

CHAPTER 1

INTRODUCTION

A. Background

The development of the business world today is quite tight, it is seen by a growing number of companies in the same sector of business. One goal of the company is to maintain the viability of the company as well as trying to develop more business in the future to achieve maximum profit and minimum loss. One services company face tight competition in the banking sector is credit. According to UU no. 7/ 1922 concerning Banking as amended by Act no. 10/ 1998 stated that the supply of money or credit is equivalent claims to it, based on agreements between bank lending and other parties that requires the borrowing to repay the debt after a certain period of time with interest. In the face of such competition companies need to implement certain policies in selling their products to the company's survival. One of the policies implemented by the lender services company to beat the competition is distributing funds to the community.

In social life, credit is not a strange anymore. This is because people in general need of funds to meet their needs, both to conduct its business and to meet the ever increasing consumption, whereas a human's ability to have certain limitations that force a person to obtain funds for the fulfillment of their needs. Financial support is better known to the public as a credit. According to Sunarti (2008:81) “ the main source of credit bank from lending activities”. In addition,

credit is happening is a capital investment that has substantial risks, such as delays in repayment of loans, and the collectability of loans either partially or wholly within the allotted time. Therefore, people need a credit management of loans that can achieve the desired results and objectives.

Credit management in a bank is an important thing to do so that loans going well and minimize the things that might happen beyond calculation. According to Firdaus (2004:4) credit management is important to learn and implement, because of :

1. Loans disbursed by the bank are the biggest part of the assets owned by the bank.
2. Revenues from loan interest income are the largest source of revenue for banks. If the loan goes well then the interest rate can reach 70% to 90% of total bank revenues.
3. If the credit is less well managed it will be a lot of non-performing loans, which resulted in lower interest income and the bank would suffer losses.
4. If managed properly so that the credit problem loans amount of bit, so that acceptance of bank rates increasing and growing well.

Once the organization, the step is controlling, since this function is the most critical stage. This is because in the earlier stages of money banks have not been involved in the payment of the debtor, while at this stage the bank had released a sum of money to play on the debtor. Generally , before getting what of desire, the

debtor would be more docile and easy to work with. However, after the release of credit are often a lot of irregularities committed by the customer. To avoid unwanted control is needed a loan in order to safeguard the credit goes smoothly. Based on the above management functions has been expected of effective credit management can maintain liquidity and increase profitability.

According to Hasibuan (2004:94) "Liquidity is the ability of the bank to pay all its short term debt with liquid instruments held". The issue of liquidity for banks is a matter of great importance and is closely related to customer confidence. Through credit management of liquidity is expected to achieve the desired targets, is in accordance with the provisions of the safe limit LDR (Loan to Deposit Ratio) of Bank Indonesia. Loan to Deposit Ratio is the ratio between loans and third-party funds, including borrowings, excluding subordinated loans. Bank Indonesia regulations on safe limits a bank's LDR was 85% -110%, so that there is efficiency in the use of funds to avoid idle situations fund or surplus of funds or lack of funds. Credit Management is also expected to improve the profitability, liquidity and that it despite the interest of opposites. According Simorangkir (2004:152) profitability is the ability of a bank to make a profit. Rate of return is necessary to note because it reflects the ability of the company's capital to generate earnings.

Big profit is not a ensure that the company has been able to work effectively. The company said to be effective by comparing the profit earned by the capital used to obtain profits. The higher profitability owned by the company means more effective use of capital to make a profit. However, banks that pursue

only high profitability, liquidity position is likely threatened. Conversely, if the equipment will result in reduced stacking liquid profitability. A bank must determine how many devices are controlled liquid every day in order to fulfill the obligations that must be paid immediately. Besides having to illiquid banks should be profitable. In improving the rate of return, the bank must earn to cover the cost.

PT. Bank Tabungan Negara (Persero), Tbk is one of the State Savings Bank in of Malang. PT. Bank Tabungan Negara (Persero), Tbk has the function of serving the credit especially in the macro and micro-loans, deposits and savings from the surrounding society. In maintaining continuity, PT. Bank Tabungan Negara (Persero), Tbk has to compete with other commercial banks in collecting and distributing funds back in the form of loans. The type of credit offered by PT. Bank Tabungan Negara (Persero), Tbk include loans to businesses and home purchase loans. In lending activities PT. Bank Tabungan Negara (Persero), Tbk similar to other banks, which cannot be separated from the risk of bad debts. Although bad credit cannot be avoided but a bank should strive for a minimum to minimize bad debts do not exceed the credit soundness standards.

Based on this background, the authors are interested in conducting research on PT. Bank Tabungan Negara (persero), Tbk entitled "Effectiveness of Credit Management for maintaining liquidity and increasing profitability ".

B. Problems Formulation

Based on the background above, the problem formulation raised in this research are:

1. How is credit management applied in PT. Bank Tabungan Negara (Persero), Tbk?
2. How is the effectiveness of credit management of PT. Bank Tabungan Negara (Persero),Tbk in order to maintain liquidity and increase profitability?

C. Research Objection

1. To describe credit management that has been applied by PT. Bank Tabungan Negara (Persero), Tbk
2. To analyze the effectiveness of credit management of PT. Bank Tabungan Negara (persero), Tbk. in order to maintain liquidity and increase profitability.

D. Research Contributions

1. Practical

As input for the management of PT. Bank Tabungan Negara (Persero), Tbk in implementing an effective credit management in order to loans in accordance with the hope of lowering the level of bad debts, so that bank profits will increase.

2. Theoretical

As a source of information and material considerations or guidelines for future research.

E. Systematic Discussion

To give a description more clearly of the writing of this thesis, the authors provide a brief overview of the systematic of the discussion :

CHAPTER I : INTRODUCTION

In this chapter described the research background, problem definition, purpose and contribution of research and systematic discussion.

CHAPTER II : LITERATUR REVIEW

In this chapter presented the theoretical basis used to support writing with respect to the problems studied.

CHAPTER III: RESEARCH METHOD

This chapter described the types of research that are used, the focus of research, study site, and the types of data sources, data collection methods, research instruments and data analysis were used.

CHAPTER IV : RESULT AND DISCUSSION

This chapter described the data obtained during the study and interpret the appropriate method used theories and concepts used in the achievement of goals.

CHAPTER V : CONCLUSION

In this chapter the authors draw conclusions from the findings and suggestions in the hope that it deems necessary to assist in solving similar problems.

CHAPTER II

LITERATUR VIEW

1. Previous Research

Some previous research thesis undergraduated related to effectiveness credit management to increase profitability and maintain liquidity is as follows:

1. Januariezca (2006).

“Efektifitas pengelolaan kredit untuk meningkatkan profitabilitas pada PT. BPR Adiartha Reksacitra Singosari Malang”.

Banks are required to manage and conducting effective oversight particularly with respect to working capital loans to pay attention to the risks that may arise as a result of the credit policy so as to improve the efficient use of existing working capital and finally can increasing profitability. The results showed that PT. RB Adiartha Reksacitra Singosari Malang during the last 3 years have problems in managing credit. It can be seen from the increasing number of loans to bad loans that caused the effect on bank profitability. The new credit management as tightened credit policy, more effective supervision, the credit collection that effectively by optimizing the Accounts Officer in the field should be able to answer the problem bank.

From the results of the financial projections in 2010 showed that financial ratios such as liquidity ratios and profitability increased. In 2009 and 2010 the level of LDR besarnya 102% and 93% are under the provisions of Bank Indonesia

seems 110% is the effective credit management. Bank profitability is increased ROE and ROI in 2010, namely 21.1% and 3.7% from the previous year of 17% and 2.89%. In the end credits of the new management policies perceived to be quite effective and able to answer the problems that confronted the bank.

2. Suwarni (2005).

“Efektifitas manajemen kredit sebagai upaya peningkatan rentabilitas pada PT. BPR Gunung Ringgit Malang”.

The importance of credit management is required by the bank to secure loans and the resulting profitability also increased. Therefore, credit management should be carried out effectively so that bank earnings also increased in accordance with the objectives set. This assessment aims to determine the effectiveness can improve the profitability of the bank.

The results of this study showed that the condition PT. BPR Mount Ringgit Malang for 3-year period in a state of fluctuation. Condition of the bank in 2006 to 2007 relatively well, it looks at the level of non-performing loans or non-performing loans (NPL) decreased so that the impact on liquidity and profitability increased. But in 2008 the bank again deteriorated condition characterized by an increase in non-performing loans or NPL that liquidity and profitability to decline. This is due to the credit policy, the policy of collecting receivables and credit control is applied bank still less effective.

To help streamline the credit management is needed measures include: credit analysis accurately and effectively, and conduct an effective credit control by way of Preventive Control Of Credit or credit control before the credit crunch.

A series of credit management efforts are expected to be more effective and can reduce the level of non-performing loans or non-performing loans (NPLs) to increase liquidity and profitability of bank.

2. Bank

1. Definition of Bank

According Maryanto (2010:1) bank is one financial institution that operates the same as no different than other companies, which aim for profit. Another opinion from McGrawHill (2009:3) bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in the form of deposit and it lends money to those who need it.

It can be concluded that the bank is a financial institution whose activities raise and channel funds from and to the people who have the smooth functioning of payment traffic. In other words, the bank is an institution payment traffic and circulation.

2. Principle , Function and purpose of Banking

According Laws no. 2, 3, 4 UU No.7 / 1992 as amended into Law No. 10 of 1998 about on the banks stated principles, functions and objectives of the bank are:

a. Principle

Banking Indonesia in conducting its business based on economic democracy by using the precautionary principle.

b. Function

The main function is as a collector of Indonesian banks channeling public funds.

c. Purpose

Indonesia banking aims to support the implementation of national development in order to improve equity, economic growth and national stability towards improving the welfare of the people.

3. Credit

1. Definition of Credit

Credit comes from *credere* or *creditum* which means trust. Because it's basic lending is lack of trust. The meaning of the word implies that any crediting activity must be based on trust. Without trust there will be no credit or otherwise not agree to prospective customer's credit, because lending by banks has economic value to individual customers or business entity. The economic value that would be obtained debtor and creditor (bank) should be agreed at the outset (no commitment) without prejudice to either party. The economic value of the same credit will be returned to the lender after a period of time in accordance with the agreement in Taswan (2010:309).

According to Hasibuan (2002:87),), "Credit is all kinds of loan to be paid back with interest by the borrower in accordance with the agreement that has been agreed upon".

According to Firdau and Ariyanti (2003:2)"Credit is a financial system to facilitate the transfer of capital from the owner to the user with the hope of gain. Loans granted by the trust to another person who gave it to the borrower's ability and honesty. "

Credit can be concluded that is the trust given by the creditor to the debtor, in cash or equivalent claims to it, by borrowing agreement between creditors and debtors, which will be the future debtor must fulfill everything that has been agreed upon.

2. The Elements of Credit

Loans granted by a credit institution is based on the belief, that the credit agencies will give the credit if absolutely sure that the recipient will repay the credit in accordance with the terms and conditions agreed to by both parties.

According to Sastradipoera (2004:156) elements be able in credit they are :

- a. Trust , that all matters entrusted to humans, either relating to himself, things other people, or other things, the bank believes that the achievements is bestowed on those clients will be accepted back at a specific time.
- b. Time , that in any credit transaction there is a period of time between the current administration and the current achievements of return.
- c. Risk, each credit will always contain a certain risk may risk losing all or part.
- d. Achievements, achievements appear as submitted by the lender on the credit receiver.

3. The Function and purposes of Credit

The provision of a credit facility has several goals that must be achieved depends on the purpose the bank itself.

According to Kasmir (2002:105) the purpose giving loans are :

a. Profit

The main purpose of credit is to make a profit. The results of this advantage are obtained in the form of interest earned by the bank as a reward and credit administration fee charged to the customer. Profit is essential for the survival of the bank, besides that it also can increase the profits of banks.

b. Helping the client's business

With the loan is expected to help business customers who require funds for funds for investment and to fund working capital. With the fund will be able to develop and expand its business.

c. Helping Governments

For the government more and more lending by the banks, the better, given the growing number of credit means the disbursement of funds in order to increase development in various sectors.

From the above it can be concluded the opinion that the credit function is itself a fulfillment services to serve the needs of the community in order to encourage and facilitate trade, production, and consumption of services which are all ultimately aimed to improve the standard of living of the people.

4. Types of Credit

Funding needs of diverse causes various types of credit also. It is tailored to the needs of the customer desired funds. In practice loans of commercial banks and rural banks to the public consists of various types.

According to Suyatno (2003:88) the types of loans provided by banks to the public can be viewed from different angles, namely:

a. Loans from the point of aim

- 1) The consumer credit loans in order to expedite the process of the consumer.
- 2) Credit productive loans in order to expedite the process of the production.
- 3) Trade Credit is the credit given for the purpose of purchasing goods for resale.

b. Loans from the standpoint of period

- 1) Short-term loans are loans which the period is a maximum of 1 year.
In the short-term loans also include loans for seasonal crops with a maturity of more than one year.
- 2) Medium-term loans are loans which the period is between one and three years, except for the seasonal crop credit, as mentioned above.
- 3) Long-term loans are loans which the period is more than three years.
Long-term credit loans are generally aimed at investment firms to raise capital in order to do the rehabilitation, expansion and establishment of new projects.

c. Loans from the standpoint of its use

- 1) Credit exploitation, which is a short-term loan given by a bank to the company to finance its working capital needs so that it can run smoothly.
- 2) The investment credit, the medium-term loans or long term given by a bank to the company to make an investment or capital investment.

d. From the standpoint of credit guarantee

1) Credit Unsecured

BI in the SK Directors dated February 28, 1991 concerning the provision of credit guarantees, Article 2 has regulated that banks are not allowed to give credit to anyone unsecured loans. The loan guarantee is the ability of the debtor bank beliefs weeks to repay loans in accordance with the agreement.

2) Credit with collateral

Collateral given for the loan are as follows:

- a) Collateral goods, both real estate and non-permanent items.
- b) Private Collateral, which is an agreement whereby one party undertakes other parties that it guarantees the payment of a debt owed if not keep their obligations.
- c) Collateral securities stocks, bonds, and certificates listed on the stock exchange.

5. Credit assessment

A credit assessment that is feasible and is given by the banks to potential borrowers, if it complies with the principle of credit and credit guarantees that

functions as a precaution. Before the credit facility granted the bank must be sure that the loans will actually return. The confidence gained from the credit assessment before it is piped. Credit assessment in order to get a conviction on bank customers can be done in various ways through the assessment procedure with certain criteria.

According to Kasmir (2004:117-118) there is an explanation for the principle 5C and credits are as follows:

Credit assessment with the principle of 5 C includes:

- a. Character of the nature or character of a person. The nature or character of the people who will be given the credit really should be believed. To read the character or nature of the debtor can be seen in the background of the customer, both the background and the job of a personal nature such as: the way of life or lifestyle, family situation, hobbies and social life. Of the nature and character can be used as a measure of "willingness" to paying customers.
- b. Capacity (ability) is an analysis to determine the ability of customers to pay the loan. This ability is related to the educational background and experience so far in managing the business, so it will look "ability" to repay the loans.
- c. Capital to see whether the effective use of capital or cannot be seen from the financial statements as presented by measuring liquidity, profitability, and other sizes.
- d. Condition, in assessing credit also assessed the economic, social and political present and predictions for the future. Prospects funded field should

really have good prospects, so the possibility of relatively minor credit problems.

e. Collateral is a guarantee provided prospective customers both physical and non-physical.

6. Credit controls

In order for the credit given by the company to achieve the results and goals, there should be proper management of the credit. Absolute credit control implemented to avoid bad credit and bad credit settlement. According to Hasibuan (2004:105) credit controls are:

“Efforts to keep the loans remain current, productive, and not jammed. Current and productive means that credit may be withdrawn with interest in accordance with the agreement that has been approved by both parties. Because lending should be based on the precautionary principle and the control system either right.”

The purposes of credit controls are :

- a. Keeping loans extended stay safe.
- b. Knowing whether the loans were current or not.
- c. Perform preventive measures and resolution of bad debts or non-performing loans.
- d. Evaluate whether the lending procedure has been well done or still needs to be refined.

- e. Fixing mistakes employees credit analysis and to make a mistake does not happen again.
- f. Knowing the position of collectability percentage of bank credit disbursed.
- g. Improve employee morale and responsibility bank credit analysis.

7. System and types of credit controls

According to Hasibuan (2004:105) a credit monitoring system consists of some sort. The system is applied in the implementation of credit control intended to simplify and expedite the process of credit monitoring. Credit control system consists of:

- a. Internal Control of credit is a credit control system carried out by a bank employee concerned. Coverage includes the prevention and settlement of non-performing loans.
- b. Audit control of credit is the system of control or assessment of issues related to credit accounts. Thus control over specific issues, namely the truth of loan bank.
- c. External Control of Credit is a credit control system is done outside, either by Bank Indonesia as well as a public accountant.

8. Collectibility of Credit

As with any loan, the collectibility of various types should be observed carefully. Collectibility is a loan repayment rate of borrowers, whereas the term bank called NPL (Non Performing Loan). With the appearance of the graph or

table form, these facilities provide instant information in a matter.

Collectibility is a state payment of principal or installment of principal and interest loan by the customer and the level of acceptance of the possibility of returning the funds invested in the securities or other investment. According to Bank Indonesia, the collectibility of a loan can be grouped into five groups, namely current loans, special mention, substandard loans, doubtful loans and bad credit. ([Http://www.mediabpr.com/kamus-bisnis-bank/kolektibilitas.aspx](http://www.mediabpr.com/kamus-bisnis-bank/kolektibilitas.aspx)). To

secure credit have taken steps to categorize credit based on smoothness. Grouping loans by state and smoothness is very necessary to be done for smooth functions of security facilities that have been provided to the customer, so the attitude and how to deal with customers will be adjusted to smooth credit. According to Bank Indonesia provision (2010 : 87), collectibility of loans is based on the following criteria:

a. Collectibility smoothly (pass)

Category for credit payments really smoothly, both in terms of interest payments and installment loans.

b. Collectibility in special attention (special mention)

Category for loan payment overdue interest and principal reaches up to 90 days.

c. Collectibility substandart.

Category for loan payment overdue interest and principal reaches over 90 days to 120 days.

d. Collectibility doubtful.

Category for loan payment overdue interest and principal reaches over 90 days to 180 days.

e. Collectibility loss

Category for loan payment overdue interest and principal reaches over 180 days.

9. Effectively credit management

In lending is very necessary to have an effective credit management with the aim of loans are not misused so the bank can avoid the risk of bad debts. According to Firdaus (2004:4) credit management is important to learn and implement, it is because:

- a. Loans disbursed by the bank are the biggest part of the assets owned by the bank.
- b. Revenues from loan interest income are the largest source of revenue for banks. If the loan goes well then the interest rate can reach 70% - 90% of total bank revenues.
- c. If the credit is less well managed it will be a lot of non-performing loans, which resulted in lower interest income and the bank would suffer losses.
- d. If managed properly so that the credit problem loans have a bit value, so that acceptance of bank rates will increase and will grow well.

According to Kuncoro (2002:243-269) that credit can be implemented consistently and based on the principles of a healthy credit, there are guidelines on lending are at least contain and organize key points as follows:

1) Credit planning

Companies must conduct market research and combined with his experience during extending credit, in order to obtain guidance that will enter the target market, the criteria that prospective customers can be accepted as a client, customer criteria that can be served, and the preparation of the target amount of credit expansion.

2) Organization and management of credit

Credit is the principal task of the bank, the lending organization will be crucial to the smooth running of banking business. In support sound credit granting and implementation of internal control elements from the early stages of the process of lending activities.

3) The process of loan approval

Credit granting process consists of three stages, including:

1) Stage initiative activity and credit analysis

Activities at this stage include the acceptance of a credit application by the customer. Credit request must be in writing and using the format specified by the bank that contains detailed information about the condition of the applicant or prospective customers, including credit history in other banks. Official's initiator or credit analyzer disbursement activities fullest information from various sources about the applicant that will be used to support the analysis and evaluation of 5 C. While the analysis and credit evaluation outlined in the format set by the bank and tailored to the type of credit. In that analysis shall include at least the following information:

- a) Identity of the applicant.
- b) Purpose of loan application.
- c) History of the business relationship with the bank.
- d) Analysis of 5C

2) Phase commendation credits

Credit Recommendation is a conclusion of the analysis and evaluation of credit proposals presented by the proponent official credit.

Recommendations made by the officials recommendation credit loans based on the analysis or evaluation made by the proponent or credit analyzer. In making a recommendation of credit, officials' recommendation must ensure that there are no policies and credit procedures are violated and no legal problems.

3) Phase granting credit decision.

Official's breaker credit check and examine the completeness of the package. If the decision has been given credit, The next loan package submitted to the credit administration department to prepare the following:

- a) Provide a letter of offer of credit decision to the applicant containing the structure and types of credit and the terms and conditions of credit that must be met by the customer.
- b) Preparing documents credit agreement as the principal agreement.
- c) Preparing documents accession agreement.
- d) Preparing documents for disbursement.

4) Documentation and credit administration

Administration and loan documentation is accurate and orderly is one important means to ensure timely payment of interest and repayment of loans. Administration and loan documentation is an important aspect in the process of lending activities that can provide the signs through the information system to determine the quality.

1) Credit administration

Credit administration aims to encourage a step-by-step guidance on the development or assessment of credit extended or the development of the customer's business and credit control, so that the interests protected bank. Credit administration also used for monitoring by management. Among others in the loan portfolio monitoring, monitoring loans, credit collectability monitoring, monitoring the amount of Risk Weighted Assets (RWA), relief efforts monitoring problem loans.

2) Loan Documentations

Loan documents are all documents required in order to award credit is evidence or legally binding agreement between the bank and customer credit and proof of ownership of collateral and other credit documents which constitute a legal action or have any legal effect. Loan documents include loan application documents, documents that record each step in the credit, documents obtained in coaching during the course of the loan is paid off.

10. Supervision and guidance of credit

Credit monitoring is monitoring activity on the stages of the process of granting credit, loan officers who carry out the process of credit and credit facility.

Credit monitoring aims to ensure the management, custody, and control of credit as bank assets have done well so it does not arise credit risks resulting from irregularities either by the debtor or by the internal bank.

Credit coaching is a continuous development effort and made the loan officer in charge of the credit facilities related to the development of the debtor's valuation, credit use and protection of the interests of the bank, both administratively and field. Coaching can be done via credit administrative guidance and coaching directly in the field. Administrative guidance is based on reports from customers, which includes analysis of the reports received from the customer, take steps to material activities on the ground, provide credit developments and requested immediate action.

II. Non Performing Loans

According to Kasmir (2008:126) credit facility congestion caused by two elements, namely:

a. From the banks

In this case the lack of rigorous credit analysis both in checking the correctness and authenticity of the document and one in the calculation of the ratios that exist. As a result, what should have happened, not predicted. Congestion of a loan can also occur due to collusion of the credit analysis with the debtor so that the analysis is done subjectively.

b. From the customer

- 1) There is an element unintentionally, meaning customers willing to pay but is unable to because of the business-funded flood affected areas eg.
- 2) There was the element of intent, meaning customers do not intentionally want to pay its obligations to the bank so that the bad loans.

12. Credit Rescue Techniques

According to Suyatno (2003:115) rescue against bad loans made in the following manner:

a. Reschedulling

This policy relates to the credit period so that the desired relief that can be given is:

- 1) Extend the term of the loan.
- 2) Extend the interval installment, for example, was originally defined installments every 3 months, and then to 6 months.
- 3) Decrease in amount for each installment which resulted in the extension of the credit period.

b. Reconditioning

In this case, the help given was a desire or a change in credit terms are as follows:

- 1) Capitalization of interest, which made debt principal interest for a specified time so that customers do not have to pay interest, but then debt can substantially exceed the approved ceiling.

- 2) Delay payment of interest, the fixed interest is calculated, but the billing or assignment to customers is not executed until the customer has the ability.
- 3) Lower interest rates, which in the case of clients assessed as able to pay interest on time, but the interest rate is too high for the level of activity and results of operations at that time.
- 4) Acquisition of interest, namely in terms of the customer is considered to be unable to pay interest due to business customers only reach the level of the subjects.
- 5) The conversion of short-term loans into long-term loans with terms those are lighter.

c. Restructuring

If the trouble is caused by capital, then salvation is to review the situation and the condition of capital, capital both in terms of funds for working capital purposes as well as in the form of capital goods.

d. combination

Rescue actions can also be a combination such as rescheduling with reconditioning, rescheduling with restructuring.

13. The benefits of credit management

The presence of effective credit management, the percentage of non-performing loans are expected to be eliminated so that the principles rather than bank credit policy can be maintained. The three principles are:

a. The Liquidity principle

That is a principle that requires banks to still be able to maintain the level of liquidity, with an illiquid bank said if it meets the criteria include:

- 1) The bank has assets of cash that needs to be used to meet liquidity.
- 2) The bank has other assets that can be liquidated at any time without decreasing its market value.
- 3) The bank has the ability to create new cash assets through various forms of debt.

If credit management is not implemented, then the percentage of non-performing loans are likely to increase so that it would interfere with the company's liquidity, non-performing loans as well causing some bank assets in the form of cash on interest income of the debtor retained, so that liquid assets banks will fall, liquidity is also down automatically . With the effective credit management expected percentage of non-performing loans can be eliminated so that the level of liquidity will be maintained.

b. The profitability principle

Each business will always try to make a profit, either to maintain its existence and for the purposes of developing a business. Profits derived from the difference between the costs of credit in the form of funds to the interest income earned from the debtor. The success of the credit department of a bank collecting interest income is a major contribution to the success of the bank concerned. Therefore it is very necessary to have effective credit management from planning to monitoring to eliminate the non-performing loans, as credit problems can cause

the loan interest income down, which it can reduce corporate profits. With the effective management of credit, is expected to decrease the incidence of non-performing loans so that interest income on loans will increase, due to the increase in loan interest income, the profits of the company will increase.

c. The solvency principle

In the credit policy, banks have to be very clever to set up investment funds both in the areas of lending, securities at a rate of a minimum risk of failure. Presumably it is easy to understand because the bank's assets in the form of loans and the securities investment will be the main source for the bank to cover all bank debt to the deposits any time it is concerned to withdraw their funds from the bank. If credit management has not been effective, it could lead to a credit crunch that could jeopardize the solvency of the bank concerned, which ultimately harm the liquidity of the bank concerned.

4. Liquidity

1. The meaning of Liquidity

According to Taswan (2010:246) Liquidity is the ability of the company to meet its obligations that must be paid. Meanwhile, according to Kuncoro (2002:279) defines liquidity are :

” The ability of bank management to provide sufficient funds to meet all its obligations and commitments that have been issued to the customer any time. Obligations hand assets, such as providing funding for an approved loan drawdown or withdrawal of the appeal leeway loan. While the

obligations arising from the liabilities side as the provision of funds for withdrawal of savings and other deposits by customers.”

2. The purposes of liquidity

According to Sunarti (2008:103) the purpose of liquidity, among others:

- a. Managing liquidity tools to always be able to meet all cash flow needs, including needs that are not expected.
- b. The sudden withdrawal of a number of current accounts or deposits that have not yet matured.
- c. Wherever possible Funds minimize idle.

3. Liquidity Assessments

According to Mamduh and Halim (2003:199), Assessment of liquidity is an assessment of the bank's ability to maintain and meet the needs of adequate liquidity. Bank said if the liquid has a means of payment in the form of current assets greater than its liabilities.

4. Various liquidity

Various kinds of liquidity by Wijaya (2010 : 136) are as follows:

- a. endogenous liquidity, is attached to inherent liquidity in the asset itself, such an asset in the form of credit. Liquid or absence of endogenous liquidity is highly dependent on the quality of credit..
- b. exogenous liquidity, which is created by the structure of bank liabilities which are generally in the form of deposits or third party funding and loans.

5. The factors that affecting liquidity

In general, the factors that affect liquidity position are grouped into two, namely:

a. Internal factors

Factor internal is derived from the bank itself that affects the size of the fluctuations in liquidity. Internal factor is influenced by several factors including:

1) Leadership substitutions

Bank of relatively newly established survival usually depends on the leadership.

2) The time period

The longer term loans mean smaller turnover of the amount of credit that can be used by the bank. Given the sources of the funding comes from short-term deposits, the loans should also be short-term so that the bank did not have trouble.

3) Organization or Administration

Organization and administration should be used as tools of management in determining the company's policies include determining the liquidity position.

4) Purchasing fixed assets

Purchase of fixed assets that exceed the financial capability possessed certainly will lead to liquidity problems. To prevent this, the government

determined that a bank office equipment should only be used a maximum of 50% of the total issued capital.

b. External factors

External factors are factors that come from outside the slightly influenced the success or failure of a bank to control its liquidity position, include:

1) The Regulations in the economy or monetary

The world of banking is an integral part of most of the economy of a country. Jolt the economy and monetary policy by itself will affect the state of the banking system. Regulations that the government decided it would affect the level of bank liquidity.

2) The economic wave

Economic wave also affects the economy and often lead to things that are not desirable, such as unemployment, and price decreases.

3) Tropics changes

The change also affects the economic activities that also affect liquidity. For example, crop yields will usually raise funds offer the agricultural sector.

4) The society habits

Payment habits people using banks to enlarge currency tools liquid cash.

This has led to banks experiencing liquidity risk .

5) The relationship beetween bank offices

The relationship between banks also affect liquidity. The state of the relationship between headquarters and branch offices to poor bank money transfer is difficult or substandard. For example, a bank branch shortage of liquidity, the central office should step in helping with providing assistance, but due to poor relations branch offices often do not receive liquidity assistance.

5. Profitability

1. The meaning of profitability

According to Munawir (2003:89) the profitability of a company shows a comparison between a profit or capital assets that generate profits. In other words, the ratio of earnings to measure the profit derived from the capitals are used for these operations, or the ratio to measure a company's ability to earn profits.

Those companies generally issue more important than the problem of return of income, due to big profit not a measure that the company has been able to work efficiently. New efficient can be determined by comparing the profits derived by the wealth or capital that generates profits, in other words count the profitability. It can be concluded that the definition of earnings is the company's ability to earn income expressed as a percentage.

2. Purposes of profitability

According to Sastradipoera (2004:274) high profitability will benefit the bank, because:

- a. Can attract potential investors to invest capital or reserves by buying bank shares issued.
- b. Can add to reserves that the banking business of the bank customers credibility will increase. Dapat menarik calon investor untuk menanamkan modal atau cadangannya dengan membeli saham yang diterbitkan bank.

3. Profitability Assesments

According to Hasibuan (2004:102) assessment of bank earnings, based on the position of profit / loss in the books, the development gains or losses in the last three years, and the gain or loss expected.

For each of these factors set the following sizes:

- a. Judging from the position of profit or loss according to accounting, bank profitability assessed:
 - 1) Healthy when profit or break even point.
 - 2) Healthy enough if the loss in the amount not exceeding 5% of the total issued capital.
 - 3) Less Healthy if the loss of more than 5% of the total paid-up capital but not exceeding 25%.
 - 4) Not healthy if the loss in the amount of more than 25% of the total issued capital.
- b. Judging from the average and its development over the past three years, the profitability of banks rated:

1) Health is always an average income or profit if improved, with a note in the second and or third book profits.

2) Self healthier if average earnings when worsened with notes in the fiscal year or the second and third loss.

3) Less healthy when the average loss when improved, with a record every year or reduced losses in the fiscal year or the second and third show profits.

4) Not healthy if the figures showed an average loss constant or deteriorated.

c. Judging from the estimated profit or loss, earnings, bank rated:

1) Healthy when the gain or loss expected to show a profit.

2) Self healthier if the expected profit or loss in valuation indicates the break-even point or the loss of the same amount or less than the average earnings that have been obtained in previous months in the fiscal year concerned, so that in the fiscal year is estimated nothing to lose .

3) Less healthy when the gain or loss expected in assessments showed a greater loss than the average profit was earned in the months before the financial year is expected to be a loss, but not eliminated the profit earned in the years then the distributed yet.

4) Not healthy if the gain or loss expected in assessments showed a greater loss than the average earnings which have been obtained in previous

months in the fiscal year is expected to be earnings loss can erase the years ago that has not been distributed.

4. Factors influencing profitability

Management is the main factor affecting the profitability of banks, bank size and location of the bank is not the most decisive factor. According Simorangkir (2004:154) in terms of management, there are three important aspects to be addressed:

a. Balance sheet management

1) Asset management is to allocate funds to the various kinds or classes of earning assets are based on the following conditions :

- a) Asset must be sufficiently liquid so it will not hurt if at any time required to be disbursed.
- b) Asset can be used to meet the needs or requests a loan, but is still giving earnings.
- c) Efforts to maximize his income from investments.

2) Liability management is related to the regulation and management of financial resources which basically seeking three things,include :

- a) Adequacy of funds that come in, do not have a shortage that could eliminate the opportunity, but also not too big.
- b) Interest paid should still at levels that provide benefits to the bank.

b. Operating Management

Is the bank's management playing a role in increasing profitability by reducing costs. As mentioned above, the cost is one factor that will determine the level of profitability.

c. Financial management

The third aspect that determines the profitability management is financial management. These aspects include the following:

- 1) Planning the use of capital, the use of senior capital to suppress the cost of money, plan the most efficient capital structure for banks.
- 2) The regulation and management of matters relating to taxation

6. Effectiveness Loan Disbursement

Banking is a financial institution that has a function as an intermediary institutions party who have surplus funds to those who need funds. The main activity of the bank is to collect funds from the public which is then channeled back in the form of loans. Credit disbursement should be as selective as possible. The effectiveness of credit each bank is different according to each bank's policy.

Non performing Loans or credit problems that exist in each bank should not exceed 5%. Because if more than 5%, the bank is considered unhealthy. If the level of NPLs held a bank increases it will result in delays in credit, in which the number of problem loans led to the erosion of bank capital.

7. Credit Management as an effort to maintaining Liquidity

Activities to maintain liquidity is an important activity undertaken by the bank. Because banks must have and be able to provide the tools to smoothly repay maturing deposit and lending to clients in need. Ability and readiness to fulfill obligations is essential to maintain public confidence.

8. Credit Management as an effort to increase Profitability

Lending activities constitute the main activities undertaken by the bank. Due to bank loans is the biggest part of the assets owned by the bank. In lending, banks should conduct credit analysis against the debtor. Because of problems in the lending activities such as arrears and bad loans led to high levels of non-performing loans (NPL), which can reduce bank profitability. This is because the largest source of income derived from the proceeds of the bank loan interest rate to be not smooth or jammed. Therefore, the need of effective credit management that will benefit or profit to the bank.

9. The relationship between Credit Management with Liquidity and Profitability.

1. The relationship between credit management and liquidity.

Liquidity management is defined as a process control tool that easily accomplished liquid to meet all bank liabilities to be paid. Liquidity management is closely related to people's confidence, customers, government. If credit management is not implemented, then the percentage of non-performing loans are likely to increase so that it will interfere with the company's liquidity, as credit

problems cause most liquid assets in the form of cash bank on interest income of the debtor retained, so the bank's liquid assets will fall, auto liquidity also fell. With the credit management of the percentage of non-performing loans are expected to be eliminated so that the level of liquidity will be maintained.

2. The relationship between credit management and profitability.

Profitability useful to measure the performance of BTN on the ability of banks to make a profit. Credit management is closely linked to profitability because when credit has been managed, it can lead to increased corporate profitability. With the effective management of credit, is expected to decrease the incidence of non-performing loans so that interest income on loans will increase and profit also increased and vice versa if the credit management is ineffective then this may cause a decrease in profits.

10. Financial Ratios

To analyze the financial condition of the company's several things that need to be analyzed are as follows:

a. Liquidity Ratios

For measuring this ratio has some kind of ratio that each has its own goals and objectives. According to Simorangkir (2004:92) there are other types of liquidity ratios as follows:

1) *Quick Ratio*

Quick Ratio is a ratio to measure the bank's ability to meet its obligations to depositors (owners of demand deposits, savings and time deposits) with the most liquid, which is owned by a bank. Under normal circumstances the Quick Ratio 1 (100%) can be considered good. Quick Ratio formula to find the following:

$$\text{Quick Ratio} = \frac{\text{Cash assets}}{\text{Total Deposit}} \times 100\%$$

b. *Banking Ratio*

Banking Ratio used to determine the ability of the bank to pay to the depositors with loan guarantees. The formula used to calculate Banking Ratio is :

$$\text{Banking Ratio} = \frac{\text{Total Loan}}{\text{Total Deposit}} \times 100\%$$

c. *Assets to Loan Ratio (ALR)*

Assets to Loan Ratio are used to measure the amount of loans extended by the number of bank owned property. The formula to figure Assets to Loan Ratio as follows:

$$\text{Assets to Loan Ratio} = \frac{\text{Total loans}}{\text{Total assets}} \times 100\%$$

d. *Cash Ratio*

Cash Ratio is a ratio to measure the bank's ability to repay an obligation that must be paid with liquid assets owned by the bank. Cash Ratio is the percentage of good is different for each type of business, but the cash ratio is considered good for the bank set a minimum of 5% for funding dollars and to 3% for foreign exchange funds. The formula used is:

$$\text{Cash Ratio} = \frac{\text{Liquid Assets}}{\text{Short Term Borrowing}} \times 100\%$$

e. *Loan to Deposit Ratio (LDR)*

Loan to Deposit Ratio is a ratio to measure the composition of total loans compared to the amount of public funds and used their own capital. Bank Indonesia has set the standard of LDR is 85% -110%. The formula used to calculate the LDR:

$$\text{Loans to Deposit} = \frac{\text{Total loans}}{\text{Total Deposit} + \text{Equity}} \times 100\%$$

k. Profitability Ratios

Profitability ratio is used to measure the level of business efficiency and profitability achieved by the banks concerned. According Simorangkir (2004:139) profitability ratios are:

a. *Gross Profit Margin (GPM)*

This ratio is used to determine the presentation of earnings from operations of banks purely concerned after deducting expenses. The formula to find the Gross Profit Margin as follows:

$$\text{Gross Profit Margin} = \frac{\text{Operating Income} - \text{Operating Expense}}{\text{Operating Income}} \times 100\%$$

b. *Net Profit Margin (NPM)*

Net Profit Margin is a ratio to measure the bank's ability to generate net income from principal operations. The formula to find the Net Profit Margin is:

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Operating Income}} \times 100\%$$

c. *Return on Equity Capital (ROE)*

The ratio is used to measure the ability of bank management in managing existing capital to get net income. The formula used to determine the Return on Equity Capital is:

$$\text{Return on Equity Capital} = \frac{\text{Net Income}}{\text{Equity capital}} \times 100\%$$

d. *Return on Total Assets (ROA)*

Used to measure the level of net income derived from the total assets of the company. The formula used Return on Total Assets is:

$$\text{Return on Total Assets} = \frac{\text{Net profit after taxes}}{\text{Total assets}} \times 100\%$$



CHAPTER III

RESEARCH METHOD

A. Type of Research

The research method is a method used by one researcher as a guide in conducting an assessment of an object. Guiding research method is one very important step, because if not carried out there will be an error in research data, data analysis and decisions making on research that has been done. The precision in the use of research methods need to be considered to facilitate the writing in preparing research results. Judging from the problems investigated, based on the technique used and the place and time of the research, that is uses quantitative approach. The method of research uses descriptive.

According to Nazir (2009 : 54) “descriptive research method is a method in researching human cluster status,object,conditions,consideration system, or something happen in right now”. The purpose from this is to make description,illustration or design systematic as systematic, factual and accurate about the facts,characteristic and the relation between phenomenom that accurated. According to Creswell (2003) “quantitative research is scientific research that systematic about parts and phenomenon, and also the reletions”. The purpose from this research more aims to indicate the relationship between statistical variabel, to verification the theory,do the consecution for a while, and generalization. (Rianse and abdi, 2008: 19).

This reasearch specifically aims to study an object on the PT. Bank Tabungan Negara (Persero), Tbk especially on credit management applied PT.

Bank Tabungan Negara (Persero) Tbk for maintaining liquidity and increasing profitability.

B. Research Focus

One important factor in the research was to determine the focus of research. The focus of this research is used to limit the study in the study so that the object to be studied is not too broad. The focus of research in the preparation of this thesis undergraduate are:

- a. Credit Management Implementation at PT. Bank Tabungan Negara (Persero) Tbk.

This research is used to determine the credit management applied PT. Bank Tabungan Negara (Persero) Tbk, which includes:

- a. Credit Application Process
- b. Credit Approval Process
- c. Supervision Credit and Redemption Technique
- d. Credit Control Effort
- e. Settlement of Troubled Credit

- b. Finance Ratio Analysis

- a. Liquidity Ratios :

- 1) Quick Ratio

- 2) Banking Ratio :

- a) Asset to Loan Ratio (ALR)

- b) Cash Ratio

- c) Loan to Deposit Ratio (LDR)

b. Profitability Ratios :

- 1) Gross Profit Margin (GPM)
- 2) Net Profit Margin (NPM)
- 3) Return on Equity Capital (ROE)
- 4) Return on Total Assets (ROA)

C. Research Location

The place to study a selected location where the research is PT. Bank Tabungan Negara (Persero) Tbk, which is located at Jalan Ade Irma suryani 2-4 Malang. Site selection is based on that bank loan growth is increasing the assessed risk large enough so that need a effective credit management. With considering that PT.Bank Tabungan Negara (persero)Tbk set aside the data and the facility that needed in reasearh. And the writer acces website PT. Bank Tabungan Negara (persero)Tbk that is [Http:// www.btn.co.id](http://www.btn.co.id) .

D. Sources of Data

In this research use :

- Secondary Data

It is a structure of historical data on variables that have been collected and compiled previously by other parties .

E. Data Collection Method

In this study, data collection methods used to collect the data required are as follows :

a. Observation

It is a method of data collection by using systematic observation and recording of the object studied.

b. Documentation

It is a technique of gathering data by viewing and using reports and records of the PT. Bank Tabungan Negara (persero), Limited in connection with the necessary data.

F. Research Instrument

Based on data collecting method above, so research method using are :

Guidelines of Document

That means the author uses a tool written in obtaining or take a duplication of company documents.

G. Data analysis

In the data analysis, the data collected by the researchers will be further analyzed to be useful information. In general, descriptive research is the study of non-statistical hypotheses. The method of analysis used is the method of qualitative analysis.

The purpose of data analysis in this study is to link the implementation of credit management at PT. Bank Tabungan Negara (Persero) Tbk with the theory of effective credit management. Based on the relationship between the implementation of credit management with relevant theory, it is known which factors are not functioning properly, and then it is defined as the failure of credit

system to work properly. As the final results of the study authors to determine the techniques or methods to solve these problems.

The stages are implementation and focuses on the data of this study are:

1. Analysis of credit management applied in PT. Bank Tabungan Negara

(Persero) Tbk :

- a. Credit Application Process
- b. Credit Approval Process
- c. Supervision Credit and Redemption Technique
- d. Credit Control Effort
- e. Settlement of Troubled Credit

2. Financial Ratio Analysis

a. Liquidity Ratios

1) *Quick Ratio*

$$\text{Quick Ratio} = \frac{\text{Cash assets}}{\text{Total Deposit}} \times 100\%$$

2) *Banking Ratio*

$$\text{Banking Ratio} = \frac{\text{Total Loan}}{\text{Total Deposit}} \times 100\%$$

a. *Assets to Loan Ratio (ALR)*

$$\text{Assets to Loan Ratio} = \frac{\text{Total loans}}{\text{Total assets}} \times 100\%$$

b. Cash Ratio

$$\text{Cash Ratio} = \frac{\text{Liquid Assets}}{\text{Short Term Borrowing}} \times 100\%$$

c. Loan to Deposit Ratio (LDR)

$$\text{Loans to Deposit} = \frac{\text{Total loans}}{\text{Total Deposit} + \text{Equity}} \times 100\%$$

b. Profitability Ratios

1) Gross Profit Margin (GPM)

$$\text{Gross Profit Margin} = \frac{\text{Operating Income} - \text{Operating Expense}}{\text{Operating Income}} \times 100\%$$

2) Net Profit Margin (NPM)

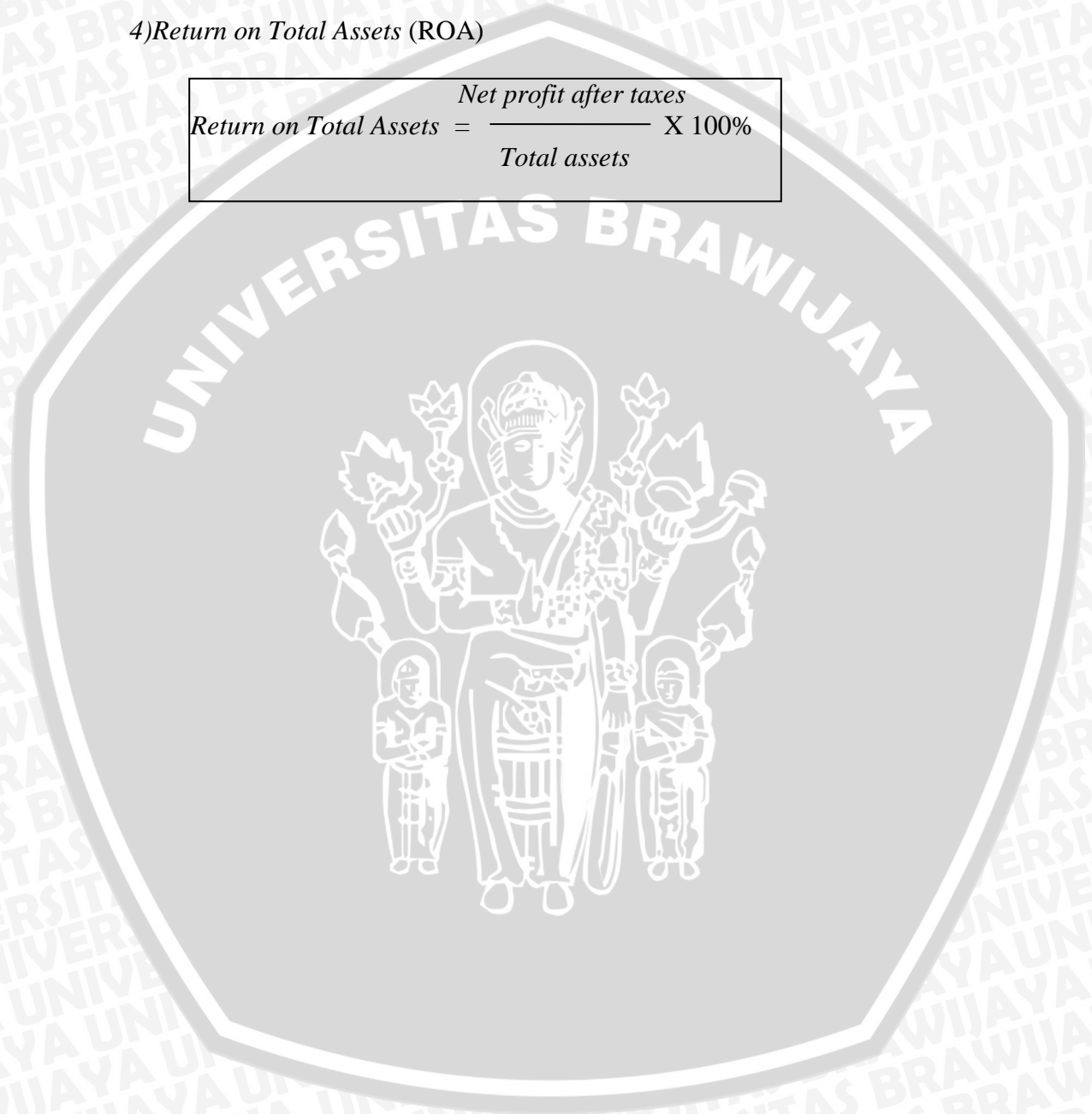
$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Operating Income}} \times 100\%$$

3) Return on Equity Capital (ROE)

$$\text{Return on Equity Capital} = \frac{\text{Net Income}}{\text{Equity capital}} \times 100\%$$

4) Return on Total Assets (ROA)

$$\text{Return on Total Assets} = \frac{\text{Net profit after taxes}}{\text{Total assets}} \times 100\%$$



CHAPTER IV

RESULT AND DISCUSSION

A. Company's History

1. Bank Tabungan Negara (BTN)

History of BTN Bank began on October 18, 1897 according to the koninklijkBersluit No. 1V, it was stated that in Netherlands East Indies was established postpaarbank based in Batavia. Postpaarbank has opened a branch office between 1928 to 1934, first four branch offices were established in Indonesia, among others in Makassar in 1928, Surabaya in 1931, Jakarta and Medan in 1934. In 1934 became known also as accounting machines and the introduction of Current Account Certificate. In 1945 the Dutch East Indies colonial powers taken over by the Japanese and it was devastating for the banking industry at that time because postpaarbank is stopped and replaced by TyokinKyoku precisely on April 1, 1942. With the independence of Indonesia in 1945, TyokinKyoku eventually taken over by Indonesia and renamed as Postal Savings Office (KTP), on the initiative of Mr. S. Darmosoetanto, which also served as the first director of the post office savings. This bank was instrumental in currency exchange transactions of Japan currency with "Oeang Republic of Indonesia '(ORI). However, the Dutch military aggression II on December 19, 1948 postal savings office and branches can not operate (off). On December 27, 1949 Mr. S. Darmosoetanto was appointed as the first indigenous served as director of the BTN Bank and is one of the new point rise of indigenous groups in

banking sector in Indonesia. Appraisal basis that inspires February 9, 1950 as the day of birth of BTN Bank by decree of Directors No. 05/DIR/BIDIR/1993 dated on September 27 1993. In 1974, government established a policy for the development of the middle class of society. To support the success of the policy, BTN Bank appointed as House Financing Credit (KPR) based on the Decree of the Minister of Finance No. B/49/MK/IV / 1974 dated on January 29, 1974. Since 1950 until now, BTN Bank has been in bank sector for 48 years.

As a barrage of enactment of Law no. 7 of 1992 on Banking, BTN law changed to an individual company better known as PT. Bank Tabungan Negara (Persero). Establishment of PT. BTN (Persero) based on the deed No. 136 on July 31, 1992 made by Muhani Salam, SH, Notary in Jakarta. This change makes PT. BTN (Persero) freely. Previously, it emphasized as the Savings Bank and payment institutions change, since August 11, 1992 the field of activities expanded into commercial banks.

2. Vission, Mission, and Motto of PT. Bank Tabungan Negara (Persero), Tbk Malang

c. Vission

The vision of PT. Bank Tabungan Negara (Persero), Tbk Malang is being a leading and profitable bank in housing finance.

d. Mission

Mission of dari PT. Bank Tabungan Negara (Persero), Tbk Malang are:

- a. Providing superior service in housing finance and industrial for middle and lower levels of society, as well as providing products and services of other banking.
- b. Preparing and developing qualified professional human resources and high integrity
- c. Fulfilling a commitment to shareholders that generate high profit and earnings per share and supporting the national housing development program
- d. Carrying out banking management in accordance with the principles of prudence and good corporate governance
- e. Considering the interests of society and the environment.

e. Motto

The motto of BTN Bank is "Friend of Indonesian Family" has meaning as serving all banking needs throughout Indonesia, either funds or credit.

3. Company's Logo



4. Company's Location

Determining the location of business entity or corporate office is needed careful consideration, because office is a place for all activities. PT. Bank Tabungan Negara (Persero), Tbk Malang strategically located in Jl. Ade

Irma Suryani No. 40 Malang, East Java. This location was chosen based on the following considerations:

- d. Accessible for society and debtor. This is because the PT. Bank Tabungan Negara (Persero), Tbk Malang is located in the center of city.
- e. PT. Bank Tabungan Negara (Persero), Tbk Malang occupies a strategic location in the shopping center is intended to be closer to the market, especially the market share of shopping center which is a huge potential market for the bank.

5. Organizational Structure

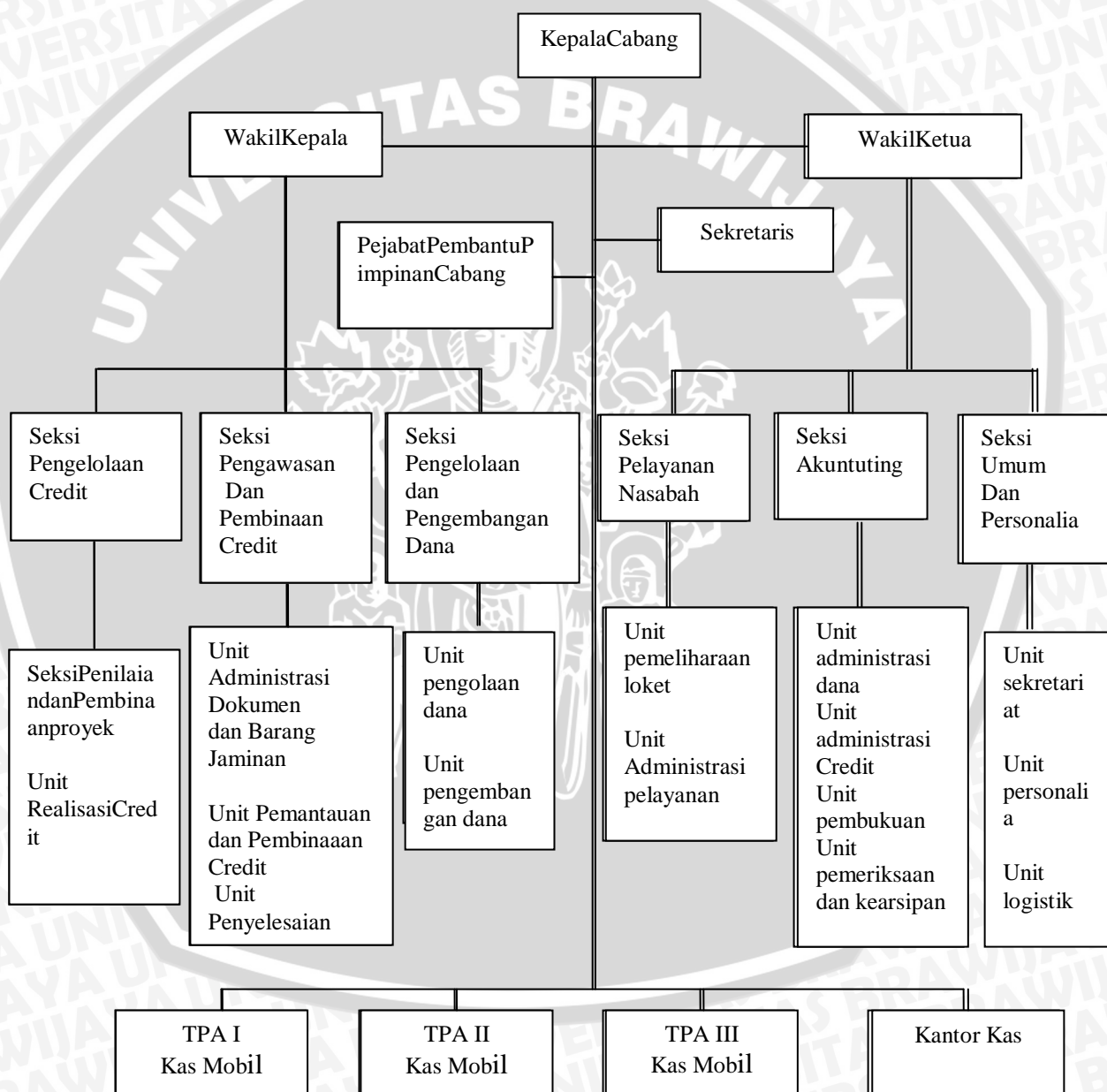
In a business entity, staffing levels is very needed where he/she is stated in the organizational structure. Organizational structure can help the tasks and activities of organization to achieve the goals set by the organization. It also clarify the organizational structure and lines of authority and responsibility and the right of each organization within company. Clear explanation about the duties and functions of each person in company, it is expected all the work or task can be carried out smoothly with awareness and a high responsibility and avoid confusion.

The organizational structure of PT. Bank Tabungan Negara (Persero), Tbk Malang is very simple because existing human resources has very high professionalism, resulting in a number of human resources in accordance with the needs of the high performance results. In order to have a clear picture about the organizational structure at PT. Bank

Tabungan Negara (Persero), Tbk Malang, can be seen in Figure as follows:

Picture 1

Organizational Structure of PT. Bank Tabungan Negara (Persero), Tbk Malang



Source : PT. Bank Tabungan Negara (Persero),Tbk

The explanations of each chart, among others:

1) Head of Branch Office

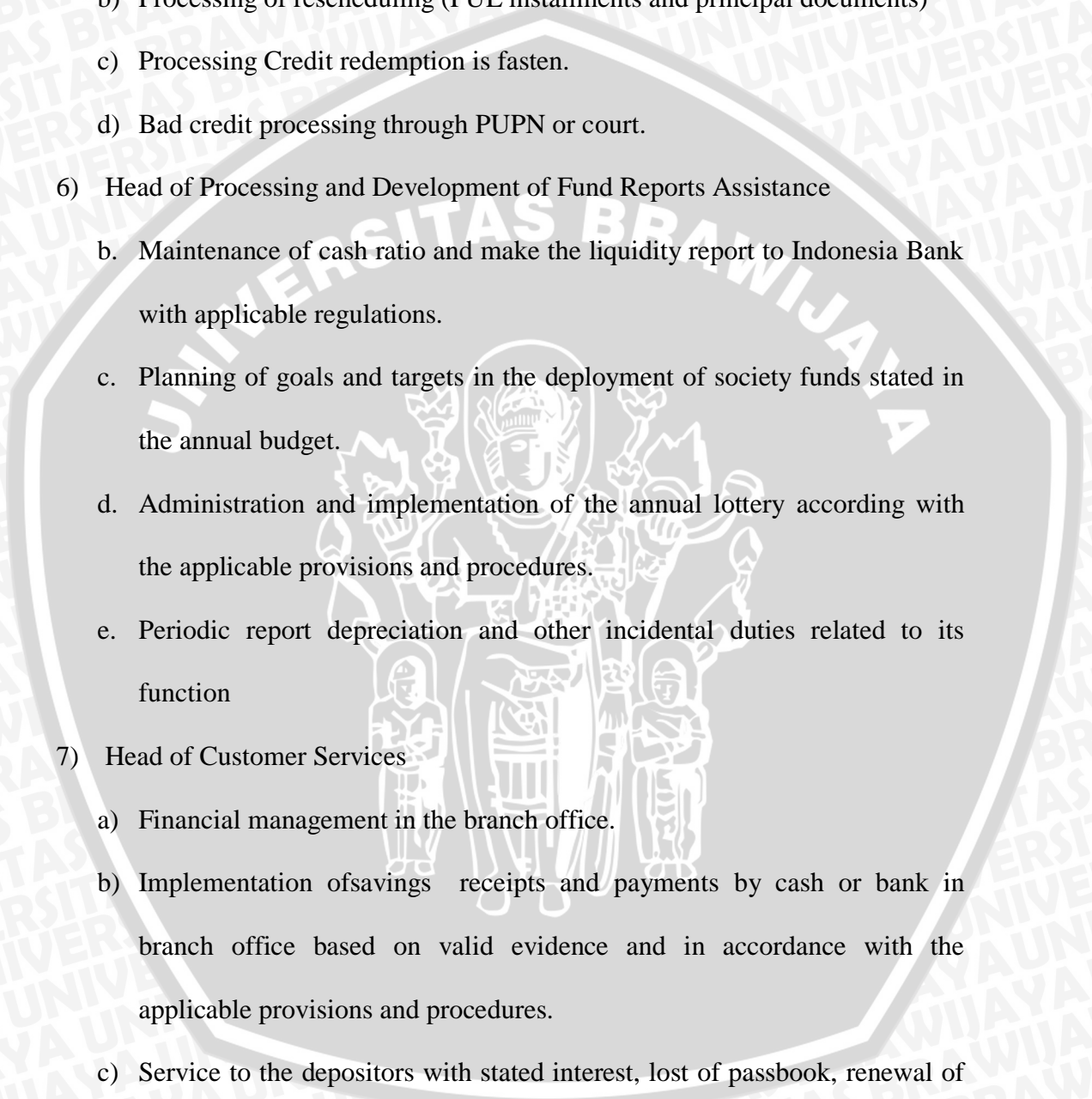
Head of branch office is fully responsible for the implementing the tasks given by the Board of Directors and give instructions to subordinates in accordance with the objectives that have been set:

- a) Leads branch office and acts on behalf of the Board of Directors inside and outside of the court in relation to the other party or a third party related with bank business according to attorney of Directors.
- b) Utilization of labor and equipment that increase the willingness to work, and knowledge as well as a good working relationship among employees in order to achieve maximum results
- c) Responsible for the correctness of periodic report depreciation or incidental reports and other reports with respect to the branch office functions.
- d) Coordination and supervision of the tasks given to subordinates by conducting an evaluation of the tasks.

2) Vice-Head of Branch Office

- a) Represents the head of branch office if unable.
- b) Steering, leaders, and supervisors of the tasks carried out by the section in accordance with the line of authority that can be completed correctly and on time.
- c) Monitoring and supervising the employees so that job performance can be achieved, dedication and high integration.

- d) Coordination and responsible for imolementation of tasks that are the responsibility of the sections in accordance with its authority and responsibility in the organizational structure.
- 3) Head od Branch Office Assistant
 - b. Assist the tasks and functions of all work units in branch office in general and delivery of advices to the Head of branch office.
 - c. Monitoring the implementation of the tasks and activities of cash office and project office in the working area of Brach Office Malang.
 - d. Monitoring the implementation of tasks and activities ofcash office and project office in the working area of Brach Office concerned.
 - e. The implementation of the tasks that are specifically given to branch office to support the smoothness of bank operational.
 - f. Coordination and responsible for the preparation of expenditure budget plan (RAP) and monitoring of budget realization report (LRA) of branch office.
 - 4) Head of Credit Management
 - a) Implementation of credit granting or get an explanation of the terms and house project, the provision of housing credit and other credit in accordance with applicable regulations.
 - b) Periodic report depreciation and incidental related to the section activities .
 - c) Coordination and supervision of the tasks given to subordinates by conducting research on the right record.
 - 5) Head of Credit Monitoring and Granting

- 
- a) Supervision of collateral in the form of assets (house) and debtor security and principal documents.
 - b) Processing of rescheduling (PUL installments and principal documents)
 - c) Processing Credit redemption is fasten.
 - d) Bad credit processing through PUPN or court.
 - 6) Head of Processing and Development of Fund Reports Assistance
 - b. Maintenance of cash ratio and make the liquidity report to Indonesia Bank with applicable regulations.
 - c. Planning of goals and targets in the deployment of society funds stated in the annual budget.
 - d. Administration and implementation of the annual lottery according with the applicable provisions and procedures.
 - e. Periodic report depreciation and other incidental duties related to its function
 - 7) Head of Customer Services
 - a) Financial management in the branch office.
 - b) Implementation of savings receipts and payments by cash or bank in branch office based on valid evidence and in accordance with the applicable provisions and procedures.
 - c) Service to the depositors with stated interest, lost of passbook, renewal of passbook and claims relating to the rights of depositors.
 - 8) Head of Accounting

- a) Administration of all financial transactions of both individual accounts, revenues and expenditures into general ledger, in accordance with applicable provisions and procedures.
 - b) Maintenance or proof storage keeping or transaction of financial statements and other reports systematically.
 - c) Examination of books and publishing correctness systematically by using plong bundle system.
- 9) Head of Public Personnel
- a) Secretarial implementation and administration about agenda of incoming and outgoing mail, filing and documentation, as well as the society relations for rrelated Brach Office
 - b) Procurement and maintenance of office equipment and other goods for the purposes of the branch office in order to support the smooth running of the business activities of bank.
 - c) The issuance of payment orders (SPM) relating to the Branch office operational and authority in accordance with the limits of authority.
 - d) Arrangement planning of personnel costs, materials, operations and capital expenditures in order to arrange Expenditure Budget Plan (RAP) and Bank Savings Budget.

Besides the organizational structure mentioned above, there are some functions that support the company's operations, namely:

- e. Security Guard

Security guard on duty not only to maintain security in the office area, but also equipped with knowledge about bank administration. For instance give directions to customers if they confusion in filling out a withdrawal slip/deposit slip. In addition, security guards must learn how to operate the fax machine.

f. OB (Office Boy)

The task of a servant is to clean an office and provide food and beverages for employees and guests. A servant also equipped with the knowledge to operate a fax machine, and served as a courier.

g. Night Watchman

Night watchman has duty to guard the office at night after the work of security guard has completed and will leave the office in the morning.

6. Product and Services PT. Bank Tabungan Negara (Persero), Tbk Malang

PT. Bank Tabungan Negara (Persero), Tbk Malang offers a variety of banking products and services in an effort to improve services and meet customer satisfaction. Any products and services have their respective targets with the aim of providing services according to customer's needs. So that customers have many alternative products and services in accordance with their needs.

Products that are offered consist of:



a) Funds Products

As an effort to satisfy customers PT. Bank Tabungan Negara (Persero) provides some funds products with many benefits, namely:

1) *Batara Savings*

Multipurpose Saving that is safe for your funds with ease growing.

Benefits of Batara Savings are:

- a. Get ATM Card and can be used in all ATM of BTN Bank, ATM that has logo of , , and can be used as Debit VISA card and can make payment transaction in all shops/merchant that using logo of "VISA"
- b. Deposits can be made at BTN Bank and counter of On-line Post Office
- c. Withdrawals can be made in all branches of BTN Bank (an on-line real time)
- d. Competing interest
- e. Auto debit facility for KPR payments, PLN, Telkom and Cell Phone Bills
- f. Auto Transfer facility / transfers between accounts
- g. Life insurance facility premiums free for individual.

2) *Batara Prima Savings*

Represents savings with high interest rates and withdrawal flexibility and comes with interested features. Benefits of Batara Prima Savings are:

- a. Deposits can be made at BTN Bank and counter of On-line Post Office



- b. Withdrawals can be made in all branches of BTN Bank (an on-line real time)
- c. Competing interest
- d. Getting an interest bonus if it does not withdraw funds for 2 months
- e. Facility of reward points that can be redeemed for prizes directly to individual
- f. Life insurance facility premiums free for individual.

3) *Batara Junior Savings*

A rejuvenation of Batara Student Savings with a broader designation for all people who are sensitive to the monthly administration fee.

The benefits of Batara Junior Savings are:



- a. Withdrawals dan deposits can be made in all branch of BTN Bank and On-line
- b. There is no administrative fees
- c. Daily interest calculations and being credited in the end of each month
- d. ATM card facilities can be used at more than 5,000 ATMs

 and more than 12.000 ATMs 

4) *eBataraPos Savings*

A rejuvenation of the Tabanas Batara product, organized in cooperation with PT. Kantor Pos Indonesia (Persero) through post

office counters that has been determined. The benefits of eBataraPos savings are:

- a. Get ATM Card and can be used in all ATM of BTN Bank, ATM that has logo of  ,  , and can be used as Debit Card
- b. Deposits can be made at BTN Bank and counter of On-line Post Office
- c. Withdrawals can be made in all branches of BTN Bank (an on-line real time)
- d. Competing interest
- e. Auto debit facility for KPR payments, PLN, Telkom and Cell Phone Bills
- f. Auto Transfer facility / transfers between accounts
- g. Life insurance facility premiums free for individual.

5) *Haji Nawaitu Savings*

Savings is purposed for prospective pilgrims in Hajj Journey. The benefits of Hajj Nawaitu Savings are:

- a. Getting a pilgrimage departure allocation (over the quota still exist) both BPIH and Special BPIH
- b. Deposits and withdrawals can be made at the counter of BTN Bank

6) *My savings*

It is a saving for individuals with easy and light requirements, in order to foster a culture of saving and improving the welfare of society. The benefits of Tabunganku are:

- a. Free from monthly administration fees
- b. Light initial deposit
- c. Daily Interest
- d. Get ATM card (optional)
- e. Deposits can be made in all branch of BTN Bank.

7) *Giro*

Through Giro BTN Bank, transaction can be done anytime and anywhere. Giro Account of BTN Bank available Rupiah (IDR) and Dollar (USD), you will get a check and bank draft to make transactions everyday. The benefits of Giro are::

- a. Means of keeping the money that safe and reliable
- b. Support the activities of the business in the payment and receipt
- c. Facilitate the activities of families / personal / business needs
- d. Get an interesting giro services
- e. Attractive and competitive interest calculated on daily balance
(subjected to tax in accordance with applicable law)
- f. Ease of transactions through ATM, SMS Banking (special individual account)

- g. Deposits and withdrawals can be made in all branches of BTN Bank

8) *Time Deposits*

Time deposits are denominated in Rupiah and Dollar with attractive interest and various other benefits. The benefits of Time Deposit are:

2. Interest attractiveness
3. Can be used as collateral credit (self-financing credit)
4. Deposit interest can be capitalized into principal
5. Deposit interest can be transferred to house installment payments, electricity and telephone bills
6. Variance of placement period
7. Can be opened in all branches of principal foreign exchange (Foreign Currency Deposits)

9) *Certificate of Deposito*

Savings in the form of time deposits which storage proof certificate can be transferable. The benefits of the Certificate of Deposits are:

- a. Tradable and transferable by delivery
- b. Prepaid interest
- c. Can be opened at the Head Office or Branch Offices of BTN Bank

- b) Services products, among others:

Services products given by BTN Bank to customers, nemely:

1. *ATM Batara*

A cash machine facility provided by BTN Bank to convenience depositors in doing withdrawal.

2. *Remittances*

It is a services facility of BTN Bank to society who want to send money (funds) both rupiah and foreign exchange purposed to other party elsewhere (domestic or foreign), on-demand of delivery.

3. *Auto Debit*

It is a services facility of BTN Bank to bill third party (the party obligated to pay the bills) elsewhere in the country

4. *Collection*

It is a services facility of BTN Bank to bill third party (the party obligated to pay the bills) elsewhere in the country.

5. *Safe Deposit Box (SDB)*

It is a services facility in the form of box rental or box designed for storing valuables or important documents (securities) for a certain period of time.

6. *Admission Funds of Hajj*

It is a bank service in BPIH delivery services (Travel costs or expenses of Hajj). In the management of this BPIH, BTN Bank using the computerized system integrated hajj (SISKOHAT) with extensive computer network.

7. *Guarantee of Bank*

It is a statement issued by the bank by the request of its customers (guaranteed) to guarantee a certain risk (surrogate losses) arising when the parties (customers) can not properly fulfill their obligations (default) to the party that receiving the collateral.

8. *Online Tax Filing (perception)*

BTN Bank help governments to serve society to accept tax payments that in charge to taxpayers and other non-tax revenue online with the Director General of Taxes.

9. *Telephone Payment Acceptance*

BTN Bank helps customers and societies who will directly pay the phone bills.

10. *Electricity Payment Acceptance*

BTN Bank helps customers and societies who will directly pay the electricity bills.

c) **Credit Products**

Besides funding products and services, BTN Bank also provides credit products that purposed for customers who need credit for business and home purchases, while the variety of credit products offered, among others:

1. *House Ownership Loan (KPR)*

It is credit facility that serves KPR BTN Sejahtera Tapak and KPR BTN Susun Sejahtera. Purposed for society with maximum income:

- Rp 2.500.000,00 for KPR BTN Sejahtera Tapak

- Rp 4.500.000,00for KPR BTN Sejahtera Susun

2. House Collateral Loan(*KAR*)

Credit facilities are availabled to finance home renovations, education expenses, buying home furnishings, holiday and other needs.

3. Society Business Loan (*KUR*)

Credit facilities are provided and given to productive business and feasible but not bankable yet, in the form of Working Capital Credit and / or Investments Credits.

4. Griya Multi Loan (Productive House Loan) (*KGM*)

Credit facility provided by BTN Bank for home renovations and or development, or adding value, by house and land guarantee owned by the applicant.

5. Apartment Ownership Loan (*KPA*)

Credit facility provided by BTN Bank for reservations or purchasing of apartment.

6. Working Capital Loan (*KMK*)

Credit facility is provided to finance the working capital in the productive business sectors in services, manufacturing, distribution, trade, and business-based Contract Work.

7. House Improvement Loan Bank Cooperation (*PRR-KB Jamsostek*)

Credit facility is given to special participants of Jamsostek alongside with House Collateral Loan of BTN Bank product (BTN KAR) for expansion / home improvement.

8. Platinum House Ownership Loan (*KPR BTN Platinum*)

Credit facilities are granted to purchase a new house or old, in the development process (indent) or move financing from other financial institutions (take over).

9. Linkage BTN Loan

Credit facilities are provided to BPR or cooperatives to be followed lent to institutions / individuals or to its members, to the needs of the productive OR consumptive by Executing distribution models.

10. BTN Investment Loan

Credit is given to businesses in the form of PT, CV, Cooperatives, Foundations, and Individual in order to finance investment, either new investment, expansion, modernization or rehabilitation.

11. *SwaGriya Loan*

Credit facilities are given for cost of building a house on land that already owned by the applicant.

12. BTN Construction Loan

Credit facilities are provided to the developers, PT, Cooperative, CV and Individuals to assist developers in working capital financing of housing projects that include the construction of houses / buildings following with facilities and infrastructure, both landed and rusunami / apartment housing.

13. Small and Medium Micro Business Enterprises Loan (*KUMK BTN*)

Credit facilities are given for productive enterprises in the category of Micro, Small and Medium Enterprises in all sectors of the economy viable, in order to finance investment and / or working capital in order to run and grow their businesses.

14. BTN Soft Loan (*KRING BTN*)

Credit facilities are granted to employees of the company / government institutions with salaries as collateral.

B. Data Collection

TABLE 1

BALANCE SHEET

PT. Bank Tabungan Negara (Persero),Tbk

(Million Rp. Except par value)

BALANCE SHEET	2010	2011	2012
cash on hand	362.769	512.399	451.608
placement with other bank	2.347.930	9.777.564	4.432.993
marketable securities	928.357	733.953	736.482
loans	47.977.801	62.619.586	71.244.349
investment	-	-	-
fixed assets	1.460.837	1.497.455	1.502.275
other assets	512.830	626.938	684.781
total assets	68.385.539	89.121.459	98.755.885

growth (%)	16.87%	30.32%	10.81%
Deposit	48.104.318	62.762.985	70.116.882.
Taxes payable	-	-	-
Fund borrowing	3.399.787	5.695.307	6.483.850
Other liabilities	1.825.584	2.258.809	2.234.198
Total liabilities	61.938.261	81.799.816	90.635.812
Growth (%)	16.74%	32.07%	10.80%
Minority interest	-	-	-
Authorized capital	10.293.216	10.239.216	10.239.216
Paid up capital	4.357.029	4.404.536	8.837.243
Paid up capital (shares)	8.714	8.809	17.674
Par value	500	500	500
Retained earnings	1.262.197	1.157.372	2.832.140
Total equity	6.447.278	7.321.643	8.120.073
Growth (%)	18.05%	13.56%	10.91%

Sources : PT. BANK TABUNGAN NEGARA (Perseo),Tbk.

TABLE 2

INCOME STATEMENT

PT. Bank Tabungan Negara (Persero),Tbk

(Million Rp)

INCOME STATEMENT	2010	2011	2012
Total Interest Income	6.498.752	7.556.104	6.507.372

Growth (%)	13.42%	16.27%	
Interest Expenses	3.143.934	3.770.231	2.974.640
Other Operating Revenues	487.890	512.017	386.365
Other Operating Expenses	2.247.211	2.720.117	2.394.086
Income from Operations	1.263.717	1.525.749	1.405.776
Growth (%)	70.90%	20.74%	
Non- Operating revenues	-13.495	-3.489	-15.736
Income Before Tax	1.250.222	1.522.260	1.390.040
Provision for Income Tax	334.284	403.599	368.974
Minority Interest	-	-	-
Net Income	915.938	1.026.201	1.008.265
Growth (%)	86.75%	12.04%	

Source: PT Bank Tabungan Negara (Persero),Tbk

C. Management of Credit System

1. Credit Application Process

Credit application process in PT. Bank Tabungan Negara (Persero),Tbk are :

- a. Official Organizer are loan service.
- b. Organizer Mechanism
 - a) is a citizen of Indonesia
 - b) at least 21 years of age or married

- c) Have fix income from salary as an employee or self-employed income for businesses and professionals who have conducted its business at least 1 (one) year

- d) Fulfill the application documents.

c. Requirement Document

- b. Credit Application Form is completed with latest photographs of applicant and mate (if the applicant has already married)

- c. Copy of BATARA savings

- d. Copy of KTP of applicant and mate (if the applicant has already married)

- e. Copy of Family Card

- f. Copy of marriage certificate (if the applicant has already married) or certificate of divorce (if the applicant has already divorced)

- g. Copy of personal TIN

- h. Submit legality of business

- i. Consists of:

(Civil servants, police, state enterprises, enterprises, military, private sector employees)

- a. Copy of certificate of employment institution / recruitment SK copies of fix employee (Entrepreneurs and Professionals)

- b. Copy of Deed PT, or CV or cooperatives,

- c. SIUP,
- d. TDP and Domicile Certificate,
- e. Copy of Permit Practice and Notes works (at least 3 months)
- j. Submit finance aspect

For civil servants

- a. Salary slip / income certificate
- b. Certificate of work and family (if the person concerned is worked)
- c. IDI BI
- d. RAB (budget plan)
- e. SPT copy of PPH article 21
- f. Copy of bank statement / Current accounts with other banks, with the position of the last 6 months

For enterpriser

- a. The certificate of income authorized by village and sub-district
- b. IDI BI
- c. RAB (budget plan)
- d. Copy of bank statement / Current accounts with other banks, with the position of the last 6 months

- k. Submit collateral aspect

Among others:

- a. Letter from the home seller or store
- b. The certificate that haven't a house yet
- c. Collateral appraisal
- d. Copy of the certificate (IMB, house picture, the last SPT PBB)

Then interviews are conducted when customers are willing to submit credit at BTN Bank. Interviews will be conducted directly by the Loan service.

2. Credit Approval Process by PT. Bank Tabungan Negara (Persero), Tbk

Credit Control aims to ensure that the management, custody and supervision of Credit as an asset or bank assets has well done so it does not give credit risks caused by the deviation of both the debtor and the bank interest.

In credit granting, it is necessary to consider that trusts are the main elements in credit, so that credit is given to the target and guaranteed that will be paid on the right time in accordance with agreement.

PT. Bank Tabungan Negara (Persero), Tbk Malang have some ways to control credit so that there is no any problems in credit arrears by analyzing the prospective debtor, such as by using the following alternative:

- 4) Credit Appraisal before Credit Granting by using the 5C Principles
 - a. Character

Credit granting is based on trust, where the bank analyzed the debtor to determine the character and extent of his/her honesty.

b. Capacity

Banks assess the extent to which the results of operations can be obtained to pay off its obligations in time in accordance with the agreements.

c. Capital

Bank need to know how the consideration between the amount of debt and the amount of capital. So bank must analyze the balance sheets for at least last two years.

d. Collateral

Banks ask for collateral are intended to maintain if the business funded by credit is fail or cause other reason that resulting in the debtor can not pay off the debt.

e. Condition of economic

In providing credit, bank has to look at the circumstances that occurred at that time such as political, economic, social, cultural and other circumstances that affecting the likelihood at a given time can affect the smoothness of the business of obtaining credit.

3. Supervision and Redemption Technique.

Bank will supervise againsts the debtor that has been given credit by checking directly to the field.

If the debtor can not install the credit, so the bank will perform some of these actions:

Restructuring of problematic credit:

a) RestructuringCredit

The bank will give guidance to prospective debtors so that the provision of credit will not having problems that would harm the party, including by guiding mailing, telephone or by visiting.

b) Recheluding

The bank will extend credit period and extend the term of the installment period. In this case, bank will provide easiness to debtor, such as by extending the credit, for example, when the time is given for two years, then the bank will extend to three years, so creditur has a longer time to repay the credit.

c) Reconditioning

Bank will change the terms of previously agreed such as:

1. Too protrudes capitalization of interest, namely the interest rate used as a principal
2. The delay of interest is only the interest rate that can be postponed the payment, while the principal remains to be paid as usual.

3. Decreasing of interest rates in order to relieve the burden of customers
4. Numbering of interest freer that is given to customers on the basis consideration that the customer is not be able again to pay for the credit.

d) Restructuring

Changing the terms of credit regarding additional funding of bank. Bank confirm all or partially unpaid interest into a new credit principal and may be accompanied by rescheduling and or return requirements.

If debtor still can not pay the credit, then bank will take other actions such as:

a. Foreclosure bail

By submitting the debt become state receivable through the office that handling accounts receivable and state auction for the auction process. This is as the last alternative if the customer did not have a goodwill or are no longer able to pay all its debts.

Credit problems are a threat for bank, therefore PT.

Bank Tabungan Negara (Persero), Tbk Malang has guidelines for restructuring and settlement of credit problems procedures. The following risk control procedures

in the credit restructuring implementation at PT. Bank Tabungan Negara (Persero), Tbk Malang are:

1. High Risk:

There are some conditions in the credit agreement that have not been met:

- 1) The project process is slow but is not significantly out from original schedule
- 2) Disbursement credit proportionally larger than the project achievements
- 3) Credit repayment sources (home is built) remaining can not cover the remaining debt
- 4) Credit collateral cover is below 125% and binding of collateral has not been perfect.

2. Medium Risk:

- 1) There are conditions in the credit agreement have not been met.
- 2) The process is slow but the project has not been significantly out of its original schedule.

3) Disbursement credit still quite disproportionate in comparison with project achievement but there are indications of debtors that has financial difficulties.

4) Credit repayment source (house is built) still cover the remaining debt but still very limited.

5) Credit collateral cover between 125% to 150, the binding collateral is being perfected.

3. Low Risk

1) All terms and conditions in the credit contract is covered in right time.

2) The process of the project according to the original schedule.

3) Disbursement credit proportionally compared to project achievement.

4) Credit repayment source (house is built) cover the remaining debt

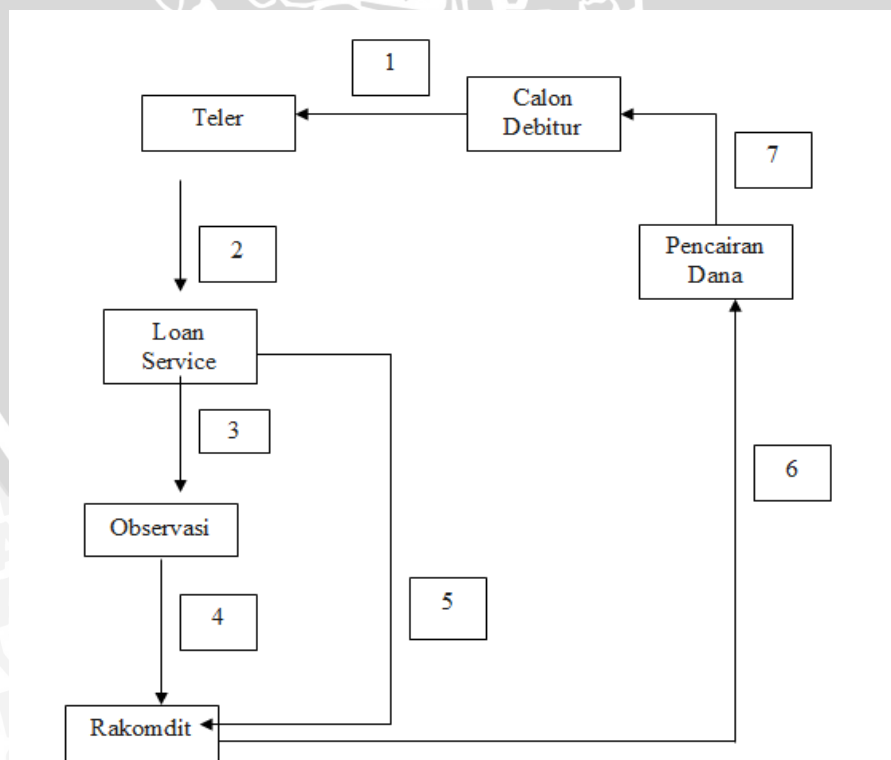
5) Credit collateral cover over 150% and the collateral binding has already perfected.

b. Policy and Procedur of Credit Granting

Credit granting policies and procedures are a second defense (the secondline of checked in credit granting). Credit Policy contains various provisions that are used as a guide of credit officials, so that resulting in the execution of his/her duty always comply with the general philosophy of credit granting. While, credit procedure is a combination between operating system and credit monitoring which aims to ensure that all deviations or exceptions to general policies of credit has gotten the attention from management.

Picture 2

Process of Credit Submission on PT. Bank Tabungan Negara (Persero), Tbk
Malang



Source : PT. Bank Tabungan Negara (Persero), Tbk

Notes:

- a) Teller serve customers who come in to fill out application form of personal credit, after that debtor submit the application consist of applicant identity card, photograph of 3x4 (1 sheet) for the applicant and the applicant mate, copy of employees card and last SK (Special for PNS), the applicant's husband's income certificate from the institutions (fixed income), copy of Business License, copy of land certificate, copy of IMB. The certificate of the applicant's income of husband and wife
- b) After all requirements are met, Teller submit the application form and credit form to loan service, then loan service will perform data matching on the application form with an application file submitted to the Teller.
- c) after matching the data, officer interviews by analyzing the applicant's employment and income which are compared with form data and verbal data with other data that supported.
- d) if the applicant is enterpriser then officers will visit businesses to determine the condition of the factory or place of business, the business operation and management of the ownership.
- e) loan service submit the file to the Credit Committee. Then Credit Committee held a meeting to determine the credit and assess the feasibility of guarantees and installment.
- f) After credit is agreed,so credit will be realized.
- g) And the last Credit committe will be realized to the customer.

4. Credit Control Effort

a. Analysis of Credit Monitoring Implementation.

In general, the implementation of credit monitoring conducted by PT. Bank Tabungan Negara (Persero), Tbk Malang has been well done by doing a variety of monitoring techniques that according to authors can reduce the incidence of credit arrears. There are some lacks in the implementation of the credit monitoring which has been carried out by PT. Bank Tabungan Negara (Persero), Tbk Malang, among others:

1. Inspection on the spot

It is made every 3 months, but according to information obtained by the authors, the inspection on the spot was done at any time not continuously. It means inspections on the spot performed in case of delay in paying its obligations. According to the authors, an inspection on the spot should be more actively implemented, because the possibility of arrears will be even greater. In addition, the role of Internal Control should be activated. Internal Control can make unannounced inspection against the debtor so that arrears of credit will be reduced then it will enhance the internal control of the company.

2. Guidance againts customers

Guidance to the customer is done if the customer is constantly doing delay in fulfilling its obligations. According to the authors, guidance to the customer's business should be more programmed and structured so that if there are arrears in the future will be resolved immediately. The smoothness of the payment depends on the smoothness business of customers.

3. In implementing credit monitoring conducted by PT. Bank Tabungan Negara (Persero), Tbk Malang, where the bank implement preventive controls and also repressive, that is saving bigger potential losses, have weakness, which Credit redemption can only be done if it has been approved by the Branch Manager as the policy holder.
4. In monitoring customer's account and financial statements that had been made by Account Officer, mantri should cooperate with deskman so that credit portfolio can be managed as well as such credit arrears can be addressed as early as possible so it can improve the internal control of the company.

b. Troubled Credit Reduction.

The efforts undertaken by PT. Bank Tabungan Negara (Persero), Tbk Malang in the way of prevention and settlement of troubled credit are as follows:

- a. Setting Identification

Problem identification and analysis of strategies are needed to determine the appropriate steps to know whether troubled credit will be solved with the strategy of termination (if the condition of the debtor can not be expected anymore) or relationship forwarding strategies when the condition of the debtor can be improved, or coordination with the institutions to resolve credit. Identification includes among others:

- Documents

Completeness of documents is a very important part of credit risk management. From the results of evaluation, it can be established position of PT. Bank Tabungan Negara (Persero), Tbk Malang.

- Relationship with Debtor

Analysis and evaluation of a history of good relations with the (debtor) to determine profit and loss of PT. Bank Tabungan Negara (Persero), Tbk Malang financially and non-financially during intercourse.

- Information and Investigation

Information and investigation are entered to determine the circumstances of current debtor that is gained from customers, suppliers, business associates and conditions and verification of collateral.

- Position determination of PT. Bank Tabungan Negara (Persero), Tbk Malang

Based on the analysis and evaluation of three steps are known the position of PT. Bank Tabungan Negara (Persero), Tbk Malang of the debtor, then set out an alternative strategy to troubled credit settlement.

b. Follow-up Plan

Follow-up plan can be done as an effort to redemption and settlement of troubled credit consist of:

1. Redemption of Troubled Credit

Redemption of troubled credit can be done by:

- Rescheduling

Credit terms change only related to payment schedule and or period of time.

- Reconditioning

Change in part or whole credit terms are unlimited to changes in the payment schedule, duration and or other requirements as long as does not related with the maximum credit balances.

- Restructuring

Changes in credit terms, including :

- Additional funds both

- Conversion of all or part of the principal interest arrears into a new credit

3R redemption efforts above may be taken if they meet the criterias:

- Debtor shows goodwill to cooperate with the redemption efforts that will be taken.
- Debtor business is still running and has good prospects.
- Debtor is able to pay scheduled liabilities.
- Ability to pay accrued interest.
- The position of bank will be better.

5. Settlement of Troubled Credit

Settlement of troubled credit can be done by 2 ways, among others:

a. Settlement of Troubled Credit Peacefully

Settlement of troubled credit peacefully is done if 3R redemption is not possible to be taken. Settlements of troubled credit peacefully are as follows:

- Remission of Interest

Granting of interest remission / penalty for the doubtful collectibility credit and loss with simultaneous payment or installments.

- Sale of part or all of collateral by debtor

Credit redemption peacefully with sales of collateral under the hand done in the following way:

1. Debtor is given the opportunity to offer / sell their own collateral.
2. PT. Bank Tabungan Negara (Persero), Tbk Malang helps to offer / find a buyer to buy / find a buyer who set themselves.

b. Settlement of Troubled Credit by Laws

If the peacefully redemption effort / settlement has been pursued maximally and do not provide results or the debtor does not show good will in resolving credit, so the settlement reached by law. Settlement through law should be based on the belief that the position of PT. State Savings Bank Branch Malang juridically strong and lightweight legalization costs. Settlement through laws can be reached as follows:

- **Settlement of Credit by Court**

Settlement of loan taken by court when it is believed to be more efficient, and can be done by taking one of the alternatives as follows:

- **Subpoena / warning**

Subpoena proposed to the Chief Clerk of Court through the District Court

- Suit

If the subpoena does not work as expected, then forwarded to sue the debtor and or insurer.

- Parate Execusie (execution with its own power without the judge's decision) on collateral goods that have been tied perfectly and real.

- Settlement of troubled credit through Arrears Credit Arrangement to BUPLN / PUPN

6. Write-off of Bad Debts

Write-off of credit is the accounting action in managing bank assets that affect on profit / loss calculation and capitalization structure. Juridical, that act was not a settlement of credit, so the write off of bad credit remain a bank bill. Economically, write off of credit is not entirely be a real loss of the bank, as there are collateral can be sold / auctioned and it is possible if debtor has other financial resources that can be expected to pay their debt

D. ANALYSIS AND INTERPRETATION OF DATA

Standart of Ratio Base on Bank Indonesia Rules

No : 6/10/PBI/2004

Ratios	Sandart of Bank Indonesia
<i>Cash Ratio</i>	3 %
<i>Loan to Deposit Ratio (LDR)</i>	85 % - 110 %
<i>Return on Equity (ROE)</i>	5 % - 12,5 %
<i>Return on Asset (ROA)</i>	0,5 % - 1,25 %
<i>Quick Ratio</i>	100 %
<i>Non Performing loan</i>	5%
<i>Capital Adequity Ratio (CAR)</i>	8%

Sources : www.bi.go.id

1. Liquidity Ratios

According to Kuncoro (2002:279) defines liquidity are :

” The ability of bank management to provide sufficient funds to meet all its obligations and commitments that have been issued to the customer any time. Obligations hand assets, such as providing funding for an approved loan drawdown or withdrawal of the appeal leeway loan. While the obligations arising from the liabilities side as the provision of funds for withdrawal of savings and other deposits by customers.”

a) Quick Ratios

Quick Ratio is a ratio to measure the bank's ability to meet its obligations to depositors (owners of demand deposits, savings and time deposits) with the most liquid, which is owned by a bank. Under normal circumstances the Quick Ratio 1 (100%) can be considered good. Quick Ratio formula to find the following :

$$\text{Quick Ratio} = \frac{\text{Cash assets}}{\text{Total Deposit}} \times 100\%$$

Table 3

QUICK RATIO

Period	Cash assets	Total deposit	Quick ratio
2010	2.737.699	48.104.318	5.69 %
2011	10.289.963	62.762.985	16.39 %
2012	4.875.601	70.116.882	6.95 %

Quick Ratio of calculation above, shows that the ability of PT. Bank Tabungan Negara (Persero), Tbk in fulfilling obligations to depositors with the most liquid assets have increased. The Quick Ratio is the percentage obtained are as follows: in 2010 amounted to 5.69%, in 2011 was 16.39%, in 2012 amounted to 6.95%. According Standart of Bank Indonesia for this ratio based on Bank Indonesia Rule's 6/10/PBI/2004 is under normal circumstances the Quick Ratio at 100% can be said to be good. Therefore, when compared with the normal standards of the Quick Ratio is 100%, then the ability of PT. Bank Tabungan Negara (Persero), Tbk in fulfilling obligations to the depositors most liquid assets are lacking because of the values obtained are still far below normal. Thus for the year - next year is expected to value the quick ratio will continue to rise until normal circumstances.

b) Banking Ratio

Banking Ratio used to determine the ability of the bank to pay to the depositors with loan guarantees. The formula used to calculate Banking Ratio is :

$$\text{Banking Ratio} = \frac{\text{Total Loan}}{\text{Total Deposit}} \times 100\%$$

Table 4

BANGKING RATIO

Period	Total Loans	Total deposit	Banking Ratio
2010	47.977.801	48.104.318	99.73 %
2011	62.619.586	62.762.985	99.77 %
2012	71.244.349	70.116.882	101.60 %

According calculation based on the above table it can be seen that the banking ratio PT. Bank Tabungan Negara (Persero), Tbk in 2010 amounted to 99.73%, in 2011 was 99.77%, in 2012 was 101.60%. although there is no standard in the banking ratio, but the higher this ratio, the lower the level of bank liquidity, due to the amount of funds that will be used to pay the credit is more smaller.

c) Asset to Loan Ratio (ALR)

Assets to Loan Ratio are used to measure the amount of loans extended by the number of bank owned property. The formula to figure Assets to Loan Ratio as follows :

$$\text{Assets to Loan Ratio} = \frac{\text{Total loans}}{\text{Total assets}} \times 100\%$$

Table 5

ASSET to LOAN RATIO

Period	Total Loans	Total Asset	ALR
2010	47.977.801	68.385.539	70.15%
2011	62.619.586	89.121.459	70.26%
2012	71.244.349	98.755.885	72.14%

In the above table Asset to Loan Ratio PT.Bank Tabungan Negara (Persero), Tbk in 2010 amounted to 70.15%, in 2011 was 70.26%, in 2012 was 72.14%. This indicates the stability level of liquidity because only addition and subtraction percentage of the decimal point, and that was found in the year 2012 that means the bank's ability to meet customer lending assets increased and high levels of liquidity due to an increase in the number of bank assets is greater than the increase in the number of credit disbursed by banks.

d) Cash Ratio

Cash Ratio is a ratio to measure the bank's ability to repay an obligation that must be paid with liquid assets owned by the bank. Cash Ratio is the percentage of good is different for each type of business, but the cash ratio is considered good for the bank set a minimum of 5% for funding dollars and to 3% for foreign exchange funds. The formula used is:

$$\text{Cash Ratio} = \frac{\text{Liquid Assets}}{\text{Short Term Borrowing}} \times 100\%$$

Table 6

CASH RATIO

Period	Liquid asset	Short term Borrowing	CR
2010	2.737.699	51.504.105	5.31 %
2011	10.289.963	68.458.292	15.03 %
2012	4.875.601	76.600.735	6.36 %

From the above calculations it can be seen that the cash ratio in 2010 of 5:31%, in 2011 was 15:03%, in 2012 of 6:36%. increase in the cash ratio is due to the amount of the increase or decrease of cash is always offset by the amount of short-term debt. According standart of Bank Indonesia for this ratio based on Bank Indonesia rule's 6/10/PBI/2004 is 3%. It means that cash ratio is exceed the standart,in another word higher liquidity ratio so more liquid.

e) Loan to Deposit Ratio (LDR)

Loan to Deposit Ratio is a ratio to measure the composition of total loans compared to the amount of public funds and used their own capital. Bank Indonesia has set the standard of LDR is 85% -110%. The formula used to calculate the LDR :

$$\text{Loans to Deposit} = \frac{\text{Total loans}}{\text{Total Deposit} + \text{Equity}} \times 100\%$$

Table 7

LOAN to DEPOSIT RATIO

Period	Total Loan	Total deposit + Equity	LDR
2010	47.977.801	54.551.596	87.94 %
2011	62.619.586	70.084.628	89.34 %
2012	71.244.349	78.236.955	91.06 %

In the table above, the value of LDR PT.Bank Tabungan Negara (Persero), Tbk in 2010 amounted to 87.94%, in 2011 was 89.34%, in 2012 was 91.06%. According standart Bank Indonesia rule's 6/10/PBI/2004 is 85% - 110%, and that means the LDR in distributing credit is working good. Nevertheless need to watch the growing lending that LDR does not exceed the minimum.

2. Profitability Ratio

Profitability ratio is used to measure the level of business efficiency and profitability achieved by the banks concerned. According Simorangkir (2004:139) profitability ratios are:

1) Gross Profit Margin

This ratio is used to determine the presentation of earnings from operations of banks purely concerned after deducting expenses. The formula to find the Gross Profit Margin as follows :

$$\text{Gross Profit Margin} = \frac{\text{Operating Income} - \text{Operating Expense}}{\text{Operating Income}} \times 100\%$$

Table 8

GROSS PROFIT MARGIN

Period	Operating Income – Operating Expense	Operating Income	GPM
2010	2.859.214	8.250.359	34.65%
2011	3.103.522	9.593.870	32.34%
2012	2.930.787	8.299.513	35.31%

In the above table it can be seen that the ability of PT. Bank Tabungan Negara (Persero), Tbk in generating revenue through operating profit each year has decreased and increased. GPM in 2010 amounted to 34.65%, in 2011 was 32.34%, in 2012 was 35.31%. The size of the amount of total operating expenses was always followed by operating income.

2) Net Profit Margin

Net Profit Margin is a ratio to measure the bank's ability to generate net income from principal operations. The formula to find the Net Profit Margin is:

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Operating Income}} \times 100\%$$

Table 9

NET PROFIT MARGIN

Period	Net Income	Operating Income	NPM
2010	915.938	8.250.359	11.10%
2011	1.026.201	9.593.870	10.69%
2012	1.008.265	8.299.513	12.14%

Based on Net Profit Margin calculation above, it can be seen that the NPM PT.Bank Tabungan Negara (Persero), Tbk in 2010 was 11.10%, in 2011 was 10.69%, in 2012 of 12.14%. means that the bank's ability to result in net income through operating income has increased every year.

3) Return on Equity Capital

The ratio is used to measure the ability of bank management in managing existing capital to get net income. The formula used to determine the Return on Equity Capital is :

$$\text{Return on Equity Capital} = \frac{\text{Net Income}}{\text{Equity capital}} \times 100\%$$

Table 10**RETURN on EQUITY CAPITAL**

Period	Net Income	Equity Capital	ROE
2010	915.938	6.447.278	14.20%
2011	1.026.201	7.321.643	14.01%
2012	1.008.265	8.120.073	12.41%

In the calculation of return on equity capital in 2010 amounted to 14.20%, in 2011 was 14.01%, in 2012 was 12.41%. Increase in 2010 and 2011 due to more optimal use of capital to generate income so that ROE has increased, and subsequently decreased. According standart bank Indonesia rule's no : 6/10/PBI/2004 is 5% - 12.5 % it means this ratio exceed the standart.

4) Return on Total Asset

Used to measure the level of net income derived from the total assets of the company. The formula used Return on Total Assets is :

$$\text{Return on Total Assets} = \frac{\text{Net profit after taxes}}{\text{Total assets}} \times 100\%$$

Table 11

RETURN on TOTAL ASSETS

Period	Net Profit after Taxes	Total Assets	ROA
2010	915.938	68.385.539	1.33%
2011	1.026.201	89.121.459	1.15%
2012	1.008.265	98.755.885	1.02%

Based on the above calculation is known that the ROA in 2010 was 1.33%: in 2011 of 1.15%, in 2012 at 1.02%. The decrease caused by an imbalance between the use of additional assets with the using fund to get net income. According standart Bank Indonesia rule's no : 6/10/PBI/2004 is 0.5% - 1.25%. it means just in 2010 exceed the standart.

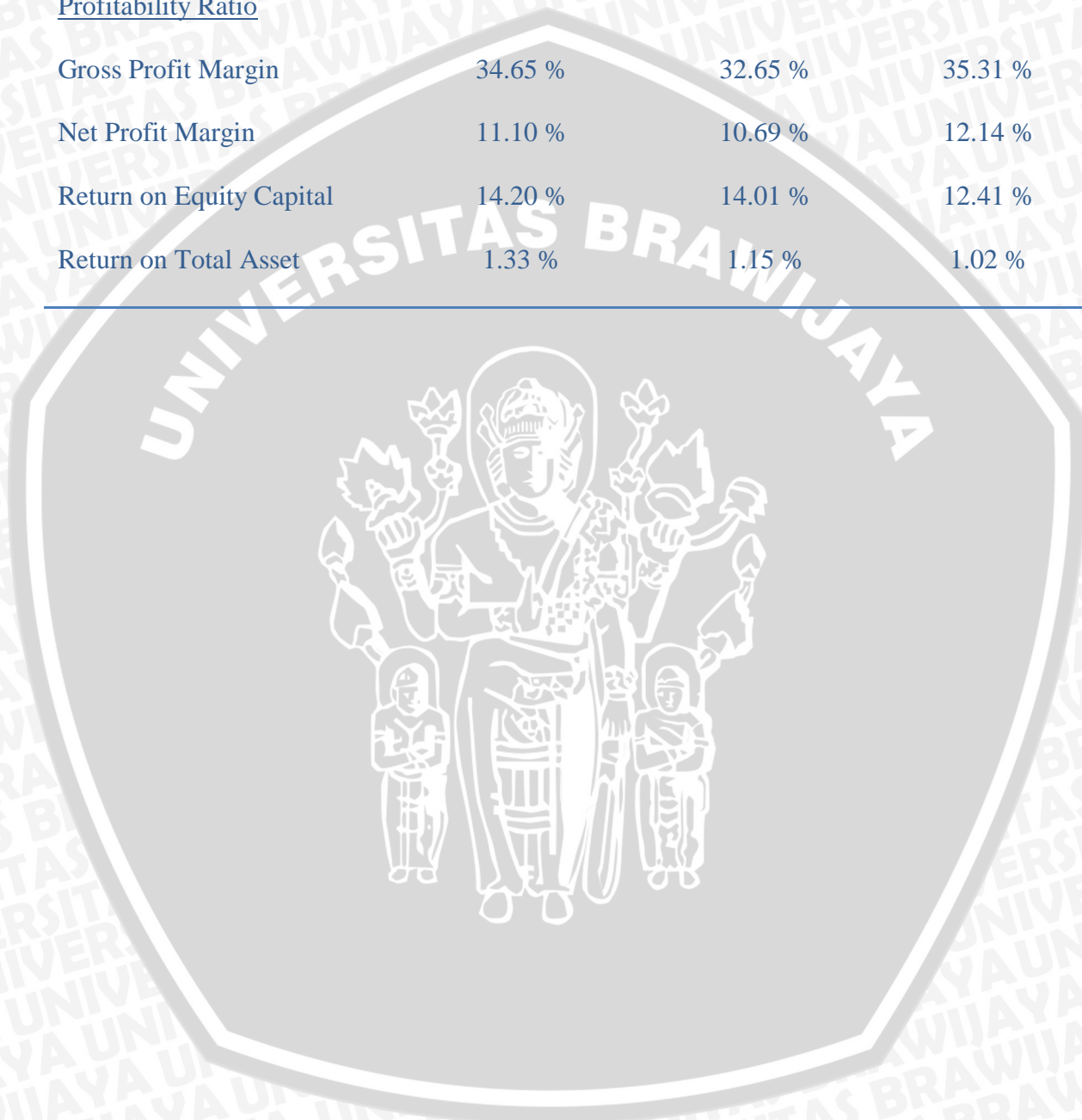
E. Analysis Result and Data Intreperatation

Table 12

Liquidity Ratios and Profitability Ratio Result

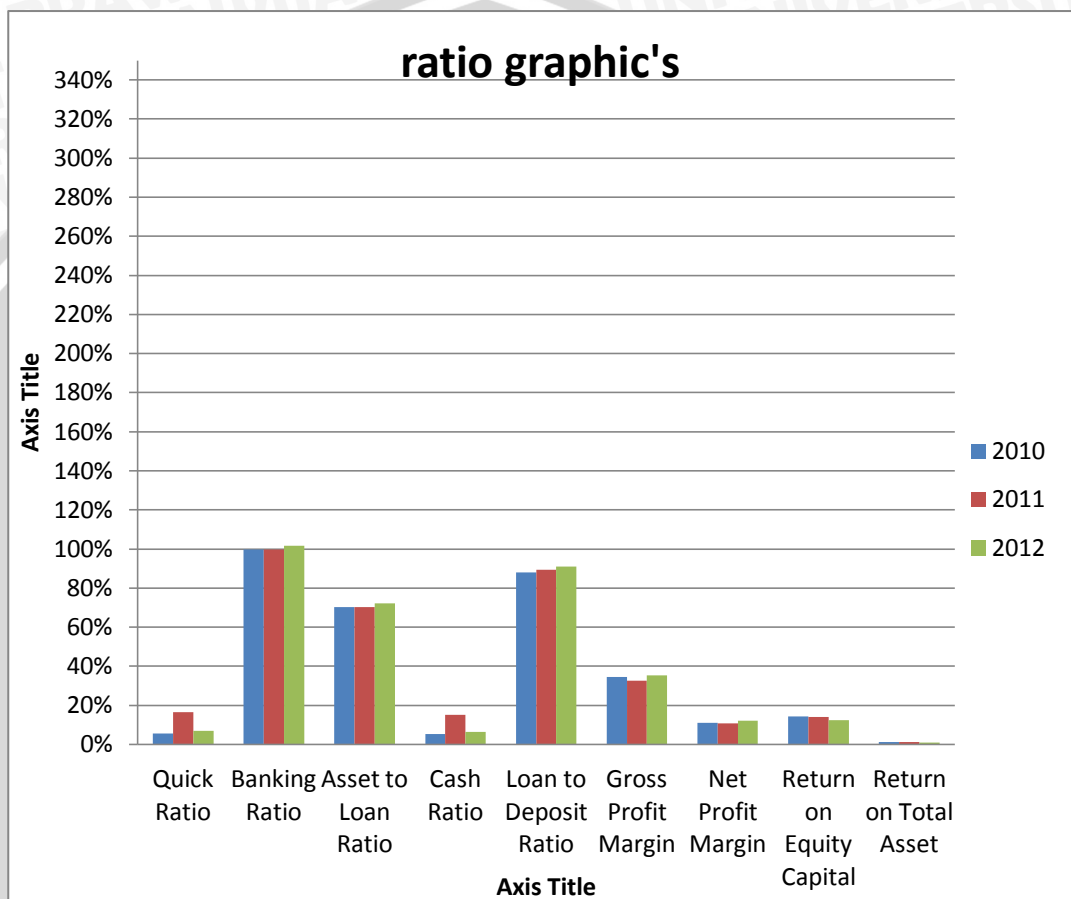
Ratio	2010	2011	2012
<u>Liquidity Ratio</u>			
Quick Ratio	5,69%	16.39 %	6.95 %
Banking Ratio	99.79 %	99.77%	101.60%
Asset to Loan Ratio	70.15 %	70.36 %	72.14 %
Cash Ratio	5.31 %	15.03 %	6.36 %

Loan to Deposit Ratio	87.94 %	89.34 %	91.06 %
<u>Profitability Ratio</u>			
Gross Profit Margin	34.65 %	32.65 %	35.31 %
Net Profit Margin	11.10 %	10.69 %	12.14 %
Return on Equity Capital	14.20 %	14.01 %	12.41 %
Return on Total Asset	1.33 %	1.15 %	1.02 %



Picture 3

RATIO GRAPHIC



From the interpretation of these results, it can be seen that the financial condition PT. Bank Tabungan Negara (Persero), Tbk when seen from the analysis of financial ratio, the liquidity ratio have a high values it means the bank have excess current assets, which have bad influence to profitability because will be happen of 'rush' or pulling the fund as on large scale by customer which is cause the rare of liquidity. But in this case the liquidity ratio can be maintain. While on the profitability ratio overall

was decreased in 2010 and 2011, and increased in 2012. In minimizing the risk of failure, then PT. Bank Tabungan Negara (Persero), Tbk to manage credit needed a repair so that liquidity can be maintained and increased profitability.

According to the graphic the effectiveness credit management of PT. Bank Tabungan Negara (Persero), Tbk is working good in credit distribution of, because have a stabil increase although decrease too but not in large scale, in liquidity ratio have high values in banking ratio, assets to loan ratios and loan to deposit ratios, however in quick ratio under standard normal, cash ratio in exceed standard. In the profitability ratio there is no differences inter ratio always increase.

PT. Bank Tabungan Negara become principal destination of society to get the credit distribution, because managing of credit management is trusted and can helping to solve their problem in finance case, and the bank can give solution to credit distribution easily in order to can give advantages on each other, so many customer day by day come in bank to ask the credit permission so high the risk get by the bank, so must be smart to choose the customer to minimalize the credit risk, in order to bank can maintain the liquidity ratio and also can increase profitability. In credit management need improving in order to liquidity can be maintain and increase profitability, with 5C to choose the customer who ask the credit application. PT. Bank Tabungan Negara (Persero), Tbk Malang have some ways to control credit so that there is no any problems in credit

arrears by analyzing the prospective debtor, such as by using the following alternative:

- Credit Appraisal before Credit Granting by using the 5C

Principles :

a. Character

Credit granting is based on trust, where the bank analyzed the debtor to determine the character and extent of his/her honesty.

b.Capacity

Banks assess the extent to which the results of operations can be obtained to pay off its obligations in time in accordance with the agreements.

c. Capital

Bank need to know how the consideration between the amount of debt and the amount of capital. So bank must analyze the balance sheets for at least last two years.

d. Collateral

Banks ask for collateral are intended to maintain if the business funded by credit is fail or cause other reason that resulting in the debtor can not pay off the debt.

e. Condition of economic

In providing credit, bank has to look at the circumstances that occurred at that time such as political, economic, social,

cultural and other circumstances that affecting the likelihood at a given time can affect the smoothness of the business of obtaining credit.

Conclusion of analysis result :

Ratio	Bank Indonesia's Standart	Analysis Result	Conclusion
<i>Cash Ratio</i>	3 %	2010 : 5.31% 2011 : 15.03% 2012 : 6.36%	Good
<i>Loan to Deposit Ratio (LDR)</i>	85 % - 110 %	2010 : 87,94% 2011 : 89,34 % 2012 : 91,06%	Good
<i>Return on Equity (ROE)</i>	5 % - 12,5 %	2010 : 14.20% 2011 : 14.21% 2012 : 12.41%	Good
<i>Return on Asset (ROA)</i>	0,5 % - 1,25 %	2010 : 1.33% 2011 : 1.15% 2012 : 1.02%	Good
<i>Quick Ratio</i>	100 %	2010 : 5.69% 2011 : 16.39% 2012 : 6.95%	Not Good

CHAPTER V

CONCLUSION

A. CONCLUSION

Based on the description and discussion in the previous chapter, it can be concluded as follows :

1. PT. Bank Tabungan Negara (Persero), Tbk is a bank that function to serve savings, current accounts, deposits, and give credit to the types of consumer loans and working capital loans. The extension of credit is a source of bank income, therefore whether or not the management of credit that is applied will affect the bank's revenue. Main tasks in the management of non-performing loans of credit so the bank's liquidity will be maintained and will still increase profits.
2. The effectiveness credit management of PT. Bank Tabungan Negara (Persero),Tbk is working good in credit distribution of, because have a stabil increase although decrease too but not in large scale, it proven with enthusiastic of society who trust with credit management is. And every day so many people come to the bank to asking credit application.
3. In credit distribution, bank has used the principle of 5C. However, the bank is still not optimally apply the whole principle 5C. To achieve an effective credit management then the bank must make improvements in the analysis of credit.

4. In the liquidity ratios under conditions less stable because each year there is a decrease and an increase, but still in good shape. While on the profitability ratio through the same thing it means the bank is still able to provide credit for maintaining liquidity in order to improve profitability was good though in a less stable condition.

B. SUGGESTION

1. In credit distribution, PT. Bank Tabungan Negara (Persero), Tbk should be more selective to choose customer by applying whole 5 C approach , for which bank is a top priority for the community in lending to the welfare of living.
2. PT. Bank Tabungan Negara (Persero), Tbk should be more selective in allocating funds and evaluate the management of credit that has been applied by the bank earlier that bank liquidity is maintained and improved profitability.
3. PT. Bank Tabungan Negara (Persero), Tbk also should spur lending and boost the rate of acquisition and through a variety of third-party products that have been designed.
4. PT. Bank Tabungan Negara (Persero), Tbk should increase the cooperation relationship with other banks to strengthen the capacity of funding so that the company can continue to expand.