
THE FORMATION OF ULTRA-MICRO HOLDING OF BRI, PAWNSHOP, AND PNM ON PROFITABILITY AND CAPITAL RATIOS IN BRI

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ABSTRACT

KEYWORDS

BRI, ultra-micro holding, pawnshop, profit increase, PNM

To encourage national development with the Government encouraging the revival of the Medium, Small and Micro Enterprises (MSMEs) and Ultra Micro (Umi) sectors, through the Ministry of SOEs. The presence of the UMi program through ultra-micro holding is expected to develop micro businesses, reduce poverty levels, improve community welfare, and contribute to national economic growth. The purpose of this study was to determine the impact of holding ultra micro BRI, pawnshop, and PNM (PT Permodalan Nasional Madani) on increasing BRI's profit in the micro segment. The research method used is literature review with a qualitative approach. The data source used is secondary data. The data collection technique is done by means of documentation, namely data collection techniques through written materials published by the institution that is the object of research. The analysis technique is by data reduction, data presentation, and conclusion drawing. The results showed that the existence of ultra-micro holding had a real impact on increasing BRI's profit in the micro segment, showing the success of the integration strategy in supporting the growth and sustainability of BRI's business in the MSME sector.

INTRODUCTION

In order to encourage national development, the Government encourages the revival of the Medium, Small and Micro Enterprises (MSMEs) and Ultra Micro (UMi) sectors, through the Ministry of SOEs, by privatizing the programs of several State-Owned Enterprises (SOEs), by forming an ultra micro ecosystem popularized as Ultra Micro Financial Sector SOE Holdings or called ultra micro holdings. This ultra micro holding involves three state-owned entities, namely PT Bank Rakyat Indonesia (BRI), PT Pegadaian, and PT Permodalan Nasional Madani (PNM). Ultra Micro Holding initiated by the Ministry of SOEs has received approval from various State Higher Institutions, both the President as the Executive Institution and the House of Representatives of the Republic of Indonesia as the Legislative Institution (Atmojo & Suryautom, 2021).

In its development, MSEs often experience various obstacles, including capital and access to financing. To provide easy and fast access to financing facilities for the lowest tier micro entrepreneurs, the Indonesian government launched the Ultra Micro Financing (UMi) program in 2017. Based on the 2017 Financial Memorandum book, the UMi financing program is motivated by the lack of MSMEs facilitated by the government's ongoing program, namely the People's Business Credit (KUR). The KUR program has served 12.3 million of the 59.1 million MSMEs recorded in BPS, while 46.8 million or 79.2% of MSMEs have not been able to access KUR. Therefore, the government revitalized the Government Investment Center (PIP) BLU in 2017 as a funding coordinator with a special scheme for MSME financing known as the UMi financing program. The UMi program is expected to develop micro-enterprises, reduce poverty rates, improve community welfare, and contribute to national economic growth (Basuki & Rezki, 2023).

Ultra Micro Financing (UMi) channeled by non-bank financial institutions. The KUR Program has been rolled out for a long time, which began during the administration of president Susilo Bambang Yudhoyono, while the UMi Program began in 2017, which was marked by the Minister of Finance Regulation (PMK) Number 22 of 2017 concerning the Ultra Micro Financing Program (Karsa et al., 2023). The target of the UMi financing program itself is the lowest economic class. This segment is a feasible business but not yet bankable so it is not attractive to banks. In addition, the characteristic of the UMi segment is that customers can get UMi financing in groups or individually. Individual debtors can be subject to collateral, while those who are in groups are not subject to collateral by applying a joint liability scheme. Another characteristic is that the majority of UMi entrepreneurs do not have a business license and do not meet almost all banking requirements (Krisnawan, 2022).

Previous research conducted by Basuki & Rezki (2023) stated that UMi financing has a positive and significant effect on business performance with indicators of sales, operating profits, and operating assets. The estimation results with instrumental variables also show that UMi financing is positively associated with sales and operating profits. Unlike the previous study, the novelty of this study is that it focuses on analyzing the interaction between holding structure, market and competition, operational efficiency, collaboration and synergy, and the impact of regulation on BRI's profit performance in this context.

The Government has issued Government Regulation (PP) No. 73 of 2021 concerning the Increase of State Capital Participation of the Republic of Indonesia into the Share Capital of the Company (Persero) PT Bank Rakyat Indonesia Tbk or BRI. The provisions in the regulation serve as guidelines in the implementation of the establishment of Ultra Micro Holding (UMi) for three SOE entities, namely Pegadaian, PNM, and BRI. With the existence of Ultra Micro Holding (UMi), it is expected to increase micro businesses. So this study aims to determine the impact of BRI's ultra micro holdings, pawnshops, and pnm on BRI's profit increase in the micro segment.

RESEARCH METHOD

The research method used in this study is a literature review with a qualitative approach. The literature study method is a series of activities related to the method of collecting library data, reading and recording, and managing research materials (Kartningrum, 2015). Meanwhile, qualitative research is a research process to understand human or social phenomena by creating a comprehensive and complex picture that can be presented in words, reporting detailed views obtained from informant sources, and carried out in a natural setting (Adlini et al., 2022).

The data source used is secondary with documentation data collection techniques. Documentation studies can be interpreted as data collection techniques through written materials published by the institution that is the object of research (Yusra et al., 2021). The analysis technique is by reducing data, presenting data, and drawing conclusions.

RESULTS AND DISCUSSION

In Indonesia's economic development, the Micro, Small and Medium Enterprises (MSMEs) sector is often considered to have a very important role. This is due to a large part of the Indonesian population having a low level of education and participating in small businesses in both traditional and modern sectors. In addition, MSMEs are also known as one of the sectors that are able to absorb a lot of labor (Nuari, 2017). The government, in this case, is increasingly showing its partiality towards MSMEs with various policies aimed at increasing the role and contribution of MSMEs in the national economy. This support covers various aspects, such as providing access to financing, technical assistance, and coaching and training for MSME actors (Makhlis, 2018).

One important aspect in the development of MSMEs in Indonesia is support from the banking sector, especially in terms of lending to MSMEs. MSME credit refers to credit facilities provided to debtors who meet the established definition and criteria of MSMEs. The definition of MSMEs usually includes parameters such as net worth limits and annual sales results (Rura et al., 2023). On the other hand, banking institutions play a very important role in terms of economic development in Indonesia. They not only provide safe money storage services through savings for the community, but also provide credit facilities to business actors, including MSMEs.

Banks, as financial institutions have a dual function in managing public funds. First, they raise funds from the public through various savings and investment products. Second, banks are also tasked with channeling these funds back to the public in the form of loans or credits. Banking in lending has an important role in terms of financing the national economy, acting as a driver for economic growth, so that it will be able to create jobs both through expansion for production and encouraging new businesses (Dwiastuti, 2020).

To maximize the role of the financial institution sector and not to be left behind compared to other developing countries, the government has proposed the establishment of a state-owned holding company (Mentari & Wulandari, 2019). The term holding company refers to a business entity that is in the form of a corporation and owns part of the shares of several other companies. A holding company is a combination or arrangement of various companies that are juridically independent but closely related to each other, forming an economic unit managed by a leader, namely the parent company as the central leader. The initial idea of forming a holding company, especially in the context of restructuring State-Owned Enterprises (SOEs), was to optimize management. SOEs themselves are business entities that operate in certain fields that generally concern the public interest, with a significant government role, at least as the majority shareholder (Harianja, 2021).

One of the main objectives of forming a holding company in SOEs is to enlarge the business capacity of sectoral companies that can provide more benefits to the country. This is expected to be achieved through increasing company value, increasing competitiveness through more competitive business competition, and creating synergies between various state-owned companies incorporated in the holding company. This means that with the synergy created, it is expected that SOEs can operate more efficiently, generate more added value for the country's economy, and compete better in domestic and international markets (Harjanja, 2021).

One of the holdings of State-Owned Enterprises (SOEs) is the Ultra Micro sector. In this structure, PT Bank Rakyat Indonesia (BRI) is designated as the holding company, which oversees two subsidiaries, namely PT Pegadaian and PT Permodalan Nasional Madani (PNM) (Sadzili & Gutom, 2024). The establishment of Ultra Micro holding is based on Government Regulation (PP) Number 73 of 2021. The regulation regulates the additional capital participation of the State of the Republic of Indonesia in the shares of the Company (Persero) PT Bank Rakyat Indonesia Tbk (BRI). The purpose of this PP is to strengthen the capital structure and increase BRI's business capacity (Atmojo & Suryoutomo, 2023).

Ultra Micro Holding involving three State-Owned Enterprises (SOEs) has been officially formed. This establishment was marked by the signing of the Deed of Inbreng of government shares in Pegadaian and PNM as state capital participation to BRI as the holding company in Jakarta. The signing was carried out by SOE Minister Erick Thohir and BRI President Director Sunarso, attended by President Director of Pegadaian Kuswiyoto, President Director of PNM Arief Mulyadi, and Deputy President Director of BRI who is also Chairman of the Project Management Office (PMO) of the BRI Privatization Team Catur Budi Harto (Purnama, 2022). SOE Minister Erick Thohir has shown his focus on financing and empowering Micro, Small and Medium Enterprises (MSMEs). He explained that the purpose of the holding company is

to encourage small entrepreneurs to develop, and ensure that all elements of entrepreneurs, including micro-enterprises, are eligible for loan funds (Fai'q, 2021).

The implementation of the establishment of Ultra Micro Holding is carried out by increasing state capital deposits to BRI through the transfer of all series B shares owned by the Government to Pegadaian and PNM (reduction of state capital). The action to increase state capital for all series B shares owned by the Government in Pegadaian and PNM, resulted in an increase in paid-up capital at BRI. The addition of these shares caused the proportion of share ownership by the Government in BRI to increase, so that to maintain the proportion of share ownership owned by the government and other shareholders in BRI, BRI increased capital with preemptive rights (rights issue). The right issue affects the increase in share ownership outstanding in the community, so that it can be classified as an act of privatization (Untsa, 2022).

The realization of the SOE holding company plan in the Ultra Micro sector in Indonesia has the potential to provide solutions to various capital-related problems for Micro, Small and Medium Enterprises (MSMEs). According to (Fai'q, 2021), these points, namely:

1. Risk independence and focus of subsidiary activities

Although the establishment of a holding company does not change the juridical status of each company, each company, including Pegadaian and PT PNM, still has risk independence. That is, in the case of third-party liabilities, risks and claims, it cannot be charged to the parent company or any other company. This ensures that Pegadaian and PT PNM remain focused on their activities, such as providing financing loans to business actors at the bottom layer.

2. Capital injection and subsidiary capital increase

The presence of BRI as a holding company can provide a larger capital injection for Pegadaian and PT PNM. This allows them to provide financing loans to business actors at lower interest rates, because the subsidiary's business capital structure becomes stronger. The increase in subsidiary capital also provides benefits for BRI through increased profit from share dividends in subsidiaries and narrowing the range of financing loans for business actors.

3. Easier and more effective control

The existence of the parent company as the majority shareholder in the subsidiary allows for easier and more effective control. These include supervisory rights, efficiency of operational activities, ease of access to capital sources, and accuracy of decision making. Based on this, the holding company allows for more efficient control of subsidiaries, thus facilitating operational management and decision making. BRI as a holding company can coordinate policy strategies with its subsidiaries, including in determining interest rates that are proportional to the needs and capabilities of business actors objectively.

The implementation of integrating three SOEs in the field is expected to improve the company's operational efficiency. A simple strategy is to reduce operational risks and costs through collaboration and digitalization, such as utilizing co-location and optimizing BRILink agents. In the implementation of co-location, the three SOEs can optimize outlets spread throughout the archipelago. The utilization of these outlets, by each SOE, is expected to be able to cross-sell product marketing, so as to achieve efficiency that can reduce the cost of funds and credit interest to debtors to be cheaper. In addition, with the holding of three SOEs, a new ecosystem is formed that connects various levels of business, ranging from ultra micro, small, medium, to large-capacity businesses. So that it will create an "upgraded" phase where MSME customers who have developed their business will be ready to scale up. Moreover, with the presence of this holding, PNM and Pegadaian can focus more on ultra micro empowerment by finding new customers or debtors, while funding will be the focus of BRI. This can be a solution to the obstacles faced by PNM and Pegadaian, especially the constraints of high funding costs (Krisnawan, 2022). This means that apart from financing integration, this integration is also

expected to realize cheaper and more effective financing in the procurement of microcredit in the community,

The success in procuring micro business loans is reflected in significant achievements after one year since the official establishment of Ultra Micro Holding 2021. In December 2022 during this period, Ultra Micro Holding has successfully integrated more than 34 million customers (Ummah, 2023). The increase in the amount of credit provided will have a positive impact on increasing the profit of the credit segment at BRI. As stated by (Makaombohe et al., 2014), credit is one of the main activities for banks that exerts a major influence on banking profits through interest income. That is, the more people who take credit at a bank, the bank's profit will increase. This is because banks will earn income from the interest charged on loans issued to the public. In addition, banks will also earn income from administrative fees or credit service fees charged to the public.

This expression is evidenced by BRI's profit report last year submitted by BRI President Director, Sunarso. He explained that there was positive growth in all BRI loan segments, including the micro segment growing by 10.9% year-on-year (yoy) to Rp 611.2 trillion, with BRI's total MSME loan portfolio reaching 84.4% of BRI's total loan disbursement or equivalent to Rp 1,068.7 trillion. BRI's success in increasing its MSME loan portfolio cannot be separated from the acceleration of new sources of growth through the integration of ultra-micro ecosystems. BRI Group's success in integrating customers in the ultra micro segment also has an impact on reducing the number of customers who have not received formal financial access. This was also shared by Sunarso at the 2024 World Economic Forum. One example is the empowerment of women entrepreneurs in the ultra micro segment by PNM, which has succeeded in distributing IDR 41.6 trillion to 15 million women entrepreneurs through PNM Mekaar (Purwanti, 2024).

The success in managing the ultra micro holding is not only reflected in the financial performance in 2023, but can also be seen from the comparison of financial statements for several years before and after the establishment of the ultra micro holding, as listed in the following table:

Table 1. BRI's Financial Statements for the Past 5 Years

	2019	2020	2021	2022	2023
BOPO	70.10%	81.22%	74.30%	64.20%	64.35%
CAR	22.55%	20.61%	25.28%	23.30%	25.23%
ROA	3.50%	1.98%	2.72%	3.76%	3.93%
NIM	6.98%	6.00%	6.89%	6.80%	6.84%
BRI Profit (in Millions)	34,028,685	18,353,303	32,215,462	47,827,920	53,153,258

From the analysis of the table, it can be seen that there is an increase or positive impact associated with the presence of ultra micro holding at Bank BRI. This increase can be seen from the comparison of financial performance before and after the formation of the holding, especially in 2019-2021 before formation, and 2022-2023 after formation. After the formation of the ultra micro holding, it can be seen that the positive trend continues and even improves in 2022-2023. Despite fluctuations in several indicators, such as BOPO which experienced a slight increase and CAR which fell slightly in 2023, overall there was a significant increase in net profit (BRI Profit). BRI's profit increased from 47,827,920 in 2022 to 53,153,258 in 2023. This shows that the existence of ultra micro holdings has contributed positively to Bank BRI's financial performance, especially in terms of increasing profitability. This shows that the strategy of forming an ultra micro holding has brought significant benefits to Bank BRI.

Based on BRI's profit report which shows positive growth in Bank BRI's financial performance, it can be concluded that the existence of an ultra micro holding which is a merger

of BRI with Pegadaian and PNM has a significant impact on increasing BRI's profit. The success of Ultra Mikro Holding in integrating a large number of customers is believed to contribute positively to the increase in BRI's profit, especially through an increase in interest income from loans provided to customers. Through the integration of the ultra micro ecosystem, BRI can significantly increase the MSME loan portfolio, which in turn will increase interest income and net profit of Bank BRI.

CONCLUSION

The results showed that the establishment of ultra micro holdings involving BRI, pawnshops, and PNM helped increase BRI's overall profit. The integration of ultra micro ecosystems allows BRI to integrate a large number of customers, which ultimately contributes positively to interest income from loans provided to customers. In addition, the success of Ultra Mikro Holding in significantly increasing the MSME loan portfolio also contributed to an increase in interest income and net profit from the micro segment. Thus, the existence of ultra micro holding has a real impact on increasing BRI's profits, showing the success of the integration strategy in supporting the growth and sustainability of BRI's business in the MSME sector.

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