A Case Study on Leadership and Organisational Transformation
This case study was developed by the Asian Institute of Finance in collaboration with the Indonesian Banking Development Institute (LPPI), Indonesia.

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Introduction

Bank Rakyat Indonesia (BRI) is one of the largest state-owned banks in Indonesia, with a history dating back to 1895. BRI was established to provide banking services to the rural areas with a focus on promoting the development of the agricultural sector. Through the BRI village units system, subsidised credit was channeled to the agricultural sector. However, years of heavy losses and fiscal cuts due to the fall in oil prices in 1982 had made the village units unsustainable. The government was no longer able to maintain the drain on its resources incurred due to operating losses of the units and increasing default rates.

Confronted with the options of closing or reforming the village units, the newly appointed President Director of BRI, Kamardy Arief, opted for the latter. This marked the beginning of a process which eventually made BRI one of largest banks in Indonesia in terms of assets and of the most successful providers of commercial microfinance in the developing world. The success of BRI as it stands today owes much to the leadership of its past president directors, particularly so that of Kamardy Arief. Kamardy Arief provided long-term committed leadership for the transformation of BRI's approach to banking for the poor.
Background of BRI

The BRI was founded in 1895 by Raden Arya Wirya Atmaja, in Purwokerto (Central Java) as a support and savings bank for civil servants under the name of Hulp-en Spaarbank der Inlandsche Bestuurs Ambtenaren or the Bank Assistance and Savings of Indonesian Native Elites. The bank underwent many transformations and changes to its name until it was finally re-established under the Law No. 21 of 1968 as a commercial state-owned bank with the mandate of financing rural development and the green revolution. Over the years, BRI’s business was dominated by subsidised credit programmes of the Indonesian government. Part of the green revolution agenda was the national rice intensification programme known as Bimbingan Masal (BIMAS) or “Mass Guidance”.

The village units system of BRI was created in 1969 under conditions of abundant oil revenues as a policy instrument for channeling subsidised credit to farmers under the BIMAS programme. The credit programme was part of the government’s broader efforts to gain national self-sufficiency in rice production. The network of village units was set up in sub-districts in rice growing areas and was used to disburse BIMAS loans at subsidised interest rates to participating rice farmers.

In addition, the government was also subsidising the administrative costs of the village units. Hence, the role of the village units was just as an agent for the government’s agricultural development programme. The number of BRI village units grew from 18 in 1969 to 537 in 1970, but increased rapidly to reach 2,131 after the surge of the oil price in 1973. By 1980, the BIMAS credit programme succeeded in achieving rice self-

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1 The objective of the BIMAS programme was to increase agricultural production and farmers’ income through crop intensification. The programme adopted a three pronged approach: (1) modern rice farming; (2) credit to purchase modern inputs such as High Yield Varieties, fertilizer and pesticides; and (3) intensive guidance.

2 Bank Indonesia provided funding to BRI at 3% for on lending at 12% to rice farmers.
sufficiency. In 1983, the number of village units had multiplied to 3,617 units. The village units were also authorised to collect savings in 1974, but this portfolio was an insignificant source of funds for BRI.

In addition to the BIMAS programme, the government also channeled two other subsidised lending programmes through BRI’s village units, namely Kredit Mini for small rural businesses and Kredit Midi for medium-sized businesses. These credit programmes were disbursing loans at rates that were far below the market rates — loans were made at 12% whilst savings rate was 15%. With the government implicitly guaranteeing these loans, farmers lacked the incentive to repay. Hence, BRI recorded a loss ratio of 17.5% in 1971. From a 25% default rate in 1971, more than half of BIMAS customers were in arrears a decade later. Although the government was successful in achieving its target of self-sufficiency in rice production, this was achieved at the expense of heavy losses to BRI as a whole.

External Catalysts for Transformation

The surge in the oil prices in 1973 and 1979 enabled the government to invest substantial amounts in developmental programmes, particularly in agricultural areas. The oil price boom also led to a huge increase in rural development grants, thereby injecting liquidity into the rural economy. Interest rates on deposits were set at an artificially low rate to keep costs of capital low for state-owned banks as these banks were used as vehicles by the government to finance development projects. Hence, state-owned banks were funded primarily by liquidity credit from the government.
With the end of the oil price boom in 1982, an era of liberalisation and deregulation was ushered in. Faced with huge losses of income from oil revenues, the government shifted its approach from a supply-driven to a demand-driven financial system. Indonesia’s export earnings from oil plunged by 24% as oil price dropped significantly from $35 per barrel to $10 per barrel in mid 1980s. Coupled with world recession, the domestic economy slowed down significantly, more so with additional balance of payments pressure. In addition, structural weaknesses such as inefficiency and market distortion had worsened Indonesia’s economy.

As a response, a series of integrated fundamental policy measures were implemented by the government including the deregulation of the financial sector which covered both monetary and banking sectors. The first financial deregulation measures introduced in June 1983 comprised full interest rate deregulation, elimination of credit ceilings and phasing out the liquidity credits being supplied to state-owned banks. Prior to deregulation, private banks were subjected to credit ceilings and hence, limiting their interest in mobilising deposits. Deregulation measures were intended to encourage banks to mobilise savings and deposits; extend credit to productive and profitable sectors of the economy; minimise market distortion and create more efficient fund allocation by allowing banks to compete freely; and prevent capital outflow since domestic interest rates would be made in line with international interest rates.

Following these deregulation measures, Bank Indonesia (the central bank) adopted indirect monetary instruments, namely in the form of reserve requirements, discount facilities and open market operations in place of credit ceilings and interest ceilings. Adoption of an indirect monetary management allowed Bank Indonesia to influence the quantity of bank reserves and hence, determine the supply of reserve money (both the amount available and amount required). In order to conduct

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3 In 1983, oil and gas accounted for approximately 80% of Indonesia’s export revenue.
open market operations, two monetary instruments were introduced — Sertifikat Bank Indonesia or Bank Indonesia Certificates (SBI) and Surat Berharga Pasar Uang or money market securities (SBPU). The SBI was first issued by Bank Indonesia in February 1984 to encourage banks to invest short term funds in SBIs. As the market deepened, Bank Indonesia was able to influence consistent preservation of bank reserves through the buying and selling of these SBIs.

The financial and monetary reforms had resulted in a number of positive effects on the development of the banking sector including the deepening and broadening of the domestic financial system. The deregulation of interest rates allowed banks to determine interest rates on deposits and loans which subsequently attracted more funds into the banking system and boosted growth of state-owned banks to almost 12% vis-a-vis 2% during the pre-reform period. Only six months after the reforms, the total amount of deposits held at state-owned banks increased to almost 90% more than the amount held at the end of 1982.

The phasing out of liquidity credits forced state-owned banks to compete for funding sources with private banks through modernising their operations and improving their service quality as well as products offered. The monetary reforms that were put in place allowed Bank Indonesia to control inflation at 7.25% while the rate of economic growth was an average of 5.1% (see Figure 1). Financial asset growth in real terms more than doubled to 13.2% from 1982 to 1988.

However, the reform measures implemented in 1983 did not include institutional as well as market environment changes. Hence, the financial sector experienced the second wave of liberalisation in October 1988. Known as PAKTO 88, rules governing the establishment of new banks and bank branches were liberalised. Local rural banks were established aiming
at encouraging banking sector expansion and tapping domestic savings as well as financing development projects. The reserve requirement was lowered from 15% to a uniform 2% on all deposits which subsequently reduced the spread between borrowing and lending rates. Furthermore, the tenor of SBI and SPBU were expanded to include longer maturity ranging from 30-day to 180-day time-frames. PAKTO 88 had successfully achieved its objective of promoting competition in the banking sector via increasing the number of banks operating in the country. The number of banks rose from 111 in 1988 to 240 in 1994 whilst the number of bank branches had increased from 1,728 to 4,888 (excluding BRI’s village units) during the same period.

The banking sector reforms continued in the next two years following PAKTO 88. Reform packages known as PAKMAR and PAKJAN were enacted by Bank Indonesia in March 1989 and January 1990, respectively. Similar with previous reform measures, the aim was to curb inflation and strengthen the domestic banking structure. Under PAKMAR, restrictions on the amount of offshore borrowing were lifted. This allowed banks to borrow freely offshore so long as they lent domestically in foreign exchange or covered their position. PAKJAN, on the other hand, eliminated the directed credit programmes which had dominated the banking scene pre-reform and in replacement required banks to allocate at least 20% of their credit portfolio to small scale business lending.

Taken together, these three reform packages had accelerated the development of the Indonesian banking sector; both in the number of banks operating and the amount of credit extended. Between 1988 and 1992, the number of private banks more than doubled to 134. The amount of outstanding credit extended by the banking sector grew by 53.8% and 40.3% in 1990 and 1991, respectively. Private banks’ market
share of outstanding credit rose from 23.1% to 41.7% from 1988 and 1993. Whilst the market share of state-owned banks declined sharply to 52.7% from 71% during the same period.

Early Years and Career Growth of Kamardy Arief

Kamardy Arief, the youngest of four children, was born to a family of farmers and traders in Muaralabuh, West Sumatera. His upbringing and education had made him a strong individual who challenged conventional thinking. After finishing elementary school in Muaralabuh, he joined his siblings in Bukittinggi to attend Junior High School. Working his way through Junior High School by selling shirts and batik⁴, Kamardy

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⁴ Batik is a traditional hand-crafted textile which is made through a dying process using wax.
Arief learned from a young age the value and importance of hard work and independence. He later moved to live with his cousin in Jogjakarta and attended the Senior High School majoring at first in literature before switching to economics and law.

He soon discovered his true metier was in economics and later enrolled himself at the Gadja Mada University. Upon graduating with a Bachelor in Economics in 1960, Kamardy Arief applied for a position with Bank Indonesia as he viewed the central bank as having a strategic role in fostering economic development. His first assignment was at the Research Department before he was assigned to the Cooperative Division and rose to the rank of division manager. In 1968, Kamardy Arief was appointed as the Deputy General Manager, a post he held until 1973 when he was promoted to General Manager of Credit Chanelling. His final post in Bank Indonesia was that of Director, which he served for two terms. In August 1983, Kamardy Arief was tasked with leading the transformation of BRI as the new President Director; a position he held until 1992.

Philosophy behind the Man

His experiences while growing up contributed to his personality and character as an adult. During his early years when growing up, Kamardy Arief was greatly influenced by his religious teacher in elementary school. One piece of advice that has stuck with him and has since been an integral part of his life and work is “whatever you are doing, good or bad, even though no one is watching; God knows all”. This belief is grounded in his philosophy of honesty and integrity which has been passionately nurtured throughout his career.
Having to work his way through school had made him intensely aware of the value of determination and hard work. Kamardy Arief’s guiding principle in life is “remember God in everything we do and always seek His blessings, guidance and strength as the path to success in life”. Hence, his leadership traits are products of his early upbringing, beliefs and values that have moulded his character and influenced his life.

Kamardy Arief believes in open communication and encourages discussions as well as expressions of opinions from his peers and members of his staff. He often invites innovative thinking by creating open environments for information and idea sharing. This was translated into conducting regular meetings with the bank’s branch managers during his tenure as the President Director of BRI.

Kamardy Arief emphasised the importance of competency and maximum performance from a professional what ever one’s position is in the organisation. To him, even a typist is considered very important in the organisation if she or he consistently performs the tasks at hand in the most efficient and professional manner. The philosophical importance linked to working hard would also be well-reflected in the amount of extra hours put in at work when compared to that of her or his colleagues.

Kamardy Arief not only inspires and motivates those around him; he also recognises employees’ achievements and contributions to the organisation’s business goals. Kamardy Arief, however, enforces strict rules and is not afraid to reprimand those who don’t conform to internal policies and procedures; but he does so very fairly. He is known as a man of discipline, stern and firm with his decision. Leadership virtues as defined by Kamardy Arief are trustworthiness, respect, commitment, integrity and honesty.
During his leadership era, Kamardy Arief coerced employees to master high levels of expertise in critical business figures such as credit growth, cost of funds and effective interest rate incomes. Such actions, however, were not welcomed by many senior employees, who preferred to remain in their comfort zone. Kamardy Arief also underlined the important and strategic role of a CEO in steering the organisation to future success. Kamardy Arief’s extraordinary leadership in transforming BRI continues to be recognised by his successors long after his tenure of stewardship.

The Transformational Leader

At the time of his appointment as the President Director of BRI in 1983, the bank had suffered record-high losses due to the increasing default rate (over 50%) and the large operating losses incurred by the village units. With falling oil prices, the government was faced with a massive budgetary burden to sustain the operations of the village units. The government’s decision to terminate the BIMAS programme, and with it the massive subsidies to the village units, put the future of the entire village unit network under jeopardy.

BRI was faced with a difficult choice – either take drastic measures to reform the village units or close them down. The latter would have meant that a total of 3,600 village units had to be closed down; thus creating about 14,000 strong unemployment and depriving most rural Indonesians access to formal banking. For Kamardy Arief, the latter option was not acceptable as he believed BRI had a big role in the development of agribusiness and small-scale entrepreneurs in Indonesia. Furthermore, BRI had the potential to develop a successful rural banking system in the country.
Confronted with these challenges, albeit huge potential opportunities, Kamardy Arief took steps towards the organisational transformation of BRI. With a mission to transform BRI into becoming a viable commercial bank, Kamardy Arief and his leadership team initiated a strategy to introduce a new corporate culture within the bank itself. The change in culture was associated with a shift from being a heavily subsidised bank into one that would be self-sufficient and profitable. Fundamental changes in line with the new corporate culture were introduced in the reorganisation of BRI.

Institutional changes included the introduction of a more systematic promotion criteria and an effective staff incentive and reward system based on good performance. Under the newly revamp promotion system, members of staff of the village units were incorporated into the wider BRI personnel system. Performance incentives were geared towards profitability as members of staff were made accountable for their own particular village unit’s performance.

The incentive systems were based on individual as well as group performances whereby the latter incentives built on group performance were based on strong teamwork. For example, if a village unit performed well, all members of that unit would be rewarded in the form of financial and non-financial incentives. The pay structure was also revised to address the issue of payments made below par as BRI was then among the lowest paying employers of the state-owned banks in Indonesia. Kamardy Arief made this as one of his priority measures because he realised the importance of an effective staff incentive system and how this will help promote the new organisational culture that was to be introduced.
In order to ensure the success of the transformation programme, his first challenge was to change the mindsets of both management personnel and members of staff. Employees, especially those employed under the village units system, had to be re-oriented from being mere administrators and bureaucrats into becoming bankers. This also involved a change of attitude towards possessing a business focus and treating the poor as customers and not as beneficiaries of the loans. Massive training programmes were implemented for the transfer of knowledge and for development of new skills\(^5\).

Kamardy Arief and his management team would go out on field visits and meet branch managers to elevate their understanding of the organisational transformation that was underway including enhancing their understanding of rural financial markets. This exercise allowed the BRI team to quickly learn and act on problem issues happening on the ground; resulting in fast turnaround in problem solving. It also allowed him to meet up with the branch managers to assess their current levels of competencies and aptitudes, and to decide on their onward developmental needs.

Despite coming under heavy criticisms from some quarters within BRI, citing waste of time and resources as the major critique to his management style, Kamardy Arief stood by his decision and didn’t back down. He strongly believed that an effective supervision, training and development system for branch managers could set the bank up ready for competition. Even though he did face some resistance from the employees in the early stages, he interpreted their resistance as being largely based on lack of understanding of the changes that were taking place then.

\(^5\) Maurer, 1999, pp. 15.
Kamardy Arief was a man armed with a vision of taking BRI to greater heights and of propelling BRI to be in the same league as other renowned agricultural banks such as the Credit Agricole Bank in France and Rabobank in the Netherlands. In order to achieve this, he went on a successful mission of relocating BRI’s headquarters to its current location at Jalan Sudirman which is at the heart of the business and financial district in Jakarta. He understood the need for such relocation for the branding of BRI as a mega agricultural bank meant to enter commercial banking fully-equipped with a comprehensive diversified portfolio.

Innovation within BRI – from subsidy to self-reliance

A significant change that Kamardy Arief brought to BRI was to restructure the loss-making village units into becoming profit centres within BRI and to adopt a more commercial business model (no subsidies, sustainable interest rates, efficient management, increased efforts to mobilise savings). Kamardy Arief brought in technical assistance from Harvard University's Center for International Development to help design a new village unit system. The village units were completely overhauled to operate as separate self-sustaining profit centres within BRI itself with the view of providing access to rural credit and savings without the need for government subsidies.

As part of the process of increasing efficiency of the village units, many of them were relocated from rice planting areas to more centralised locations of the sub-district, and which are often close to the market place. Individual village units were kept small by limiting the number of staff to only 4 — a manager, a loan officer, a teller and a desk officer. However, if the business volume of the village unit increases, additional staff (up to a maximum of 11) will be posted to the unit. After which the
unit will be split into a new unit so that its operation remains small and focused. Village units that were unprofitable were either closed down or downgraded to just becoming village service posts.

Under the reform programme, village units adopted market-based interest rates on loans\(^6\) and were transformed into full service rural banking outlets. Hence, the village units were placed under their own administrative structure, supervised by branches and audited by regional offices.\(^7\) A full revision of the bookkeeping, audit and supervision systems was also introduced in line with the transformation of village units from the branch windows status to independent financial units. A more effective accounting system was adopted whereby each village unit will provide its own financial statements. This allows BRI management to assess the unit’s performance as that of a profit centre.

Performance evaluation of the village units moved away from the number of hectares covered or total loans disbursed (as was the case during the BIMAS programme), to evaluation based primarily on their profitability. The information system was standardised to provide timely information on key performance indicators to managers and supervisors. Greater accountability was also placed on the village unit’s staff on the unit’s performance. For example, if arrears exceeded 5%, the unit managers would be stripped of their lending authority.\(^8\)

Innovation within BRI took place at both market and product level. At the market level, the business model of the village units which was initially oriented towards agricultural and commodity lending was changed towards adopting a more income approach in credit lending. Hence, any creditworthy person for any productive enterprise was able to obtain loans from BRI. At the product level, emphasis was placed on innovation in savings and loan products. Two new products called Kredit

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\(^6\) Interest rates were adjusted to provide a sufficient spread to cover operating costs and loan losses.

\(^7\) Siebel and Ozaki, 2009, pp. 2.

\(^8\) Siebel and Rachmadi, 2009, pp. 4.
Umum Pedesaan (KUPEDES) and Simpanan Pedesaan (SIMPEDES) were introduced in 1984, on the heels of the financial liberalisation reforms which began in 1983. Kamardy Arief acknowledged the crucial role played by the consultants who helped analyse the availability levels of funds in the rural areas; and it was based on these findings that SIMPEDES could boom with success. These products later became the backbone and trademark of the newly reformed village units.

Based on experiences of the high default rates previously associated with BIMAS operations, it was agreed that BIMAS credit would be handed over to cooperatives which then would forward the credit facilities to their members, with this credit being given by BRI branches. As replacement for the products of BIMAS, Kredit Midi and Kredit Mini; BRI developed KUPEDES which is a commercial loan product. The primary aim of KUPEDES is to provide credit to small-scale borrowers and mobilise rural savings.

Unlike Grameen Bank of Bangladesh, funding of KUPEDES was not dependent on funds from abroad but was funded by locally mobilised savings. In order to ensure that the village units break even within 3 years, the KUPEDES interest rate was set at 1.5% flat per month on the original loan balance (equivalent to 33% annual effective rate). Sufficient collateral is required from borrowers to cover the loan value in the form of land titles or by the pledging of buildings, motorcycles or other properties. Initially, the loans were given amounting to between $12 and $1,000 but over time the maximum loan size increased.

BRI also created incentives to borrowers to encourage repayment. For example, borrowers of the KUPEDES programme are offered a timely repayment incentive equivalent to a refund of 25% of the interest paid on the loan. However, a penalty of 0.5% per month is imposed on
the borrowed amount for late payments. For customers who did not have enough to fulfill the required collateral so as to qualify, they may surrender properties such as their radios and TV sets just so to instill some psychological impact on them as borrowers although admittedly BRI actually could not sell any of such collaterals.

Under the reform measures, high priority was given to mobilising savings which became an integral part of the village unit philosophy. The SIMPEDES rural savings programme was introduced after several extensive market surveys and researches were conducted on the demand for savings and loan products involving low-income people. These studies provided evidence that people in rural areas tend to be savers rather than borrowers. Hence, savings products were seen as an effective instrument of resource mobilisation.

The SIMPEDES savings scheme offered attractive features such as positive real returns to depositors and unlimited withdrawals at anytime. A lottery component with attractive prizes was also introduced in the scheme to attract customers and potential savers to open savings accounts. SIMPEDES savers were entitled to participate in regular semi-annual lotteries which were held at sub-district levels. The lottery soon became a popular feature of SIMPEDES and soon developed into becoming an effective marketing strategy.

Following the success of SIMPEDES, its urban counterpart called SIMASKOT was introduced in 1989. As a savings product for the urban community, SIMASKOT has the same basic features of SIMPEDES except for the interest rate structure. Interest rates for SIMASKOT is generally higher than that of SIMPEDES because the former takes into account the larger savings capacity of urban customers and the stiffer competition that BRI faces with other banks operating in the urban areas. Hence, interest rates ranged between 11% and 14.5%.

Performance of BRI post-transformation period

Within a six-year period, Kamardy Arief was able to transform BRI from an ailing government-owned bank into a viable and self-sufficient bank. The KUPEDES and SIMPEDES programmes proved to be a huge success. In a mere 3 years after their introduction, the village units system had achieved profitability. The reforms led by Kamardy Arief had transformed the village units from loss making agricultural lending outlets into profitable rural banking outlets. The percentage of profitable village units rose substantially from none in 1983 to 13.6% in 1984 to 84% by the end of 1991. The village units which were incurring losses of $28 million in 1983, made a profit of $34 million or about two-thirds of total BRI profits in 1991.

The success of the SIMPEDES savings product provided village units with independent, stable sources of funds. By December 1989, they generated excess liquidity of about $63 million and all KUPEDES credits were funded by savings mobilised through the village units (Table 1). The initial phase of transformation of BRI and the village units system was followed by a decade of rapid expansion and scaling up which was fueled by financial deregulation and reforms. Since 1989, deposits had continued to outstrip loans in terms of numbers as well as volume. Total amount of deposits increased significantly when compared to his early tenureship in 1983. On the fifth year of his leadership, total public deposits collected increased by 432.28%. At the end of his term at BRI, total deposits had increased to $2,049.9 million from $39.3 million in 1984.

In terms of loan disbursement, loans available for disbursement rose by 698.26% in 1993 compared to the beginning of his period as the President Director of BRI. As at the end of 1993, the village units had
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About 11.4 million deposit accounts amounting to about $2.1 billion and there were 1.9 million borrowers with total loans outstanding of $928 million.

During his tenure as the President Director of BRI, Kamardy Arief had successfully positioned the bank as one of the most profitable state-owned banks in Indonesia. The bank’s profit rose steadily from 8.5 billion rupiah in 1983 to reach the highest profit of 108 billion rupiah in 1990. BRI’s assets grew almost tenfold from 2.8 billion rupiah in 1983 to

Table 1: Financial Performance of BRI Units, 1984 – 1993

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Amount ($ million)</th>
<th>Number</th>
<th>Amount ($ million)</th>
<th>Savings-to-loans ratio (%)</th>
<th>Surplus Liquidity ($ million)</th>
<th>Arrears Ratio (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>2,655</td>
<td>39.3</td>
<td>640,746</td>
<td>103.4</td>
<td>38</td>
<td>(64.1)</td>
<td>5.4</td>
</tr>
<tr>
<td>1985</td>
<td>36,563</td>
<td>75.5</td>
<td>1,034,532</td>
<td>203.6</td>
<td>37</td>
<td>(128.1)</td>
<td>2.1</td>
</tr>
<tr>
<td>1986</td>
<td>418,845</td>
<td>107.1</td>
<td>1,231,723</td>
<td>203.7</td>
<td>53</td>
<td>(96.6)</td>
<td>4.5</td>
</tr>
<tr>
<td>1987</td>
<td>4,183,983</td>
<td>174.2</td>
<td>1,314,780</td>
<td>260.4</td>
<td>67</td>
<td>(86.2)</td>
<td>5.8</td>
</tr>
<tr>
<td>1988</td>
<td>4,998,038</td>
<td>284.8</td>
<td>1,386,035</td>
<td>313.3</td>
<td>91</td>
<td>(28.5)</td>
<td>7.4</td>
</tr>
<tr>
<td>1989</td>
<td>6,261,988</td>
<td>534.9</td>
<td>1,643,980</td>
<td>472.1</td>
<td>113</td>
<td>62.8</td>
<td>5.4</td>
</tr>
<tr>
<td>1990</td>
<td>7,262,509</td>
<td>902.9</td>
<td>1,893,138</td>
<td>736.2</td>
<td>123</td>
<td>166.7</td>
<td>4.1</td>
</tr>
<tr>
<td>1991</td>
<td>8,587,872</td>
<td>1,275.4</td>
<td>1,837,549</td>
<td>730.8</td>
<td>174</td>
<td>544.6</td>
<td>8.6</td>
</tr>
<tr>
<td>1992</td>
<td>9,953,294</td>
<td>1,648.4</td>
<td>1,831,732</td>
<td>799.5</td>
<td>206</td>
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<td>9.1</td>
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<td>1993</td>
<td>11,431,078</td>
<td>2,049.9</td>
<td>1,895,965</td>
<td>927.7</td>
<td>221</td>
<td>1,122.2</td>
<td>6.5</td>
</tr>
</tbody>
</table>

*Total payments overdue one day or more in % of total loans outstanding, excluding written off.
Source: Bank Rakyat Indonesia (BRI), Laporan Statistik BRI Unit.
25 billion rupiah by the end of 1992 (Table 2), an increase of 766.79% under his stewardship. Hence, the restructuring of the village units which coincided with interest rate deregulation and liquidity credit withdrawal had enabled BRI to achieve remarkable performance and sustainable profit growth.

The extraordinary achievements of Kamardy Arief in transforming BRI have earned him notable recognition which has not been eroded by the passage of time. His reputation as a leader with a vision and passion served as a head cornerstone for BRI's success. His contribution to the success of the bank transcends time whilst his extraordinary commitment and selfless enthusiasm continues to inspire the bank's employees to reach their fullest potential.

However, Kamardy Arief attributed the success achieved by BRI to the commitment and support shown by the management team as well as the staff at BRI. Without a doubt, he acknowledged that the consultants and advisors played a commendable role in BRI's success story, but ideas put forward by his team and the implementation of all strategies were undoubtedly the critical success factors. Based on the extraordinary performance of BRI under his leadership, Kamardy Arief was appointed as a member of the People's Consultative Assembly in 1986. Although he has long since retired, Kamardy Arief remains a well respected figure within BRI and often attends events organised by the bank. His commitment to BRI continues in his retirement years even until today.

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10 The People's Consultative Assembly (Majelis Permusyawaratan Rakyat) is the highest is the legislative branch in Indonesia's political system. It is composed of the members of the People's Representative Council and the Regional Representative Council.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (Rp mil)</th>
<th>Loans (gross) (Rp mil)</th>
<th>Deposits (Rp mil)</th>
<th>Equity (Rp mil)</th>
<th>Profit/Loss</th>
<th>Financial Ratios</th>
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<tbody>
<tr>
<td></td>
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<td>Net interest income (Rp mil)</td>
<td>Income after tax (Rp mil)</td>
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<td>1980</td>
<td>997,368</td>
<td>798,200</td>
<td>1,519,544</td>
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<td>1,642,869</td>
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<td>2,069,663</td>
<td>56,948</td>
<td>6,935</td>
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<td>1982</td>
<td>2,061,755</td>
<td>682,510</td>
<td>2,397,758</td>
<td>58,219</td>
<td>6,343</td>
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<td>2,397,581</td>
<td>945,704</td>
<td>2,887,250</td>
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<td>4,064,318</td>
<td>1,559,645</td>
<td>6,742,292</td>
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<td>1,875,540</td>
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<td>5,033,771</td>
<td>10,419,422</td>
<td>237,232</td>
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<td>6,588,344</td>
<td>14,307,197</td>
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<td>19,831,310</td>
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Source: Bank Rakyat Indonesia Annual Report

* ROA = Income After Tax/Total Asset
** ROE = Income After Tax/Equity
***LDR= Loans/Deposits
References


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