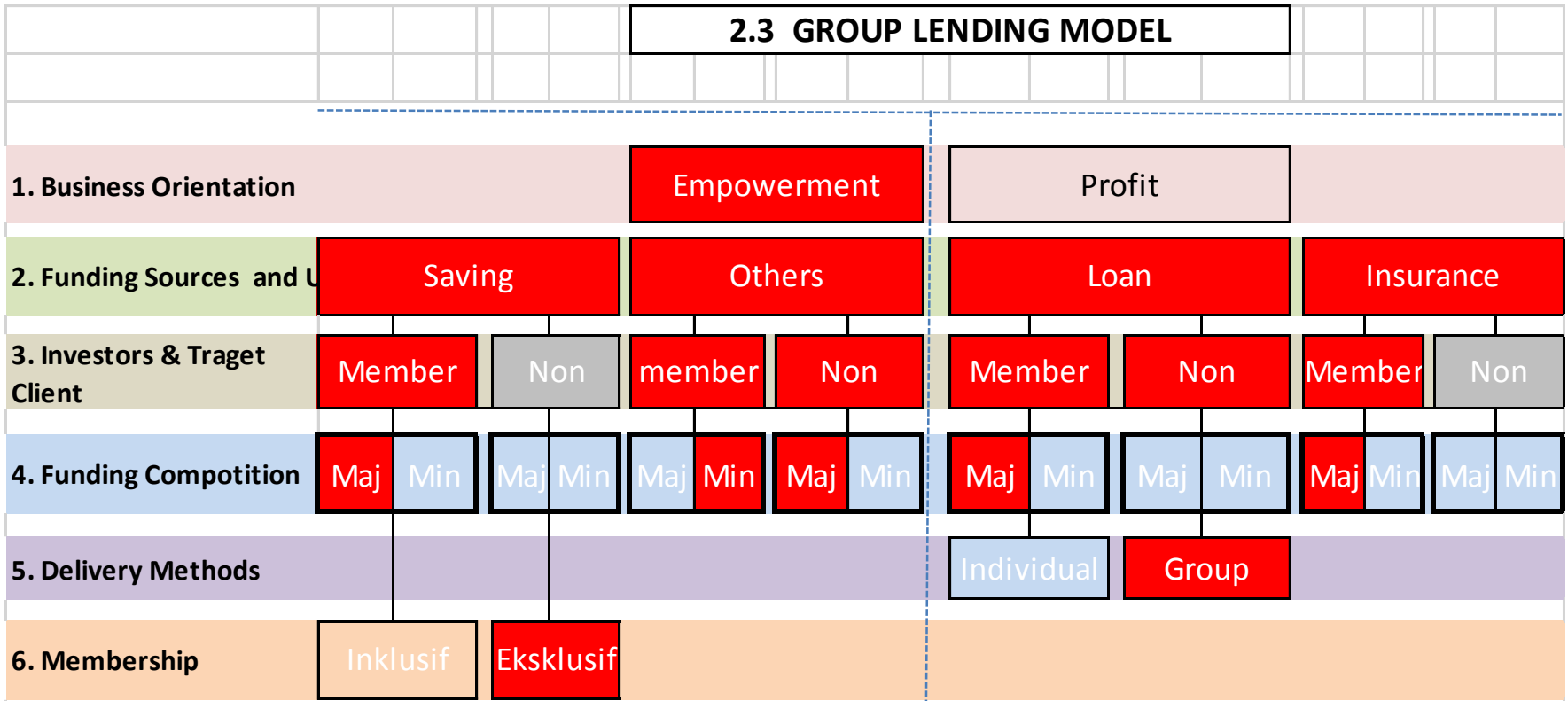


2.2 CU QUASI MODEL																	
1. Business Orientation	Empowerment						Profit										
2. Funding Sources and U	Saving				Others				Loan				Insurance				
3. Investors & Traget Client	Member		Non		Member		Non		Member		Non		Member		Non		
4. Funding Compotition	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	Maj	Min	
5. Delivery Methods							Individual		Group								
6. Membership	Inklusif		Eksklusif														
Maj = Major																	
Min = Minor																	

3. Group Lending Model



2.3 GROUP LENDING MODEL



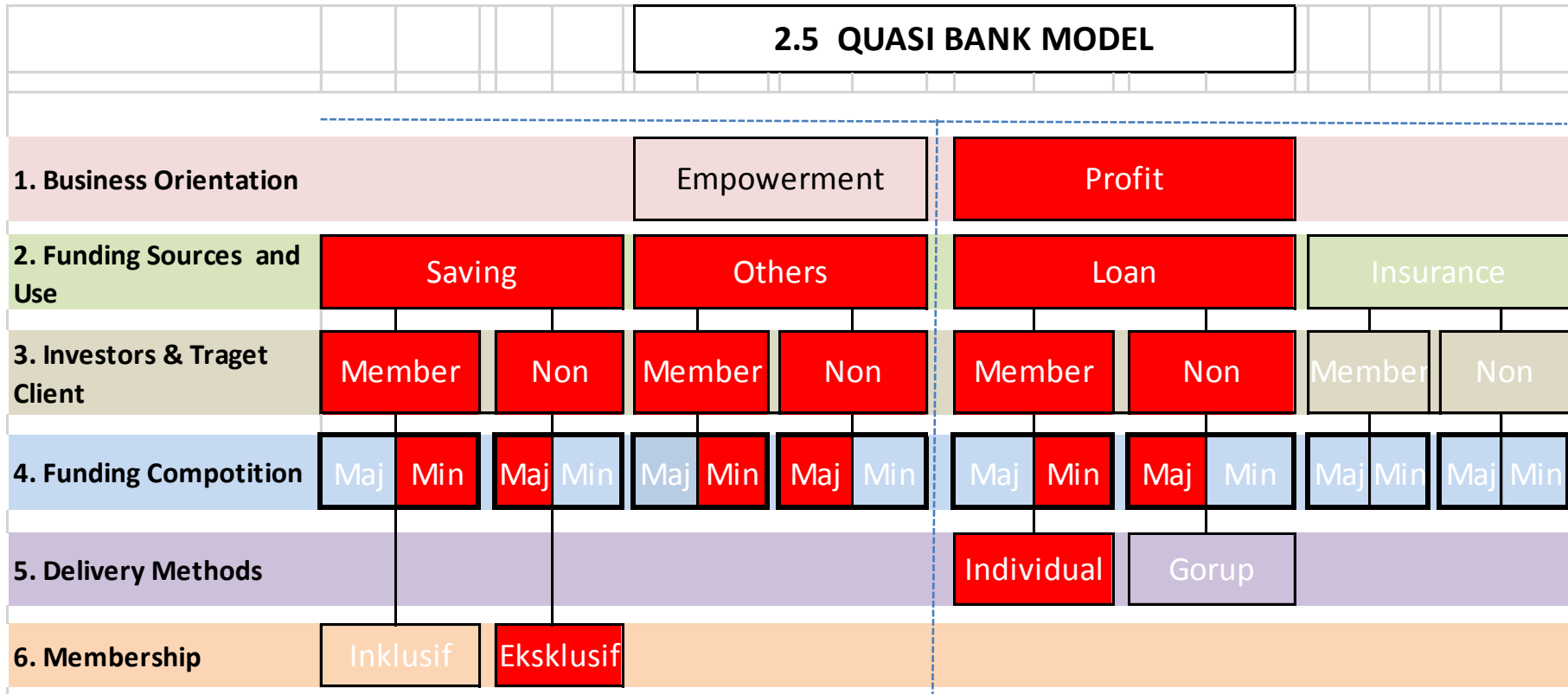
Maj = Major

Min = Minor

4. QUASI BANK Model



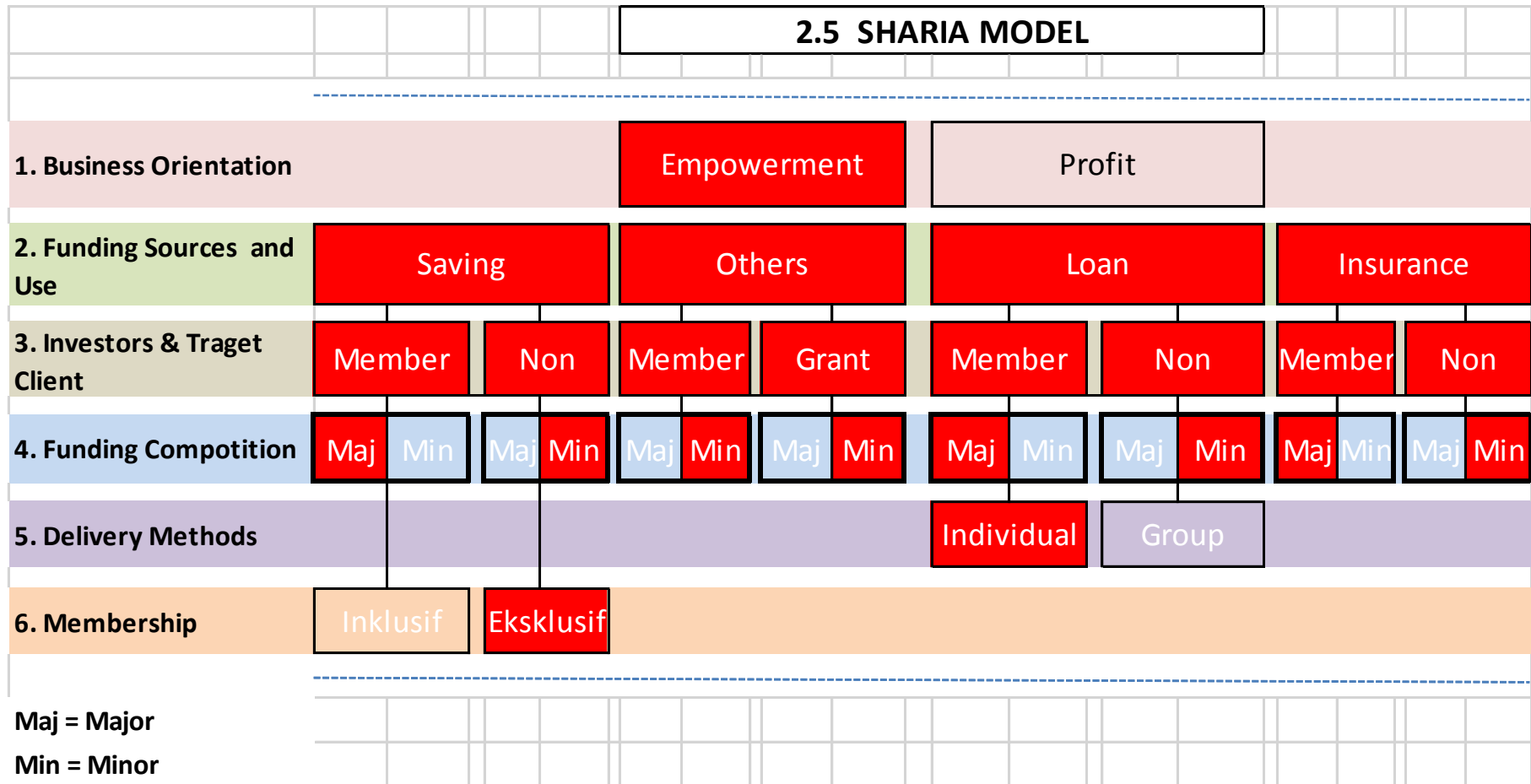
2.5 QUASI BANK MODEL



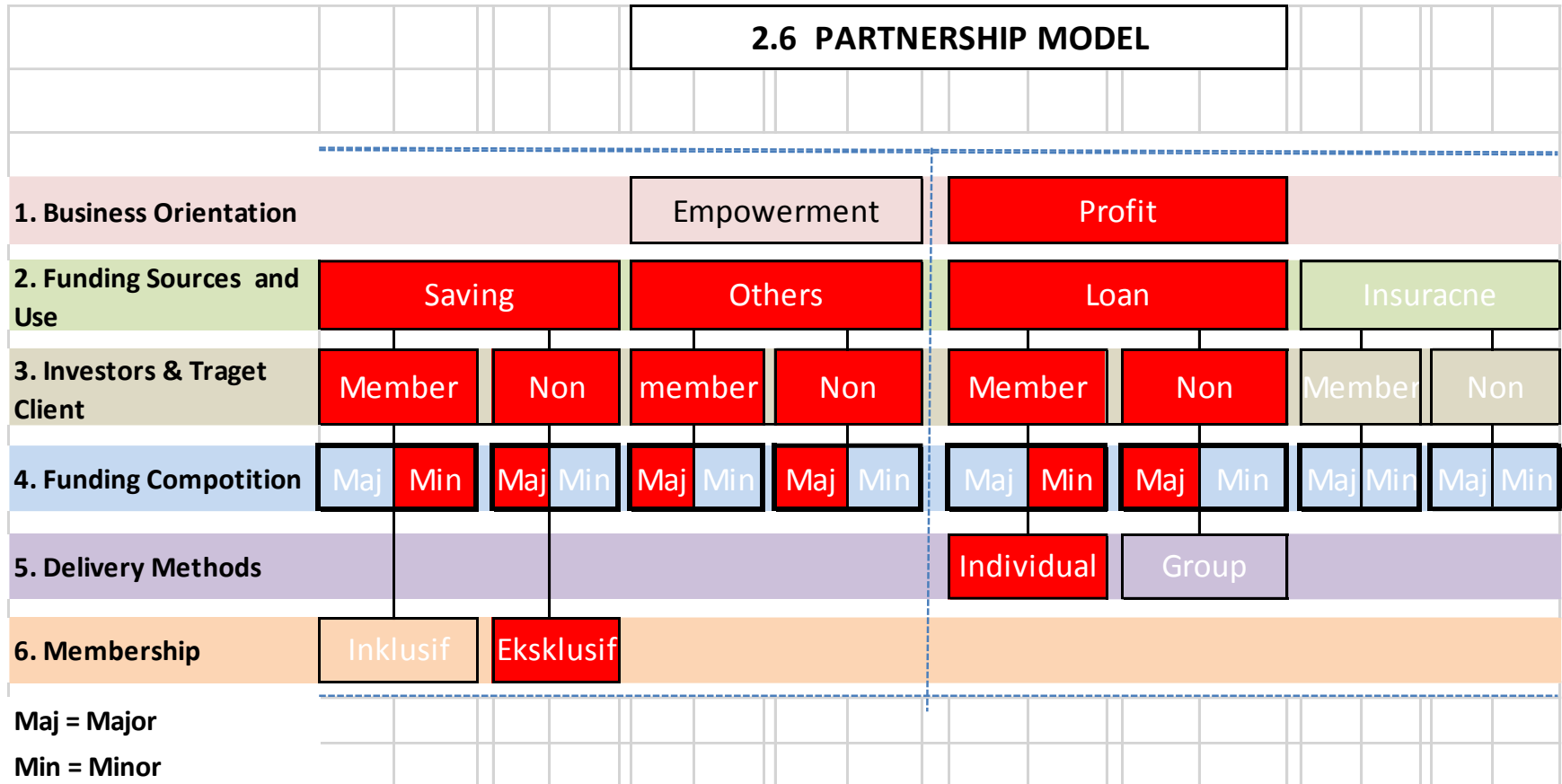
Maj = Major

Min = Minor

5. SHARIA Model



6. Partnership Model



RISK MANAGEMENT PRACTICE

- Credit Crisis Center (C3) formed by Kospin Jasa following a method implemented in banking. This is a special unit to handle problem loans through legal actions.
- Protection schemes
- Smaller amount of loans to minimize risk
- Daily collection
- Loans tied to savings

CONCLUSION



Saving Services

BUSINESS MODEL	Primary & Compulsory Savings	General / Daily Savings	Time Deposits	Needs-based Savings				
				Educational	Retirement	Housing	Auto-mobile/Motor vehicles	Religious purposes
QUASI CU	√	√	√	√	√			
GROUP LENDING	√	√						
S & L UNIT	√	√	√					
SHARIA MODEL	√	√	√					
CREDIT UNION	√	√	√	√	√	√	√	√
QUASI BANK	√	√	√					√
PARTNERSHIP	√	√	√					

LOAN SERVICE

BUSINESS MODEL	Productive Purposes	Consumptive Purposes	Education	Emergency	Religious Purposes
QUASI CU	√	√	√	√	
GROUP LENDING	√		√		
S & L UNIT	√	√			
SHARIA MODEL	√	√			√
CREDIT UNION	√	√	√	√	
QUASI BANK	√				
PARTNERSHIP	√				

SECURITY FUND

BUSINESS MODEL	Allowance for Medication and Hospital Expenses	Allowance for Maternity Labor	Protection Savings to	Protection to Other Claims	Death
QUASI CU	√				√
GROUP LENDING				√	
S & L UNIT					
SHARIA MODEL				√	
CREDIT UNION	√	√	√	√	√
QUASI BANK					
PARTNERSHIP					

Saving and Loan Cooperatives Different Business Models

No	Business Model	Name of S&L Sampel	Description
1.	Quasi Credit Union	Ba'lota, Toraja	<ul style="list-style-type: none"> ▪ Saving and loan cooperative that sticks to the original concept of cooperative ▪ Operates at national level and one the 10 best cooperatives in Indonesia
2.	Quasi Bank	Kospin Jasa, Pekalongan	<ul style="list-style-type: none"> ▪ Saving and loan cooperative that operates like a bank ▪ Operates at national level and the largest cooperative in Indonesia
3.	Credit Union	CU Pancur Kasih, Pontianak	<ul style="list-style-type: none"> ▪ Saving and loan cooperative that adopts Credit Union principles, the oldest and the third largest Credit Union in West Kalimantan ▪ Operates at provincial level
4.	Sharia-based Cooperative	BMT Tamziz, Wonosobo	<ul style="list-style-type: none"> ▪ Saving and loan cooperative that adopts Sharia principles ▪ Operates at national level
5.	Joint Liability (Group Lending)	Komida, Jakarta	<ul style="list-style-type: none"> ▪ Saving and loan unit of a cooperative that adopts group lending to poor women ▪ A unit of cooperative that operates at district/city level
6.	Saving and Loan Unit	Rukun Makmur, Madiun	<ul style="list-style-type: none"> ▪ A saving and loan unit of a surviving village unit cooperative (KUD) ▪ A unit of cooperative that operates at district/city level
7.	Partnership	Swamitra Cipulir, Jakarta	<ul style="list-style-type: none"> ▪ A saving and loan unit of a traditional market cooperative (Koppas) Cipulir, adopting a foster parent system of Bukopin. ▪ Operates at district/city level

THANK YOU

