

GOVERNANCE OF RURAL BANKS BASED ON LAW CONCERNING BANKING IN THE PERSPECTIVE OF COMMUNITY WELFARE

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Abstract

Based on Law Number 10 of 1998, the objective of Indonesian banking is to support the implementation of national development in order to increase equity, economic growth and national stability towards increasing people's welfare. Banking can be grouped into three, namely central banks, commercial banks and rural banks. Rural Banks (BPR) are banks that carry out business activities conventionally or based on sharia principles, which in their activities do not provide services in payment traffic. The research method that the authors use is a normative juridical method, namely research that prioritizes library data, namely research on secondary data. The secondary data can be in the form of primary, secondary or tertiary legal materials. This research includes research on positive legal provisions in force in Indonesia relating to BPR governance based on Law Number 10 of 1998 concerning Banking. The research results, positive legal provisions in force in Indonesia relating to BPR governance based on Law Number 10 of 1998 concerning Banking. PT BPR Papua Mandiri Makmur realizes that internalization of broader governance principles needs to be carried out in a sustainable manner to improve the quality and scope of governance implementation in every aspect of PT BPR Papua Mandiri Makmur's activities.

Keywords: bank, governance, community welfare

INTRODUCTION

In accordance with the times and the economic growth of a country, the banking industry is also growing which is more competitive in providing its services which include transferring funds between accounts, paying bills, investment facilities to currency exchange. This is due to a very large change to regulatory deregulation. Even though a number of economic sectors are currently under pressure, the Minister of Finance Sri Mulyani believes that banking trends are still in positive conditions, thus it can be proven that there have been achievements from several commercial banks with credit growth and profits increasing until 2019 (Luciana & dkk, 2019).

Banking is a financial institution whose job is to distribute and collect funds to the community. Based on Law Number 10 of 1998, the objective of Indonesian banking is to support the implementation of national development in order to increase equity, economic growth and national stability towards increasing people's welfare. Banking can be grouped into three, namely central banks, commercial banks and rural banks.

Rural Banks (BPR) are banks that carry out business activities conventionally or based on sharia principles, which in their activities do not provide services in payment traffic. BPR activities are much narrower than those of commercial banks because BPRs are prohibited from accepting demand deposits, foreign exchange activities and insurance (Rianasari, Septi, & dkk, 2016).

The progress of a Bank in a country can also be used as a measure of the progress of the country concerned. The more developed a country, the greater the role of banking in controlling the country. This means that the existence of the banking world is increasingly needed by the government and society. Based on Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (hereinafter written the Banking Law) it is clearly stated that types of banking based on their functions consist of commercial banks and commercial banks. people's credit (Cashmere, 2010).

The main function of a bank in an economy is to mobilize public funds and channel these funds appropriately and quickly for effective and efficient use or investment.

Based on Article 5 paragraph (1) of the Banking Law, states: "According to the type of Bank consists of Commercial Banks and Rural Banks" (Article 5 paragraph (1) of the Banking Law). Based on the provisions above, the types of banks seen from their functions consist of:

1. Commercial Banks, based on Article 1 point (3) of the Banking Law, are "banks that carry out business activities conventionally and or based on sharia principles which in their activities provide services in payment traffic".
2. Rural Banks, (hereinafter written Rural Banks) based on Article 1 point (4) of the Banking Law are "banks that carry out business activities conventionally or based on sharia principles which in their activities do not provide services in payment traffic.
3. Most RBs are located in district/city areas centered in sub-districts (Article 5 paragraph (1) of the Banking Law).

Adequate BPR developments that focus on the progress of small and medium enterprises can also support better preparation of the economic community in welcoming economic progress. BPR is a good solution for small and medium businesses, because of the convenience it provides, as well as the proximity of its location to BPRs that serve people throughout the country (Rianasari, Septi, & dkk).

BPR as a type of bank in its establishment has a goal to provide banking services that serve micro and small businesses as well as people in rural areas. This study has a main focus, namely analyzing the role of the main indicators of the financial sector and credit from BPRs on the regional economy and people's welfare. BPR has a role to support the implementation of national development and is expected to be able to increase equity, economic growth, and national stability created public welfare.

In this final project research, the author provides an example of BPR Papua Mandiri Makmur governance which was established by Notary Deed of Yuliaty, SH, No. 2 dated March 6, 2012 in Jayapura domiciled in Jayapura Municipality with the Vision: "To become a BPR that continues to grow and develop which is the pride of the owner, employees and the community" (in this case especially the Papuan people).

Furthermore, BPR Papua Mandiri Makmur has a mission:

1. Providing the best service;
2. Providing fast and measurable service;
3. Increasing funding and lending;
4. Improving the quality of human resources; and
5. Maintaining the soundness of the Bank.

The strategic activities of BPR Papua Mandiri Makmur for the people of Papua include:

1. Distribution of funds that will be focused on micro and small businesses, especially the trade sector with a composition of 65% of the outstanding;
2. Distribution of funds to the multipurpose/consumptive sector by focusing on PNS/ASN customers whose agencies are still smooth in credit payments.

For the sake of the continuity of banks, especially BPRs, they must be able to survive in the midst of competition in the banking world in Indonesia. Improving quality, providing the best service, improving governance, to gain public trust and thrive in increasingly fierce competition.

In supporting the readiness of BPRs, the Government encourages continuous improvement in Rural Banks through improving Good Corporate Governance (GCG), namely transparency (Rusdiyanto, Susetyorini, & Elan, 2019), accountability, responsibility, independence and fairness or equality (Budisantoso & Nuritomo, 2013). Article 29 paragraph (2) of the Banking Law, states: "Banks are required to maintain the soundness level of banks in accordance with the provisions of capital adequacy, quality of management assets, liquidity, profitability, solvency, and other aspects related to bank business, and are required to carry out business activities in accordance with precautionary principle" Article 29 paragraph (2) of the Banking Law) (Dharmawi & Herman, 2011).

RESEARCH METHOD

This study uses a normative juridical research method, namely analyzing the relationship between the applicable laws and regulations with legal theories and the practice of implementing positive law concerning the issues discussed (Hanitijo, 2000). This study will analyze legal issues, facts, and other legal phenomena related to the legal approach, then obtain a comprehensive picture of the issues to be examined (Soerjono & Soekanto, 2010). Based on this opinion, legal research seeks to find the truth of coherence, namely whether the rule of law is in accordance with legal norms and whether the legal norms containing obligations and sanctions are in accordance with legal principles, whether a person's actions are in with legal norms or legal principles accordance with legal norms or legal principles (Prahassacitta).

RESULTS AND DISCUSSION

Governance of PT BPR PT Papua Mandiri Makmur Based on Law Number 10 of 1998 concerning Banking

1. Basic Governance of Rural Banks

In implementing corporate governance, PT BPR Papua Mandiri Makmur refers to various relevant and up-to-date regulations. The laws and regulations that serve as the basis for implementing corporate governance are as follows:

- a. Law No.7 of 1992 dated March 25, 1992 concerning Banking As amended by Law No.10 of 1998 dated November 10, 1998 concerning Banking.
- b. Law No. 40 of 2007 dated 16 August 2007 concerning Limited Liability Companies.
- c. Financial Services Authority Regulation No.20/POJK.03/2014 dated 18 November 2014 concerning Rural Credit Banks
- d. Financial Services Authority Regulation No.4/POJK.03/2015 dated 31 March 2015 concerning Implementation of Governance for BPRs.
- e. Financial Services Authority Regulation No.13/POJK.03/2015 dated 3 November 2015 concerning Implementation of Risk Management for BPRs.
- f. Financial Services Authority Regulation No.44/POJK.03/2015 dated 15 December 2015 concerning Work Competency Certification for Members of the Board of Directors and Members of the Board of Commissioners of Rural Banks and Sharia Rural Banks
- g. Financial Services Authority Regulation No.27/POJK.03/2016 dated 22 July 2016 concerning Fit and Proper Test for Main Parties of Financial Services Institutions

- h. Financial Services Authority Regulation No.12/POJK.01/2017 dated 16 March 2017 concerning Implementation of Anti-Money Laundering and Prevention of Terrorism Funding Programs in the Financial Services Sector.
- i. Financial Services Authority Regulation No.49/POJK.03/2017 dated 12 July 2017 concerning Legal Lending Limits for Rural Banks.
- j. Financial Services Authority Regulation No.33/POJK.03/2018 dated 27 December 2018 concerning Implementation of Earning Asset Quality and Establishment of Allowance for Earning Assets Losses for BPRs.
- k. Financial Services Authority Regulation No.34/POJK.03/2018 dated 27 December 2018 concerning Implementation of Revaluation of Key Parties to Financial Services Institutions.
- l. Financial Services Authority Circular Letter No.16/SEOJK.03/2016 dated 25 May 2015 concerning BPR.
- m. Financial Services Authority Circular Letter No.5/SEOJK.03/2016 dated 10 March 2016 concerning Implementation of Governance for BPRs.
- n. Financial Services Authority Circular Letter No.6/SEOJK.03/2016 dated 10 March 2016 concerning Implementation of Compliance Function for Rural Banks
- o. Financial Services Authority Circular Letter No.7/SEOJK.03/2016 dated 10 March 2016 concerning Standards for Implementing the Internal Audit Function for Rural Banks
- p. Financial Services Authority Circular Letter No.39/SEOJK.03/2016 dated 13 September 2016 concerning fit and proper test for prospective Controlling Shareholders, candidates for members of the Board of Directors, and candidates for members of the Bank's Board of Commissioners.
- q. Financial Services Authority Circular Letter No.32/SEOJK.03/2017 dated 22 June 2017 concerning Implementation of Anti-Money Laundering and Prevention of Terrorism Funding Programs in the Financial Services Sector.
- r. Financial Services Authority Circular Letter No.41/SEOJK.03/2017 dated 19 July 2017 concerning Legal Lending Limits for Rural Banks
- s. Financial Services Authority Circular Letter No.1/SEOJK.03/2019 dated 21 January 2019 concerning Implementation of Risk Management for Rural Banks
- t. Articles of Association (AD) PD. BPR Regional Bank of Papua Province and its amendments.
- u. Other relevant and up-to-date regulations

2. Purpose of Implementation of Governance

- a. Improving BPR performance and efficiency
- b. Improving management compliance and compliance with the latest and relevant OJK Regulations and Laws
- c. Increasing Management's seriousness in applying the principles of transparency, accountability, responsibility, independence, fairness and prudence in managing BPR (Siswanto, Ely and Sulhan, 2008).

3. Governance Principles of PT BPR Papua Mandiri Makmur

The principles of Governance at PT BPR Papua Mandiri Makmur are in accordance with OJK Regulation No.4/POJK.03/2015 dated March 31 2015 concerning Implementation of Governance for BPRs based on 5 (five) principles of implementing Corporate Governance which include:

- a) Transparency (Openness)
 - 1. BPR discloses information which includes but is not limited to BPR vision, mission, strategy, financial and non-financial condition of BPR, composition of the Board of Directors and Board of Commissioners, share ownership, remuneration and other facilities for the Board of Directors and Board of Commissioners, controlling shareholder, risk management, system internal monitoring and control, compliance function implementation, governance system and implementation as well as material information and facts.
 - 2. Rural Banks disclose information in a timely, adequate, clear, accurate and comparable manner and can be accessed by interested parties (stakeholders).
- b) Accountability
 - 1. BPR establishes clear duties and responsibilities for each organ of the members of the Board of Commissioners, and the Board of Directors and all the ranks under them that are aligned with the vision, mission, corporate values, business objectives and BPR strategy
 - 2. BPR sets business goals and strategies to be accountable to stakeholders
- c) Responsibility
 - 1. BPR adheres to the principle of prudence (Prudential Banking Principles) and ensures compliance with applicable regulations

2. BPR as part of society cares about the environment and carries out social responsibility in a reasonable manner
- d) Independence
 1. BPR avoids unfair domination by any stakeholder and is not influenced by unilateral interests and is free from conflicts of interest
 2. BPR makes decisions objectively and free from any pressure from any party
- e) Fairness
 1. BPR pays attention to the interests of all stakeholders based on the principle of equality and fairness
 2. BPRs provide opportunities for all stakeholders to provide input and express opinions for the interests of BPRs and open access to information in accordance with the principle of transparency

The role of PT BPR Papua Mandiri Makmur in Helping the Welfare of the Papuan People

1. Commitment to Implementation of Governance of PT BPR Papua Mandiri Makmur

PT BPR Papua Mandiri Makmur has committed to internalizing governance principles into applicable operational policies. PT BPR Papua Mandiri Makmur realizes that internalization of broader governance principles needs to be carried out in a sustainable manner to improve the quality and scope of governance implementation in every aspect of PT BPR Papua Mandiri Makmur's activities.

PT BPR Papua Mandiri Makmur has complied with the provisions of the Financial Services Authority Regulation regarding the minimum meeting of the Board of Commissioners which must be held within a year. Decisions are made by consensus deliberation. In the event that deliberation for consensus does not occur, the decision is made based on the majority vote. All decisions taken at the meeting of the Board of Commissioners are binding. Dissenting opinion that occurs in the Board of Commissioners meeting must be clearly stated in the minutes of the meeting along with the reasons for the dissent.

2. Product Commitment of PT BPR Papua Mandiri Makmur for the Interests of the Papuan People

The presence of PT BPR Papua Mandiri Makmur is expected to be able to increase Non Performing Loans (NPL) or problem loans which are one of the key indicators in assessing the performance of business entity functions in the financial sector (Sachs & Stern, 2017). Moreover, at this time the NPL value for the province of Papua is far below the national level, as reported by the Papuan Financial Services Authority (OJK). So it is hoped that the presence of PT BPR Papua Mandiri Makmur can help all banks in Bumi Cenderawasih to reduce the risk of bad credit.

The management and all levels of PT BPR Papua Mandiri Makmur also hope that this newly operating people's credit bank will be able to show commitment to growing the economy in Papua (Management of PT BPR Papua Mandiri Makmur).

The presence of PT BPR Papua Mandiri Makmur is also expected to be able to contribute positively to improving the business economy of indigenous Papuans, both in the small and medium micro business sector and on a larger industrial scale. This is proven by the total loans disbursed by PT BPR Papua Mandiri Makmur until the end of September 2021 amounting to Rp. 30,327.410,524.00 (thirty-two billion three hundred twenty-seven million four hundred ten thousand five hundred and twenty-four rupiah) distributed to various credit products.

Because therein lies the usefulness and function of precredit banks, namely facilitating the taking of credit for people in need; especially for the people of Papua. Because of this, the management of PT BPR Papua Mandiri Makmur hopes that this bank can provide more specific conveniences to native Papuans in terms of capital to support the businesses they run. Meanwhile, the Board of Directors of PT BPR Papua Mandiri Makmur are committed to being ready to carry out government instructions to provide easy credit for the community, especially the people of Papua. Nevertheless, he hopes that leaders in the provincial and district/city governments will be able to provide support to PT BPR Papua Mandiri Makmur so that they are more exist.

Because PT BPR Papua Mandiri Makmur was born from a dream called to serve the people of Papua. We carry the vision "To become a BPR that continues to grow and develop which is the pride of owners, employees/IT and the community. What is certain is that the management of PT BPR Papua Mandiri Makmur will make a positive contribution to Papua's economic growth by managing public deposits in the form of savings, time deposits and also channeling them in the form of credit for productive businesses. PT BPR Papua Mandiri Makmur's other commitment is to increase community savings products, especially for the people of Papua from the Basic Education level.

3. Realization of PT BPR Papua Mandiri Makmur Credit Disbursement for the Interests of the Papuan People

Competition is getting tougher in the banking industry and financial technology is increasingly moving into everyday life, forcing the Association of Indonesian People's Credit Banks (Perbarindo) to race against time to make BPRs throughout Indonesia more competitive. Not just participating in competition, but also having clear targets. That is being able to compete and win. So how can the BPR industry be competitive and not be crushed by economic disruption? Of course Perbarindo cannot walk alone in navigating the rigors of the sea of financial business. It takes a special concept and strategy so you don't slip, let alone fall into the extraordinary intense competition. Because if the BPR industry is complacent and carried away by the existing conditions, competitors are ready to seize the "cake" that has been part of BPRs throughout Indonesia.

Therefore, strengthening BPR synergy and expanding access to banking services is a concrete step in facing this competition. Without working together and interacting to produce something positive, it is unlikely that the BPR industry will be able to overcome increasingly difficult business hurdles. Synergy alone will not be enough, because in order to do it, you need additional power in the form of strong enthusiasm and optimism.

As stated by the General Chairperson of Perbarindo, Joko Suyanto, in his speech before hundreds of National Working Meeting participants in Lampung, enthusiasm and optimism must be possessed by the Indonesian BPR industry, which lives in a highly dynamic and competitive economic ecosystem. The presence of massive technological disruption is a serious blow to the BPR industry and must be addressed wisely.

PT BPR Papua Mandiri Makmur has its head office in the Ardipura Bucend II enrrop. Jayapura area and 1 Arso Branch Office which is located at the Garuda Arso I headquarters, work area BPR Papua Mandiri Makmur. The working area of BPR Papua Mandiri Makmur is only in areas that are easily accessible, namely:

1. City of Jayapura
3. Muara tami City, (Koya)
4. Layapura Regency (Sentani)
5. Keerom District

It is hoped that they will be able to contribute maximally in these areas with various credit products disbursed by PT BPR Papua Mandiri Makmur, which until September 2021 amounted to Rp. 30,327. 410,524.00 (thirty-two billion three hundred twenty-seven million four hundred and ten thousand five hundred and twenty-four rupiahs), in this case the distribution of credit to indigenous Papuans is only about 22.70% of the total credit disbursed, and 77, 30% is channeled to non-Papuan people.

Tabel 1. Credit Distribution

Total Credits Awarded	Type of Credit	Number of Debtors	Out Standing (IDR)	%
IDR 30,327,410,524 (766 Debtors)-	Working capital credit	31 people	2,820,904,000	9.30%
	Consumer Credit	378 people	4,065,159,501	13.40%
Amount of Credit Disbursement to Indigenous Papuans		409 people	6,886,063,501	22.70%

If seen from the table above, a lot of the total credit disbursed is for consumptive loans compared to productive credit. This illustrates that the Papuan people occupy many jobs as employees, both public and private, who receive credit assistance. However, with the existence of PT BPR Papua Mandiri Makmur, it is hoped that the community will become familiar with banking which will make them bankable, not feeling uncomfortable and embarrassed to come to the bank office. To increase the credit sector in the productive sector, it is necessary to increase socialization and assistance in channeling credit, how to secure credit and make repayment on time, so that it can really improve the welfare of the people of Papua.

This, of course, also requires the role of the local government to foster small businesses through the trade and industry offices, as well as others to provide opportunities and opportunities for small businesses that they can work on, such as production techniques, good packaging and good and smooth marketing, so that people will more interested in trying and employment will be created by itself.

Thus, the presence of PT BPR Papua Mandiri Makmur is expected to be able to contribute positively to improving the business economy of the Papuan people, both in the small and medium micro business sector and on a larger industrial scale.

Conclusions and recommendations.

CONCLUSION

The governance of PT BPR Papua Mandiri Makmur is based on Law Number 10 of 1998 concerning Banking, i.e. In implementing corporate governance, PT BPR Papua Mandiri Makmur refers to various relevant and up-to-date regulations. The laws and regulations that serve as the basis for implementing corporate governance include:

- a. Law No. 10 of 1998 dated 10 November 1998 concerning Banking;
- b. Law No. 40 of 2007 dated 16 August 2007 concerning Limited Liability Companies;
- c. Financial Services Authority Regulation No.20/POJK.03/2014 dated 18 November 2014 concerning Rural Credit Banks;
- d. Financial Services Authority Regulation No.4/POJK.03/2015 dated 31 March 2015 concerning Implementation of Governance for BPRs;
- e. Financial Services Authority Regulation No.13/POJK.03/2015 dated 3 November 2015 concerning Implementation of Risk Management for BPRs;
- f. Financial Services Authority Regulation No.49/POJK.03/2017 dated 12 July 2017 concerning Legal Lending Limits for Rural Banks;
- g. Financial Services Authority Regulation No.33/POJK.03/2018 dated 27 December 2018 concerning Implementation of Earning Asset Quality and Formation of Allowance for Earning Assets for Rural Banks;

So that in the management of PT BPR Papua Mandiri Makmur, management in applying the principles of transparency, accountability, responsibility, independence, fairness and prudence in managing BPR, the role of PT BPR Papua Mandiri Makmur in helping the welfare of the people of Papua namely, PT BPR Papua Mandiri Makmur has committed to internalizing governance principles into applicable operational policies. PT BPR Papua Mandiri Makmur realizes that internalization of broader governance principles needs to be carried out in a sustainable manner to improve the quality and scope of governance implementation in every aspect of PT BPR Papua Mandiri Makmur's activities.

This is proven by the total loans disbursed by PT BPR Papua Mandiri Makmur until the end of 2021 amounting to Rp. 30,327. 410524, 00 (thirty-two billion three hundred twenty-seven million four hundred ten thousand five hundred and twenty-four rupiah) distributed to various credit products. However, with the existence of PT BPR Papua Mandiri Makmur, it is hoped that the community will become familiar with banking which will make them bankable, not feeling uncomfortable and embarrassed to come to the bank office. To increase the credit sector in the productive sector, it is necessary to increase socialization and assistance in channeling credit, how to secure credit and make repayment on time, so that it can actually further improve the welfare of the Papuan people.

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