

restructuring program. Based on the Published Balance Statement of Year 2002, the bank's financial highlight shown in the following table:

**Table 1. 1**  
**Bank Rakyat Indonesia's Financial Highlight 2000 - 2002**  
**(In trillion Rupiah)**

	Year 2000	% From Total Loans	Year 2001	% From Total Loans	Year 2002	% From Total Loans
1. Total Assets	65.8		75.7		82.3	
2. Loans	26.4		32.4		39.7	
▪ Micro loans	7.8	30%	9.8	30%	12.0	30%
▪ Retail loans	10.2	38%	13.9	43%	19.4	49%
▪ Medium	3.1	12%	4.3	13%	4.3	11%
<b>Total Micro, Small &amp; Medium</b>	<b>21.1</b>	<b>80%</b>	<b>27.2</b>	<b>86%</b>	<b>35.7</b>	<b>90%</b>
<b>Corporate</b>	<b>5.3</b>	<b>20%</b>	<b>5.1</b>	<b>16%</b>	<b>4.0</b>	<b>10%</b>
3. Total Deposits	49.2		57.7		63.7	
4. Profit before tax	0.3		1,1		1.3	
5. Non Performing Loan	4.9%		4.9%		3.6%	
▪ Micro loans	1.2%		1%		1.5%	
▪ Retail loans	3.9%		1.5%		1.7%	
▪ Medium	10.8%		11%		11%	
▪ Corporate	9.15%		16.5%		39%	
6. CAR	<b>14.4%</b>		<b>13.3%</b>		<b>12.6%</b>	

Source: Bank Rakyat Indonesia Official Publication, 2002

In the narrower scope, at 2002, the financial performance of branch offices in Special Province of Yogyakarta left unpleasing outcomes. Those unpleasing outcomes especially appeared from the performance of retail deposits, non-performance loans (NPL) of retail commercial loans, and retail consumer loans.

For the *retail deposits*, which consist of demand deposits, time deposits and saving deposits, all of the branch offices were under performed. The 2002's achievement was only reach 80.32% (446.046 million rupiah, below the determined target (555.340 million rupiah).

For the *retail commercial loans*, although two branch offices (Katamso and Wonosari branch offices) get under performed, but at the average, the target



In 2003, in order to achieve the long-term targets and to anticipate a intense competition, Bank Rakyat Indonesia has prepared series of policies to transform Bank Rakyat Indonesia into “Contemporary and Future Bank” as follows:

1. Improving the quality of services to customers.
2. Maintaining “Productive Assets Quality”.
3. Continuing “Cost Efficiency Program”
4. Developing partnership programs in micro, small, dan medium enterprises (SMEs)
5. Improving work relations and coordination among the working units in achieving targets determined in the Business Plans and Budget Plans.
6. Implementing prudential banking and Good Corporate Governance (GCC) principles.

Since Bank Rakyat Indonesia has carried out the restructuring program during the past 3 years; the results has shown many pleasant outcomes, and even exceeded the target underlined in the Budget Plans (Rencana Kerja Anggaran – RKA) of 2000, 2001 and 2002. At the end of 2003, Bank Rakyat Indonesia expected has similar performance with the previous years, achieve higher outcomes than the target underlined.

The financial performance measurements proved that Bank Rakyat Indonesia’s intermediary function is going well and currently under a good liquid condition. Those achievements were the actual forms of the entire employee’s hard work and management’s compliances in carried out the Budget Plans and

desired to facilitate the achievement of the long-term target of Bank Rakyat Indonesia, which are:

1. Becoming a healthy bank and one of the five biggest banks in terms of assets and profit,
2. Becoming the biggest and the best bank in the development of micro, small, dan medium enterprises (SMEs),
3. Becoming the biggest and the best bank in agribusiness developments,
4. Becoming one of the best public company banks,
5. Becoming a bank which consistently implement good corporate governance,
6. Rendering the work culture of Bank Rakyat Indonesia as the characteristic and behaviour of all Bank Rakyat Indonesia's employee.

During 2002, Bank Rakyat Indonesia has conducted various significant perfections and improvements in support functions. Currently, implementation of BRINets with on-line real time is covering branch offices in the entire Java, Bali and Nusa Tenggara as well as Sumatera. The expansion of operation network during 2002 has also increased by a quite significant number of 107 new work units, in forms of supporting branch offices or BRI Units. The products and features provided to the customers also being improved continuously. For instance, as the benefits from the advancement of BRINets, BritAma's customers are able to make various kinds of transactions at the ATMs or by their cellular telephone. These features make Bank Rakyat Indonesia's products and facilities becomes IT based product and facilities.



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## CHAPTER I

### INTRODUCTION

#### 1.1 Background

The unstable economic condition has forced business organizations in Indonesia keep on eye to their business environment, especially from the external environmental changes. The business environment has changed dramatically. Business organizations should strategically follow the need of their market. Otherwise, they will lose in the competition.

The competition in the banking industry, has become more rigorous because banks do not only compete among themselves but also compete with the companies from other industries, which is non banking institution, such as pawnshop, leasing company, danareksa and other similar institutions. It seems that after re-capitalization program in 1998, the competition in the banking industry focused on improving the service quality and the trustworthiness to their customers.

Bank Rakyat Indonesia was one of the restructuring banks. Bank Rakyat Indonesia's restructuring programs include redefinition of its business focus, the implementation of credit risk management (CRM), and the establishment of the Compliance Director. Bank Rakyat Indonesia has also developed a program to implement good corporate governance, as well as strengthened its internal supervision and monitoring system.

During the restructuring program, Bank Rakyat Indonesia has conducted business reengineering which included monetary restructuring, advancing information system technology and operational restructuring. These progress are

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**Analysis of Bank Rakyat Indonesia's competitive strategy and its implication at the Yogyakarta Regional Office**

PRAWIRO, M. Dhumal, Dr. Bambang Riyanto LS., MBA

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