

Renewal Challenges To The Product Development Level Of Rural Banks

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Abstract. *Rural Banks has a very big opportunity in its development in the future, especially seen from the increasing people's financial market in Indonesia. Rural Banks make a means of financial needs in the management of households, both to overcome basic risks and risks to the assets owned. This research discusses in depth the challenges to the development of Rural Banks in Indonesia and discusses the opportunities and challenges of product modification in Rural Banks in Indonesia. This research uses library research or commonly called literature review, relying on a descriptive approach. The data used is in the form of writing, words, pictures, and there is no element of numbers. The results of the research explain that the challenges to the modification of people's products in Indonesia are caused by several things including the global economic downturn, the state of people who are unfamiliar with Rural Banks, inadequate resources and lack of capital.*

Keywords Challenges, Rural Banks, Products, Development

INTRODUCTION

Indonesia is already known for the majority of its population residing in rural areas and micro-industries, as well as the enthusiasm of the population to transact in micro-banking, this makes opportunities in developing financial markets in rural areas. Especially seen from the enthusiasm of the people who take part in buying and using Rural Bank products, and this is balanced by providing the need for convenience in every financial transaction is increasingly being improved, and there will certainly be more need for financial or financing institutions that have a people's feel. In addition, there are certainly challenges that will be faced by financial institutions in marketing products in the Rural Banks themselves. These challenges are increasingly following the development will be increasingly stronger in the realm of Indonesian Rural Banks plus many factors that encourage Rural Banks such as foreign interference that has an impact on globalization.

In entering the realm of globalization, companies based on Rural Banks in addition to getting "challenges" from convention bank companies which are certainly strong in managing capital, technology, and expert human resources, which have great opportunities in developing their Rural Bank business in other countries. Globally, the people's economy is beginning to

show its existence. There are many rural banks that use people's principles as the basis of their transactions. The increase in assets in the banking world attracts the interest of Rural Bank companies in Indonesia that offer people's products. It can be assumed that the growth of the People's Credit Bank will increase in the future seen from the people's financial industry which affects the performance of its human resources. However, the lack of response from the people's financial industry can affect the growth rate of the syraiah Rural Bank itself.

In this case, the people's industry is still uncertain in separating the People's Credit Bank from the conventional one. It is known that there are 20 Rural Banks including 17 People's Soul Rural Banks, 20 People's General Rural Banks, and 3 Rural Banks. The market for the people's finance industry itself will still grow and the Indonesian market will always be wide open for people's finance.

There are 3 businesses of Rural Banks including, Rural Banks for losses, Rural Banks for life, and Rural Banks for Bank. In the life Rural Bank offers products such as individual services, services to groups, bancassurance and special health Rural Bank. For the loss Rural Bank, the products include building construction risk Rural Bank, motor vehicle Rural Bank, fire Rural Bank, and demolition Rural Bank. This paper aims to look at and explore in depth the challenges of the many modifications to the product development of the Rural Banks in Indonesia.

RESEARCH METHODS

In this discussion using a literature review, using a descriptive approach where the data collected includes writing, words, and no numerical elements. The author uses this descriptive approach to be able to describe the challenges that will occur due to modifications to the development of Rural Bank products in Indonesia, therefore this discussion is very suitable to use a descriptive approach which is still part of qualitative methodology. It should be noted that there are several reasons why this qualitative methodology is used in a study including; One, makes it easier when encountering multiple realities. Two, provide a direct picture between the researcher and the informant. Three, able to adjust to the many joint influences of the value patterns encountered. Thus, this

paper will explain a comprehensive picture of modifications to the development of Rural Bank products that can be seen and analyzed how challenges can be created in modifying products in accordance with the wishes of the Indonesian people.

DISCUSSION

People's Rural Bank

The general People's Credit Bank can be interpreted as a People's Credit Bank container that guarantees the financial protection of the takaful party (People's Credit Bank) in overcoming the disaster or accident of the property owner. However, what is the focus of the general People's Credit Bank itself in providing the best service and assistance that has a relationship with the People's Credit Bank in the field of losses such as protection from fire, transportation, commercial, and motor vehicle disasters, which hopes in the future to be able to achieve a prosperous Indonesian society by relying on the protection of the People's Credit Bank in accordance with the principles and sharia of the People's Credit Bank. Akad in the Rural Banksumum rakyat itself is similar to takaful family is the Rural Bank company and participants make an agreement that binds both parties al-mudharabah, al-mudharabah musyakarah and wakalah bin ujah with the same rights and obligations as the agreement. For general Rural Bank participants themselves can be individuals, companies and also foundations and other legal entities. The takaful contribution/premium is paid in full at the beginning with a period of one year and is required to be renewed when you want to extend the contract. The nominal premium paid has been determined by each Rural Bank company.

Operational Mechanism of the People's Rural Bank

There are several things that form the basis of the operation of the People's Bank of the People including Financial Institutions Rural Banks (BPR) Law Number 10 of 1998 concerning Banking are banks that carry out business activities conventionally and / or based on sharia principles which in their activities do not provide services in payment traffic. The business activities that can be carried out by Rural Banks are as follows:

1. Collecting funds from the public in the form of deposits in the form of time deposits, savings, and / or other forms that are equated with it.
2. Providing credit.

3. Placing funds in the form of Bank Indonesia Certificates (SBI), time deposits, and/or savings at other banks.

In Law Number 10 of 1998, concerning Banking, there are activities that are prohibited for BPRs as follows:

1. Receive deposits in the form of demand deposits and participate in payment traffic.
2. Conducting business activities in foreign currencies.
3. Performing capital participation.
4. Conducting insurance business.
5. Conducting other business outside the business activities as referred to above.

(Triandanu, 2006) the main business activities of a bank are fund raising and fund distribution. The distribution of funds with the aim of obtaining revenue can be done if funds have been collected. Raising funds from the public needs to be done in certain ways so that it is efficient and can be adjusted to the planned use of these funds. The success of a bank in fulfilling this purpose is influenced by, among others, the following things:

1. Public trust in the bank concerned. The image of a bank in general in the eyes of the public greatly affects the level of public trust in the bank. Many factors can influence the image of a bank in the eyes of the public, such as service, financial condition, news in the mass media about the bank, and others. The higher the level of public trust in a bank, the higher the possibility of the bank to raise funds from the public efficiently and the plan for using the funds.
2. The expected rate of return by the depositor is higher than the income from other investment alternatives with an equal level of risk. The higher the level of income estimated by the prospective depositor, the lower a bank will attract funds from prospective depositors.
3. Risk of depositing funds. If a bank can provide a high level of certainty over public funds to be withdrawn the agreed time, then people are increasingly willing to place their funds in the bank.
4. Services provided by the bank to depositors. Good service will make fund depositors feel valued, cared for and respected, so they feel happy to continue

financial transactions with the bank. This service can be in the form of service from bank officers, giving gifts, or providing other facilities.

Types and Benefits of Commercial Rural Bank Products

In seeing the types and benefits of the products of the People's Commercial Bank itself, many are found in several products of the People's Commercial Bank company, which sometimes have similarities and differences, therefore the types of products of the People's Commercial Bank as a whole have similarities but only the term name makes a little different, the types of products of the People's Commercial Bank include:

1. Raising funds only in the form of :
2. Savings Deposits
3. Time Deposits
4. Distributing funds in the form of :
5. Investment Credit
6. Working Capital Loans
7. Trade Credit

Due to the limitations of BPRs, there are a number of restrictions that BPRs should not undertake. These restrictions include the following.

1. Accept Current Account Deposits
2. Following Clearing
3. Conducting Foreign Exchange Activities
4. Conducting Insurance Activities.

Rural Banks in Indonesia

The Rural Bank industry in Indonesia has an increasing growth rate coupled with government support, especially since the majority of Indonesia's population is Muslim, making it easier for the Rural Bank market to develop in the future. In addition, the Indonesian economy is significant in MSMEs, which is suitable for a risk management approach through the concept of helping in Rural Banks, which allows participants to obtain fair results. In this case, the

Rural Bank in practice is expected to be able to eliminate the element of gambling, and this uncertainty is in line with prudent business practices in the global economic environment. And this uses a system that has an element free of business uncertainty in the Rural Bank sector. In addition to the positive direction of the Rural Bank industry that will continue to grow, there are also challenges that will be experienced by the Rural Bank industry in Indonesia. OJK explained that having many challenges to the Rural Bank industry in Indonesia is expected to be able to compete and experience rapid growth in the future. The results of the financial literacy survey conducted by OJK in 2013 stated that around 18% of people who understand the products of Rural Banks and still 12% of people who use Rural Bank products. There are two things that influence and become shortcuts in the development of Rural Banks in Indonesia, including: The product penetration space of Rural Banks in Indonesia is very broad in scope as seen from the percentage of individual policyholders in Indonesia still reaching around 3% (6.6 million) of the total population of Indonesia of around 220 million. Judging from the majority of the population who are Rural Banks, and the presence of products that are in accordance with the principles and values of Rural Banks, this has a great opportunity to be accepted by the wider community.

Challenges for the Rural Bank Industry in Indonesia

There are several factors that pose challenges for the Rural Bank industry in Indonesia which include: The economic slowdown has resulted in a decline in the market demand of Rural Banks for capital market conditions and growth. In terms of capital, the Rural Bank industry itself must prepare capital of around Rp. 100 billion. There is open competition in addressing the behavior of the ASEAN Economic Community (AEC) and Indonesia is taking part in it. Lack of human resources who understand the world of Rural Banks. The low awareness of the importance of Rural

Banks for the community, and the low growth of Rural Banks are also caused by the low level of public education in Indonesia and there are still some people who are anti Rural Banks. There are still many conventional-based Rural Bank products. There are limited Rural Bank products that are able to reach both the middle and lower classes, because so far it is known that the costs of Rural Banks are very high due to the modification of Rural Bank products. The risk coverage capacity of the national Rural Bank industry is limited, so it has not been able to accommodate risks in large-scale projects. Low access and distribution of Rural

Bank products in the community. Moreover, the number of Rural Bank offices in the regions is still relatively small. The difficulty of Rural Bank claims.

Product Modification Opportunities of People's Commercial Rural Banks

Rural Banks in Indonesia are able to provide a profitable range of businesses in line with developments towards political stability and economic conditions, some of the people of Rural Banks need assurance that in the interaction of carried out in an effort to achieve prosperity, in accordance with the principles of the people. The need for Rural Bank financial institutions is growing stronger in line with the development of the financial services industry sector in general. The factors that become opportunities in supporting the prospects of Rural Banks are:

1. The concept of rural banks flagship can fulfill the demands of an increasing sense of justice from the community.
2. There is a large majority of people below the middle class in Indonesia.
3. Increased public awareness in conducting business in accordance with the principles of the people.
4. The increasing need for Rural Bank services due to the economic development of the community.
5. Creation of public financial institutions such as mutual funds and banks.
6. Rural Bank business competition is still small. The ratification of the regional autonomy law which is one of the alternatives in regional economic development.
7. The need to improve education, especially for children.
8. Increased life risk.
9. Increased health costs.
10. Reduced sense of "helping" in the community.
11. Globalization includes technology, internet as business support.
12. There are laws and pensions.
13. "Employee Benefit" as part of the company's package in recruiting employees.

These opportunities can be a benchmark in modifying the development of Rural Bank production in Indonesia where Rural Bank products must meet the standard needs and desires of the Muslim community in Indonesia.

Product Modification Challenges of the People's Commercial Rural Bank

Here are challenges and also difficulties that will be experienced by Rural Bank companies in developing and modifying products including: Rural Banks do not yet have specific regulations pertaining to general Rural Bank products and still follow the regulations of conventional Rural Banks. In fact, the development of Rural Banks in Indonesia has experienced rapid growth, but the legislation on Rural Banks has not been established until now. The regulation of Rural Banks that still adheres to the regulations of conventional Rural Banks results in Rural Banks clashing with tax provisions such as premiums, as DSN explains that premiums in Rural Banks do not become the property of the company. The lack of human resources who are experts in the world of Rural Banks, this is due to the fact that most of the human resources are graduates of conventional study programs and do not understand the terms of Rural Banks, so this results in a lack of human resources because many scholars do not understand the Rural Banks and the akada or the economic law. Lack of knowledge of the products of the Rural BanksRakyat and its working mechanism. Basically, there are not many people who know about the People's Credit Bank, the operation of the products of the People's General People's Credit Bank and the existence of the people's division or branch office in the conventional People's Credit Bank company due to the socialization that is still minimal and has not reached the entire community and this is the biggest obstacle in the growth of the People's Credit Bank at this time. Indonesian people are still less aware of the existence of Rural Banks, this is evidenced by the national Rural Bank ratio being at a percentage of 12% of the population of Indonesia and for Rural Banks only around 1.2%. This results in any form of product issued by the Rural Bank company not really attracting the interest of many parties. The lack of financial condition of the company, the low funds that nurture the Rural Bank company resulted in the low market penetration of the Rural Bank. And also market promotion and education that is still not carried out and carried out effectively, and there is still no supporting industry for Rural Banks such as Rural Bank brokers, agents, adjusters, etc., and products and services are still not maximizing their advantages over conventional products. Lack of government support for Rural Banks, this is one of the challenges that is quite influential, especially ministers and government agencies that have the authority to determine economic policy. Image, this is also a big challenge in rural banks in Indonesia and other countries is to convince the public of the benefits of using rural banks. In fact, the people's economy actors still face challenges in embedding the people's principles so that they can be integrated into the national economy and the people of the Rural Banks.

CONCLUSIONS

Bank Perkreditan Rakyat is an agreement between two parties in an installment payment system to be able to alleviate and reduce losses. The Rural Bank industry in Indonesia has qualified prospects to grow. The demand for Rural Bank products will continue to increase, the growth of the Rural Bank industry must be supported by how the public is able to easily access information related to Rural Banks. However, there are challenges that will be faced by the Rural Bank industry due to the weakening of the world economy, people who are not enthusiastic about the existence of Rural Banks, free markets that are starting to be implemented, and lack of human resources, as well as related to the challenges in modifying the development of Rural Bank products in Indonesia due to no legal basis, lack of human resources, lack of public awareness of Rural Banks, people who still do not know about the products of the People's Rural Bank, lack of capital from the company, image, and lack of government support for the growth of Rural Banks in the future.

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