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THESIS

The Evaluation of Branch Manager Performance Evaluation System

(Case Study at PT. Bank Pembangunan Daerah Sumatera Barat)

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ABSTRACT

Currently, the economy grows and develops with the various kinds of financial institutions. One of those financial institutions which seem to be a big role in the economy is a bank. The advanced development of banking industry is highly requiring a good performance. Banking performance is supported by each of its branch offices. The performance of its branch offices is determined by the people who led those branches. In measuring the performance of branch manager is designed a system which are developed to provide some directions for manager to evaluate and improve their performance in the next period. In measuring of its branch manager performance, top management can obtain an objective basis to provide reward and compensation in accordance with the achievement of each responsibility center to the company as a whole. It is expected to motivate and stimulate branch manager performance in every branch offices to work more effectively and efficiently. This research is purposed for evaluating the branch manager performance evaluation system in Bank Nagari.

The result of this research shows that Bank Nagari used traditional performance measurement system in measuring and evaluating the branch manager performance. It is indicated by the five financial elements used in every branch offices of Bank Nagari, they are total assets, loan distribution, non performing loan, third party fund and profit before tax. The evaluation of branch manager performance will be done by comparing the budget of those five financial elements with its realization using variance analysis. The highest score of the achievement for those five financial elements will getting the reward from board of directors and division leaders.

Bank Nagari should consider non financial elements and also the development of Balance Scorecard system as comprehensive measurement that cover operational, customer, internal business process and learning and growth perspectives. The reason is the five financial elements as the basis for evaluation is not completely enough in measuring the branch manager performance as a comprehensive measurement system.

Keywords: *Branch Manager Performance, Evaluation and Measurement, Budget*

CHAPTER I

INTRODUCTION

1.1 Background

Currently, the economy grows and develops with the various kinds of financial institutions. One of those financial institutions which seem to be a big role in the economy is a financial institution, which is typically called a bank. At this time, the banking industry in Indonesia look more lively, its growth has increased, both government and also private banks. The Bank is a financial institution becomes a place for companies, government agencies and private institutions, and individuals in keeping their funds. Bank as an institution also acts as a financial intermediary between the parties that need funding, as well as an institution which is functioning to facilitate traffic of payment (Dendrawijaya, 2000:25)

These banks compete with each other to open its branches in some corner of the city in Indonesia and also in the territory of the regions up to the district level. Therefore, it will make competition between banks has been extremely tight, to attract the attention of prospective customers in order to obtain the input of funds and distribute it as much as possible in hopes to gain an optimal profit.

In running a financial institution like bank, there are so many things that should be considered include vision, mission, strategy and also the performance of bank. It is very useful in achieving the bank's objective. The performance of bank is can not be separated from its element, such as stakeholders, top, middle, lower level managers, shareholders and also customers. Therefore, every bank needs measurement and evaluation for every performance of its human resource which is its manager.

This performance measurement are developed to provide some directions for manager to evaluate and improve their performance in the next period. Manager

performance is one of an important element that is considered in bank, it is because the manager performance will influence the performance of bank as a whole in the form of responsibility to achieve company's objective. In measuring of its branch manager performance, top management can obtain an objective basis to provide reward and compensation in accordance with the achievement of each responsibility center to the company as a whole. It is expected to motivate and stimulate branch manager performance in every branch offices to work more effectively and efficiently. By providing reliable facility, it is expected to be able to provide quality service to customers, so that ultimately the company's performance will also increase. Then, the performance of manager in the company greatly affect the company's overall performance.

Every performance measurement needs the evaluation in improving the performance in the next period. The performance evaluation of human resources or research is data analysis to determine the effectiveness of human resources in past and present (Mathis and Jackson, 2001). Therefore, every bank have to know their focus market which useful in improving the performance include its human resources. Focus market is the strategy business by concentrating the marketing program on the market target is relatively limited in order to fulfill the necessary of customers optimally. In banking industries, one of bank that focus on a limited market is Regional Development Bank (BPD). This bank is owned by Regional Government and focus on market in each regional. One of the advantages of this bank is having highly dominant captive market and profitable, which is Regional Government. One of its embodiment, this bank useful as bank that accept the local general cash account in every its branch offices. Beside of the captive market, there is another market segments which is the existing company and potential customers in that region, with the consequence which must compete with other

banks. To compete in this segments, Bank Nagari must build competitive and oriented business which has basic on customer needs in every branch offices.

In the last five years from 2004 until 2008, it can be concluded that financial performance of Bank Nagari is significantly higher than banking performance generally, because of achievement of the indicators of its financial such as business growth, asset quality and also profitability. It can conclude that the achievement that achieved by Bank Nagari is can not be separated from its branch manager performance. By providing the evaluation on the performance of branch manager, it is expected to improve the performance of bank in the future.

For above reasons, the author would like to do the research entitled: **“The Evaluation of Branch Manager Performance Evaluation System (Case Study at Bank Nagari Padang) “**

1.2 Problem Definition

1. How does Bank Nagari evaluate the branch’s manager performance?
2. Are existing performance evaluation systems sufficient in supporting Bank Nagari’s objectives?

1.3 Research Objective

Performance measurement is one of an important factor in the bank. Performance measurement can be used as a basis for determining the reward system within the bank, in determining the level of manager salaries and rewards. The management can also use the branch manager performance measurement and evaluation as a tool to evaluate their performance in the past period.

Generally, the purpose of the research is to evaluate the system of evaluation of branch manager performance in Bank Nagari. Shortly, the purposes are as follows:

1. To evaluate the existing performance evaluation systems of Bank Nagari.
2. To propose some recommendations to improve the limitation of the current performance evaluation system.

1.4 Benefit of the Research

This study is expected to be useful for:

1. Writer and others college student. This study can be useful to know more about responsibility accounting, performance appraisal and the effective ways in improving manager performance that can be used and implemented in company.
2. Company. This study can be used as an information also description for the company how well they use evaluation system in improving manager performance and suggestion in evaluating the performance measurement and set strategies in order to developing a more comprehensive system for performance measurement.
3. Another party. It is hoped that this study can be a reference to increase knowledge, especially in evaluating the performance measurement system.

1.5 Scope of research

This research has a limited scope of analysis and focused on to the branch manager performance evaluation system in Bank Nagari. The author limits the research context by getting information from Bank Nagari Center Office.

CHAPTER 5

CONCLUSIONS

5.1 Conclusion

After doing research, collecting data, and conducting interviews about the measurement and evaluation of branch manager performance system that is applied by Bank Nagari, author can conclude several things, which are:

1. Bank Nagari still uses traditional performance measurement system, because these reasons:
 - a. Bank Nagari focused on five financial elements; they are total assets, loan distribution, non performing loan, third party fund and profit before tax in measuring and evaluating its branch manager performance.
 - b. Bank Nagari uses budget as the determinant for evaluating that performance. In establishing a budget, every manager will has coordination with the board of directors. The evaluation of branch manager performance will be done by comparing this budget with its realization for those five financial elements.
2. The system of branch manager performance evaluation used by Bank Nagari by using these five financial elements as the basis for evaluation is not completely enough. It is because of these five financial elements still cannot fully represent the performance of the branch manager as a complete package and comprehensive measurement.
3. Bank Nagari has reward system to appreciate its branch manager performance. It is indicated by the total score from the percentage achievement of the five financial elements. This score will be ranked from the highest to the lowest. Bank Nagari provides reward in term of salary, promotions and mutations.

4. Bank Nagari has punishment system like warning until firing the branch manager depends on the violation that they made.

5.2 Limitation of the Research

The limitation of this research is the author cannot get all of the data needed to be processed in this research related to the secrecy of the company. The data processed in this research is only the data collected from the interview done to the research and development - strategic planning division and human resources division.

5.3 Suggestions

Based on the conclusions above, some suggestions could be given for Bank Nagari Padang in evaluating the evaluation of branch manager performance system, including:

1. To improve branch manager performance, Bank Nagari should consider non financial elements.
2. To improve the performance of Bank Nagari as a unit, Bank Nagari Padang should consider the development of Balance Scorecard (BSC) system as comprehensive measurement that cover operational, customer, internal business process, and learning and growth perspectives.

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