

Study on Risk Management in Financing and Operational of Grameen Bank Financing Concept in MBK Finance

Bobby Yulandika Putra

Islamic Economic Finance, Trisakti University Jakarta, Indonesia, bobbyyulandikaputra@yahoo.com

Abstract

Objective – Poverty is one of the most fundamental issues that still surround the life of 29.89 million people of Indonesia (National Statistical Bureau data from January 2, 2012). During this time, the pattern of poverty alleviation programs undertaken by the government is a pattern of generosity. This pattern can directly exacerbate the poor morals and behavior. Ideally, poverty alleviation efforts are made by concrete steps, which empower poor communities themselves.

In line with the theme of this research, one of the financial institutions (non-Banks) who cares and has the spirit to empower people to overcome poverty is Mitra Bisnis Keluarga (MBK). This study aimed to assess the financial risks and operational risks of implementation of Grameen Bank financing concept in MBK.

Methods - The method used in this research is literature review and qualitative descriptive study using actual MBK data.

Results - Results from this research showed that products with the concept of Grameen Bank financing is relatively safe in the terms of the financing risk, but requires more attention on operational risk and which can be implemented for large-scale poverty alleviation program.

Conclusion - The data showed that the risk of financing given to the poor (without collateral) is minimal and MBK actual data shows that the Operational self-sufficiency is relatively high at > 90%

Keywords : *MBK, Grameen Bank, Poverty*

Abstrak

Objektif – Kemiskinan adalah salah satu masalah yang paling mendasar yang melingkupi kehidupan 29.890.000 juta penduduk Indonesia (data Badan Pusat Statistik tanggal 2 Januari 2012). Selama ini, pola pengentasan kemiskinan yang dilakukan oleh pemerintah bersifat pola kedermawanan. Pola ini akan berdampak langsung dalam memperburuk moral dan perilaku masyarakat. Idealnya, upaya pengentasan kemiskinan dilakukan dengan langkah yang konkret/ nyata, dengan memberdayakan masyarakat miskin itu sendiri.

Sesuai dengan tema penelitian ini, salah satu lembaga keuangan non bank yang peduli dan memiliki “semangat” untuk memberdayakan masyarakat untuk mengatasi kemiskinan adalah Mitra Bisnis Keluarga (MBK). Penelitian ini bertujuan untuk mengetahui risiko keuangan dan risiko operasional dari pelaksanaan konsep pembiayaan Grameen Bank yang dijalankan oleh MBK.

Metodologi - Metode penelitian ini adalah kajian literatur dan penelitian deskriptif kualitatif dengan menggunakan data yang sebenarnya dari MBK.

Hasil - Hasil dari penelitian ini menunjukkan bahwa produk yang dikembangkan oleh MBK dengan konsep pembiayaan Grameen Bank relatif aman dalam hal risiko pembiayaan, akan tetapi membutuhkan lebih banyak perhatian pada risiko operasional dan dapat diimplementasikan dalam skala besar dalam program pengentasan kemiskinan.

Kesimpulan - Data menunjukkan bahwa relatif kecilnya risiko pembiayaan (tanpa agunan) yang diberikan kepada masyarakat prasejahtera dan data aktual MBK menunjukkan bahwa efisiensi Operasional masih relatif tinggi > 90 %.

Kata Kunci : MBK, Grameen Bank, Kemiskinan

1. Introduction

Various efforts have been undertaken by government to tackle poverty through many programs such as Rice for the Poor (Raskin), Social Safety Net (SSN) for the poor, Health Insurance for the Poor (Askeskin), direct cash assistance (BLT), Assistance for Underdeveloped Villages (IDT), and so on. The weakness on above poverty alleviation programs promoted by the government is because the implementation of the program is following top-down method. Top down assistance programs are difficult to resolve poverty and leads to new problems such as horizontal conflict, dependency, corruption, disintegration of society, and "beggar mentality" (Suharto, 2005).

Ideally, the fight against poverty must have concrete steps that empower poor communities themselves. One of the mechanisms for the implementation of the concept of empowerment for poor households is Grameen Bank. In Indonesia, the Grameen Bank was first replicated in Nanggung district, Bogor regency, West Java by Yayasan Karya Usaha Mandiri (KUM) since 1989. MBK was also using the Grameen Bank-style approach in extending working capital in the range of Rp1-3 million to low-income women. This approach is very suitable for the conditions in Indonesia.²

Based on the research by Slamet Subandi (2007) with title Success and Prospects Grameen Bank Concepts Replication as Microcredit Institutions concluded the important aspects to build financing system for micro small and medium enterprises (SMEs) is to determine the character of SMEs, which (Subandi, 2007):

² Mitra Bisnis Keluarga, <http://www.mbk-ventura.com/id/tentang-mbk/latar-belakang-dan-tujuan>, accessed 8 April 2012 at 1.54 WIB.

1. Mostly are less educated and it will be difficult to understand the complicated financial procedures.
2. Mostly has very few assets and do not deserve to be collateral.
3. Financing serve the purpose of production but also for consumption.
4. High needs of small loan and large customers base very much, so banks operational cost will be high

Rahayu (2006) in a research paper entitled National Economic Development through Village Community Empowerment concluded that empowerment is a process. The success of this process is not only because of the ideology or knowledge and skills concerning the empowerment and development, but all stakeholders (all relevant elements of the program) must commit to a few things, they are:

1. Commitment to Professionalism.
2. Commitment to Transparency.
3. Commitment to Honesty.
4. Commitment to Togetherness and Team Work.
5. Commitment to Partnership.

According to Pandu (1996) in a research paper written by Ary Wahyono (1999) with the title of the Strengths and Weaknesses of Grameen Bank and Credit for Family Welfare (KUKESRA) as the Poverty Alleviation Model, banking institutions are not willing to serve the financing needs of small communities or people poor, because:

1. Poor people do not have property, which can be used as collateral.
2. They cannot fill out complicated form because most of them cannot read and write.
3. Banks fear that the interest on the loan / margin received cannot cover the costs of financing for small credit and very large customer based.

Thus, this research expects to observe:

1. Observe risk management of financing in MBK (Grameen Bank concept).
2. Observe operational management of financing in MBK (Grameen Bank concept).
3. Recommend relevant solution for massive scale poverty alleviation.

2. Methodology

This study employees qualitative method using descriptive approach. Descriptive methods purposes are:

1. Problem identification.
2. Making comparison and evaluation.
3. Determine what other people do in facing similar problems and learn from their experiences to establish plans and decisions in the future.

Descriptive research can be interpreted as a problem-solving procedure investigated by depicting/ describing the state of the subject/ object of research at the present time based on the facts that appear or as they are. Data is collected in the form of literature and previous research, illustrative descriptive qualitative method, and in form of numbers for statistical analysis description.

Descriptive research method has important steps: ³

1. Identify any significant issues to be resolved through descriptive methods.
2. Limit and formulate the problem clearly.
3. Determine the purpose and benefits of the research.
4. Conduct study literature related to the problem.
5. Determine framework, and research questions.
6. Designing research methods to be used.

³ Hartoto, "Penelitian Deskriptif", Jakarta, Accessed from <http://www.penalaran-unm.org/index.php/artikel-nalar/penelitian/163-penelitian-deskriptif.html> , 22 March 2013, at 20.45 WIB

7. Collecting, organizing and analyzing data.

8. Research report

Qualitative descriptive analysis results then processed and interpreted to answer the problems and objectives of this study.

3. Result and Discussion

3.1. MBK Figure

Table 1. Quarterly Outreach Indicators

Table 1. Quarterly Outreach Indicators					
	Dec-07	Dec-08	Dec-09	Dec-10	Nov-11
Total Customer	65,528	105,690	144,951	218,507	270,691
Total Customer with Working Capital	64,548	103,734	141,876	211,155	268,500
Total Branch	31	55	113	160	200
Total Employee	258	420	779	1,218	1,445
Customer per Field Staff (trained)	431	305	328	273	
Total Outstanding Portfolio (billion Rp)	25.2	57.0	100.4	152.1	270
Total Outstanding Portfolio (US\$ mill.)	2.7	5.2	10.7	16.9	30
Annual Growth (%)	%	126%	76%	52%	
Average Outstanding Portfolio/ Customer (Rp)	390,000	550,000	708,000	720,000	
Portfolio at Risk (PAR>30)	0.001%	0.003%	0.005%	0.0003%	0.0003%
% Woman Customer	100%	100%	100%	100%	100%
Operational self-sufficiency	93%	109%	139%	122%	110%

Source obtained and processed from Mitra Bisnis Keluarga (MBK) website

Key features of MBK success taken from table 1 are as follows:

1. MBK Outstanding financing continuously increased significantly. This point showed that MBK has given many financing to the poor. This will only happen from genuine effort from stakeholders in implementing community development programs, as reflected well on business growth.
2. Portfolio at Risk (PAR)> 30 days is equal to <0.01%, which means that customers consistently meet and pay the installment obligation. And is consistent with the Grameen Bank theory.

The fundamental principle believed here is that poverty occurs not because poor people are lazy and uneducated, but poverty is due to a fundamental problem in economic system (structural poverty). If access to proper financing is available (without collateral and complex requirements), then they themselves can determine how to increase their income.

3.2. MBK – Grameen Bank Approach Financing

MBK is targeting those in 25% lower strata of the population by income. Programs are implemented using a special selection system and specially trained employees. Operational pattern based on the seven key elements:

1. Provide working capital for small-scale activities that provide additional income (Rp 1-1.2 million for the first phase) with repayment periods for 1 (one) year and installments over 50 weeks.
2. Participants consisted of woman who assembly a group of five and merged into larger group which generally consist of 4-5 groups. (On average 20-25 housewives).
3. Do not use the collateral or guarantor but the members were asked to mutually support each other.
4. The participants are obliged to repay the working capital loan in full and on time.
5. Participants are required to attend weekly meetings program where weekly installment payment is collected.
6. Working capital loans must be used in accordance with the agreement and only for businesses that generate increase in family income.
7. MBK field staff visit the customer, reversed concept from conventional banks.

3.3. MBK Financing Risk Management

In Grameen Bank, the risks/ possibility of bad financing/ financing delinquent / unpaid installments mitigated and/ or treated with joint responsibility.

The patterned on Grameen Bank, the joint responsibility model, is also adopted by MBK. A joint responsibility is a shared responsibility among members in financing group for any obligation to MBK based on openness and mutual trust. If interpreted in more detail, this system is as follows:

- 1) At the beginning of the process (at the time of initiation of financing), all potential clients in 1 group should already know each other, open and trusting each other.
- 2) The purpose of the activity point 1) is that one customer with another has established a connection/ trust from very beginning.
- 3) Client are also described concerning the joint responsibility, which means, when 1 (one) client in the group experiencing problems in paying installments, then the other clients in the group it will automatically bear/ pays the arrears from customers (joint responsibility).
- 4) When the customer who was experiencing difficulties has paid back the installments that previously paid by other member in the group, then the money will be refunded to the installments of other customers (who previously did the bail).

With exposure above, the conditions that must be met in carrying out joint responsibility are:

- 1) Formation of one group (minimal)
- 2) Obligation have to be met by group members
- 3) Openness and courage to express opinion and receive opinion/ suggestion

In the implementation, financing with joint responsibility will provide positive impact both for customers and for MBK (financial institutions). A joint responsibility, if executed well, will be very profitable for financial institutions, because:

- 1) MBK asset will be safer
- 2) Reduce non performing financing
- 3) Develop discipline and responsibility among members
- 4) Cultivate potential cadre

Positive impacts of joint responsibility for customers are:

- 1) Enhance the sense of kinship and mutual cooperation.
- 2) Develop Openness and courage to express opinion and receive opinion/ suggestion
- 3) Development of self-discipline, self-confidence, responsibility and self-esteem.

3.4. MBK Financing Operational Management

The effects of operational risk that may arise in MBK financing are:

- 1) Possibility of customers cannot not read/ write that may cause problem in contract agreement or operational/ transactional that involve customer.
- 2) In most cases, customers do not have sufficient data (Identification Card, Family Card)
- 3) Relatively new and inexperienced field staff.

Mitigations are conducted to address arising operational risks, as follows:

- 1) Guidance/ counseling given to customers related to the implementation of the financing and/ or simple financial management.
- 2) Financing procedure is made easier and practical.
- 3) Training and mentoring for new employee.

4. Conclusion and Recommendation

4.1. Conclusion

Based on discussion in chapter 4, it can be concluded that:

1. The data showed that the risk of financing given to the poor (without collateral) is minimal
2. MBK actual data shows that female clients (non wealth family) responsible for financing liabilities (Portfolio at Risk (PAR) with a time of > 30 days amounted to <0.01%).
3. Joint responsibility proved active in controlling PAR, as mentioned in point 2.
4. MBK actual data shows that the Operational self-sufficiency is relatively high at > 90%.
5. Operational risks that may occur (e.g. a risk that customers can not read and write/ incomplete financing documents) can still be addressed properly, as mentioned in point 4.
6. Solutions developed by MBK are reliable and proven to provide a positive outlook on poverty alleviation at massive scale.

4.2. Recommendation

1. Government and other private sector can responsibly empower and continuously support poverty alleviation efforts.
2. Provision of micro-finance using Grameen Bank concept, as implemented by MBK and/ or other financial institutions, can be run in Indonesia (culture forming groups / joint liability \approx implementation of social gathering).
3. Upon the recommendation in point 1 and 2, poverty alleviation program can be conducted by community empowerment mechanism, not by giving free help (that may create beggar mentality).

References

Alam, M.Nurul dan Dr. Mike Getubig. *Pedoman Pendirian dan Pelaksanaan Program Kredit Mikro Dengan Metode Grameen*, Grameen Foundation, 2006. (Mimeo)

- Badan Pusat Statistik, “Berita Resmi Statistik No.06/01/Th.XV ”, 2 January 2012.
- Darmanto, Herry., (2004). “Pemberdayaan Masyarakat Berbasis Masyarakat Terpencil”, Majalah Triwulan Perencanaan Pembangunan Edisi 04/IX Bappenas.
- Hartoto, “Penelitian Deskriptif”, Jakarta accessed www.penalaran-unm.org. 19 March 2013.
- Marthen, Alex, “Melongon Grameen Bank di Cidokom Bogor”, Koran Jakarta, www.koran-jakarta.com , accessed 2 April 2013.
- Mitra Bisnis Keluarga, <http://www.mbk-ventura.com/id/tentang-mbk/latar-belakang-dan-tujuan>, accessed 19 Maret 2013
- Muis, Ichwan, “Definisi, Penyebab dan Indikator Kemiskinan”, Jakarta, www.ichwanmuis.com, accessed 2 April 2012.
- Rahayu, MG Ana Budi, “Pembangunan Perekonomian Nasional Melalui Pemberdayaan Masyarakat Desa”, Jakarta, www.kelembagaandas.wordpress.com, accessed 8 April 2013.
- Suharto, Edi., (2005). *Membangun Masyarakat Memberdayakan Rakyat : Kajian Strategis Pembangunan Kesejahteraan Sosial dan Pekerjaan Sosial*, Bandung: PT. Refika Aditama.
- Suharto, Pandu., (1991). *Grameen Bank Sebuah Model Bank untuk Orang Miskin di Bangladesh*, Jakarta: Lembaga Pengembangan Perbankan Indonesia (LPPI).
- Subandi, Slamet, “Keberhasilan dan Prospek Replikasi Konsep Grameen Bank sebagai Lembaga Kredit Mikro”, 2007, p. 12.
- Syariah Biz, “Hadist Tentang Tolong Menolong”, Jakarta, accessed from www.syariah.biz.com, 13 Maret 2013.
- Thoha, Mahmud, “Pemberdayaan Usaha Kecil Melalui Model Grameen Bank, Pendekatan Penelitian dan Temuan Lapangan ”, 2005, p. 11-12.
- Utomo, Selamat Joko, “Kebijakan Dalam Pengentasan Kemiskinan di Indonesia”, www.fe.wisnuwardhana.ac.id, accessed 29 Maret 2012.
- Wahyono, Ary., (1999). “Kekuatan dan Kelemahan Grameen Bank dan Kredit Usaha Keluarga Sejahtera (KUKESRA) sebagai Model Pengentasan Kemiskinan”, 1999.