

The Strategy of Rural Bank in the Face of the Industrial Era 4.0

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ABSTRACT: The rural bank is increasingly pressured by the presence of commercial banks, foreign banks of non-bank financial institutions that place massive financing in the microcredit sector and application-based financial transactions that facilitate and pamper consumers/customers. Government policies are needed to support and protect the existence of rural banks by equalization of their status in the equivalent of commercial banks in order to be more maximal in their intermediation functions, especially in the field of microcredit. The strategy that must be done by rural bank in facing the industrial era 4.0, is: implement a reliable Core Banking System (CBS). Cooperating with other rural bank and cooperating with fintech online credit distributors who are officially registered with the OJK are strengthened by regulations that support rural bank cooperation with fintech. Innovate in digital banking services by collaborating atm networks with commercial banks as well as collaboration to issue electronic money. Service innovation must be parallel with the improvement of management and internal in terms of integrity and attitude

KEYWORDS-Rural Bank, fintech, industry 4.0, Core Banking System

I. INTRODUCTION

The development of industrial revolution 4.0 in the form of financial technology (fintech) is increasing the use of digital devices that make it easier and faster for people to access banking financial services products. Fintech is a combination of financial services and technology that changed the business model from conventional to modern, which initially in paying must be face-to-face and bring in a certain amount of cash, can now make long-distance transactions by making payments that can be made in seconds. (Bank Indonesia, 2019) Fintech is not only happening in developed countries, but also growing rapidly in developing countries such as Indonesia. The existence of fintech is expected to bring a more practical and secure financial transaction process. This financial transaction process includes payment, borrowing money, transfer, or buying and selling shares. (Harahap, Idham, Kusuma, & Rakhman, 2017)

Financial services that utilize information technology (fintech) both offered by financial institutions supervised by the OJK and that have not been registered and supervised by the OJK. Rural bank is a financial institution supervised by OJK, but has not fully utilized fintech-based financial services.

In the development of fintech types are increasingly diverse, such as financial technology innovations related to payments and transfers, financial services institutions, and fintech start-ups that use new technology to provide faster, cheaper, and convenient services. Companies in the financing and investment sector also compete by using technological innovations in selling their financial products and services. Types of fintech in this sector include Peer-to-Peer (P2P) Lending, Crowdfunding, Supply Chain Finance, and others. (Napitupulu, Rubini, Khasanah, & Rachmawati, 2017)

The results of daily social research (2018) stated that fintech lending is the most dominant. Of the \$182.3 million total funding announced for fintech startups, 57% were related to sub-sector lending including Peer-to-Peer (P2P) Lending and payday loans. The most popular fintech service by e-money category is Go-Pay (79.38%) in the first place, followed by OVO (58.42%) in second place. Where Go-Pay and OVO and fintech services are developing today are mostly not financial institutions (banks), both Commercial banks and rural banks but are registered and supervised by the OJK.

Commercial Banks are banks that carry out business activities conventionally and/or based on sharia principles which in their activities provide services in payment traffic, receive deposits in the form of demand deposits and deposits which are then disbursed to provide credit in the long term. Rural bank is defined as a bank that carries out business activities conventionally and/or based on sharia principles in which it does not provide services in payment traffic. Rural bank accepts deposits only in the form of time deposits, savings, and/or other forms equated with it. Judging from its business activities rural bank has limitations

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in business, when compared to Commercial Banks. This is also one of the causes of under developed rural banks as commercial banks (Law of the Republic of Indonesia, 1998) (Susilo, Triandaru, & Santoso, 2000)

Table 1. Intermediation Function and Number of Rural Bank Offices in Indonesia

	2018	2017	Increase/Decrease
LDR	76,54%	75,36%	1,18%
NPL	6,37%	6,15%	0,22%
Number of rural banks	6.273	6.192	81

Source: Indonesian Banking Statistics January 2019

In general, the development of rural bank intermediation function can be seen from LDR and NPL. LDR in 2018 amounted to 76.54%, an increase from 1.18% in 2017. While the NPL in 2018 increased from 0.22% in 2017.

In 2018, the number of rural banks throughout Indonesia amounted to 6,273 rural bank offices, an increase of 81 rural bank offices from 2017. The advantages of rural bank is that it has properties that tend to be more active in marketing its products in traditional markets or in villages causing rural bank to be more able to encourage the development of micro enterprises. This is an advantage that rural bank has in the form of proximity to customers.

The current situation and condition of rural bank is increasingly pressured by the existence of commercial banks and foreign banks that place their financing massively in the microcredit sector (Sofyan, 2016). The existence of fintech peer to peer lending will be the biggest challenge for BPR. fintech peer to peer lending which mostly gives credit to MSMEs that become the main market of rural bank in lending. The Policy of People's Business Credit with an interest rate that was originally 9% then subsidized by the State Budget so that the interest rate on KUR loans to 7% increasingly makes rural bank increasingly abandoned by MSMEs. (Supriyanto, 2019).

Related to the strengthening of capital, rural bank should conduct mergers to be more robust and able to compete. With greater capital, it will have a more varied network and products. In addition to strengthening capital and networks, mergers are also to avoid the number of rural banks operating in one particular area, making it seem too dense and inefficient.

2. METHODS

The research method used is descriptive qualitative. Descriptive research method is a research method that seeks to describe and interpret objects according to what they are. (Darmadi, 2013) The choice of the use of qualitative methods in terms of the purpose of research is to understand how a community or individuals in accepting a particular issue. In this case, it is very important for researchers who use qualitative methods to ensure the quality of the research process, because the researcher will interpret the data he has collected. (McCusker & Gunaydin, 2015)

Qualitative methods help the availability of rich descriptions of phenomena. Qualitative encourages understanding of the substance of an event. Thus, qualitative research is not only to fulfill the desire of researchers to get an explanation, but also to help to get a deeper explanation (Sofaer, 1999)

Research conducted of months January up to April 2019 by using data seconds by information obtained through website Bank Indonesia dan Authority Financial Services.

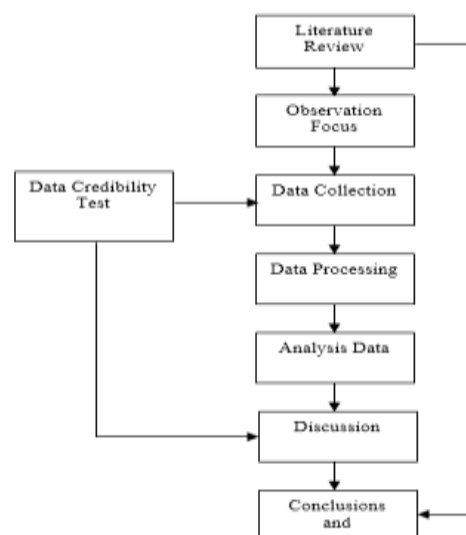


Figure 1. Research Flow Diagram

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In this study that acts as an instrument is the researchers themselves. Researchers as human instruments will observe the development of rural bank through the website www.bi.go.id and www.ojk.go.id. Researchers as research instruments because researchers as planners, implementers of data collection, analysis, data interpreters, and ultimately become the reporting of research results. (Moleong, 2014).

Research conducted examination of data validity, the validity of data on qualitative research can be obtained through triangulation. Triangulation is a data validity checking technique that uses something else to check and compare the data. In this research, the (Moleong, 2014) triangulation of sources will be triangulated by checking the data obtained through the website of Bank Indonesia and the Financial Services Authority. Technical triangulation is carried out by checking the data obtained through the website documentation of Bank Indonesia and the Financial Services Authority (Sugiyono, 2017). Data analysis techniques in qualitative research include: (Miles, Huberman, & Saldaña, 2013)

1. Data Collection. Processing and preparing data for analysis. This step is by sorting and arranging the data into different types depending on the source of information.
2. Data Reduction. Data reduction is a form of analysis that classifies, directs, disposes of unnecessary and organizes the data that has been reduced gives a sharper picture of hasil observation into a theme.
3. Data Display. Data display is an analysis in the form of briefs, tables, charts and relationships between categories. Through the presentation of the data, the data is organized, and arranged so that it will be easier to understand.
4. Conclusion Drawing / Verification. Conclusion is the withdrawal of conclusions and verification to be able to answer the formulation of problems formulated from the beginning.

3. RESULTS AND DISCUSSION

In this era of disruption, rural bank as a financial institution that serves the public has the challenge to conduct a service innovation that combines human base and technology. rural bank in its operations carries out the intermediation function in accordance with Banking Law No. 10 of 1998 as an amendment to Law No. 7 of 1992 on Banking, namely collecting funds in the form of Savings and Time Deposits and disbursing funds that have been collected in the form of lending to people in need so that mutually beneficial cooperation is established on both sides.

In carrying out the intermediation function, rural bank on improving the quality of service, namely by providing convenience and prioritizing hospitality and comfort. The reach of rural bank services is now more widespread, so that the public can easily get the best service facilities provided, either that will open a savings or credit account and also transactions in cash.

The improvement of bpr service quality is shown by the wider operational network of rural bank. Customers are given the ease of rural bank services that can be done both at the Head Office, and at the Branch Office. In addition to being supported by human-based services through a network of Branch Offices and Cash Offices. However, operational network expansion has not been supported by reliable mobile banking service information technology that is needed by the public or customers who want to have ease and speed of transactions at all times. Limitations of capital owned bpr, causing rural bank does not have a core banking system or service for 24 hours, so it does not have the latest interconnection in real time that can be accessed.

The government policy that is perceived to be less favorable to the bpr industry, one of which is Government Regulation No. 39 of 2007 on the management of state/local money that requires local governments to place local cash in commercial banks. In fact, a number of rural bank status is a regional-owned enterprise (BUMD) that contributes to the original income of the region (Perbarindo, 2019).

The use of computer technology is a strategic means that can create a competitive advantage in the banking world with the aim of creating ease of banking transaction services, so the development of a technology-based banking application system or core banking system (CBS) to improve the service of all banking transactions ranging from front office and back office activities. (Andarwati, 2016) CBS is the core and key application of the banking activity system and is at the heart of the banking system. CBS is a banking application used for bank operations, reducing costs, and for preparation for the future. (Satchidananda, Rao, & Wadhavkar, 2006)

Human resources that are users of the system is essential to the success of the organization. But not only that, the success of the bank organization is influenced by individual performance (bank employee performance) and organizational performance (bank performance). Such performance is influenced by system quality and information quality which also affects the intensity of system usage and user satisfaction. Therefore, the CBS application is the heart of banking and is categorized as success if it has a positive impact on the employees of the bank and the bank itself. (Jumaili, 2005)

rural bank is expected to be a real financial source for all people, and in addition to the renewal cooperation in bpr that becomes more modern with the support of information technology and cooperation with fintech peer to peer lending is

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expected more and more people will use this BPR, with the hope that bpr can also enter the existing trade market and can enter the informal sector, and with the content of this technology, the rural bank hopes to provide convenience for its customers.

The main obstacle of rural bank is the process of providing credit that is still time consuming and requires a lot of energy in the risk management section because there is no complete information as comparative data or sending applicant data from branch office to head office that is done manually takes a lot of time. The solution is to cooperate with fintech peer to peer lending fintech peer to peer lending registered with the OJK because it already has a good database related to customer information that will apply for credit.

OJK needs to set restrictions on mobile applications and internet banking, so that rural bank can remain amidst the industrial revolution 4.0. In addition, rural bank must collaborate between bpr in order to produce maximum solutions in the face of industrial revolution 4.0. rural bank can also collaborate with fintech companies to develop businesses, although it has a different business model but can collaborate in the use of digital technology in order to reach the people of Indonesia to the corners and can also minimize the ratio of bad loans (Non-Performing Loan).

4. CONCLUSIONS

Government policies are needed to support and protect the existence of rural banks by equalization of their status in the equivalent of commercial banks in order to be more maximal in their intermediation functions, especially in the field of microcredit.

Rural bank needs and must implement a reliable Core Banking System (CBS). CBS is the heart of the banking system used to process loan, saving, customer information files to various other banking services.

Cooperating with other rural bank and cooperating with fintech online credit distributors who are officially registered with the OJK are strengthened by regulations that support rural bank cooperation with fintech.

Innovation in digital banking services by collaborating atm networks with commercial banks as well as collaboration to issue electronic money. Service innovation must be parallel with the improvement of rural bank management and internal in terms of integrity and attitude

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