INDICATORS OF GIVING INTEREST RATES TO CUSTOMERS AND DEBTORS AT PT. BANK X IN MEDAN, INDONESIA

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Abstract
This paper aims to examine how efficient contracts in providing credit, especially in PT. Bank X. The issues that will be raised in this paper are, first, what is the basis for the credit extension of PT. Bank X to customers, the second analysis of which financial statements are used by PT. Bank X, and the third system of providing and credit supervision that should have been implemented by PT. Bank X. The approach used in this paper is a qualitative approach, namely the research method used to study scientific objects. The academic implication of this paper is that there is a theoretical understanding of efficient contact in providing credit to customers. Meanwhile, the practical implications for this journal are expected to be taken into consideration for business actors, particularly the banking service industry in terms of efficient contracts and providing credit.

Key words: *Efficient Contracts, Providing Credit*

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I. INTRODUCTION

Banks as service companies provide savings and credit interest rates in running their business. In it, there are various kinds of credit savings with different criteria according to the business being run or the funding requirements needed for its activities. This makes Bank PT. X competes hard with other banks because the products they own are almost the same. In the case of the credit decision process which requires time and licensing which is a little complicated in the decision process, the customer has a choice in determining which bank to choose for capital lending or credit in helping the needs of his business activities. In cases like this, the bank must be wise to look at the above conditions to determine regulations and fast services in order to attract customers and debtors to want to use the services provided by the company to customers who want to borrow capital. Investors referred to in this paper include Customers. The bank has a policy in determining interest rates and fees for providing credit. To alleviate and become a comparison with competitors if interest rates and fees should be adjusted to market conditions or the ability of the public to provide fair interest rates in accordance with Bank Indonesia (BI) regulations. Here the credit product that the author wants to convey is the Multipurpose Griya credit, namely, a loan product that is given to the public on the condition that the collateral is in the form of property. Ownership is in the applicant's name, either husband or wife, as long as there is no agreement to separate the assets. Loans from PT. Bank X this one can be used for consumptive purposes with a long credit period, which is about 10 years. The cost of providing regular credit is also something that most customers see when making decisions to borrow funds. Providing high fees will make customers reluctant to borrow, so that costs will be something that needs serious attention in order to attract customers to make loans and if they need it. Many banks are concerned that the costs in the credit process are limited to minor problems and prioritize the determination of the interest given because they intend to get the maximum profit without paying attention to the repayment ability of their customers. So in this activity, credit decision making will pay attention to interest rates and fees as a material for consideration.

II. LITERATURE REVIEW

Definition of Accounting

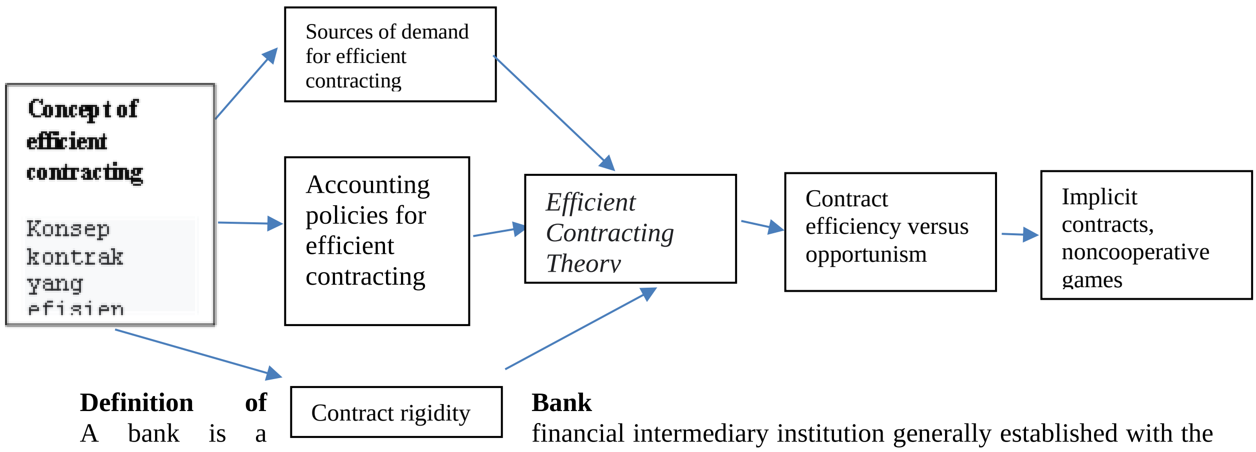
According to Al HaryonoJusup (2005) views accounting as follows: "A process of activity in a company as seen from the aspects of users of accounting services and the process of activities. The definition of the aspect of its use, accounting as a discipline that provides the information needed to carry out physical activities and evaluate the activities of an organization. While the definition of the process of accounting activities as, the process of recording, classifying, summarizing, reporting and analyzing financial data of an organization. " Auditing According to SukrisnoAgoes (2004), auditing is: "An examination that is carried out critically and systematically by an independent party, of financial reports that have been prepared by management along with accounting records and supporting evidence, with the aim of being able to provide an opinion. regarding the fairness of the financial statements. " Kasmir (2010) "in Latin, credit is called" credere "which means to believe. This means that the lender believes in the recipient of the credit, that the credit that is distributed will definitely be returned in accordance with the agreement. Meanwhile, the recipient of the credit means receiving trust, so that he has an obligation to repay the loan according to the period of time ". According to James C. Van Horne (2010) "Financial management is all activities related to the acquisition, funding and management of assets with several overall objectives".

Efficient Contracting Theory

Efficient contracting theory brings the view that companies must organize themselves in the most efficient way, so as to maximize the company's prospects for survival and contribute to shareholders (Holthausen, 1990). Efficient Contract Theory helps accountants know why reporting to management is important, and appreciate the limitations of management's legitimacy concerns about contract selection, with the aim of understanding, predicting and determining managerial accounting policy choices in different situations and in different firms, and how financial accounting can contribute to management. efficient contracts. An efficient contract is a contract that fulfills two factors, namely:

1. Agents and principals have information that is symmetrical, meaning that both the agent and the employer have the same quality and amount of information so that there is no hidden information that can be used for their own benefit.
2. The risk borne by the agent related to the reward is small, which means that the agent has high certainty about the reward he receives. In fact, the symmetrical information never occurs, because the manager is in the company so that the manager has a lot of information about the company, while the principal is very rare or even. never came to the company so the information obtained is very little.

This results in efficient contracts never being implemented so that the agent and principal relationship is always based on information asymmetry. The agent as controlling the company must have better and more information than the principal. In addition, because verification is very difficult to carry out, the agent's actions are very difficult to observe. Thus, it opens up opportunities for agents to maximize their own interests by taking inappropriate actions or often called disfunctional behavior, where these actions can harm the principal, both utilizing company assets for personal gain, as well as engineering company performance.
A contract determination scheme that is efficient in making decisions:



Definition of Bank

A bank is a financial intermediary institution generally established with the authority to accept deposits, lend money, and issue promissory notes or what are known as bank notes. The word bank comes from the Italian banca meaning money changer. Meanwhile, according to the law, bank banking is a business entity that collects funds from the public in the form of deposits 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. According to Karl and Fair (2001) the interest rate is "the annual interest payment on a loan, in the form of a percentage of the loan obtained from the amount of interest received each year divided by the amount of the loan". The interest rate according to Sunariyah (2004) is “The price of the loan. Interest rates are expressed as a percentage of the principal per unit of time. Interest is a measure of the price of resources used by the debtor to be paid to the debtor. According to DendawijayaLukman (2001) in a very competitive banking industry, determining the credit interest rate is a very strategic competitive tool. The size of the loan interest rate is strongly influenced by the size of the deposit interest, the greater or the more expensive the deposit interest, the greater the loan interest and vice versa. In addition to loan interest, the size of the loan interest rate is also influenced by the principal components in determining the loan interest rate. Banks that are able to control the main components in determining the lending rate will be able to determine a lower credit interest rate compared to other banks. Customer decision is a decision as ownership of an action of two or more alternative options. Sumarni (2003). Before deciding to buy a product or service, consumers usually go through various stages.

According to Kotler and Armstrong (2003) the stages in the decision-making process include:
1. The emergence of a need.
2. The emergence of the need for goods or services can be due to external and internal factors. So that decision making is very influential because of the need for goods or services or the need for funds for working capital;
3. Information Search
4. Information search is the collection of data to determine the use of products or services that are attractive and of high quality and also have competitive prices. If the services offered are attractive enough, a customer will be interested in making a purchase decision;
5. Assessment of Information
6. Prior assessment or all incoming information with the consideration of the prospective customer, then the source of information that is more appropriate according to him will be selected;
7. Credit Withdrawal Decision
8. Deciding which credit take to choose from the source that he thinks is the most appropriate and which product is the customer's choice depends on a series of previous stages and
9. Feelings After Taking Credit

Customer satisfaction and dissatisfaction lies between the customer's expectations and the perceived achievements of the customer from the services or products they consume.

The principles in granting credit are known as 5Cs, namely character, capacity, capital, collateral, and conditions of economy.
1. Character (character), namely the bank must know how the character or personality of a prospective customer by surveying the place of residence and also asking a few questions to people around the customer's residence before giving credit.
2. 2.Capacity (managerial ability), which is a bank looking for information about financial management in running a business.
3. Capital (capital), which is to determine the seriousness of a prospective customer in terms of credit.
4. Collateral (guarantee / collateral), namely to give preference rights (payment of accounts payable precedence). This principle can also be used to sue, if the customer cannot continue the credit.
5. 5.Conditional of economy, which is to find out how the economy is, and also to consider whether it is feasible to be given credit or not.

Interest rate

The interest rate is the price of the use of money or also known as the rent for the use of money for a certain period of time. Or the price of borrowing money to be able to use its purchasing power and is usually expressed in percent. Interest in terms of supply can also be interpreted as income on credit, so that the owner of the funds will also use their funds to be able to invest with a high price agreement. Meanwhile, in terms of demand, this can be interpreted as a cost for a loan or a reward for the use of money borrowed by certain customers. In this transaction, we will also use the term interest rate.Interest rate is the value, level, price or profit provided to investors from the use of investment funds on the basis of calculating economic value within a certain period of time. Bank interest rates are used to control the economy of a country. The interest rate is regulated and determined by the government, which aims to maintain the continuity of a country's economy. This interest rate is important to take into account because the average investor always expects greater investment returns.

Here are some definitions of interest rates from several book sources:

- According to Judisseno (2002), the interest rate is the income earned by people who give excess money or surplus spending units to be used temporarily by people who need and use the money to cover the deficit or deficit spending units.
- According to Mishkin (2008), the interest rate is the cost of the loan or the price paid for the loan (usually expressed as a percentage per year).
- According to Boediono (2014), the interest rate is the price of the use of investment funds (loanable funds). The interest rate is an indicator in determining whether someone will invest or save.
- According to Sunariyah (2013), the interest rate is the price of the loan. Interest rates are expressed as a percentage of the principal per unit of time. Interest is a measure of the price of resources used by debtors to be paid to creditors.
- According to Brigham (2001), the interest rate is the price that must be paid for loan capital, and dividends and capital gains that are the result of equity capital.

Types of Interest Rates:

According to Novianto (2011), based on the form, interest rates are divided into two types, namely:

1. Nominal interest rate is the interest rate in money value. This interest rate is a value that can be read in general. This interest rate shows the amount of rupiah for every rupiah invested.
2. Real interest rate is the interest rate that has undergone correction due to inflation and is defined as the nominal interest rate minus the inflation rate.
3. According to Ismail (2010), based on its nature, interest rates are divided into two types, namely:
4. Interest on savings. It is a certain price level paid by the bank to customers for the savings it makes. This deposit interest is given by the bank to provide incentives to depositors of funds to place their funds in the bank. Some banks provide additional interest to customers who place their funds in the form of a certain amount of time deposit. This is done by the bank so that customers will always increase their savings.
5. Loan interest or credit interest. Is a certain price that must be paid by the customer to the bank for the loan he received. For banks, loan interest is the selling price charged to customers who need funds. To make a profit, the bank will sell at a higher price than the purchase price. This means that the credit interest is higher than the interest on deposits.

The interest rate function, namely the interest rate, provides a profit from an amount of money lent to another party based on the calculation of time and economic value. The level of profit is determined by the level of interest rates. The function of interest rates in the economy is as follows:

1. Helping savings flow towards investment in order to support economic growth.
2. Distributing the amount of credit available, generally providing credit funds to investment projects that promise the highest yields.
3. Balancing the money supply with the demand for money from a country.
4. Is an important tool regarding government policy through its influence on the amount of saving and investment.

Meanwhile, according to Sunariyah (2013), the interest rate in an economy has the following functions:

1. As an attraction for investors to invest their funds.
2. The interest rate can be used as a means of control for the government over direct funds or investment in economic sectors.
3. The interest rate can be used as a monetary tool in order to control the supply and demand for money in circulation in an economy.
4. The government can manipulate the interest rate to increase production, as a result the interest rate can be used to control the inflation rate.

Factors affecting Interest Rates:

According to Kasmir (2010), the factors that affect the size of the determination of interest rates (loans and deposits) are as follows:

1. Funding needs. The funding requirement factor is specifically for savings funds, namely how much the desired fund is needed. If a bank is short of funds while the loan application is increasing, then what the bank will do so that these funds are quickly fulfilled is by increasing the deposit interest rate. However, an increase in the deposit interest rate will also increase the loan interest rate.
2. Target profit. What this factor wants is devoted to loan interest. Conversely, if there are a lot of funds in bank deposits, while the loan application is small, then the deposit interest will decrease because this is a burden.
3. Quality assurance. The quality of the guarantee is also reserved for loan interest. The more liquid the guarantee is, the lower the credit interest charged and vice versa.
4. Government policy. In determining both deposit interest and bank loan interest, it must not exceed the limits set by the government.

5. Timeframe. The time period factor is crucial. The longer the loan term, the higher the interest, this is due to the large probability of default risk in the future. Likewise, if the loan is short-term, the interest is relatively low.
6. 6.Company reputation. The reputation of the company also determines interest rates, especially for loan interest. The bonafide of a company that will receive credit greatly determines the interest rate that will be charged later, because usually a bona fide company has a relatively small risk of bad credit in the future and vice versa.
7. 7.Competitive products. For competitive products, the loan interest rate is relatively low when compared to less competitive products. This is due to competitive products with high product turnover rates so that payments are expected to be smooth.
8. 8. Good relationship. Usually loan interest is associated with a factor of trust in a person or institution. In practice, banks classify customers between primary customers and ordinary customers. This classification is based on the activeness and loyalty of the customer concerned to the bank. Customers who have a good relationship with the bank, of course, determine their interest rates differently from ordinary customers.
9. Competition. In unstable conditions and banks are short of funds, while the level of competition in competing for savings funds is quite tight, banks must compete fiercely with other banks. For loan interest, it must be below the competitor's interest so that the accumulated funds can be distributed, even though the profit margin is shrinking.
10. Third party guarantees. In this case the party that guarantees the bank to bear all the risks borne by the credit recipient. Usually if the party that provides a bona fide guarantee, both in terms of ability to pay, good name and loyalty to the bank, then the interest charged is different.

III. METHODS

Research Methods in conducting this research the author chooses a qualitative research method. As stated by Sugiyono (2009) qualitative research methods are research methods used to examine scientific objects, in this method the writer is the key instrument. In qualitative research, data collection is not guided by theory, but is guided by facts found during research in the field. In this research, it is the writer who becomes the research instrument who acts as the main data collector. The author will try to collect data on indicators of interest rates to customers and debtors and then describe it.

IV. RESULT AND DISCUSSION

The increasingly tight competition in the banking industry has made PT Bank X able to facilitate all business transactions, both financially and non-financially. Strategies carried out in facing business competition and dominating modern market share today are by making improvements in all areas of human resources, facilities and infrastructure and most importantly paying attention to the interest rates offered to customers and debtors, even though economic growth is unstable. This is done to attract public interest in using PT Bank X's service products, so that people are interested in using these services and have a wider market share.

Shares of PT. Bank X is 60% owned by the government of the Republic of Indonesia, 40% owned by the public, both individuals and institutions, domestic and foreign, recorded as the 4th largest national bank in Indonesia, seen from total assets, total credit and total third party funds, PT. Bank X offers deposit services and loan facilities for the corporate, medium and small segments. Some of the best products and services have been tailored to the needs of customers from childhood, adolescence, adulthood, to retirement. In accordance with the results of the interview on the procedure for granting interest rates, both savings and credit interest rates in accordance with efficient contracts with officials and employees at PT Bank X in Medan, obtained the following data: PT. Bank X in Medan applies the 5C principle (Character, Capacity, Capital, Condition, Collateral) in general and adds some special criteria, namely:

1. Looking at the condition of the customer's financial statements, this is aimed at calculating the bona fides of the business financed by the bank;
2. Looking at the results of the analysis of the financial statements used are the last 2 years;
3. The credit distribution system is in accordance with the SOP for monitoring credit disbursement.
4. regulated in the provisions of each bank so that it has its own SOP and supervision as a form of monitoring the provision of credit whether it is in accordance with the financing scheme so that the credit channeled becomes healthy.

PT. Bank X divides the market segmentation according to the interest rate.

1. 1.People Business Credit (KUR) is credit / financing for working capital and / or investment for individual / individual debtors, business entities and / or business groups that are productive and feasible but do not have additional collateral or additional collateral is insufficient,
2. BWU is a credit for entrepreneurs who need investment credit and flexible working capital credit to develop their business. with a credit facility of Rp. 50 million to Rp. 1 billion.
3. Unsecured credit products Flexi is a credit facility provided for customers who work in a company, whose salary payment facility is through. You can use these funds for personal consumption needs, such as home renovation costs, children's education, medical expenses, to vacation.
4. Collective Investment Contact (KIK)
5. Griya, namely, for the purchase of new or second property, renovation or construction, top-up, refinancing and property take-over.

The respective loan interest rates for these products in the first quarter of 2021 KUR 6%., BWU 11.5%., Flexsi 11%., KMK 12%., GRIYA 10.5%

V. CONCLUSION

PT. Bank X performs efficient contracts in providing credit by using the 5C principle (Character, Capacity, Capital, Condition, Collateral), looking at the condition of the customer's financial statements, the results of the analysis of financial reports used are the last 2 years and the credit system is in accordance with the SOP for monitoring credit granting which is regulated in the provisions of each bank so that it has its own SOP and supervision as a form of monitoring of credit distribution whether it is in accordance with the financing scheme so that the credit channeled becomes healthy. To increase the success of service provision by improving the quality of relationships with customers, especially for high-end customers (Emerald) to attract public interest and offer competitive savings interest rates. PT Bank X provides interest rates based on the types of products it owns, such as: Emerald Saving, Regular Taplus, Business Taplus, Tapenas, and Tabunganku, and loan interest rates consist of: KUR, BWU, Fleksi, KIK, GRIYA.

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