

## **CHAPTER II DISCUSSION AND ANALYSIS**

### **2.1 Relation and Norm of the office of PT. Bank Lampung**

#### **2.1.1 Relation with Staff of PT Bank Lampung**

A number of staff in PT Bank Lampung is 60 people. They are divided into 1 leader of main branch office, 4 field leaders, 10 supervisors, including employees, security, lackey and drivers.

#### **2.1.2 Relation with Facility**

To support the work at the main branch office of PT Bank Lampung providing all the facilities needed by the employee the current network of Bank Lampung office are 32 offices supported by facilities, online real time information technology, ATM spread across the provincial capitals and cities in Lampung. In daily activities the writer use the facility provided by office such as computers. In according to Telephone and fax machine function as a communication and one of technology the telephone and fax machine are the important parts to do activity in this division.

### **2.1.3 Relation with Clients**

During the implementation of field practice participant in PT Bank Lampung, the writer was placed in Financial Controlling Division and Electronic Main Data part, therefore the writer didn't face with customers directly. In the implementation of daily activities, the writer is collaborating with employees in Financial Controlling Division and Electronic Main Data part to do duties. The number of employees in this office part consist of 6 employees, the writer not feel difficult in performing her duties as field practice participant, but the writer was helped by the guidance of employees and staff at main branch of PT Bank Lampung. Therefore the writer feels comfortable and helped by the employees.

### **2.1.4 Norm**

Norm in PT Bank Lampung such as :

1. Work as a form and pious to God Almighty
2. Priority to perform, quality results and work hard
3. Create the quality relationships and cooperation among employees
4. Customer satisfaction is the main focus and reference in the works

5. Priority to progress of the Bank through increasing professionalism
6. Enhance the entrepreneurial attitude and thinking, acting and working as an entrepreneur
7. Every employee must maintain and enhance the image bank
8. Every employee is required always care and responsive to the problems that exist
9. Priority to hard work, perseverance, discipline and honesty

### **The Time and Day Work of PT Bank Lampung**

The employees time and day work of PT Bank Lampung are 5 days a week .

The time work distributions are :

07.30-12.00            called work time. During these period of times the employers

doing their job .

12.00-12.30            called breaks time. In this period the employers have time to lunch,

pray, and take a rest.

13.00-16.30 called work time. During these period of times the employers

Continue their job.

And on Friday the work time distribution are :

07.30-12.00 called work time. During these period of times the employers

doing their job.

12.00-13.00 called breaks time. In this period the employers

have time to lunch,

pray, and take a rest.

13.30-15.00 called work time. During these period of times the employers

continue their job.

### **1.1.5 Skills**

In line with the observation during the field practice at PT Bank Lampung, it can be said that there are many skills that we needed to develop for the future purposes for banking sector. Those skill are, computer skill. Basically, computer is electronic tool which was connected by electric and its function to do data processing, in order to aim accurate

and speed data collection. Obviously, computer skill is very urgent to increase the work quality. Public relation knowledge. In this case, public relation skill is a important aspect to increase the communication with customers and intern staff of PT Bank Lampung. In addition, this skill can help us in improve our pervormance optimally.

#### **1.1.6 Activities of Field Practice in relation with the Curriculum of D3 English Profession Program University of Lampung**

D3 English Profession program is one of major Language and Art Department of Theacher Training and Education Faculty. The Student of D3 English Profession need knowledge which has been acquirents from faculty to meet world job competition in job world. Based on the writer's experience, it can be concluded that in many job need skill in communication and technology support the activities in the company or institute.

Student of D3 English Profesion are not only having skill in communication but also needs knowledge in other section such as office management, computer office, and public relation knowledge.

For example such as :

- a. office computer can help to type the invitation, official letter and the employee's salary recapitulation.

- b. Office management knowledge helps the writer to arrange the employees mutation file but during her field practice she was guided by the staff in there.
  
- c. Public relation skill is a important aspect to increase the communication with customers and intern staff of PT Bank Lampung. In addition, this skill can help us in improve our performance optimally.

## 2.2 Analysis of Problem

### Factors Influencing Credit Stagnations and Its Solution at PT Bank Lampung

PT Bank Lampung is a Regional-Owned Enterprises (enterprises) whose capital is partly a wealth of Lampung and fittings are areas that are directed to enhance the capabilities sought by providing loans with reasonable interest rates. PT Bank Lampung has been able to extend loan in the form of standard credit and commercial credit. To provide maximum service to the weak economy in order to help the government speed up poverty alleviation programs in Indonesia, especially in the area so that the role of PT Bank Lampung was felt by the community. It can be seen in Table 1, the realization of the volume of lending continues to increase every year.

Table 1. Realization Volume of Lending and Number of Debtor Overall PT Bank Lampung Year 2008-2010

Period	Amount of loan granted (Rp)	Number of debtors (people)
2008	301.169.146.978	16.999
2009	486.058.735.627	18.514
2010	690.766.992.835	19.100

Sources: Annual Report PT Bank Lampung

Table 1 shows the continuous increase in the amount of credit provided to debtors. In 2009 the number of credits increased by 61.39% from 2008, as well as the year 2010 increased by 42.12% from the year 2009, and the number of debtors also increased in the year 2009 amounted to 8.91% from 2008 and increased by 3.17% in 2010.

PT Bank Lampung in conducting credit, using the bank's credit policy guidelines by applying the precautionary principle banks ( prudential Banking ), the precautionary principle is applied in PT Bank Lampung lending efforts by selecting a likely candidate selective debtor will receive credit, so as to avoid the risk of bad debts which the debtor can not pay its obligations in the form of installments of principal and interest which will further affect the operating income of PT Bank Lampung. Nevertheless, the role of PT Bank Lampung as a financial institution is never separated from the bad credits problem. It can be seen in Table 2 which shows the existence of fluctuations in the number of bad debts.

Table 2. Bad Debts rate fluctuations PT Bank Lampung in 2008-2010

Period	Smooth (Rp)	The special attention (Rp)	Substandard (Rp)	Doubtful (Rp)	loss (Rp)
2008	298.170.535.465	5.031.598.056	3.194.055.906	801.402.988	912.069.838
2009	483.157.440.517	2.726.995.441	4.989.985.722	1.928.488.429	2.018.624.783
2010	549.264.345.569	8.222.392.826	3.662.915.538	2.699.914.559	1.905.751.283

*Sources: Annual Report PT Bank Lampung*

Table 2 shows the increase in the numbers of significant bad debts in 2009 amounting to 121.32% from 2008, and then decreased by 5.59% in 2010.

Table 3 will show the number of borrowers receiving credit at PT Bank Lampung classified by credit collectability .



Table 3. Number of Credit Recipients Debtor At PT Bank Lampung Year 2008-2010

Period	Smooth (people)	The special attention (people)	Substandard (people)	Doubtful (people)	loss (people)	Total debtors (people)
2008	16.188	253	377	88	93	16.999
2009	17.640	287	376	124	266	18.514
2010	18.555	186	186	115	152	19.100

Sources: Annual Report PT Bank Lampung

Table 3 shows the increase in the number of bad credit borrowers in the year 2009 of 186.02% from 2008, and decreased in the year 2010 amounted to 42.85% from 2009.

### Definition of Credit

Credit in Yunani language means *credere* which means trust or in Latin *Creditum* which means belief or truth, while the loan terms that have been formulated in Law No.10 of 1998 amendments to the UU No.7 of 1992 concerning Banking is the provision of money or bills ‘’ which can be equated with that, based on an agreement between the bank’s lending to other parties where the obligation of the borrower to repay their debts after a certain period with the amount of interest, reward, or profit sharing’’. ‘’

## **Classification Type of Credit**

Classification of this type of credit need to know to see what kind of loan needed by companies or individuals at any given time and find out later development of the credit.

1. Types of credits in general, namely:
  - a. Commercial loan is credit granted by banks to companies or individuals for commercial purposes.
  - b. Consumer loan is given to individuals credit for consumption purposes, such as mortgages.
2. Types of credit based on the purpose of financing:
  - a. Working capital credits.

Is the credit given by banks to companies and individuals to increase their working capital in the form of purchases of raw materials, auxiliary materials, labor or overhead costs.
  - b. Investment credit

Namely the provision of credit facilities granted by banks for the purpose of investment interests in the form of purchases of capital goods (machinery), construction of factory buildings or other investment activities.

3. Types of credit in terms of duration:

a. Short-term credit

Namely the credit period is not more than 1 year with the aim of use who are primarily for working capital.

b. Long-term Credit

Namely the credit period is more than a year with the purpose of use in general is to finance the investment for companies or individuals that are consumptive.

4. Seen from the nature of credit types:

a. Credit revolving facility is granted on the basis of a certain limit or ceiling and can be used repeatedly until the deadline specified limit.

b. Credit Aflopend is the loan facilities provided for one-time use or as scheduled and can not be used repeatedly.

5. Types of credit based on its customers:

a. Customer "corporate" credit is given to a form business / company.

b. Customer "retail" credit is given to individuals.

c. Customer "consumer" of credit granted to customers that its use is consumptive.

## **Credit Functions**

Credit function of banks in economic life and commerce are as follows:

1. Credit can increase the usability of (utility) of money.
2. Increase the utility of a good credit.
3. Credit improve traffic circulation and money.
4. Credit causing excitement community effort.
5. Credit as a means of economic stability
6. Credit as a bridge improvement of national income.
7. Credit as an instrument of international economic relations

(Muchdarsyah Sinungan, 1997: 19)

The main purpose of credit, among others:

1. for-profit

This advantage is derived from interest income represents the excess of interest credit and costs to be incurred to obtain funds from the public, this advantage is crucial for the survival of the bank.

2. Help business customers

With funds from the credit facility, then the debtor will be able to develop and expand its business.

3. Assist the government

Credit as a tool to spur economic growth with more and more lending by banks is expected to increase development across various sectors.

## **Elements of Credit**

Elements contained in the granting of a credit facility is:

1. Trust

Namely the belief that credit is given good performance in terms of money, goods, and services will actually be readmitted within a specified period in the future.

2. Time

The period that separates between an achievement with performance counter to be received in the future.

3. Degree of risk

That is a level of risk to be faced as a result of the time-scale separation between the giver achievement with performance counter that will be received at a later date. The longer the credit given the higher risk levels.

4. Achievement or an object credit

Credit facilities granted not only in money but also can take the form of goods or services, but as time advances of credit transactions in the form of money that is often encountered in the practice of lending.

## **Credits should be Avoided**

Credits that need to be avoided include:

- a. Property credit for the financing and land acquisition.
- b. Credit aims to speculation, which has no source of repayment.
- c. Credit without sufficient financial information except to small and micro credit.
- d. Credits that require special expertise that is not owned by banks, but banks employ consultants / others to analyze
- e. Credit to borrowers in trouble and or jam with other banks.
- f. Credit for the use of inappropriate, such as credit for working capital used for investment, etc.

## **Nonperforming Credit**

Definition of non-performing credits by the General Rural Code Book II, non-performing loans is a loan condition in which there is an aberration (deviation) of the schedule agreed in the installment loan payments, resulting in delay or suspected there is a possibility of potential losses. Nonperforming credits must be properly managed, because of the risk and losses on risk assets (assets that risk) will affect the health of banks. Credit problems rarely arise suddenly, but always show signs of advance, unless there is an accident (force majeure) of the debtor business. Banks that succeed in giving credit is a bank that is able to manage

problematic credits at a reasonable level and has the potential to cause losses to a minimum, to achieve it then the bank should carry out the process of lending activities based on the stages that have been determined. If credit has been done, should be immediately followed by the step of monitoring and supervision of credit, this step is used to help banks find early signs that will take effect on credit quality (collectability), these signs to close the weaknesses / deficiencies in the process credit.

### **Collectability of Credit**

Determined by the current credit quality or absence of payment of principal and interest as well as the ability of debtors is reviewed from the state of its business, the collectability of loans categorized into current, special mention, substandard, doubtful, and loss.

Based on the Decree of Bank Indonesia Number 31/147/KEP/DIR November 12, 1998 on Earning Assets Quality and SK Board of Directors of PT Bank Lampung Number 35/DIR/KRD/VI/2001 about Collectability Credit, namely:

1. Category smoothly if the payments on time, the development of both accounts and no arrears and in accordance with credit terms.
2. Categories in the special attention if there are arrears of principal or interest payments up to 90 days, a complete credit documentation and collateral values strong.
3. Category less smoothly if there are arrears in payment of principal or interest that has exceeded 90 days to 180 days and frequent overdraft.

4. Category doubtful if the arrears of principal and interest payments that have exceeded 180 days to 270 days, the relationship between the debtor and the bank's deteriorating financial information can not be trusted, credit documentation is incomplete and weak collateral value.
5. Category jam if there are arrears in principal and interest that have exceeded 270 days, and the binding collateral credit documentation does not exist.
6. Category substandard, doubtful, and loss of credit which is included in the credit crunch.

### **Credit Analysis**

In lending, the bank must first perform a credit analysis that can be done by analysis of 5C. 5C includes the analysis of character, capital, capacity, condition of economy, and collateral.

- a. Character

Assessment of temperament or personality of a prospective borrower intended to determine honesty and good faith of borrowers to repay their credits.

- b. Capital (an assessment of the capital)

Focuses on aspects of prospective borrowers of capital, the bank must conduct an analysis of the overall financial position so that can know the ability of prospective borrowers of capital to support financing efforts.

- c. Capacity (assessment of ability)

Banks should examine prospective borrowers of expertise in the field of



business and managerial skills, so that the bank believes that the business is financed run by the right people, so that the prospective borrower within a predetermined period of time can repay their credits.

d. Condition of Economy

It is a condition of the economy at the time credit is granted, aspects that need to be analyzed is market competition and the tendency of economic development in the future for goods produced by the business.

e. Collateral (assessment of the guarantee)

Is a collateral or guarantees held by prospective customers easily liquidated and the minimum value for the number of credits, which will be used if the debtor can not repay their credits are given to client.

### **Factors that cause the Bad Credits to PT Bank Lampung**

Factors that influence and be the cause of bad credits to PT Bank Lampung are:

1. The condition is not good business, business conditions are concerned the main cause of bad credit, high levels of competition affect the smooth running business so the ability to pay their credit reduced.
2. Less is better implementation of development banks, development banks are still not implemented and managerial skills tend to be weak due to the bank not to maximize efforts to increase the managerial capacities of debtors.

3. The use of credit funds are not in accordance with the designated credit, the bank due to lack of carrying out supervision and monitoring of credit had been disbursed.

### **Efforts for Settlement of Bad Debts made by PT Bank Lampung**

The first effort undertaken by PT Bank Lampung is seeing the condition of the debtor's bad credit, is it still worth it or not prospected for further efforts to determine what can be done against the debtor. For debtors who still has a prospective business conditions are still viable can be done with the rescue effort while the loan settlement effort carried out if the rescue can no longer be .

### **Credit Rescue Conducted by PT Bank Lampung**

Credit rescue by PT Bank Lampung reached by way of 3R, namely:

1. Rescheduling

That is the only change in credit terms and payment schedules only concerns or duration.

2. Reconditioning

That changes some or all terms of credit, not limited to changes in the payment schedule, duration, and other requirements relating to changes in the maximum extent not balance credits.

3. Restructuring

That changes the terms of which include rescheduling and reconditioning.

## **Settlement of Credit made by PT Bank Lampung**

If in the opinion of the bank, a credit crunch is already impossible to be saved and become smooth again through the efforts of the rescue loan and eventually became bogged down, then the bank will make efforts to loan settlement, settlement of bad debts by PT Bank Lampung in particular by:

### **a. Peaceful settlement of credit**

Namely direct billing to the debtor without the bank should make use of billing services as well as existing legal institutions, this way if there are still taken in good faith of the debtor to repay its obligations through peaceful means must go through legal channels, the efforts are:

1. PT Bank Lampung provide relief for interest payments and credit obligation if the debtor would repay the loan.
2. Sales of goods are controlled by a bank guarantee, by peaceful means without going through the auction process.
3. Sales of other assets owned by the debtor, although not controlled by the bank as loan collateral.
4. Sales of assets of the debtor, whether it be the collateral held by banks and non-warranted, as well as providing relief on interest payments or fines.

### **b. Credit settlement through legal**

If the efforts of peaceful settlement by the bank and the debtor does not give the results did not show good faith to pay its obligations, then the bank can take legal action to finished the loan.

Efforts are made of PT Bank Lampung in addressing the credit logjam, among others:

1. Sending warning letters to bad credit borrowers.
2. Actively seeking prospective buyers of collateral or business partners who are interested to take over the debtor.
3. Develop a target deadline of liquidation, if until the deadline for the liquidation was not able or difficult to implement, then the next billing submitted to the District Court.
4. Billing is not stopped before the entire debtor's obligations stated in full.

### **Effect of the Efforts made by PT Bank Lampung in Reducing the Bad Credits**

Based on the data, PT Bank Lampung has decreased the amount of bad debts in 2010 amounted to 5.59% nominal amount of bad loans with less than Rp 2,018,624,283 to 1,905,751,283, and the table shows the decline in the number of bad credit borrowers in 2010 amounted to 42.85 % the amount of bad credit borrowers from 266 people to 152 people.

This proficiency level proves that the efforts carried out by PT Bank Lampung in reducing the bad loans are enough to affect the reduction in nominal amount and the amount of bad credit borrowers.