



## **MANAGEMENT OPTIMIZATION FOR RURAL BANK IN WEST JAVA, INDONESIA**

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### **Abstract**

*Rural Bank has the legal form of Limited Company (PT) and Local Companies (PD) which has been set by the government. Changes to the status of Local Companies to a Limited Company Rural Banks in West Java is done to optimize its management. This research uses descriptive methods and techniques to understand the effect of the changes between these two companies in their performances. Comparative analysis is used in the study of the feasibility assessment. The appraisal aspects used are the legal aspects, organizational management aspects and Financial economics aspects conducted to both quantitative (regulatory documents) and*

*qualitative (perceptual assessment of various actors/stakeholders PD / PT BPR) with the form of the evaluation using a scale of 5 (1 = very relevant, 2 = 3 = neutral unrelated related and could not be related, 4=relevant and 5 = strongly associated with parameters). Based on the analysis, study found that the Rural Bank is ready to be changed into Local Companies became Limited Company status. For theoretical implications; the three categories of legal aspects, organizational management aspects and economics Financial aspects in the model proved to be useful in analyzing the companies' readiness. For practice; the study implies that Consolidation Local Companies (PD) BPR merger will continue until the formation of Limited Company (PT) BPR Jabar to provide flexibility to develop its business and the application of good corporate governance, so that its role as an engine for economic growth can be realized.*

*Keywords: Management Optimization, Rural Bank, Change of Status, Local Companies and Limited Companies, Indonesia*

## **INTRODUCTION**

Total Company Regional Rural Banks (PD BPR) in West Java continued to decrease from 2010 to mid-2012. Based on data from Bank Indonesia, in West Java BPR number had reached 130 units in 2010. However, up to half of 1/2012, the number of rural banks in West Java shrunk to only 79 units, down 39.23%. (Iskandar, 2012). Liquidation, consolidation, and mergers are some form of reduction in the most common.

One goal is that the merger BPR will be stronger and better able to compete with conventional banking. Until 2012, Bank Indonesia has consolidated 51 rural banks (BPR) in Subang district, Cianjur, Garut, and Tasikmalaya, While the 15 Regional Rural Bank Company is in the process of consolidation in Indramayu district (Iskandar, 2012).

BPR consolidation will continue until the formation of a Limited Company (PT) BPR Jabar accordance with regulation that has made West Java Province No. 30 of 2010 on Amendment of West Java Provincial Regulation No. 14 of 2006 on the explanations contained in paragraph three states that "PD.BPR results merger is necessary to change its legal form into a Limited Liability Company (PT) to provide flexibility to develop its business and the implementation of good corporate governance, so that its role as an engine for economic growth in West Java can be realized and the future institutions have high competitiveness.

With the introduction of new technologies such as the development of P2P lending in Indonesia that is growing significantly (Rosavina et al., 2019) and the introduction of ASEAN Economic Community that will influence the shape of Small Medium Enterprises in Indonesia (Rahadi, 2016), the presence of rural bank has become more important than so ever.

This research uses descriptive methods and techniques to understand the effect of the changes between these two companies in their performances. By understanding the change effect, the authors can uncover the benefits or losses presented by the legal form change in the company.

## **LITERATURE REVIEW**

Based on the previous studies, we can see that there are problems faced by rural banks in terms of their performance indicators as evidenced by the research performed by Rui (2011) which stated that in China, banks faced three significant problems: the bank inability to compete; the low financial environment surrounding the rural banks; and inadequate economic adjustment mechanism.

Regardless of the issues faced by rural banks, the banks still provide importance for the people in rural areas such as lowering rural poverty significantly and increasing non-agricultural outputs (Burgess and Pande, 2005).

Mergers somewhat provides better results in performance for rural banks, as evidenced by the study by Ibrahim (2010). This result of research is also supported by other researchers such as Bose (2005), Featherstone (1996), Mirsa (2006), Khankhoje and Sathye (2008), and Das (2014).

Based on the above literature, we can conclude that company form plays an essential part in the development and performance of rural banks. In this study, we will explore more effect of mergers in BPR in Indonesia by analyzing three significant aspects: legal aspects, organization & management aspects, and financial & economic aspects.

## **METHODOLOGY**

The method used in this research is descriptive method comparative. Literature study approach (Desk Study) and Survey (interviews and observations). Stages of Implementation of activities starting from the phase of design activity, drafting instruments, sampling (sampling technic), field data collection, data tabulation, selection and sorting of data, data analysis, data interpretation, and preparation of reports. The types of data collected for analysis consisted of primary data and secondary data. The preliminary data obtained from interviews with respondents and field observation. Sources of secondary data obtained from the literature, documentary reviews, Rural Bank (BPR), institutions, agencies, and departments/agencies concerned. Primary data were collected with three (3) ways: There are FGD (Focus Group discussion), surveys (In-Depth Interview) by using a questionnaire, and direct observation (observation).

The analysis was performed through a feasibility level assessment of each of the existing Rural Bank (BPR) on the main aspects, which include legal aspects, organization & management aspects, and financial & economic aspects. Descriptions of primary and secondary data were analyzed and measured through assessment using a scale of 5 ((1 = very relevant, 2 = 3 = neutral unrelated related and could not be related, 4 = relevant and 5 = strongly associated with parameters). Accumulation assessment was performed on all parameters to be concluded for each aspect, whether feasible or not feasible.

Rural Bank (BPR) sampled for analysis is the result of the Merger BPR consisting of (1) PD. BPR in Subang district, (2) PD BPR in Garut district, (3) PD. BPR in Cianjur, and (4) PD. BPR in Tasikmalaya District.

## RESULTS

The results of the assessment Rural Bank (BPR) merged in West Java, illustrated as follows:

### PD. BPR Subang District

#### A. Legal Aspect

Table 1 Legal Aspects of Feasibility Assessment

Criteria	Parameter	Assessment
Regulation at the Central Level	Existing Level of Bank Indonesia Regulation	4
Regulations in West Java Provincial Level	Existing regulations in both the West Java Provincial Government Level	5
Policies at the District Level	There is a district-level policy that encourages change in BPR Legal Status	4
Legality of ownership	Status and ownership managerial	5
Feasibility assessment	(18/20X100%= 90%) Very Feasible	18

#### B. Organization and Management Aspect

Table 2 Organization and Management Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Organization	Existing organizational structure and ownership of the right stock	5
Management	Management process has been running good	5
Qualifications and Human Resource Capacity	Very enough	4
Feasibility assessment	(14/15X100%= 93,3%) Very Feasible	14

### C. Financial and Economic Aspect

Table 3 Financial and Economic Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Economic	Company Growth and Economic Growth	4
Bookkeeping	Balance Sheet	4
Financial performance	Financial Analysis and Financial Ratio	4
Feasibility assessment	(12/15X100%= 80%) Feasible	12

From the legal aspect of the overall feasibility analysis, organization and management of the economic and financial factors, showing proper assessment for PD BPR Subang Road Cagak legal form to make changes to Limited Company Rural Bank (BPR).

### PD BPR Garut District

#### A. Legal Aspect

Table 4 Legal Aspects of Feasibility Assessment

Criteria	Parameter	Assessment
Regulation at the Central Level	Existing Level of Bank Indonesia Regulation	4
Regulations in West Java Provincial Level	Existing regulations in both the West Java Provincial Government Level	5
Policies at the District Level	There is a district-level policy that encourages change in BPR Legal Status	3
Legality of ownership	Status and ownership managerial	4
Feasibility assessment	(16/20X100%= 80%) Feasible	16

#### B. Organization and Management Aspect

Table 5 Organization and Management Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Organization	Existing organizational structure and ownership of the right stock	5
Management	Management process has been running good	5
Qualifications and Human Resource Capacity	Very enough	4
Feasibility assessment	(14/15X100%= 93,3%) Very Feasible	14

## C. Financial and Economic Aspect

Table 6 Financial and Economic Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Economic	Company Growth and Economic Growth	5
Bookkeeping	Balance Sheet	4
Financial performance	Financial Analysis and Financial Ratio	4
Feasibility assessment	(13/15X100%= 86,7%) Very Feasible	13

From the legal aspect of the overall feasibility analysis, organization, and management of the economic and financial factors, it is showing proper assessment for PD BPR Garut District legal form to make changes to Limited Company Rural Bank (BPR).

## PD. BPR Cianjur District

## A. Legal Aspect

Table 7 Legal Aspects of Feasibility Assessment

Criteria	Parameter	Assessment
Regulation at the Central Level	Existing Level of Bank Indonesia Regulation	4
Regulations in West Java Provincial Level	Existing regulations in both the West Java Provincial Government Level	5
Policies at the District Level	There is a district-level policy that encourages change in BPR Legal Status	3
Legality of ownership	Status and ownership managerial	3
Feasibility assessment	(15/20X100%= 75%) Feasible	18

## B. Organization and Management Aspect

Table 8 Organization and Management Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Organization	Existing organizational structure and ownership of the right stock	5
Management	Management process has been running good	5
Qualifications and Human Resource Capacity	Very enough	4
Feasibility assessment	(14/15X100%= 93,3%) Very Feasible	14

### C. Financial and Economic Aspect

Table 9 Financial and Economic Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Economic	Company Growth and Economic Growth	5
Bookkeeping	Balance Sheet	4
Financial performance	Financial Analysis and Financial Ratio	5
Feasibility assessment	(14/15X100%= 93,3%) Very Feasible	13

From the legal aspect of the overall feasibility analysis, organization and management of the economic and financial factors, showing proper assessment for PD BPR Cianjurt District legal form to make changes to Limited Company Rural Bank (BPR).

### PD. BPR Tasikmalaya District

#### A. Legal Aspect

Table 10 Legal Aspects of Feasibility Assessment

Criteria	Parameter	Assessment
Regulation at the Central Level	Existing Level of Bank Indonesia Regulation	4
Regulations in West Java Provincial Level	Existing regulations in both the West Java Provincial Government Level	5
Policies at the District Level	There is a district-level policy that encourages change in BPR Legal Status	4
Legality of ownership	Status and ownership managerial	4
Feasibility assessment	(17/20X100%= 85%) Very Feasible	18

#### B. Organization and Management Aspect

Table 11 Organization and Management Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Organization	Existing organizational structure and ownership of the right stock	5
Management	Management process has been running good	5
Qualifications and Human Resource Capacity	Very enough	4
Feasibility assessment	(14/15X100%= 93,3%) Very Feasible	14

## C. Financial and Economic Aspect

Table 12 Financial and Economic Aspect Feasibility Assessment

Criteria	Parameter	Assessment
Economic	Company Growth and Economic Growth	4
Bookkeeping	Balance Sheet	4
Financial performance	Financial Analysis and Financial Ratio	3
Feasibility assessment	(11/15X100%= 73,3%) Fairly Feasible	13

From the legal aspect of the overall feasibility analysis, organization and management of the economic and financial factors, showing proper assessment for PD BPR Tasikmalaya legal form to make changes to Limited Company Rural Bank (BPR).

**CONCLUSION AND RECOMMENDATION**

- Overall views of the various aspects and interests of local governments both at Provincial and District Level in the West Java province Merger PD BPR efforts made by the PD BPR Subang district, Cianjur, Garut, Tasikmalaya and has been running well, and meet the existing requirements.
- Consolidation Local Companies (PD). BPR merger will continue until the formation of Limited Company (PT) BPR Jabar according to West Java Province Regulation No. 30 of 2010, which "merged PD BPR necessary to change its legal form into a Limited Liability Company (PT) to provide flexibility to develop its business and the application of good corporate governance, so that its role as an engine for economic growth can be realized and West Java PT, BPR fore have high competitiveness.
- Formation of PT BPR Jabar will be supported by the Bank Jabar Banten (BJB), which the Bank Jabar Banten BJB will manage the assets of the BPR. Additionally, equity participation by BJB itself will be a majority of the largest shareholder of PT BPR Jabar.
- The results of the analysis to 4 Rural Bank (BPR) which will change the legal form of Local Companies (PD. BPR) became Limited Company (PT. BPR) showed significant levels of eligibility, judging from aspects of the law and the legal, organizational and management aspects of the economic and financial.



Table 13 Data Recapitulation

Districts	Feasibility level		
	Legal	Organization & Management	Financial Economic
Subang	Very Feasible	Very Feasible	Feasible
Garut	Decent	Very Feasible	Very Feasible
Cianjur	Feasible	Very Feasible	Very Feasible
Tasikmalaya	Very Feasible	Very Feasible	Fairly Feasible

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