

Abacus Case Study – Indonesia Umbrella Agreement



In 1895, Priyayi Bank in the Purwokerto district of the Dutch East Indies became the first outpost of Friedrich Wilhelm Raiffeisen's credit union cooperative movement, and the predecessor of Bank Rakyat Indonesia (BRI), the world's largest microfinance institution. With around 50,000 MFIs serving more than 40 million people, Indonesia has the oldest and largest microfinance market in the world. However nearly half of the population still lives on less than US\$2 a day, while self-employment is seen as key to tackling poverty on such a scale, an estimated 50 million people still do not have access to banking services.

Most Indonesia MFIs are small, with less than 10,000 clients each, and the sector includes a wide range of institutions types including commercial banks, rural banks, credit unions and cooperatives. Institutional capacity is often weak and a key factor has been the lack of robust, secure, flexible and scalable management information systems (MIS) that are suited to the local environment.

In recognition of this problem Mercy Corps, funded by the Gates Foundation, sought an established private sector technology partner to develop a system that would be suited to the needs of hundreds, potentially thousands, of Indonesian MFIs, large and small, public and private, throughout Indonesia. The requirement was also to put in place a local infrastructure for the implementation and training of a large number of clients around the country in a short time. Finally, the system needed to be priced in a way that made it affordable to all sizes of institution.

After a long process of selection, Mercy Corps selected Abacus MFI from Fern Software as the product for the joint venture. Mercy Corps provided an umbrella agreement that financed the necessary modifications (localisations) and the establishment of the local infrastructure. In return, Fern adapted Abacus MFI to local requirements, including a Bahasa Indonesia user interface, Bank Indonesia reporting, and specialised non-performing loans provision calculations as required by Indonesia's large network of people's credit banks, or Bank Perkreditan Rakyat (BPRs).

As of January 2011, Fern Software's local partner, PT Vaia Indonesia had three live clients using Abacus MFI, with two more in implementation. Ten more MFIs are due for implementation within the first quarter of 2011, with a plan for several hundred MFIs to be added to system in the next few years. The first three clients were selected to represent a range of institution types – a credit union, a BPR and a Grameen-style NGO. The early clients also represent a range of technical configurations, centralised and decentralised, including some that are hosted at PT Vaia.

Case studies of first three clients follow.

Credit Union Sawiran



CU Sawiran at a Glance	2010
Number of Branches	10
Number of Active Savers	20,000
Total Deposits	\$3,000,000
Number of Active Borrowers	3,000
Loan Portfolio	\$4,000,000
Operational Self Sufficiency	111%
Product Types	40+

About Credit Union Sawiran



Credit Union Sawiran is based in and around Malang in East Java province, close to the famous Mount Bromo volcano. Sawiran is a faith-based organisation (Catholic) serving the whole of the local community. Sawiran offers a very wide range of savings and loan products to its clients (over 40 in total). Profits from the institution are disbursed to members based on a very complex formula representing the contribution each member has made to the funding and the revenue of the institution.

The System

Sawiran is one of around 500 credit unions using the SisKopDit MIS system in Indonesia, and the first to migrate to Abacus MFI. Abacus MFI is installed at the Sawiran headquarters and each of the 10 branches access the centralised, on-line, real-time system remotely. In this way, clients can deposit and withdraw money at any branch in the network – a major breakthrough for Sawiran. Many complex and error-prone manual accounting and reporting processes have been eliminated and automated by the introduction of Abacus.



BPR Universal



BPR Universal at a Glance	2010
Number of Operating Units	6
Number of Branches	13
Number of Clients	20,000
Loan Portfolio	2,500,000

About Universal



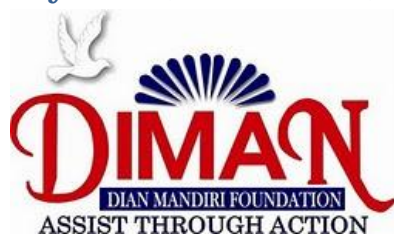
BPR Universal is a group of institutions people's credit banks (Bank Perkreditan Rakyat) serving West Java. BPR UKM Puncak was the first in the group to adopt Abacus MFI. BPR Universal has six operating units serving over 10,000 clients from 13 branches. As a BPR it is regulated by Bank Indonesia (the central bank) and must comply with complex regulations on reporting and on the provisioning for non-performing loans. These regulations are specific to Indonesian BPRs and not supported by the majority of commercially available MIS systems.

The System

BPR UKM Puncak hosts its centralised, on-line, real-time system at the offices of PT Vaia Indonesia, effectively outsourcing all technology operations to Vaia. This greatly simplifies their business, allow them to focus on service to their clients. Abacus has been modified to cater for their complex and specific BPR requirements, and the BPR UKM Puncak implementation will provide evidence to the wider BPR market that Abacus fully supports their requirements.



Yayasan (Foundation) Dian Mandiri



Dian Mandiri at a Glance	2010
Active clients	41,283
Number of Trust Bank clients	37,485
Loan Book	\$ 2,115,746
Operational Sustainability	104%
Portfolio at risk > 30 days	3.88%
Number of Staff / Program Officer	220 / 133
Loans to Women	90%

About Dian Mandiri



Yayasan Dian Mandiri was established in 1998 and focuses on the provision of micro enterprise development via its ten branch offices, mainly using the trust bank group methodology. In the trust bank model, the group consists of 15 to 30 poor entrepreneurs, mostly women, who come together to receive business loans, training and assistance. The foundation also offers training to its clients including bookkeeping, group formation and basic business training. Dian Mandiri operates in Tangerang, in Banten province, plus the Jakarta conurbation and parts of West Java province, and is an affiliate MFI of Opportunity International.

The system

Prior to implementing Abacus MFI, Dian Mandiri was not fully computerised on a single MIS system, and functioned with a lot of manual or semi-automated processes. Partly because of the lack of a legacy system, and the need to take-on such data, the implementation of Abacus MFI at Dian Mandiri was the fastest to date – less than two months. Dian Mandiri's Abacus system is hosted by PT Vaia and accessed on-line, real-time by three of Dian Mandiri's branches. The remaining ten branches will be brought on-line in the next few months.



Dian Mandiri is an example of a Grameen weekly group lender, further showing the versatility of the Abacus MFI system in supporting a wide range of institutional models.