ProFi, currently supports BPRs in capacity building by acquainting them with an MS Excel based tool (SIAP).

With this tool they can analyse the loan portfolio, carry out projections for planning and determine steps towards efficiency.

A pilot project was already successfully carried out with 17 BPRs. Thirteen trainers across Indonesia are currently ready to offer training on SIAP for BPR that wish to apply the tool. Currently BPR provide a long term banking service in the micro segment**.** However, BPRs often face tight competition from different market participants such as public banks.

In their efforts to compete in this increasingly competitive market, BPRs need to arrange some detailed planning of all operational activities as for example to manage risks of their business, costs, and income. ProFi is always there to help the BPR industry in their efforts to achieve an optimal level of efficiency and for managing risks. Precisely in accordance with this purpose, ProFI provides this quantitative management tool for the BPR.

SIAP – Simulasi BPR is an MS Excel based tool which Dr. Birgit Galemann, a consultant for GTZ, developed in order to support BPR management in this planning process. The fundamental idea in the underlying model consists in the classification of the BPR's loan portfolio into standardized risk and costs based product classes. It originated from her study of "*Operational Efficiency, Outreach and Loan Pricing of Bank Perkreditan Rakyat (1) & (2)*" in which she defines indicators that measure how much a BPR has achieved yet regarding its corporate mission to be a profitable and efficient *Community Bank*. The tool's process flow is as follows: Set up model (S), Input data (I), Analyse current state of BPR (A), Project its future state (P). Furthermore SIAP provides facilities for the BPR to be able to:

Analyse the bank's current weaknesses and strengths being lead by efficiency and outreach indicators and their associated benchmarks set up in the tool. Examples for indicators are: "Coverage of potential number of clients in areas (to be) served", "Distribution of loan size by number of clients" as well as "Usage of maximum capacity per loan or funding officer per product class".

Project future improved levels of these indicators, i.e. prepare a business plan, by simulating future values of the parameters determining the current business. Examples for parameters are: "Number of loans per product class", "Relative time spent by each loan officer per product class" as well as "Size of different funding sources proportional to the *outstanding loan portfolio*".

Calculate a loan's profit margin based on the current and the simulated improved business

Measure the *expected default frequency* and average recovery rate per product class and based on this determine the BPR's *Expected Loss*.

Stress-test the bank's profitability regarding an economic downturn by stressing up/down the influencing market and operational parameters (risk management)

Compare with other BPRs the average interest rates per product class as well as all of the efficiency, outreach and productivity indicators.

Manage Your Loan Portfolio

SIAP-Simulasi BPR: Quantitative Management Tool

	Time proj. all LO/FOs	Time LOs needed	active no. loans/sav.	avrge no. accnts p. LO/FO	max. no accts per LO/FO
	Waktu proyeksi utk sel AO/FOs	Waktu AO dibutuhkan	aktif Jml rek kredit/tab	Rt2 jml rek p. AO/FO	rek maximal per AO/FO
tabungan	1695%	1263%	18.946	1.118	1.500
Kredit Sal	90%	74%	371	412	500
Kredit Bus1	200%	185%	555	277	300
Kredit Bus2	233%	234%	584	251	250
Kredit Bus3	175%	82%	82	47	100
Kredit Bus4	15%	15%	11	76	75
Kredit Grp	90%	86%	35	38	40
Kredit other	2%	2%	3	145	150
	Proyeksi waktu o.k.		1.640		
jml semua:	2500%	1941%			

A template of SIAP

Management needs to determine values for the input parameters "Maximum capacity per loan or funding officer per product class". This key management decision strongly depends on the region and the way the BPR is serving its respective clients.

Some time ago, this tool had already been presented to the Directorate of credit for BPR and MSME (DKBU), at Bank Indonesia. Besides that this tool has also already been successfully tried out by 17 BPRs in West Sumatra, DI Yogyakarta and NTB.

that: "Our mind has changed from approaching product marketing based on nominal per account officer (AO) to this way based on a combination of nominal and number of loans per risk and cost based product classes. We are confident how useful the tool is

training preparing participants from different regions in Indonesia to teach BPRs on concepts and applications of SIAP – Simulasi BPR. The first training which was initiated by DPD Perbarindo DKI Jaya has already been held from 1-3 October 2009 in Jakarta. It is planned to carry out the training in two sessions of 3 and 2 days, continuously with a break of 4 weeks in-between. In the first part participants will study the concepts and applications of SIAP using the data of a fictive BPR. The following four weeks give participants a chance to prepare the input data for SIAP for their respective BPRs and to start applying the tool on their own.

When comparing their respective indicator levels at the end of the courses participants noticed that "BPR-Market" parameters such as "Funding interest rates on 3rd party savings" and "Average interest rates per product class" were regionally similar.

For some BPR some parameter will be similar. However, outreach indicators such as "Distribution of loan size by number of clients", "Percentage of the number of non salary loans in the total portfolio" and "Coverage of potential clients in areas served" depend strongly on the individual BPR.

At the moment all BPR of the pilot project are planning to prepare their business plan by using SIAP. This tool will help them to manage their loan portfolio and to let management be more careful when carrying out their business activities.

One of the BPR's for example stated

SBI, per tahun		7,00		Saat ini					
				Daerah 1	Daerah 1	Daerah 2	Daerah 2	Daerah 3	Daerah 3
Indikator 2	Target suggested Arah Tujuan mengusulkan			BPR 1	BPR 2	BPR 3	BPR 4	BPR 5	BPR 6
BOPO	<	100%		48,77%	52,93%	81,35%	93,54%	92,92%	98,81%
SB eff rata2,p.th.:									
Bus1	<=	50		44,42	45,42	41,92	42,94	35,58	37,84
Bus2	<=	40		44,56	47,88	42,04	44,47	30,38	36,23
Bus3	<=	30		37,91	48,14	38,87	42,64	24,97	31,60
Bus4	<=	30		0,00	0,00	31,85	35,41	24,22	28,40
Sal1	<=	45		43,98	44,13	22,13	38,21	28,43	25,89
Sal2	<=	35		42,38	44,62	27,25	41,75	25,16	24,28
Sal3	<=	25		29,64	35,62	26,68	45,98	15,05	23,73
Sal4	<=	22		17,70	0,00	9,00	0,00	0,00	22,35
Rata2 SB ABPasiva, p. th.	<=	13,00	6,00	11,00	9,00	10,45	13,00	14,25	17,00
Rata2 SB deposito, p. th.	>=	11,25	4,25	10,88	11,68	11,87	11,56	11,60	10,43
Rata2 SB tabungan, p. th.	>=	5,63	50%	8,00	9,00	6,00	6,00	4,54	5,50
Bunga Dana rata2 tanpa dividen p.th.	<=	8,52		3,22	6,24	9,54	6,27	10,29	12,40

A template of SIAP

especially regarding its calculation of over/under usage of the capacity of an AO. The Expected Default Frequency derived by the tool per product class strongly reminds us to manage our bank prudently."

ProFI conducted already a master

During the second part of the course, concepts of SIAP will be repeated and participants will apply the tool step by step to their own data being assisted by the trainer and the teaching assistants. **GTZprofi**