

CHAPTER I

INTRODUCTION

1.1 Background

Regional Development Bank (RDB) has contributed to regional economy for decades. In 2010, RDB consisting of 26 banks showed higher growth than the growth of overall national commercial banking. Total assets of all RDB Indonesia in 2014 was IDR 461.28 trillion. The value of the assets increase in 2015 of 18.76% or 547.82 IDR trillion, was ranked fourth of the entire national banking institutions after Bank Mandiri amounting to 905.74 IDR trillion, BRI amounting to 802.30 IDR trillion and BCA of 584.44 IDR trillion.

According to Indonesia Banking Statistics, credits of RDB also show growth from 2010 to 2015. By 2015, the credit position of RDB reached 302.98 IDR trillion or increased 9.20% compared with 2014 amounting to 277.46 IDR trillion. While third-party funds RDB by 2015 reached 360.88 IDR trillion or having a bit of a decline of about 2.48% compared to the year 2014 to reach 370.03 IDR trillion. A decline in national economic conditions caused third-party funds is currently experiencing difficulties.

Table 1
Assets of BPD
per 31 December 2014 in million rupiah

NO	Bank	2010	2011	2012	2013	2014
1	PT. Bank Sulawesi Tenggara	1,669,787	2,348,091	3,066,769	3,124,331	3,420,422
2	PT. Bank Yogyakarta	4,171,083	4,807,602	5,610,521	6,523,243	7,821,133
3	PT. Bank Kalimantan Timur	15,140,428	23,087,216	30,886,568	27,615,848	29,380,137
4	PT. Bank DKI	15,562,937	19,505,388	26,619,626	30,748,280	36,435,624
5	PT. Bank Aceh	12,210,215	13,055,398	13,487,270	15,250,212	16,375,097
6	PT. Bank Kalimantan Tengah	2,387,962	3,438,735	3,941,086	3,972,968	4,581,097

7	PT. Bank Jambi	2,196,147	3,092,576	3,668,399	4,276,507	5,780,235
8	PT. Bank Sulawesi Barat & Sulawesi Selatan	6,051,770	6,940,542	7,559,297	8,734,875	10,003,340
9	PT. Bank Lampung	3,111,092	4,202,498	4,720,732	4,590,392	5,002,230
10	PT. Bank Riau	12,983,605	16,983,605	19,841,497	19,459,918	22,854,068
11	PT. Bank Sumatera Barat	10,307,541	12,896,244	14,370,423	15,237,123	18,014,578
12	PT. Bank BJB	42,021,073	52,102,571	66,993,997	66,720,141	70,154,666
13	PT. Bank Maluku	2,507,027	2,169,035	2,778,919	3,159,550	3,921,483
14	PT. Bank Bengkulu	1,502,027	2,169,035	2,778,919	3,159,550	3,921,483
15	PT. Bank Jawa Tengah	18,812,169	22,982,127	26,483,003	30,695,212	35,487,912
16	PT. Bank Jawa Timur	19,983,256	24,846,516	29,112,193	33,046,537	37,998,096
17	PT. Bank Kalimantan Barat	5,868,875	7,126,170	8,394,579	9,642,735	11,217,613
18	PT. Bank Nusa Tenggara Barat	2,761,260	3,469,105	3,469,105	4,319,265	5,807,404
19	PT. Bank Sulawesi Tengah	1,211,154	1,147,175	1,358,581	1,797,348	2,757,722
NO	Bank	2010	2011	2012	2013	2014
20	PT. Bank Sulawesi Utara	4,323,410	5,298,034	6,548,587	7,805,462	10,715,636
21	PT. Bank Bali	9,077,935	10,587,225	12,631,875	14,366,984	16,951,303
22	PT. Bank Kalimantan Selatan	4,578,655	6,447,346	9,468,305	9,468,305	10,824,424
23	PT. Bank Nusa Tenggara Timur	4,495,883	5,621,758	6,951,092	7,267,810	8,298,587
24	PT. Bank Papua	10,905,848	13,673,419	14,766,074	17,665,211	20,176,685
25	PT. Bank Sumatera Selatan & Bangka Belitung	10,809,724	13,193,172	15,741,843	14,220,980	16,061,859
26	PT. Bank Sumatera	12,763,400	18,950,693	19,965,238	21,494,699	23,389,209

	Utara					
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Source: Published Financial Statements of a Conventional Bank

Table 1 shows that PT. Bank of East Java (JATIM) and PT. Bank of West Java and Banten (BJB) are the two highest of total assets when compared to the other Regional Development Bank. Bank Jatim has total assets for the year of 2010 amounted to 19,993,256 IDR, 2011 amounted to 4,846,516 IDR, in 2012 amounted to 29,112,193 IDR, in 2013 amounted to 33,046,537 IDR and in 2014 amounted to 37,998,096 IDR. While for Bank BJB has total assets for the year 2010 amounted to 42,021,073 IDR, 2011 amounted to 52,102,571 IDR, in 2012 amounted to 66,993,997 IDR, in 2013 amounted to 66,720,141 IDR and 70,154,666 IDR for the year 2014. It can be concluded that the two banks are banks that lead the market share of the Regional Development Bank in Indonesia. If we only refer to the total assets of the bank that's all it would be irrelevant if we say that the bank is already in a very good state because the assets can only be used as a reference for determine the size of company.

Bank Indonesia as the central bank as well as bank regulators do not want the crisis of 1997-1998 reoccur. Therefore, Bank Indonesia issued Bank Indonesia Regulation No. 1/6/PBI/2011 as set forth in Circular Letter No. 8/24/DPNP dated 25 October 2011. Bank Indonesia sets Bank health level assessment was based on the approach risks RBBR (Risk-Based Bank Rating). With the new assessment system, the bank is expected to be able to identify problems early on, to follow up the appropriate repairs and faster as well as implementing Good Corporate Governance and risk management. There are four factors in the assessment scope RBBR method is as follows: (1) risk profile, (2) Good Corporate Governance (GCG), (3) Earnings), (4) Capital.

Authors interested in researching the determinants of health rates PT. Bank Jatim and PT. Bank BJB over the period 2010–2014 using the method of Risk-Based Bank Rating

(RBBR). Based on the reason total assets shown in table 1 that PT. Bank Jatim and PT. Bank BJB is a comparable when compared to other RDB, the PT. Bank Jatim and PT. Bank BJB has total assets greater than with the other Regional Development Banks.

1.2. Problem Formulation

Based on the background of the issues above, the formulation of the problem in this research are:

1. What's the credit risk of PT. Bank Jatim and PT. Bank BJB from 2010-2014?
2. What's the liquidity risk of PT. Bank Jatim and PT. Bank BJB from 2010-2014?
3. What's the earning ability of PT. Bank Jatim and PT. Bank BJB from 2010-2014?
4. What's the capital adequacy of PT. Bank Jatim and PT. Bank BJB from 2010-2014?

1.3. Research Objective and Benefit

1.3.1 Research Objective

1. To analyze credit risk of PT. Bank Jatim and PT. Bank BJB.
2. To analyze liquidity risk of PT. Bank Jatim and PT. Bank BJB.
3. To analyze earning ability of PT. Bank Jatim and PT. Bank BJB.
4. To analyze capital adequacy of PT. Bank Jatim and PT. Bank BJB.

1.3.2 Research Benefit

1. For Researchers

This research provides an overview for authors about the determinants of health rates PT. Bank Jatim and PT. Bank BJB by using method of RBBR period 2010-2014.

2. For Academic

Can be used as a source of information or can be used as a secondary data source and as a contribution to the thought about the determinants of health rates PT. Bank Jatim and PT. Bank BJB by using method of RBBR period 2010-2014.

3. For Regional Development Bank

Can serve as entry/correction to maintain and enhance the health level of the RDB, and fix if there are weaknesses and shortcomings.

1.4. Writing Systematic

This research uses a systematic writing with the following composition:

CHAPTER I: INTRODUCTION

This section is part of initial writing of background problem, formulation of the problem, research objectives, the benefits of research, and systematic writing.

CHAPTER II: THERITICAL FRAMEWORK

This chapter briefly outlines the theories related to the object of research through the theories that support as well as relevant from a book or literature relating to issues that are examined, as well as a source of information and references in other media. As for the contents are Risk-Based Banking Rating (RBBR), risk profile factor, Good Corporate Governance (GCG), earnings ratios, Capital , differences in methods of CAMELS and RBBR, BASEL II, the BASEL III, and presented the previous research also has relevance to the current study.

CHAPTER III: RESEARCH METHOD

This chapter outlines in detail about the research methods used. Containing objects of research, research design, the type and source of data, data collection methods, assessment factors the level of health of banks, and data analysis techniques.

CHAPTER IV: RESULTS AND DISCUSSION

This chapter contains the results of the data analysis and discussion of the research findings are tailored to in chapter three, so it will provide a comparison of the results

of the research with the existing criteria and answer the questions that have been mentioned in the problem formulation.

CHAPTER V: CONCLUSION

This chapter describes the conclusions of research conducted on the basis of the results of the analysis and discussion of the limitations of the research, as for the suggestions addressed to the interested parties against the results of the next studies.

