

The Application of Balanced Scorecard Approach as the Yardstick of Bank Performance Assessment

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Abstract:

The objective of research is to understand and to examine how good is the performance of BPR Dinar Pusaka at Sidoarjo based on the use of balanced scorecard approach, especially concerning with the measurement of performance with financial perspective, customer perspective, internal business process perspective, and learning and growth perspective. Method used in this research is quantitative data analysis. Result of calculation and analysis is then used as the base for decision-making or also as the reference in making conclusion whether the performance of bank management is good or not if measured using balanced scorecard approach. This position is supported by Dahlan and Siamat, Tawaf and Tjukria, P, Kaplan and Norton, Yuwono, Sukarno, and Ichsan, Ratnawati, Mulia, Sutrisno Hadi, Husien Umar, Mulyadi, and Suharsimi Arikunto. Pursuant to the result of research, the conclusion is made as following: (1) Financial perspective at BPR Dinar Pusaka is described by the increase of the ratios of asset quality and efficiency and the decline of the ratios of capitalization, rentability and liquidity. (2) Customer perspective at BPR Dinar Pusaka is explained by the increase of customer retention and customer profitability rates and the satisfaction of saving customers and credit customers, but with the decline of customer acquisition. (3) Internal business process perspective at BPR Dinar Pusaka is indicated by the increase of receivable circulation rate, the improved timings for credit service process and saving service process, and the reduced level of uncollected receivable risk. (4) Learning and growth perspective at BPR Dinar Pusaka is reflected by the increase of employee training rate and employee satisfaction rate but with the decline of employee productivity rate.

Keywords:

Approach, Balanced Scorecard, Assessment and Bank.

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INTRODUCTION

The consequence of free market is stricter business competition. Business competition is indeed becoming stricter in the future. Such change must produce better development. Competitions in economic activity can force each economic unit to give the best performance. Therefore, the company must formulate and improve their business strategy to win the competition. In banking world, there is a strict competition to attract customers. Banking institutions that provide saving-loan service are enormous. In the regions around Sidoarjo, there are already eighteen institutions providing this saving-loan service. Of these numbers, three institutions are prominent, respectively Save-Loan Cooperative, Bank Rakyat Indonesia (BRI) and Bank Perkreditan Rakyat (BPR). Population rate in Sidoarjo is not quite dense. As a result, competition level across these institutions in providing saving-loan service is quite high. Therefore, banks must be smart enough in formulating and perfecting their business strategy to win the competition against other banks in attracting customers to invest their fund.

Strategic management system is very important to win the competition in market. Basically, strategic management is a process used by manager and employee to formulate and to implement strategy to provide the best customer value in order to attain the organizational vision (Mulyadi, 1999). Strategic management system can be defined as the art and knowledge of formulating, implementing and evaluating cross-functional decisions that will help organization to reach the objective. Strategic management consists of six main stages, such as *strategy formulation*, *strategic planning*, *programming*, *budgeting*, *implementation* and *controlling*. Of these six stages, *strategic planning* is a stage very determining to the existence of strategic management system. This stage is early step of elaborating the strategy into operational steps. If in this stage, the strategy is not comprehensively elaborated, the next stage (*programming* and *budgeting*) will fail to cover the field and the complex administered by company. Being a process, strategic management involves many peoples in organization, starting from top management to low-rank employees. Once the formulated strategy is implemented, this strategy may need a change in adaptive to the change in organizational environment. Therefore, the formulated strategy is possibly implemented in a way that it is planned, or can also be operated in modified format or in certain format different from previously plan.

Strategic management is a process that walks continuously along the journey of organizations when organizations attempt to achieve the vision and update themselves with environmental change occurred around them (Mulyadi, 1999). Some methods are used by the banks to attract the customers. Extensive promotion is not new strategy. Various promotion methods have been used widely, such as offering various products, giving premier service, updating promotion manner and providing gifts generously. Many investment alternatives are designed by the banks as the offers to the customers, including saving in rupiah and dollar currencies, giro, deposit and fund trust. Although all products offered are not different as much, banks always try to modify and give attractive offers to the customers. Interest rate offered by the banks is often competitive (Ratnawati, 2003).

In this condition, companies not only motivate themselves or measure their success or failure at short-term with traditional financial accounting model. The early financial model developed by trade companies and industrial corporations tends to measure the past rather than to acknowledge the investment needed for the capabilities to produce future value. *Balanced Scorecard* is a new framework that integrates various measures obtained from company strategy. Besides being used to measure the past financial performance, *Balanced Scorecard* also introduces the drivers of future financial performance. These drivers are translated from company process explicitly and strictly, and then converted into some obvious goals and measures (Kaplan and Norton, 1996). *Balanced Scorecard* is used to identify and to track financial and non-financial measures to provide wider views about business (Mulia, 2004). In early development, *Balanced Scorecard* is aimed to improve executive performance measurement system (1990s) which only measures the

performance based on financial perspective. As a consequence, the center of executive's attention and work is given only upon financial performance in such way that it may disregard the measures of non-financial performance, such as customer satisfaction, productivity and cost effectiveness, and also understate the process of producing goods and services or the process that develops empowerment and commitment for employees to deliver products and services for customer satisfaction (Mulyadi, 2001). The reason of why *Balanced Scorecard* is used to assess managerial performance is because *Balanced Scorecard* can complement the set of measures of the past financial performance by giving the impeller measures (*drivers*) for the future performance. The goals and measures of *Balanced Scorecard* are in accord with the visions and strategies of the company itself, which all of them emphasize on understanding company performance from four perspectives, respectively financial perspective, customer perspective, internal business process perspective, and learning and growth perspective (Kaplan and Norton, 1996). In this matter, the banks are considered as a business type moving in service delivery. Therefore, the measuring tool to assess bank performance is not only financial perspective but also non-financial perspective. Banks always try to serve the customers as good as possible. Because the banks concentrate on service delivery, customer satisfaction must be important priority. If customers satisfy with the service provided by the banks, they will be loyal and may show their loyalty either by investing their funding into the banks or applying for credit from the banks.

The satisfied and loyal customers will develop strong *customer base* that will enlighten the future of the banks. Strong *customer base* can produce profit either from *fee-based income* or *interest-based income*. Therefore, strategic management system, or mainly, strategic planning process, must be arranged based on *Balanced Scorecard* as the frame to develop a comprehensive and coherent strategic plan (Mulyadi, 2001). Despite plenty of previous researches about this matter, the author attempts to review the relationship between strategic management system and *Balanced Scorecard* approach. This research applies *Balanced Scorecard* approach as the yardstick to assess banking performance. Therefore, the author chooses the title "The Application of *Balanced Scorecard* Approach as the Yardstick of Bank Performance Assessment".

Considering this overview as the background, the problem to discuss is "How good is the performance of BPR Dinar Pusaka at Sidoarjo if measured using *Balanced Scorecard* approach on several perspectives such as financial perspective, customer perspective, internal business process perspective and learning and growth perspective?" The objective of research is to understand and to examine how good is the performance of BPR Dinar Pusaka at Sidoarjo based on the use of *balanced scorecard* approach, especially concerning with the measurement of performance with financial perspective, customer perspective, internal business process perspective, and learning and growth perspective. The benefits of research are described as following. Empirically, this research gives suggestions and inputs to BPR Dinar Pusaka at Sidoarjo. This research also explores alternatives to the measurement of banking performance by explaining financial and non-financial aspects that may be useful as the reference point in determining next policy. Theoretically, result of this research can be the useful reference for further research that may similarly use *Balanced Scorecard* approach as the measuring tool of company performance.

METHOD OF RESEARCH

Method of analysis used in this research is quantitative data analysis. Each perspective that represents performance is measured using quantitative yardstick. Result of measurement is analyzed and processed into the conclusion about company performance.

During quantitative data analysis, the author attempts to analyze the performance of bank management based on each perspective in *Balanced Scorecard* and describes the result in mathematic equation. Result of computation and analysis is then used as the base in making decision or also in making conclusion

whether the performance of bank management is good or not if measured with *Balanced Scorecard* approach. This position of research has been explored by Dahlan and Siamat (1993), Tawaf and Tjukria, P (1999), Kaplan and Norton (2000), Yuwono, Sukarno, and Ichsan (2003), Ratnawati (2003), Mulia (2004), Sutrisno Hadi (1997), Husien Umar (2000), Mulyadi (1999) and Suharsimi Arikunto (1998).

RESULT AND DISCUSSION

Result of Measurement on Financial Perspective

The measurement of BPR Dinar Pusaka's performance on financial perspective with *Balanced Scorecard* concept is involving five yardsticks:

1. Capitalization Ratio. The computation of capitalization ratio at BPR Dinar Pusaka at Sidoarjo is using the yardstick of *Capital Adequacy Ratio* (CAR) as shown in Table 1 Attachment.

Capital total owned by BPR Dinar Pusaka at Sidoarjo has decreased by 89%. Risk-Adjusted Weighted Asset (RAWA) increases by 18.7%. Pursuant to these numbers, Capital Adequacy Ratio (CAR) of BPR Dinar Pusaka is decreasing by 10.58% from 11.66% in Year 2012 to 1.08% in Year 2013. It means that the capacity of BPR Dinar Pusaka to compensate the potential loss in Risky Asset has been reduced.

2. Asset Quality. The quality of asset in BPR Dinar Pusaka is measured using the yardstick of Removal and Elimination of Productive Asset (REPA) as indicated in Table 2 Attachment.

Removal and Elimination of Productive Asset (REPA) in BPR Dinar Pusaka has increased by 24.58%.

Total of productive asset that has been classified is increasing by 23.9%.

As understood from this calculation, then asset quality of BPR Dinar Pusaka improves by 3.89 % from 0.19% in Year 2012 to 4.08% in Year 2013. It means that the quality of productive asset owned by BPR Dinar Pusaka is good.

3. Rentability Ratio. Rentability ratio in BPR Dinar Pusaka is understood with two yardsticks, respectively *Return on Asset* (ROA) shown in Table 3 Attachment and *Return on Equity* (ROE) indicated in Table 4 Attachment.

If both gross profit and loss are considered, thereby BPR Dinar Pusaka gets profit for 56,159,569 rupiahs in Year 2012 but suffers loss for 61,404,336 in Year 2013. Asset total decreases by 5.12 %. Return on Asset of BPR Dinar Pusaka declines by 5.32 % from 2.47 % in Year 2012 to become -2.85 % in Year 2013. This minus appears because BPR Dinar Pusaka suffers the loss in Year 2013 when BPR Dinar Pusaka fails to maximize the asset to produce bigger profit.

Based on this calculation, BPR Dinar Pusaka obtains gross profit for 56,159,569 rupiahs in Year 2012 but experiences loss for 61,404,336 in Year 2013. The operational capital of the bank decreases by 88.95 %.

In relative with *Return on Equity* (ROE), it decreases by 8.74% from 127.46% in Year 2012 to -126.28 in Year 2013. It is apparent because BPR Dinar Pusaka suffers the loss in Year 2013 when the bank cannot utilize the capital to increase its profitability.

4. Liquidity Ratio. Liquidity ratio in BPR Dinar Pusaka is measured using two yardsticks, respectively *Loan to Deposit Ratio* (LDR) shown in Table 5 Attachment and *Comparison of Credit Growth and Funding Growth* indicated in Table 6 Attachment.

Total of credit conferred to customers in both Year 2012 and 2013 is decreasing by 2.5 %. The funding total successfully compiled from third party is also declining by 2.14 %. Pursuant to these numbers, *Loan to Deposit Ratio* (LDR) at BPR Dinar Pusaka decreases by 0.3%. In Year 2012 and 2013, the total of funding accumulated from third party in BPR Dinar Pusaka is actually bigger than the total of credit conferred to

customers. Taking this matter into account, BPR Dinar Pusaka provides funds to customers by managing funds in savings.

Credit growth in BPR Dinar Pusaka is compared with funding growth. It is found after comparison that the growth of the conferred credit and the growth of the funding accumulated by BPR Dinar Pusaka are decreasing in Year 2013 although credit growth is still greater than funding growth. It means that the ability of BPR Dinar Pusaka to procure funding from third party is still promising but not success in Year 2013 as indicated by growth decline at that time.

5. Efficiency Ratio. The calculation of efficiency ratio in BPR Dinar Pusaka is using two yardsticks, respectively *Net Interest Margin* (NIM) as shown in Table 7 Attachment and *Ratio of Operational Cost to Operational Income* as shown in Table 8 Attachment.

Interest rate or interest income obtained by BPR Dinar Pusaka has increased by 3.4%. Interest cost also improves by 14.2%. Productive asset decreases 2 %. In pursuance of this measurement, *Net Interest Margin* (NIM) decreases by 0.08 % from 14.92 % in Year 2012 to 14.84 % in Year 2013. It means that the ability of BPR Dinar Pusaka to obtain profit from its productive total is depriving.

Operational cost of BPR Dinar Pusaka increases by 28.3 %, while operational income advances to 3.85 %. Ratio of Operational Cost to Operational Income has increased by 21.12% from 89.7 % in 2012 to 110.82% in Year 2013. In 2013, the operational cost expended is bigger than the operational income obtained. In this matter, the operational activity of BPR Dinar Pusaka is not efficient because it fails to obtain the funding sources to produce the expected income.

The Analysis on Financial Perspective

Based on the result of analysis on financial perspective, it is inferred that:

1. *Capital Adequacy Ratio* (CAR) is declining / not good.
2. Asset Quality is improving / good.
3. *Return on Asset* (ROA) is declining / not good.
4. *Return on Equity* (ROE) is declining / not good.
5. *Loan to Deposit Ratio* (LDR) is declining / not good.
6. Credit growth if compared to funding growth is declining / not good.
7. *Net Interest Margin* is declining / not good.
8. Operational cost, if compared to operational income, is increasing / not good.

CAR declines because BPR Dinar Pusaka's capital is decreasing in Year 2013 if compared to capital total in Year 2012. Asset quality is measured by the yardstick of Removal and Elimination of Productive Asset. Result of measurement indicates that asset quality is improving because REPA and productive asset total are classified as improving and thus, the quality of productive asset owned BPR Dinar Pusaka is good. Rentability ratio using the yardsticks of ROA and ROE is declining because in Year 2013, BPR Dinar Pusaka suffers the loss because the total of operational cost expended by BPR Dinar Pusaka is bigger than the total of operational income obtained. The ability of BPR Dinar Pusaka to produce profit from asset total and capital total is declining or not good. Liquidity ratio is measured using the yardsticks of LDR and comparison of credit growth and funding growth. Result of measurement shows that this ratio is not good because the credit total and the fund total compiled from third party are declining in Year 2013. LDR is 81.71 % in Year 2012 and 81.41% in Year 2013, which means that this ratio is still lower than the rate of 110 % required by Bank Indonesia. It signifies a contention that BPR Dinar Pusaka is not effective to be subsidiary institution. The growth of credit conferred and the growth of the funding compiled by BPR Dinar Pusaka are declining in Year 2013 because this year is when so many financial institutions are

founded to provide saving-loan service in Sidoarjo Regency. Eighteen (18) financial institutions are providing saving-loan service, and the prominent institutions include Save-Loan Cooperative, Bank Rakyat Indonesia (BRI) and Bank Perkreditan Rakyat (BPR). Competition level among these institutions in providing saving-loan service is quite high. Efficiency ratio of BPR Dinar Pusaka after measured by the yardsticks of NIM and Ratio of Operational Cost to Operational Income is declining due to the fact that interest margin in Year 2013 is smaller than interest margin in Year 2012. Productive asset total owned by BPR Dinar Pusaka is decreasing. Therefore, the ability of BPR Dinar Pusaka to produce profit from productive asset total is declining or not good. Operational cost expended by BPR Dinar Pusaka is bigger than operational income acquired in Year 2013, thus forcing BPR Dinar Pusaka to experience non-efficient operational because income total received by BPR Dinar Pusaka in forms of interest income, provision and commission, is not sufficiently compensating the expended total cost in forms of interest cost, insurance premium, workforce cost, maintenance and improvement cost, decrement cost, purchasing cost for goods and services, and other cost.

Result of Measurement on Customer Perspective

Customer perspective is understood using BPR Dinar Pusaka's customer circulation data in Year 2012 and 2013 as shown in Table 9 Attachment.

The measurement of customer perspective employs four yardsticks:

1. Customer Acquisition. The computation of *Customer Acquisition* in BPR Dinar Pusaka is shown in Table 10 Attachment.

The number of new customers acquired by BPR Dinar Pusaka is declining by 43.39% in Year 2012 and 2013. Customer total also decreases by 2.59%. Based on this percentage, number of new customers registered has declined by 1.91%. It means that BPR Dinar Pusaka does not have ability to acquire new customers.

2. Customer Retention. The computation of *Customer Acquisition* in BPR Dinar Pusaka is indicated in Table 11 Attachment.

Number of regular customers in BPR Dinar Pusaka is declining by 4.37 % in Year 2012 and 2013. Customer total decreases by 2.59%. Based on this percentage, BPR Dinar Pusaka is not able to retain the customers and it is proved by the decrement of 1.9% in Year 2012 and 2013. It means that the ability of BPR Dinar Pusaka to retain the regular customers is not good.

3. Customer Profitability. The computation of *Customer Profitability* in BPR Dinar Pusaka is displayed in Table 12 Attachment.

Income received by BPR Dinar Pusaka from credit conferral is declining by 3.4 %. Total of credit conferred suffers a decline by 2.6%. It contrasts with the fact that the ability of BPR Dinar Pusaka to obtain profit from a business unit or from the product offered is increasing by 1.82%.

4. Customer Satisfaction Rate. Customer satisfaction rate in BPR Dinar Pusaka is understood using questionnaire comprising of questions related to customer satisfaction with BPR Dinar Pusaka. This customer satisfaction concerns with the satisfaction to saving and credit services.

a. Saving Customers

(1) Age of Respondents of Saving Customers

Respondent age is assigned into 5 groups. More clearly about respondent age is presented in Table 13 Attachment.

It is shown in this table that the respondents of saving customers are mostly represented by Age Group 31-35 years old amounting to 32 persons or 35 % of total. This position is followed by Age Group 25-30 years old amounting to 27 persons or 29 % of total, Age Group 36-40 years old amounting to 14 persons or 15 %

of total, Age Group 41-45 years old amounting to 12 persons or 13 % of total, and Age Group 46-50 years old amounting to 7 persons or 8 % of total. It means that the respondents at BPR Dinar Pusaka at Sidoarjo are mostly included in Age Group 31-35 years old in 35 % of total and also in Age Group 25-30 years old in 29 % of total because those in both age groups are classified as productive age.

(2) Gender of Respondents of Saving Customers

Respondent gender is assigned into 2 groups, precisely male and female. Clear presentation about respondent gender is put in Table 14 Attachment.

This table shows that 47 respondents of saving customers or 51% of total are male while the remaining 45 respondents or 49% are female. It means that there is no significant difference among respondents of saving customers on gender, either male or female.

The average rate of customer satisfaction to saving service at BPR Dinar Pusaka is indicated in Table 15 Attachment.

Table 15 indicates that the average rate of customer satisfaction to saving service is 3.7, meaning that the customers are nearly satisfied with saving service provided by BPR Dinar Pusaka.

b. Credit Customers

(1) Age of Respondents of Credit Customers

The age of respondents of credit customers is elaborated in Table 16 Attachment. This table shows that respondents of credit customers are mostly those coming from Age Group 31-35 years old amounting to 28 persons or 35 % of total, followed by Age Group 36-40 years old amounting to 18 persons or 22 % of total, Age Group 25-30 years old amounting to 14 persons or 17 % of total, Age Group 41-45 years old amounting to 13 persons or 16 % of total, and Age Group 46-50 years old amounting to 8 persons or 10 % of total. It means that

the biggest proportion of respondents at BPR Dinar Pusaka at Sidoarjo is those included in Age Group 31-35 years old followed by those in Age Group 36-40 years old because those in both groups are those with productive age.

(2) Gender of Respondents of Credit Customers

Respondent gender is assigned into 2 groups, male and female. Gender of respondents of credit customers is presented in Table 17 Attachment. This table describes that 64 respondents of credit customer or 79% of total are male while the remaining 17 respondents or 21% are female. It means that most respondents of credit customers at BPR Dinar Pusaka are male.

The average rate of customer satisfaction to credit service at BPR Dinar Pusaka is indicated in Table 18 Attachment. Indeed, Table 18 indicates that the average rate of customer satisfaction to credit service is 4.037, meaning that customers are satisfied with credit service given by BPR Dinar Pusaka.

The Analysis on Customer Perspective

Based on the analysis on customer perspective, it is concluded that *customer acquisition* is declining / not good, *customer retention* is declining / not good, and *customer profitability* is improving / good. Concerning with satisfaction rate, saving customers are nearly satisfied while credit customers are satisfied.

Customer Acquisition at BPR Dinar Pusaka has been declined which means that the ability of BPR Dinar Pusaka in acquiring new customers is not quite good. *Customer Retention* is also declining, which means that the ability of BPR Dinar Pusaka to retain the regular customers is not good. The declining of *Customer Acquisition* and *Customer Retention* is caused by the competition across financial institutions in providing saving-loan service. BPR Dinar Pusaka is also witnessing great number of their customers leaving of the

bank. Saving customers shut their account at the closing of the book whereas credit customers close their account when they have settled the loan. *Customer Profitability* is increasing in Year 2013 which means that the ability of BPR Dinar Pusaka to obtain profit from a business unit or from a product offered, in this matter credit service, is increasing or good.

Customer satisfaction to saving service, if rated from bank employees' service delivery and friendliness to saving customers, is counted at 4.07, meaning that customers are satisfied. Satisfaction to the explanation given by bank employees about saving service is counted at 4.03, meaning that saving customers are satisfied. The average rate of customer satisfaction to saving interest is 3.28 meaning that customers are quite satisfied. Satisfaction to the saving facility is given score 3.23, which means that customers are quite satisfied. The easiness of service process is scored at 3.27 meaning that customers are quite satisfied. The accuracy and validity of data in saving administration is given score 4.06 meaning that customers are satisfied. BPR Dinar Pusaka's response to the problem in opening saving account is scored at 3.95, which means that customers are still satisfied. In total, saving customers are nearly satisfied to the service given by BPR Dinar Pusaka with satisfaction average rate of 3.7.

However, customer satisfaction rate to saving service is still lower than the bank has expected. Also, customers are only nearly satisfied to saving interest, saving facility, process easiness and process speed in saving service. This hesitating satisfaction is caused by the fact that BPR Dinar Pusaka is not able to retain the existing customers (*Customer Retention*).

Customer satisfaction to credit service is scored at 4.06 meaning that customers are satisfied. Bank employees' friendliness in credit service is given score 4.18 meaning that customers are satisfied. The explanation of BPR Dinar Pusaka employees about credit is given score 4.12 meaning that customers feel satisfied. Credit customers are also satisfied with credit interest they pay as shown by the average rate of their satisfaction counted at 4.08. Credit facility given to credit customers is scored at 4.06 meaning that customers are satisfied. Easiness of credit service process at BPR Dinar Pusaka is counted at 4.04 meaning that customers are satisfied. The speed in credit conferral process is given score 3.91 which means that customers are satisfied. The security in credit conferral process is scored at 3.93 meaning that credit customers are satisfied. The accuracy and validity of data in credit administration is given score 3.87 meaning that customers are satisfied. The response of BPR Dinar Pusaka to the error in credit administration is counted at 4.06 meaning that customers are satisfied. In total, credit customers are satisfied to the service given by BPR Dinar Pusaka with satisfaction average rate of 4.03.

Result of Measurement on Internal Business Process Perspective

In measuring internal business process at BPR Dinar Pusaka, two yardsticks are used.

1. Receivable Circulation Rate. The computation of receivable circulation rate in BPR Dinar Pusaka is presented in Table 19 Attachment. As shown in this table, receivable payback is reduced by 1.82 times in Year 2012 and 0.96 times in Year 2013. It means that receivable payback declines because payback is slow. It can be said that there is the decreased willingness among customers to repay the loan.
2. Uncollected Receivable Risk (Defaulted Credit). The computation of uncollected receivable risk in BPR Dinar Pusaka is shown in Table 20 Attachment. This table indicates that uncollected receivable risk increases for 8.23% from 10.32% in Year 2012 to 18.55% in Year 2013. It means that the uncollected receivable rate in BPR Dinar Pusaka may be greater which then causes the decline in business income, meaning that it reduces bank growth.
3. Process Timing. BPR Dinar Pusaka has two process timings. Process timing in credit service is shown in Table 21 Attachment whereas process timing in saving service is indicated in Table 22

Attachment. As displayed on these tables, the process timing of credit service at BPR Dinar Pusaka is faster than the standard. It means that for credit processing, BPR Dinar Pusaka does not waste times to fulfill customers' request for credit service.

The process timing of saving service at BPR Dinar Pusaka may be faster than the standard. It means that in processing the saving, BPR Dinar Pusaka does not waste times to fulfill customers' request for saving service.

The Analysis on Internal Business Process Perspective

As shown by the result of analysis on internal business process perspective, it is concluded that receivable circulation rate is declining or not good, uncollected receivable risk rate is increasing / not good, timing of credit process is faster than standard, and timing of saving process is faster than standard.

A decline means that receivable payback rate is not good because the settlement moves slowly. It may be apparent because economic condition is unfavorable. Uncollected receivable risk at BPR Dinar Pusaka increases which means that BPR Dinar Pusaka experiences many defaulted credit. It is quite evident in Year 2009 when the default rate at BPR Dinar Pusaka is very high with uncertain possibility of collection. Process timing for saving and credit services at BPR Dinar Pusaka is good because it is faster than standard. The increased level of uncollected receivable risk or defaulted credit at BPR Dinar Pusaka is not compatible to the faster timing in credit processing, which means that BPR Dinar Pusaka may not have enough time to select the customers who request for credit. Therefore, there is a risk of the reduced quality of credit selection.

Result of Measurement on Learning and Growth Perspective

Learning and growth perspective at BPR Dinar Pusaka is measured with four yardsticks such as:

1. Employee Productivity Rate. The computation of employee productivity rate at BPR Dinar Pusaka is shown in Table 23 Attachment. As indicated by this table, employee productivity rate declines for 11,756,389 from 5,615,956 in Year 2012 to -6,140,433 in Year 2013. It means that employee productivity rate in BPR Dinar Pusaka in Year 2012 and 2013 is decreasing because in Year 2013, the bank suffers from the loss for 61,404,336.
2. Employee Training Rate. The computation of employee training rate at BPR Dinar Pusaka is indicated by Table 24 Attachment. In Year 2012 and 2013, BPR Dinar Pusaka has sent one employee, usually the manager, as the representative to attend the training and after that, the manager informs training result to employees. It means that BPR Dinar Pusaka does not give a great priority to human resource development because there is no structured training held every year and also, if any, this training is often attended only by the manager.
3. Employee Satisfaction Rate.

a. Age of Respondents of Bank Employee

Respondent age is assigned into 4 groups. More clearly about respondent age is shown in Table 25 Attachment.

Table 25 indicates that the most respondent of bank employee is coming from Age Groups of 25-30 years old, 31-35 years old and 41-45 years old with 3 persons or 30 % of each age group, and followed by Age Group 36-40 years old with only one person or 10 %. It means that the respondent of employee at BPR Dinar Pusaka in Sidoarjo is classified into Age Groups of 25-30 years old, 31-35 years old and 41-45 years old.

b. Gender of Respondents of Bank Employee

Respondent gender is clustered into 2 groups, respectively male and female. It is clarified in Table 26

Attachment. This table shows that there are 10 respondents of bank employee comprising of 5 respondents of male and 5 respondents of female. It means that employee composition at BPR Dinar Pusaka in Sidoarjo is in balance between male employee and female employee. The computation of employee satisfaction rate at BPR Dinar Pusaka is shown in Table 27 Attachment.

The Analysis on Learning and Growth Perspective

Result of analysis on learning and growth perspective indicates that employee productivity rate is declining / not good, employee training rate is unstructured, and employee satisfaction rate is sufficient. Employee productivity rate is reducing because in Year 2013, BPR Dinar Pusaka suffers from the loss when the bank fails to cover the expended costs with the existing income. Training rate at BPR Dinar Pusaka is not good because there is no structured training every year and if any, the participant is always the manager. The average rate of employee satisfaction in term of work motivation is 3.85 meaning that employees are satisfied with motivation instruments used at BPR Dinar Pusaka such as salaries and other benefits. Relationship with manager has produced satisfaction average rate of 4.26 meaning that employees are very satisfied to the policy made by BPR Dinar Pusaka and they are also given freedom of expression. The employees of BPR Dinar Pusaka are also satisfied with their work place in rate of 3.9. Enthusiasm to work is scored at 3.96 meaning that BPR Dinar Pusaka's employees are satisfied with work discipline and work hour given by BPR Dinar Pusaka.

In total, BPR Dinar Pusaka's employees are satisfied with their job, and their satisfaction average rate is 3.964. However, employee productivity declines because in Year 2013, BPR Dinar Pusaka experiences the loss. The reason of loss is not because the employees are not satisfied. Therefore, employee work satisfaction only is not enough to improve employee motivation and employee productivity.

CONCLUSION AND SUGGESTION

Conclusion

The application of *Balanced Scorecard* at BPR Dinar Pusaka in Year 2012 and 2013 is elaborated as following:

1. Financial Perspective

The ability of BPR Dinar Pusaka to cover the loss in its risky productive asset is not good. It is proved by the fact that capital ratio after measured with the yardstick of *Capital Adequacy Ratio* (CAR) is declining by 10.58%.

The quality of productive asset owned by BPR Dinar Pusaka is favorable. It is measured using the yardstick of Removal and Elimination of Productive Asset (REPA) which shows that asset quality is increasing by 3.89 %.

The ability of BPR Dinar Pusaka to produce profit from asset total and capital total is declining or not good. It is indicated by Rentability Ratio at BPR Dinar Pusaka which is measured with two yardsticks, respectively Return on Asset (ROA) and Return on Equity (ROE). Both yardsticks are declining by 5.32% and 1388.74% because the bank suffers from the loss in Year 2013 when the operational cost total expended by BPR Dinar Pusaka is bigger than operational income total.

The ability of BPR Dinar Pusaka to obtain saving accumulation from third party is not good. It is shown by Liquidity Ratio with two yardsticks, respectively *Loan to Deposit Ratio* (LDR) and *Comparison of Credit Growth and Funding Growth*. This unfavorable condition is evident because the conferred credit total and the funding total obtained from third party are declining in Year 2013 because many competitors of financial institutions have provided saving-loan service around Karangawen Sidoarjo. Eighteen (18) financial institutions are enlivening the competition. The most obvious competition, or in quite high level,

is involving saving-loan cooperative, BRI and BPR which means that competition level is relatively higher. LDR is 81.71% in Year 2012 and 81.41% in Year 2013, meaning that this ratio is still lower than BI rate of 110%. It signifies the fact that BPR Dinar Pusaka is not yet effective as subsidiary institution.

The ability of BPR Dinar Pusaka to produce profit from productive asset is declining or not good, and consequently, the operational is not efficient. It is understood from Efficiency Ratio that measured with two yardsticks, precisely *Net Interest Margin* (NIM) and *Ratio of Operational Cost to Operational Income*, based on which the efficiency ratio is declining because interest margin in Year 2013 is smaller than interest margin in Year 2012. Also, productive asset total owned by BPR Dinar Pusaka is decreasing. Operational cost expended by BPR Dinar Pusaka is bigger than operational income obtained in Year 2013. In this matter, the obtained operational cost total is not enough to cover the costs expended by BPR Dinar Pusaka for operational activity.

2. Customer Perspective

The ability of BPR Dinar Pusaka to recruit new customers is not good. It is proved by the declining of *Customer Acquisition* for 3.89 %. The ability of BPR Dinar Pusaka to maintain the relation with the customers is good as shown by the increase of *Customer Retention* by 0.99 %. The declining of *Customer Acquisition* and *Customer Retention* is caused by the competition between financial institutions to provide saving-loan services.

Profit obtained by BPR Dinar Pusaka from a business unit or a product offered, particularly to credit service process, has increased or remains in good position as indicated by the increase of *Customer Profitability* by 1.82 %.

Saving customers are nearly satisfied to the service given by BPR Dinar Pusaka and credit customers also feel satisfied with the credit service. The average rate of saving customers' satisfaction is 3.7% and that of credit customers' satisfaction is 4.037 %.

3. Internal Business Process Perspective

The use of capital embedded into receivable is not efficient because receivable circulation rate at BPR Dinar Pusaka in Year 2013 is slower than that in Year 2012 possibly because the economic condition of Sidoarjo people is lowering.

Uncollected receivable risk at BPR Dinar Pusaka is increasing in Year 2013 which means that BPR Dinar Pusaka faces huge of defaulted credit. Monetary crisis in 1999 has led to higher defaulted credit rate and the default remains uncollected until now. It then influences the rate of uncollected receivable risk in recent days. It is proved by the fact that the rate of uncollected receivable risk at BPR Dinar Pusaka has increased by 8.23%.

In processing the saving and credit, BPR Dinar Pusaka does not waste times to administer the request for saving and credit customers. The timing of process to serve saving customer and credit customer is faster than the standard. The increased rate of uncollected receivable risk or defaulted credit at BPR Dinar Pusaka is not comparable to the faster timing in credit processing, which means that BPR Dinar Pusaka may not have enough time to select customers who propose for credit. Therefore, there is a risk of the reduction of credit selection quality.

4. Growth and Learning Perspective

Employee productivity rate declines because in Year 2013, BPR Dinar Pusaka losses. Training rate given by BPR Dinar Pusaka to employees is not good because there is no structured training or the participant of training is always the manager.

The employees of BPR Dinar Pusaka are satisfied with their work when it is measured from their motivation to work, their relation with manager, their work place condition and their enthusiasm to work. The average rate of employee satisfaction is 3.964%.

Suggestion

Based on this conclusion, it is then suggested that:

1. BPR Dinar Pusaka must give greater attention to its financial condition because it minimizes the expended costs and improves credit and funding growths.
2. BPR Dinar Pusaka shall increase their marketing strategy to attract customer interest by giving better service to customers.
3. BPR Dinar Pusaka must reduce the percentage of uncollected receivable (defaulted credit) by selecting the customers who request credit and sort them based on 5C conditions. These conditions include: *Character* concerning with personality, morality and honesty of credit applicants; *Capacity* related to the capability in business development; *Capital* related with the capital ownership; *Collateral* related to the guarantee; and *Condition* concerning with the economic condition of the customers. If the defaulted credit still exists, the steps taken by BPR Dinar Pusaka are concentrated upon 3R, such as: *Rescheduling*, concerning with the relief given to debtors in form of the prolonged schedule for receivable repayment; *Reconditioning*, related to the relief given to debtors for the preconditions of repayment and collateral; and *Restructuring*, the step taken after first and second steps, respectively *Rescheduling* and *Reconditioning*, are impossible or not available.
4. BPR Dinar Pusaka shall improve income or profit because in Year 2013, the bank has suffered the loss. Structured training must be given to all employees.

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LIST OF TABLE ATTACHMENTS

Table 1. Capital Adequacy Ratio (CAR)

Subjects	Year 2012	Year 2013
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Self owned capital	44,058,845	4,868,376
RAWA (Risk-Adjusted Weighted Asset)	377,570,709	448,345,666
CAR	11.66 %	1.08 %

Source: Pompong 2013

Table 2. Removal and Elimination of Productive Asset (REPA)

Subjects	Year 2012	Year 2013
REPA	631,823	16,167,373
Total of Classified Productive Asset	319,184,437	395,356,525
Asset Quality	0.19 %	4.08 %

Source: Pompong 2013

Table 3. Return On Asset (ROA)

Subjects	Year 2012	Year 2013
Gross Profit/Loss	56,159,569	(61,404,336)
Asset Total	2,269,758,315	2,153,358,385
ROA	2.47 %	- 2.85 %

Source: Pompong 2013

Table 4. Return On Equity (ROE)

Subjects	Year 2012	Year 2013
Gross Profit/Loss	56,159,569	(61,404,336)
Asset Total	44,058,845	4,868,376
ROA	127.46 %	- 1261.28 %

Source: Pompong 2013

Table 5. Loan to Deposit Ratio (LDR)

Subjects	Year 2012	Year 2013
Total of Credit Conferred	1,572,037,734	1,532,663,689
Total of Funding from Third Party	1,923,862,271	1,882,638,382
LDR	81.71 %	81.41 %

Source: Pompong 2013

Table 6. Comparison of Credit Growth and Funding Growth

Subjects	Results
Credit Growth Funding	- 39,374,045
Growth	- 41,223,889
Comparison of Credit Growth and Funding Growth	- 95.51 %

Source: Pompong 2013

Table 7. Net Interest Margin (NIM)

Subjects	Year 2012	Year 2013
Interest Income	473,507,411	489,579,635
Interest Cost	169,873,932	194,038,047
Interest Margin	303,633,479	295,541,588
Productive Asset	2,034,008,013	1,991,517,100
NIM	14.92 %	14.84 %

Source: Pompong 2013

Table 8. Ratio of Operational Cost to Operational Income

Subjects	Year 2012	Year 2013
Operational Cost	489,877,948	628,497,478
Operational Income	546,037,517	567,093,142
Ratio of Operational Cost to Operational Income	89.7 %	110.82 %

Source: Pompong 2013

Table 9. Customer Circulation at BPR Dinar Pusaka in Year 2012 and 2013

Year	Customer Total	Old Customer	New Customer
2012	2315	2421	106
2013	2255	2315	60

Source: Pompong 2013

Table 10. Customer Acquisition

Subjects	Year 2012	Year 2013
New Customer	106	60
Number of Customer	2315	2255
% Customer Acquisition	4.57 %	2.66 %

Source: Pompong 2013

Table 11. Customer Retention

Subjects	Year 2012	Year 2013
New Customer	2421	2315
Number of Customer	2315	2255
% Customer Retention	104.5 %	102.6 %

Source: Pompong 2013

Table 12. Customer Profitability

Subjects	Year 2012	Year 2013
Credit Income	473,507,411	489,579,635
Conferred Credit	1,572,037,734	1,532,663,689
% Customer Profitability	30.12 %	31.94 %

Source: Pompong 2013

Table 13. Age of Respondents of Saving Customers

No	Subjects	Number of Respondents	Percentage
1	25 – 30 years old	27	29 %
2	31 – 35 years old	32	35 %
3	36 – 40 years old	14	15%
4	41 – 45 years old	12	13 %
5	46 – 50 years old	7	8 %
Total		92	100 %

Source : Pompong 2013

Table 14. Gender of Respondents of Saving Customers

No	Subjects	Number of Respondents	Percentage
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1	Male	47	51 %
2	Female	45	49 %
Total		92	100 %

Source : Pompong 2013

Table 15. Measurement of Average Rate of Customer Satisfaction with Saving Service

Subjects	Results
Average Score Number	37.0
of Questions	10
Satisfaction Average Rate	3.7

Source : Pompong 2013

Table 16. Age of Respondents of Credit Customers

No	Subjects	Number of Respondents	Percentage
1	25 – 30 years old	14	17 %
2	31 – 35 years old	28	35 %
3	36 – 40 years old	18	22 %
4	41 – 45 years old	13	16 %
5	46 – 50 years old	8	10 %
Total		81	100 %

Source : Pompong 2013

Table 17. Gender of Respondents of Credit Customers

No	Subjects	Number of Respondents	Percentage
1	Male	64	79 %
2	Female	17	21 %
Total		81	100 %

Source : Pompong 2013

Table 18. Measurement of Average Rate of Customer

Satisfactionwith Credit Service

Subjects	Results
Average Score Number	40.37
of Questions	10
Satisfaction Average Rate	4.037

Source : Pompong 2013

Table 19. Receivable Circulation Rate

Subjects	Year 2012	Year 2013
Conferred Credit	1,572,037,734	1,532,663,689
Early Receivable	150,614,050	1,659,885,766
Final Receivable	1,572,037,734	1,532,663,869
Receivable Average	861,325,892	1,596,274,728
Receivable Circulation	1.82 X	0.96 X

Source : Pompong 2013

Table 20. Uncollected Receivable Risk

Subjects	Year 2012	Year 2013
Defaulted Credit	162,252,200	284,416,263
Conferred Credit	1,572,037,734	1,532,663,689
Defaulted Credit Risk	10.32 %	18.55 %

Source : Pompong 2013

Table 21. Credit Process Timing

Subjects	Results
Credit Actual Timing	3 days
Credit Standard Timing	4 days
Credit Process Timing	0.75

Source : Pompong 2013

Table 22. Saving Process Timing

Subjects	Results
Saving Actual Timing	10 minutes
Saving Standard Timing	15 minutes
Saving Process Timing	0.66

Source : Pompong 2013

Table 23. Employee Productivity Rate

Subjects	Year 2012	Year 2013
Operational Profit	56,159,569	(61,404,336)
Number of Employee	10	10
Employee Productivity Rate	5,615,956	6,140,433

Source : Pompong 2013

Table 24. Employee Training Rate

Subjects	Year 2012	Year 2013
Employees Who Accept Training	1	1
Employee Total	10	10
Employee Training Rate	10 %	10 %

Source : Pompong 2013

Table 25. Age of Respondents of Bank Employees

No	Subjects	Number of Respondents	Percentage
1	25 – 30 years old	3	30 %
2	31 – 35 years old	3	30 %
3	36 – 40 years old	1	10 %
4	41 – 45 years old	3	30 %
	Total	10	100 %

Source : Pompong 2013

Table 26. Gender of Respondents of Bank Employees

No	Subjects	Number of Respondents	Percentage
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1	Male	5	50 %
2	Female	5	50 %
Total		10	100 %

Source : Pompong 2013

Table 27. Employee Satisfaction Rate

Subjects	Results
Average Score Number	99.1
of Questions	25
Satisfaction Average Rate	3.964

Source : Pompong 2013