



## Banking Industry in Indonesia: Bank Rakyat Indonesia (BRI) and the Competition Landscape

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**ABSTRACT:** Ministry of State-Owned Enterprise of the Republic of Indonesia (BUMN) recently created Ultra Micro Holding BUMN consisting of PT BRI (Bank Rakyat Indonesia), PT Pegadaian and PT PNM Permodalan Nasional Madani. Ministry of BUMN appoints PT BRI as the parent company. Ultra Micro Holding has a vision for the prosper of financial inclusivity by provide various conveniences and lower cost of borrowing funds with a broader reach, deepening of services, and sustainable community empowerment. The government want make Indonesia as developed countries by accelerating ultra-micro segment, through strengthening economic resilience and quality growth, reducing inequality, and improving the quality of human resources, especially Ultra Micro entrepreneurs through empowerment.

This research is aimed to help PT Bank Rakyat Indonesia to analyze the competitive landscape of banking industry in Indonesia in ultra-micro segment.

**KEYWORDS:** Banking, Competitor Analysis, Financial Inclusivity, State-Owned Enterprise, Ultra-Micro.

### INTRODUCTION

This Ultra Micro Holding was officially formed on 13 September 2021, in connection with the signing of the agreement for transferring Indonesian shares in Pegadaian and PNM to BRI. The enormous potential of ultra micro (UMi) can strengthen BRI's core competence in the micro and small segments. There are 45 million UMi businesses that require additional funding but only 15 million can be served by formal financial institutions, while moneylenders and their families/relatives serve the other 12 million. The remaining 18 million have not had access to funding at all. UMi Synergy to create an integrated journey for the ultra microsegment business. UMi segmentation is people that still fall into category of feasible and unbankable, then people that unfeasible and also unbankable. Unbankable meaning that financial institution does not willing to lending money to the business they see not fit, cannot be served by banks because they do not have a business license, do not have collateral, and therefore do not have better. The point is that the behavior of ultra-micro customers is to survive. If ultra-micro customers leave their businesses for a moment, they will not get income. The role of Senyum Mobile as application for Sales force in Holding Ultra Micro to market the product of BRI, Pegadaian and PNM is essential for the Ultra Micro segment so that the customer journey in getting financial services becomes seamless and cashless, and does not have to bother coming to physical branch offices of BRI, PNM, Pegadaian, and can still manage the business but still get loans.

Senyum Mobile itself, its main goal for the community is to assist the Indonesian government in achieving financial inclusion. Because financial inclusion variables positively and significantly contribute to economic growth, this is also the case in Kenya. The highest contribution is indicated by the number of bank networks and ATM users, and the result indicates that optimal service and financial access in Kenya were able to make a significant contribution to Kenya's economic growth (Suidarma, 2019). The hope is that these unbankable and unfeasible customers will be served financially with Senyum Mobile. The establishment of Senyum Mobile itself aligns with its vision of being "The Most Valuable Banking Group in Southeast Asia and the Champion of Financial Inclusion." The point is to tap the untapped.

### LITERATURE REVIEW

#### *Business Strategy*

Business strategy is an integrated and coordinated set of commitments and actions the firm uses to gain a competitive advantage by exploiting core competencies in specific product markets [1].



## *Competitor Analysis*

An analytical process known as competitor analysis is used to identify a company's strengths, weaknesses, opportunities, and dangers based on its interactions with competitors in a market. A company uses competition analysis to define and comprehend its industry, identify its rivals, ascertain its strengths and weaknesses, and predict its next movements [2].

## *Financial Inclusion*

Financial inclusion has been defined as ensuring access to financial services and timely and adequate funding for vulnerable groups such as weaker and low-income groups at an affordable cost. Financial inclusion is increasingly recognised as a critical driver of global economic growth and poverty alleviation. Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investments in human capital. Without adequate access to proper financial services, individuals and firms must rely on their limited resources or costly informal financial sources to meet their financial needs and pursue growth opportunities [3].

## *Ultra-micro*

Ultra Micro Financing (UMi) is defined as a financing program that targets entrepreneurs under the level of micro and small categories, namely ultra micro businesses. This financing is a complementary program to the Kredit Usaha Rakyat (KUR) in the form of bank loans to micro, small and medium enterprises (MSMEs). Ultra Micro Financing (UMi) mainly targets entrepreneurs who do not have access to banking services [4].

## METHODOLOGY

This study used competitor analysis as the method of research. The competitor analysis is started with the competitor of PT BRI, Pegadaian and PNM and there similarity of their product with Holding Ultra Micro also the scope area they reach and then their digital initiation. Author determines his competitors through online search that offered same product with the Holding Ultra Micro. All of the competitor than mention below is direct competitor of Holding Ultra Micro.

## RESULT AND DISCUSSION

Competitor analysis in collecting data is a process by which a company tries to define and understand its business, identify its competitors, determine its competitors' strengths and weaknesses, and anticipate their moves. This competition analysis also examines the products they sell that are comparable to ours, as well as how they obtain customers and the extent of their market reach. This analysis was carried out from the journal also gather from the internet.

## PT AMAAN



**Figure 1.** PT AMAAN

PT. AMAAN Indonesia Sejahtera, or AMAAN is a sharia-based service. It focuses on increasing the capacity of women, especially in the ultra-micro segment like the customer segment, which PNM also serves. Amaan is positioned as a platform beyond financial services, which currently serves consumers in six provinces (Banten, West Java, Central Java, East Java, South Sumatra and Lampung), 100 districts and 1700 sub-districts. AMAAN focuses on serving business actors with limited capital to build a business, and only a few accommodate this need. Amaan is an extension of financial institutions in opening up access to financing for women micro-entrepreneurs. Amaan uses a hybrid approach by marrying a touch of technology and human interaction in several features so that users can use its services. The KYC (Know Your Customer) is carried out directly (offline). What is unique about Amaan is that they employ a Community Development Partner (CDP) called "Kakak Idaman" to foster community leaders who oversee the community of businesswomen. In simple terms, the Amaan digital platform is supported by three interrelated parties—first, women



micro-entrepreneurs or known as Sahabat AMAAN. Second, community leaders or group leaders help and serve Friends of Amaan who is called is Ibu IdAMAAN. Third, Kakak IdAMAAN, whose job is to serve Friends of Amaan digitally, 100% paperless.

Amaan is a platform that helps mothers access financing. The community segment served is are mothers or women microentrepreneurs and their families. They are the backbone of the family, are hardworking and have a solid determination to send their children to the highest level of education. The Amaan application has its charm for underprivileged women who own businesses because it includes features that support their daily lives, such as consulting a doctor, and features for promoting the business owner's merchandise. The deposit feature in the Amaan application is also beneficial for business owners because there are neat financial records that they can monitor. The Amaan application also provides many discounts and incentives to meet the trading needs of business owners, such as the essential ingredients of oil, sugar, rice and others.

## PT AMARTHA



Figure 2. PT Amartha

PT. Amartha Mikro Fintek, or Amartha, is a microfinance marketplace founded in 2010, engaged in empowering MSMEs in villages through innovation and technology. The meaning of microfinance marketplace is a method of borrowing money between individuals/groups online. Micro-enterprises that need working capital to grow will connect with lenders looking for more profitable funding alternatives. Amartha is a microfinance marketplace with financial inclusion service methods that connect urban financiers with ultra-micro, micro and small entrepreneurs in rural areas to support women entrepreneurs and small and micro-entrepreneurs in remote villages.

The service is also called Peer-to-Peer (P2P) Lending. Amartha runs it through technology applications, so it can reduce operational costs and be more efficient. Thus, loan recipients can enjoy better financing rates while lenders get more good profit sharing than other conventional funding instruments. Amartha is an alternative funding source for micro-enterprises and the public, who cannot be served by formal financial institutions such as banks. Through financial technology, they modernized the process of selecting loan recipients with the latest credit score system, enabling faster and more accurate risk analysis. Thus, lenders will be more comfortable choosing prospective loan recipients to be funded according to the desired profile and risk appetite. Amarta is a direct competitor of PNM regarding Mekaar products because they both have the consumer segment of underprivileged women and a direct competitor of BRI regarding business capital loan products. Amartha has microfinance products for group lending with loan terms or repayment terms of 3, 6 and 12 months with a ceiling starting from IDR 3,000,000. There are several attractive offers to recipients of Amartha loans, which are easy because there is no collateral, fast processing and support from lenders who are ready to support funding for potential loan recipients—then related to the profit sharing system without administrative costs. Then Amartha promised no penalty if the loan recipient accelerated repayment. They did not apply any penalty. Departing from the anxiety that many micro-entrepreneurs find it challenging to get business capital, Amartha exists as a trusted link between micro-entrepreneurs and online investors. Amartha believes it is easy to get access to capital for microenterprises for business development to improve the quality of life of the lower pyramid society, build economic resilience and create equitable prosperity.

On the other hand, Amartha can be an investment option that can have a social impact. At present, Amartha already covers districts in the provinces of West Java, Banten, DI Yogyakarta, Central Java and East Java. Amartha provides access to funding for micro-entrepreneurs who need access to financial services in rural areas. How it works, Amartha reaches out to its customers by visiting locations and conducting dialogue with local leaders to get a thorough picture of the site to be served. That is their way of mapping regional risks and potential before opening new branches or financing groups.

Individual loan recipient candidates must form a small group of five people and then join a large assembly of 15-20 people. They all agree to take joint responsibility or bear the risk if one of their group members fails to pay. The quality of members is maintained because each loan recipient monitors the other's credibility. Funding in peer-to-peer lending at Amartha is inseparable from the risks, such as payment constraints from loan recipients. The joint responsibility system is one of the best risk mitigations owned by

Amartha. Therefore, collective responsibility is helpful to ease the burden on one of the loan recipients. If one of the members cannot make payments, the other group members must take joint or joint responsibility. After the assembly is formed and before the financing cycle begins, each member must attend training guided by the field team or the Amartha Field Officer. The material includes knowledge about financial management (financial literacy) and discipline. Monitoring and assistance will continue as long as the funding is running. During the loan period for business capital, loan recipients must attend weekly group meetings facilitated by Amartha with material on financial management, tips on running a business, increasing discipline, and ways to promote business.

## PT BINA ARTHA



Figure 3. PT Bina Artha

PT Bina Artha Ventura, or Bina Artha, is a fast-growing Venture Capital Company and has been actively involved in the microfinance sector in Indonesia since December 2011. Bina Artha offers business capital loans with traditional microfinance financing services specifically aimed at women with limited banking access. In addition, Bina Artha also provides access to business capital loans for micro and small businesses for both men and women. Currently, Bina Artha has a broader marketing reach, namely around 400 branches that reach more than 450,000 loan recipients on Java, Sulawesi, and Sumatra islands. Bina Artha was inspired by its ambition to provide financial access to low-income households engaged in micro and small businesses to achieve economic and social improvements. Bina Artha are competitor to the Pegadaian because Bina Artha also require some collateral and also PNM because they also serves woman entrepreneur segment.

Bina Artha thrives on serving clients in a fair, transparent, efficient, and sustainable manner. Bina Artha has quite an ambitious dream: reach 1,000,000 households to obtain their financial services in the next few years. Bina Artha currently has two products: individual loans and group loans. Individual loans are Bina Artha provides business capital loans ranging from IDR 8 to 30 million individually for people who have micro and small businesses. People can get business capital loans quickly and easily with soft collateral requirements such as household equipment and business equipment. The target market for this product is micro and small businesses with a gross income of over IDR 4 million per month who live in urban and semi-urban areas.

These business actors must own a house or a business, or both. In general, loan recipients use loans provided by Bina Artha for business capital, purchasing business assets, developing a business, renovating a business location, or renovating a house. The second product is a group loan, a business capital financial product without collateral explicitly aimed at women who own micro businesses. The maximum loan amount is IDR 3 million to IDR 4 million in the first round. It can be increased in subsequent rounds if the loan recipient shows good repayment capacity and history.

Instalment payment period is once every two weeks, and they must make the repayments within a maximum of fifteen months. Loan recipients for group loans are women with a daily gross income of around IDR 100,000 who live in rural and semi-rural areas near main roads connected to small and medium industries. People in semi-urban and semi-rural locations still have a high sense of community solidarity, so it is fundamental to carry out group-based loans by prioritizing shared responsibility. Bina Artha ensures that the loan recipient's business location is close to various main roads and urban and suburban markets or is in an economically active area for their micro business. Their target loan recipients are primarily involved in small-scale trade, food processing, small production, and services (especially in the transport sector).

## KOPERASI MITRA DHUAFA



Figure 4. Koperasi Mitra Dhuafa



KOMIDA, or Koperasi Mitra Dhuafa is a Koperasi that provides service regarding savings and loan that helps low-income women in fulfilling their business funds. The absence of collateral in the form of goods and the easy process of applying for loans made KOMIDA the institution of choice for these women. KOMIDA also provides non-financial services in health training, motivating education for loan recipients, and managing family finances. The Koperasi Mitra Dhuafa is a direct competitor to BRI and PNM because they both provide venture capital services, and their segment is also for women. Currently, the Koperasi Mitra Dhuafa branches have spread across various provinces in Aceh, West Java, Central Java, East Nusa Tenggara, East Java, West Nusa Tenggara, South Kalimantan, Central Kalimantan, South Sulawesi, DIY, Banten, North Sumatra, West Sulawesi, Sulawesi South. The number of branch offices spread is 313. Due to the nature of the Koperasi Mitra Dhuafa, the recipient of the loan is also considered a member of the Koperasi. To become a Koperasi member, the stages are a general meeting, namely a meeting between groups of business mothers and Koperasi employee, the second stage is the formation of the group, and the third stage is the member eligibility test. The fourth stage is mandatory for group training, and the fifth or final stage is the group validation test. After passing these five stages, members can receive access to loans. Giving members loans is directly in cash or distributed to groups of business mothers. There are two well-known products for the Koperasi Mitra Dhuafa, namely general loans, which are access to finance for low-income women. In an easy, cheap, and safe way for its members. Without the use of collateral, using a simple form and with continuous assistance with a ceiling of IDR 100,000-IDR 10,000,000. The second product is Micro Business Financing, which is a form of KOMIDA's commitment to the business development of its members. Micro Business Financing is a solution for members who have significant business development and need more excellent capital support to maintain and develop their business ventures. Micro Business is also a reward for members who have joined KOMIDA for a long time, namely KOMIDA members who have joined for more than two years.

**CONCLUSION**

**Table 1.** Competitor Analysis Conclusion

Competitor	Similar Product with Holding Ultra Micro	Scope Area	Digital Initiation
Amartha	Mekaar Product by PNM and Pinjaman BRI by BRI	Java, Sumatra, Sulawesi	High
Amaan	Mekaar Product by PNM, Pinjaman BRI by BRI	Java	High
Bina Artha	Mekaar Product by PNM and Gadai by Pegadaian	Java, Sumatra, Sulawesi	Medium
Koperasi Mitra Dhuafa	Mekaar Product by PNM and Simpedes UMi by BRI	Aceh, Java, Borneo, DIY, Sumatra, Sulawesi	Low

The following are formal and informal financial institutions that have the same products as those offered through Senyum Mobile Holding Ultra Micro BRI, Pegadaian and PNM, namely with products that focus on channeling financing to underprivileged customers and people with the lowest economic class.

Based on the competitor table above, Bank BRI and the ultra-micro holding are still the banks with complete product services compared to other competitors. Suppose competitors can offer 1-2 products. In that case, Senyum Mobile can offer up to 5 products. Strong business brands from BRI, Pegadaian, and PNM make people more confident in getting products from Senyum Mobile than competitors.

The competitors' advantage compared to the ultra micro holding in terms of customer service for ultra micro customers is that the competitors also provide free services and offerings specifically for physical goods such as rice, oil, and basic necessities for individuals, as well as to support the business needs of ultra micro customers. Currently, the ultra micro holding does not offer these business services.





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