

# **Analysis of Financial Aspect and Operational Aspect in the Establishment of the Rural Bank Branch Office Cilacap County in Pandemic Covid-19**

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## **ABSTRACT**

Gross Regional Domestic Income Cilacap regency is still dominated by the oil and the gas sector, but sector of Small and Medium Enterprise continues to experience positive development with 5% increase every year. Kroya Sub-district as the center of economic activity in north Cilacap contributes 17% of the number of Small and Medium Enterprise completely of Small and Medium Enterprise in Cilacap. The issue of capital is still major problem for SME players. 69,02% of SMEs needed financial help during the Covid-19 period. Rural Bank is an alternative solution that can be done, the good growth of Rural Bank assets even during the Pandemic, can be used as an initial reference for establishing a New Branch Office in Cilacap Regency. The results of the Operational and Financial analysis can be said to be feasible. In the operational aspect, the company's activities are planned in accordance with the Covid-19 health protocol. Financial Indicators show good numbers. The value of KAP is 84.47%, Return On Assets is 3.95%, BPO is 78.76%, and LDR is 85.89%.

**Keywords:** Small and Medium Enterprise, Rural Bank, Covid-19, Business Feasibility Study

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## **1. Introduction**

Cilacap Regency is regency that is located on the southern side of Central Java Province. Based on data from BAPPEDA Cilacap, Cilacap Regency Gross Regional Domestic Income is still dominated by the oil and the gas sector, amounting to 47 billion rupiah in 2019, increasing by an average of over 5% per year. However, the Small Medium Enterprise sector in Cilacap Regency has also experienced a positive trend in the last 5 years, in 2018, the number of Small and Medium Enterprise in Cilacap was 13.437, in 2019 the number increased to 19.007 SMEs. In Kroya Sub-district, which is one of the centers of economic activity in Cilacap Regency, the number of Small and Medium Enterprise in 2018 consisted of 2.386 home industries, then 66 were small industries and 3 were medium industries.

However, there are still many Small and Medium Enterprise in Indonesia that have not been able to develop optimally, especially during the Covid-19 Pandemic. Based on data from BPS, 69.02% of Small and Medium Enterprise need access to capital for their business continuity.

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The scarcity of funding sources for Small and Medium Enterprise is an unsolved problem. This is due to the lack of credit extended to MSMEs by banks, as well as the limited ability of Small and Medium Enterprise to meet the credit requirements set by commercial banks.

One of the alternatives that can be expected to solve the problem of access to capital for Small and Medium Enterprise is Rural Bank. Despite having limited products and coverage, Rural Banks are proven to have had positive developments (Setyawati, 2018). This solution is corroborated by data issued by the Financial Services Authority (OJK) which reports that in 2019, Rural Bank assets grew 10.27 percent (yoy), an increase compared to the previous year which grew 7.74 percent (yoy). Meanwhile, the amount of funds channeled in the form of credit in 2019 was valued at 108.784 billion rupiah, grew by 10.76 percent (yoy), an increase compared to the previous year which grew 9.77 percent (yoy).

In fact, in the first quarter of 2020, Rural Banks also showed quite good performance with the increase in the number of assets to 149,659 billion from the fourth quarter of 2019 which amounted to 149,623 billion rupiah. Lending in March in the first quarter of 2020 also increased. The number increased by 2.4 percent from December in the fourth quarter of 2020. This figure shows the big role of Rural Banks in keeping the Small and Medium Enterprise sector alive when the Covid-19 virus began in Indonesia.

The number of SMEs in Kroya District which reached 17.8 percent of the total SMEs in Cilacap Regency, this rate is a potential number for Rural Banks to channel their credit. Working capital loans disbursed by Rural Banks can help develop SME businesses both from an increase in business turnover, net profit ratio and working capital turnover ratio of SME credit recipients. (Widyastuti & Yuliandari, 2016).

The growth of the SME sector is not accompanied by a growth in the number of financial institutions that focus on micro-business financing activities, even though the need for access to capital for SMEs during the Covid-19 Pandemic is very much needed so that the community's economic wheels can continue to run. Based on data from the OJK, there are 7 Rural Banks in Kroya Sub-district, from 2015 to 2018 this number has not increased.

Therefore, new initiatives are needed to maintain the already good growth of SMEs with the support of financial institutions, especially Rural Banks, which have been active in assisting access to capital for the small and medium sector. Moreover, by looking at the latest data on the number of Rural Banks that are still stagnant, new initiations must be started even though the Covid-19 Pandemic still cannot be handled maximally.

## **2. Literature Review**

### *2.1 Rural Bank*

Banks in everyday life are known as financial institutions whose main activities are accepting current accounts, savings and time deposits. According to Law No. 10 of 1998, a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large. Banks operating in Indonesia in terms of type are based on Law No. 10 of 1998 can be divided according to function, namely commercial banks and rural banks (Muhammad, 2013)

Based on the Financial Services Authority Regulation concerning Rural Banks, Rural Bank is defined as a bank carrying out conventional business activities which in its activities does not provide services in payment traffic as referred to in the Law on Banking. This definition provides an understanding that BPR activities are limited or devoted to serving only certain financial services. Business activities that can be carried out by Rural Banks are very limited, namely only covering the collection of funds from the public in the form of deposits in the form of time deposits, savings and / or other equivalent forms and channeling funds as an RB business.

## *2.2 Business Feasibility Study*

According to Kasmir (2012), a feasibility study means research conducted in depth to determine whether the business to be carried out will provide greater benefits compared to the costs that will be incurred. In a business feasibility study, there are several aspects used to assess the feasibility of a business that will establish. According to Suliyanto (2010), the assessment in a business feasibility study includes legal aspects, environmental aspects, market and marketing aspects, technical and technological aspects, management and human resources aspects as well as financial aspects.

This operational start includes the planned production capacity expected by the company, the selection of appropriate technology, product design, factory location, optimal factory layout, production area or scale of planned availability of raw materials and finished goods inventory, and management. Basically, the operational aspect is a series of company management planning which, according to Griffin, in Rochmat (2017), is a process of planning, organizing, coordinating, and monitoring resources to achieve goals effectively and efficiently.

Financial aspect analysis is carried out to analyze the need for investment costs, analyze the required working capital requirements, project the losses and profits to be obtained and to analyze the rate of return on investment that will be invested so that it can assess whether from the financial aspect, the business that is established has a sound financial assessment or not.

## **3. Research Methodology**

### *3.1 Research Site*

The research location was conducted in Kroya Sub-district, Cilacap Regency. The market coverage or operational target for the planned establishment of a Rural Bank Branch Office in Cilacap will be Kroya Sub-district itself and Adipala Sub-district and Nusawungu Sub-district, which are the sub-districts directly adjacent to the Kroya District area. Specific research will also be carried out on similar businesses which are Rural Banks that existed before this research was conducted.

### *3.2 Type of Research*

This study is an exploratory descriptive study. This is because this study aimed to explore various problems or questions that are the focus of a study activity. This type of exploratory study is considered to be the most suitable for the needs because the knowledge that researchers have on

the problem under study is still limited, so it requires exploration with various approaches in the study process, which involves various related parties.

### *3.3 The Scope of Research*

In this research, the aspects that were studied in depth were operational aspects and financial aspects. In the operational aspect, it reviewed the determination of location, room layout and service mechanisms. Meanwhile, in the financial aspect, the Quality of Earning Assets (KAP), Return On Assets (ROA), and Operating Costs (BOPO), LDR (Loan to Deposits Ratio) were reviewed, these four indicators were used to measure the level of BPR financial performance will be established so that it can assess the feasibility of establishing a Rural Bank Branch Office in Kroya Subdistrict, Cilacap Regency.

### *3.4 Analysis Tools*

In order to assess the feasibility of an operational aspect, it is necessary to carry out an analysis using a narrative analysis method. This approach was used to analyze the existence of available data, both primary and secondary data. Secondary data came from several literatures that were considered relevant in assessing the feasibility of an investment, especially in the operational aspects which include determining the location, room layout and service mechanisms. Next, the secondary data was synchronized narrative with the primary data found by researchers when conducting field studies.

In order to assess the feasibility of the financial aspect, a quantitative analysis was necessary. This relates to the type of data used in the analysis on financial aspects. Many mathematical formula-based analysis techniques are operationalized in this aspect. Types or types of analysis of the financial aspects used in this financial aspect involve several analyzes commonly used in a banking financial assessment. These variations are Earning Asset Quality (KAP), Return On Assets (ROA), and Operational Income Operating Costs (BOPO).

## **4. Results**

### *4.1 Result of Operational Aspect Analysis*

Based on the results of field studies, the plan to establish a Rural Bank Branch Office in Cilacap Regency will be established at Jalan Ahmad Yani No. 12, Kedawung Village, Kroya District, Cilacap Regency. This location was chosen by considering various factors, including:

- JL. Ahmad Yani is the center of the crowd in Kroya
- The election location is only 300 meters from Kroya Market
- The Selection location has ample parking space
- Easy access to telephone and electricity network facilities

### *4.2 The Results of the analysis of financial aspect*

Based on the results of the analysis on the financial aspect, the feasibility level of establishing a Rural Bank Branch Office in Kroya Subdistrict, Cilacap Regency can be presented in the following table form:

Table 1. *The Results of the analysis of financial aspect.*

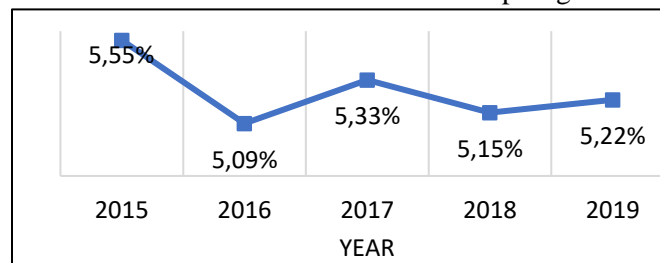
Financial Indicators	Result
KAP	84,47%
ROA	3,95%
BOPO	78,76%
LDR	85,89%

Based on the analysis, it is known that the KAP ratio value is 84.47%, ROA 3.95%, BOPO 78.76%, and LDR 85.89%. All health indicators show the feasibility of the plan to establish a Rural Bank Branch Office in Kroya Subdistrict, Cilacap Regency

## 5. Discussion

Based on historical data for 2015 – 2019, it shows that economic conditions in Cilacap Regency are showing a good trend. During the period of the year, the growth rate was above 5% per annum.

Picture 1. Economic Growth Cilacap Region.



This good economic growth is supported by the Small and Medium Enterprise sector. In Kroya Sub-district as the location for the planned establishment of Rural Bank Branch Offices, 17% of the number of UMKM in Cilacap came from Kroya Subdistrict. This shows that Kroya District is the center of economic activity in the North Cilacap area.

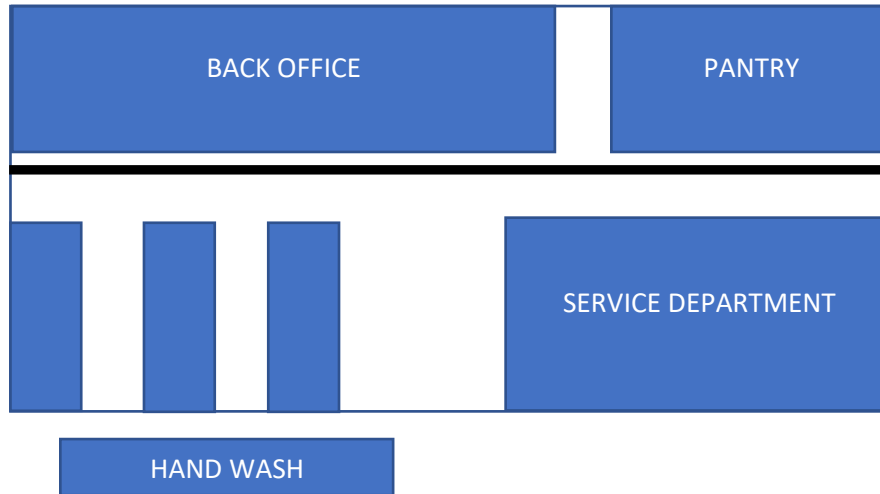
Based on the results of the analysis, the location chosen as the BPR Office in Kroya Subdistrict was Jl. Ahmad Yani, this location was chosen in principle because it is a strategic location, such as on the main highway, making it easier to access the location and making it easier for customers to get services from the BPR to be established. Besides, the location can be accessed using public and private transportation. Another factor that takes into consideration the location selection is the proximity to the Kroya Main Market so that it is closer to market share and potential customers.

After determining the location, the next step is to determine the layout of the New BPR Office so that it fits the Covid-19 health protocol and is comfortable for visiting visitors. The building chosen for the BPR Branch Office in Kroya District is a building that has been around for a long time but is still very suitable for reuse. BPR only needs to renovate a part of the building and equip it with

facilities and equipment to support branch office operations, such as desks and chairs, wardrobes, electricity, water and telephone networks, and other supporting facilities. Overall, the prospective branch office building can be said to be feasible.

The Following is the layout plan in the new BPR branch office building in Kroya Subdistrict:

Picture 2. Layout Rural Bank Branch Office.



Inside the building, it consists of 5 main parts, namely the front liner, back-office, and waiting room for customers. The building layout is shaped like any other financial institution building. However, in the arrangement of tables and chairs, it will have a wider distance. So, tables and chairs don't need to be marked with anything because from the start they have been designed according to the Covid-19 health protocol.

Furthermore, in terms of service management patterns that will be carried out, there are service innovations in line with efforts to prevent the spread of the Covid-19 virus, this is based on a survey by the Central Statistics Agency (BPS) that 80% of business agents in all sectors make changes to work patterns by adapting to new habits. Meanwhile, specifically for financial institutions, 94.61% of financial institution business actors implemented new policies in terms of service operations. Rural Bank as a financial institution that often comes into contact with the community certainly needs a new study of work patterns, management, and services to comply with the Covid-19 health protocol.

In its services, customers can use several options, namely services through Customer Service directly at the Rural Bank Office and services through call centers and social media forums provided by Rural Bank Branch Offices. This is so that customers who just want to ask a question do not need to come directly to the office so that a crowd does not often form.

In the financial aspect, the KAP value of 84.47 indicates that the quality of assets is healthy. The KAP value consists of the following classifications:

Table 2. Classification of KAP.

Indikator Keuangan	Hasil
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Current Credit	95%
Substandard Credit	1%
Doubtful Credit	1%
Bad credit	3%

The classification is carried out so that assumptions can be found on the size of each component in Earning Asset Quality (KAP). Based on the results of the analysis, the ROA value of 3.95% can be said to be feasible because based on Peraturan Otoritas Jasa Keuangan Number 33/POJK.03/2018 about Kualitas Aset Produktif dan Pembentukan Penyisihan Penghapusan Aset Produktif Bank Perkreditan has determined that the ROA is 1.215%, which is feasible.

Meanwhile, the LDR value of 85.89% has met the criteria issued by Otoritas Jasa Keuangan regarding the ratio of lending, which is 75% -105%. The BOPO value of 78.76% indicates that banking activities are efficient. Overall, the financial assessment on the plan to establish a Rural Bank Branch Office in Kroya District, Cilacap Regency can be said to be feasible.

## 6. Conclusion

The development of Micro, Small and Medium Enterprises (UMKM) in Cilacap Regency continues to experience positive growth. However, the classic problem of the SME sector is access to capital, especially during the Covid-19 Pandemic where market demand for Small and Medium Enterprise products decreased. Therefore, in addition to direct assistance from the Government, initiation from the private sector is needed to help push the wheels of the SME economy to keep running.

Rural Bank is an alternative that can be expected to solve the problem of access to capital for Small and Medium Enterprise. This solution is corroborated by data released by the Financial Services Authority (OJK) which reports that the growth of BPR assets over the past 5 years has experienced positive developments.

Based on the analysis of the feasibility of establishing a Rural Bank Branch Office in Kroya Subdistrict, Cilacap Regency, the operational aspects of the company's activities are planned according to the Covid-19 health protocol so that it can still operate with other innovations, especially in the field of customer service which can be done through online media. Financial indicators show good numbers. The value of KAP is 84.47%, ROA is 3.95%, BOPO is 78.76%, and LDR is 85.89%. This indicator shows that the plan to establish a Rural Bank Branch Office in Kroya Subdistrict, Cilacap Regency, can be said to be feasible.

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