

# Bank and Other Financial Institution

# Financial Institutions

- At this time, Banks and financial institutions is one of the most important players in the economy of a country. Society and industry / business very require the services of Banks and other financial institutions, to support and facilitate their activities.
- Banks and financial institutions become intermediaries for the household sector and the industrial sector, especially in absorbing funds from the household sector in the form of savings and channeled to the industrial sector as an investment credit.
- General definition of what is meant by Financial Institutions according to Law No.14 / 1967 Article 1 is, all agencies through its activities in the fields of finance, put the money from and channeled into society. It means that the activities undertaken by financial institutions is always related to the financial field.

In practice, financial institutions can be divided into :



Bank Financial  
Institution

- Central Bank
- Commercial Bank
- Rural Bank
- Islamic Bank



Non bank  
Financial  
Institution

- *Capital market*
- *Money markets*
- *Credit Unions*
- *Cooperative funds*
- *Pawnshops company*
- *Leasing companies*
- *Insurance Company*
- *Factoring companies*
- *Ventura Capital*
- *Pension Fund*

## BANK

- Banks are business entities that raise funds from the public in the form savings and channel them to the public in the form of loans and or other forms in order to improve the living standrad of the people.
- Principal activities Bank as a *Financial Intermediary*
  1. The first banking activity is to collect funds from the public widely known as the world's banks are funding activities. Understanding the intention is to raise funds to collect or seek funds by purchasing from the public.
  2. Various activities to maintain public confidence
  3. Various activities to deliver funds to various parties who need

# BANK

**Besides that banks are also conducting other support services. Include :**

- Moving Money (Transfer)
- Billing Services (Collection), delegation of authority to the Bank by the company or individuals to charge, asking for approval of payment or submit to the parties concerned elsewhere (inside or outside domestic) or securities in Rupiah, foreign currency such as money orders, checks, receipts, promissory note and others
- Clearing services (Clearing)
- Sales of services Foreign Currency (FX)
- Services Safe Deposit Box
- Travellers Cheque
- Bank Card
- Letter Of Credit
- Bank Guarantee And Refrensi Bank
- The Other Bank Services

## **Sources Of Funds**

Funds from Equity (funds Parties)

- Paid-up capital
- Reserves
- Retained earnings

Loans from Foreign Party Funds (Funds Party-II)

- Loans from banks Other
- Loans from the Bank or other financial institutions abroad
- Loans of Non-Bank Financial Institutions
- Loans from the central bank (BI)

Funds From Society (funds from Parties to III)

- Demand deposits (Demand Deposits)
- Deposits (Time Deposits)
- Savings (Saving

## Status and Position of Bank Indonesia

- UU No 23/1999 on Bank Indonesia was enacted on May 17,1999 and has been amended with UU No 3/2004 on January 15,2004. The act confers it the status and position as an independent state institution and freedom from interference by the Government or any other external parties
- External Parties are strictly prohibited from interfering with Bank Indonesia's implementation of its tasks, and Bank Indonesia has the duty to refuse or disregard any attempt of interference in any form by any party
- As legal entity, the position of Bank Indonesia is regulated by the statutes. Bank Indonesia has the authority to issue policy rules and regulations, which are binding to the public at large. As a civil legal entity, Bank Indonesia is able to represent itself in and outside the court of law.

# Vision, Mision and Strategies of Bank Indonesia

## Vision

Being a central bank credible institutions and best in the region through the strengthening of the strategic value that are owned and achievement of low inflation and a stable exchange rate

## Mision

Achieve and maintain rupiah stability effectiveness of the transmission of monetary policy to boost economic growth quality.

Encouraging the national financial system is working effectively and efficiently and be able to withstand internal and external turmoil to support the allocation of sources of funding / financing can contribute to the growth and stability of the national economy.

Create a payment system that is safe, efficient, and smooth that contribute to the economy, monetary stability and financial system stability with the aspect of expanding access and national interests.

Develop and maintain human resources organization and Bank Indonesia that upholds the values of strategic and performance-based, and implement governance (governance) qualified in the framework of implementing the tasks mandated by the UU

## Strategies

*Trust and Integrity*

*Professionalism*

*Excellence*

*Public Interest*

*Coordination and Teamwork*

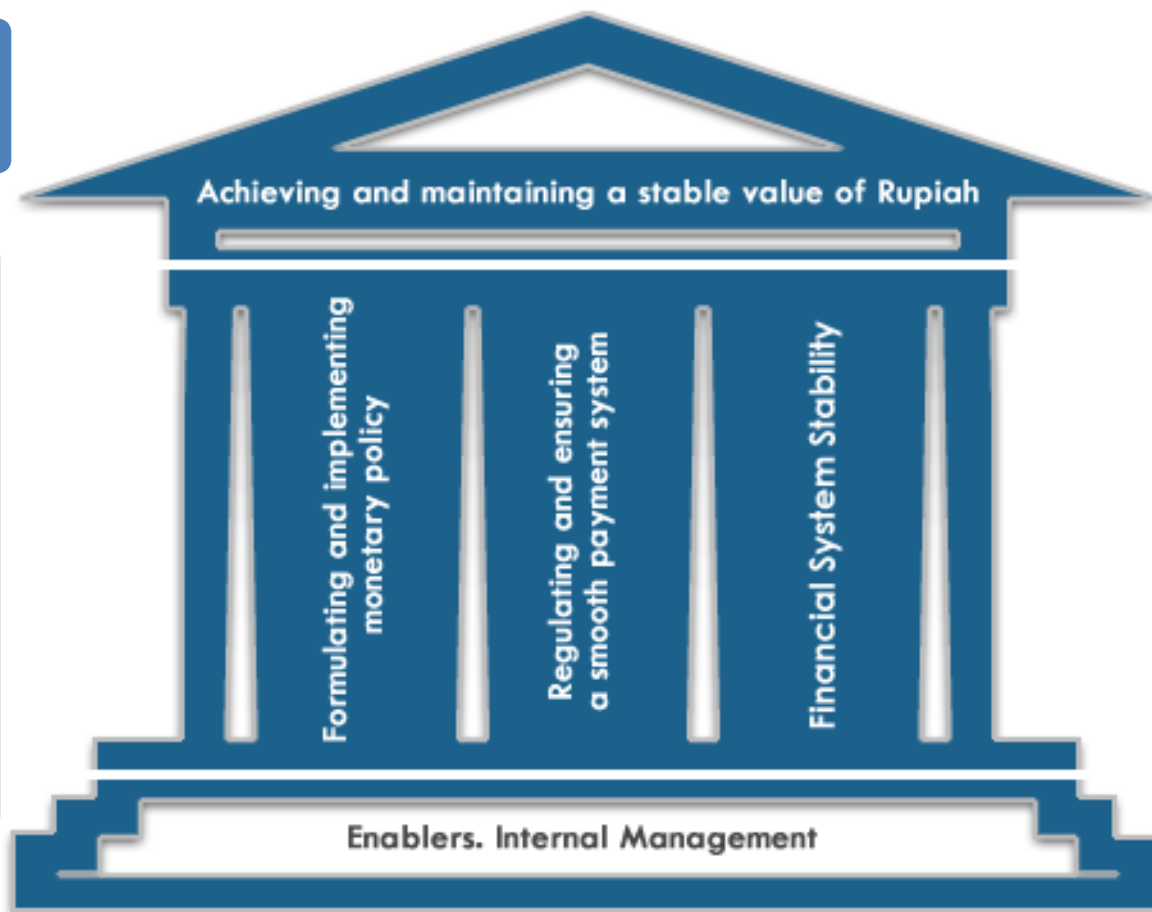
# Objectives and Tasks of Bank Indonesia

## Single Objective

In its capacity as central bank, Bank Indonesia has one single objective of achieving and maintaining stability of the Rupiah value. The stability of the value of the Rupiah comprises two aspects, one is stability of Rupiah value against goods and services and the other is the stability of the exchange rate of the Rupiah against other currencies.

## The Three Main Pillars

In the pursuit of the objective, Bank Indonesia is supported by three pillars, representing its three sectors of task. These three sectors have to be integrated to ensure that the objective of achieving and maintaining a stable value of Rupiah can be achieved effectively and efficiently



Law No. 10/1998 on banking defines bank as a business that gathers fund from society in the form of savings and distributes the fund to the society in the form of credits and/or others in order to improve people's standard of living.

## Business activities of commercial bank

- Gather fund from society in the forms of demand deposit, time deposit, deposit certificate, savings, and/or other forms of fund equivalent to those.
- Give credit.
- Issue promissory notes.
- Buy, sell and assure under bank's risks or for the interests and on behalf of its customers:
  - Bills of exchange, including bills of exchange that have been accepted by the bank with period of validity that is not longer than the related customary trading notes.
  - Promissory notes and other commercial papers with period of validity that is not longer than related customary trading notes.
  - Treasury bill and government insurance notes.
  - Bank Indonesia Certificate (SBI).
  - Bonds.
  - Commercial papers with period of validity until one (1) year.
  - Other securities instruments with period of validity until one (1) year.
- Place fund, borrow fund, or lend fund to other banks, whether by using papers, means of telecommunication or demand draft.
- Receive payment of bill over securities and calculating terms with third party.
- Provide place to deposit valuable items and securities.
- Perform deposit service for the interest of other parties based on a contract.
- Perform fund placement from a customer to another in the form of securities that are unlisted in stock market.
- Perform factoring company activities, credit card business and bare trustee activities.
- Provide financing and/or perform other activities based on Sharia law, in accordance with provisions stipulated by Bank Indonesia.
- Perform other activities that are common bank practice, as long as they are not against applicable law and regulations.
- Transfer money both for the bank's interests or customer's interests.

# Commercial Bank

## Commercial Bank Product

- Current Account ( Demand Deposit) : deposits at the abnk may be withdrawn bu using a check or Bilyet Giro
- Saving, savings on bank withdrawals in accordance with the requirements established banks, using slip or ATM
- Deposit, Deposit at the bank for a certain period, disbursments made on maturity of deposits

Deposit types :

1. Time Deposit, for specific period (1,3,6,12 months)
2. Certificate of Deposit, deposit issued a fiat (no name) in the form of certificates which can be traded to other parties.
3. Deposit on Call, at least 7 days and a maximum of 1 month, published on behalf of the depositors in the minimum amount prescribed by the Bank

- Loans

## Commercial Bank Services Product

- Funds Transfer, service via bank remittance good at the same bank or another bank
- Clearing, billing services paper originating from the city at different banks
- Collection, service billing paper coming from out of town or overseas
- Safe Deposit Box, safety box rental services for storing papers or valuables belonging to the customer
- Bank card, credit card, debit card, ATM card
- Bank notes, foreign currency exchange services
- Bank Guarantee, the provision of security services in order financing a business
- Letter of Credit, granted to importers for the purpose of payment of import-export transactions
- Travelers Cheque, normally used by tourists for payment in various places
- Electronic Money

Bank Perkreditan Rakyat (BPR, or Rural Bank) is a bank that carries out its business activities conventionally or based on Sharia principles without providing services in payment transferring. BPR's activities are much narrower than those of commercial bank because BPR is prohibited from providing demand deposit, foreign exchange business and insurance.

BPR status given to Bank Desa, Lumbung Desa, Bank Pasar, Bank Pegawai, Lumbung Pith Nagari (LPN), Lembaga Perkreditan Desa (LPD), Badan Kredit Desa (BKD), Badan Kredit Kecamatan (BKK), Kredit Usaha Rakyat Kecil (KURK), Lembaga Perkreditan Kecamatan (LPK), Bank Karya Produksi Desa (BKPD), and / or other institutions equivalent based on the Banking Law No. 7 of 1992 to meet the requirements of the procedure stipulated by the Government Regulation.

## BPR's Target :

- Serving the needs of farmers, ranchers, fishermen, traders, small businessmen, employment, and retired because these goals can not be reached by commercial banks and to better realize the equalization of banking services.

## BPR's business activities

- Gather fund from society in the forms of time deposit, savings, and/or other forms equal to those.
- Give credit.
- Provide financing and fund placement based on Sharia law and according to provisions stipulated by Bank Indonesia.
- Place bank's fund in the form of Bank Indonesia Sertifikat (SBI, or Bank Indonesia promissory notes), time deposit, deposit certificate, and/or savings in other banks.

## BPR activities are limited:

- mobilizing funds from the public as savings and term deposits
- providing loans
- placing funds with central bank (BI) and other banks
- Conduct business in foreign currencies
- Conduct insurance Business

Islamic bank is a bank that in its activities, both in order to fund raising and distribution of funds, giving and wearing a reward based on the principles of Shari'ah that is buying and selling and profit sharing. The main principle of the bank's operations are based on the principles of Shariah is Islamic law derived from the Quran and Al Hadith. The prohibition mainly concerned with the activities of banks that can be classified as usury.

The enactment of Act no. 21 of 2008 issued on July 16, 2008 has provided a more adequate legal base to the development of Islamic banking in Indonesia ,and consequently will accelerate the growth of the industry.

## Islamic Banking Products

- Safekeeping or Deposits
  - **Al-Wadi'ah** or the known deposit, is a surrogate purely from one party to another, both individuals and legal entities that must be maintained and dikembalikan whenever the peer menghendaki. Penerima deposits called yad al-mandate, which means hands mandate. The depositary shall not be liable for any loss or damage caused to deposit as long as it is not a result of negligence or carelessness concerned in maintaining the consignment. The use of the money deposited must first ask permission from the owner of money and with a record of the user's money will guarantee return the money in full. Thus the principle of al-mandate yad (hand trust) becomes yad adh-dhamanah (hand insurer).

# Financing With Sharing

- **Al- Musharaka (Joint Venture)**, this concept is applied to a model of partnership. Benefits achieved will be shared in an agreed ration while losses will be shared based on the ration of equity owned by each party.
- **Al- Mudharabah**, one party provides capital and the other utilizes it for business purposes under the agreement that profit from the business will be shared according to a specified proportion
- **Al-muzara'ah** is processing agricultural cooperation between land owners with tenants. Landowners providing land to the tiller for cultivation of agricultural products in exchange for a certain part of the harvest. In this case the banking world applied for financing on the basis of plantation fields for the harvest. Landowners in this case provide the land, seed, and fertilizer. While the tenants provide the expertise, effort, and time. Advantages derived from crops with an agreed fee.
- **Al-musaqah** is part of al-muza'arah ie tenant is only responsible for watering and maintenance, using their own funds and equipment. Fixed remuneration is obtained from the percentage of agricultural crops. So it is still in the context of cooperation between the agricultural processing land owners with tenants.

# Rent

- **Al-Ijarah (Leasing)**

Understanding Al-Ijarah is a contract of transfer of rights to the goods or services, through the payment of wages lease, without being followed by the transfer of ownership of the goods themselves. In practice this activity is done by leasing companies, both for the activities of operating lease and financial lease.

# Buying and Selling

- **Bai' Al-Murabahah**, is the distribution of funds in the form of buying and selling. Bank will buy items needed service users and then sell it back to the service user at inflated prices determined in accordance bank profit margins, and service users can repay the goods. The installment of the flat at the beginning and the appropriate amount of the installment contract. Example : the price of house is 500 million, bank margin/profit margin 100 million, the buyer paid 600 million and paid over an agreed time between the beginning of the bank and the customer.
- **Bai' As-Salam** is the sale of a deferred item in exchange for an immediate forward price. A *salam* contract referred to a commodity for deferred delivery in exchange for an immediate cash payment. The *salam* concept has been used by banks to hedge against inflation on other receivables due (on other assets such as *murabahah*); the forward income on *salam* being worth more.  
Example of commercial financing is the application of *salam* for agricultural transactions (with funds utilized to pay for seeds, fertilizers and wages), but also to finance industrial and commercial activities.
- **Bai' Al-Istishna (Manufacture Contract)** as a contract with a skilled person to make something. The person who makes the thing is called *sani*, the person who causes it to be made *mustasni*, the thing made *masnu*. The emphasis in *istishna* is the specificity of subject matter to avoid *gharar* (uncertainty) ensuring that the seller cannot transact with something that cannot be accurately described; one can describe equipment, a factory or an industrial plant, but not fish in the sea prior catching them since their type and volume is unknown.

# Services

- **Al-Wakalah (Mandate)**

Wakalah or vice means surrender or assignment or mandate from one party to another. This mandate must be conducted in accordance with agreed upon by the giver mandate.

- **Al-Kafalah**

Al-Kafalah an underwriter guarantees given to third parties to meet the obligations of both parties or covered. Can also be interpreted as a transfer of responsibility from one party to another. In the world of banking can be done in terms of financing to bail someone.

- **Al-Hawalah**

Al-Hawalah a transfer of debt from the person owes to others who are obliged to bear. Or in other words the debt load transfer from one side to the other. In the world of finance or banking known as factoring or factoring activities.

- **Ar-Rahn**

Ar-Rahn is holding one of the activities of the borrower's property as collateral for a loan received. These activities were conducted as collateral or pledge.

- **Al- Qardh**

Al- Qardh is one of the covenants contained in the Islamic banking system which is none other than to provide loans in the form of money or otherwise without expectation of reward or interest

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graph LR; A((NON BANK FINANCIAL INSTITUTION)) --> B[DEFINITION]; A --> C[LEGAL BASIS IN INDONESIA]; A --> D[TYPES OF NON BANK FINANCIAL INSTITUTION]; D --> E[1. CAPITAL MARKET]; D --> F[2. MONEY MARKET]; D --> G[3. CREDIT UNIONS]; D --> H[4. PAWNSHOPS]; D --> I[5. LEASING]; D --> J[6. INSURANCE]; D --> K[7. FACTORING]; D --> L[8. VENTURA CAPITAL]; D --> M[9. PENSION FUND];
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**DEFINITION**

**LEGAL BASIS IN  
INDONESIA**

**NON BANK  
FINANCIAL  
INSTITUTION**

**TYPES OF NON BANK  
FINANCIAL  
INSTITUTION**

1. CAPITAL MARKET
2. MONEY MARKET
3. CREDIT UNIONS
4. PAWNSHOPS
5. LEASING
6. INSURANCE
7. FACTORING
8. VENTURA CAPITAL
9. PENSION FUND

# NON Bank Financial Institution

- According to the Minister of Finance Decree No. KEP-38 / MK / IV / 1972,

*“Non-Bank Financial Institutions (NBFIs) are all institutions (entities) that conduct activities in the financial sector that directly or indirectly raise funds by issuing securities, and then distribute to the public especially to finance investment firms.”*

- The legal basis for the establishment of the Non-Bank Financial Institutions / NBFIs is a letter of Finance Minister Decree No.38 / KMK / IV / I / 1972 which was Amended by the Finance Minister Decree 280 / KMK.01 / 1989 regarding the supervision and oversight of non-bank financial institutions and other regulatory legislation Relating to the business carried on.

- The operations are carried out by non-bank financial institutions are as follows.
    - a. Raise funds by issuing securities.
    - b. Provide medium- and long-term loans to companies or projects that are owned by the government and private sectors.
    - c. Intercede for Indonesian companies and government legal agencies to obtain credit from domestic and abroad.
    - d. Doing equity participation in the companies and the sale of shares in the capital market.
    - e. Conduct other businesses in the financial sector after the approval of the Minister of Finance.
    - f. Intercede for companies to get experts in the field of finance.
- As for some examples of non-bank financial institutions present in the community, among others, insurance companies, credit unions, pawnshops public companies, pension funds and leasing companies.

□ As for the types of other financial institutions that exist in Indonesia are :

- **Capital market** is a market meeting place and make transactions between search by fund investors, the main instrument of shares and bond
- **Money markets** are markets where funds and investment funds.
- **Credit Unions** are collecting funds from its members later
- **Pawnshops company** is a financial institution that provides
- **Leasing companies** were emphasized to perhaps financing
- **Insurance Company** is a company engaged in the business coverage.
- **Factoring companies**, is that the business is taking over credit payments a company by taking non-performing loans.
- **Ventura Capital** company is financing by companies whose business contains a high risk.
- **Pension Fund**, is a company whose activities managing pension funds a corporate employer.

# 1. CAPITAL MARKET

- **Capital markets** is a market for a variety of long-term financial instruments that can be traded, either debt securities (bonds), equities (stocks), mutual funds, derivative instruments and other instruments. The capital market is a means of funding for companies and other institutions (eg, government), and as a means for investing activities. Thus, capital market infrastructure facilitating trading activities and other related activities.

Financial instruments traded in the capital markets is a long-term instruments (maturities of more than one year), such as stocks, bonds, warrants, rights, mutual funds, and various derivative instruments such as options, futures, and others.

Capital Market Law No. 8 of 1995 on the Capital Market defines capital market as "the activities concerned with the public offering and trading of securities, the Public Company relating to the issuance of securities, as well as institutions and professions related to effects".

- **Reasons establishment capital market**

Because Running Economic Affairs and Finance Functions

- Economic Functions : Provides the facility to move from the lender to Borrower.
- Financial Functions : Provides funds for Borrower and the Lender provide Funds without having to be directly involved in the ownership of assets Rill which needed for these investments.

## ➤ **Benefits of Capital Market**

In general, benefits from the presence of the capital market are:

- a. Providing a source of financing (long-term) for businesses while enabling optimal allocation of funds.
- b. Provide diversified investment vehicle for investors to allow for diversification.
- c. Provide a leading indicator for the economic development of a country. That is if the stock market is expected to grow then the economy will also be developed.
- d. The deployment of the company's ownership until the middle layers of society
- e. The spread of ownership, openness and professionalism create a healthy business climate and encourage the use of professional management.

## ➤ **The purpose of establishment of the Capital Market**

In 1977, the government re-enable the operation of capital markets with the aim to further spur the growth of the national economy. Reactivation is underpinned by the need for increased development funds.

Through the capital market, the business world will be able to obtain most or all of the required long-term financing. In addition, this activation is also intended to flatten the results of development through ownership of shares of the company as well as employment and equal opportunities of business.

## 2. MONEY MARKET AND FOREIGN EXCHANGE MARKET

- Money market (money market) in Indonesia is still relatively new when compared to Developed countries. But in today's world, the development of the market money in Indonesia also developed though not lively market developments capital (capital market).
- **The difference with the Money Market**  
The difference between the capital market to the money market is the duration. In the money market, securities are traded short-term, while in the capital markets, trading securities long term.
- **The purpose of Money Market**
  - To meet the needs of short-term funds
  - To meet liquidity needs
  - To meet the working capital requirements
  - Was having defeated clearing

## ➤ The Money Market Instruments

Selection of funds by investors in the financial markets of the various considerations. Investors can choose one of the many securities are offered in accordance with their respective goals. Securities offered we call money market money market instruments.

➤ As for the types of money market instruments offered include :

- Interbank call money
- Bank Indonesia Certificates
- Certificates of deposit
- Money market securities
- Banker's acceptance
- Commercial paper
- Treasury bills
- Repurchase agreement
- Foreign exchange market

# 3. Credit Unions

*“collecting funds from the public and lend to members or the public”*

**Credit union is** a cooperative financial institution whose business shaped in credit or savings and loans with the aim of helping improve the state of the economy and welfare of its members. Activities of credit unions that accept deposits from members and lend to members in need with simple terms and with low interest rate.

➤ **Credit unions have the following functions :**

- a. As a driver of savings activities among members.
- b. As an institution that serves members in need of loans.
- c. Guiding members in utilizing the loan / credit.
- d. Assist members of the clutches of loan sharks.

➤ **The Basis :**

- The ideal basis: Pancasila
- Structural Basis: 1945 Article 33, paragraph 1
- Operational Platform: Law No. 25 of 1992
- Mental Platform: solidarity and awareness

- In conducting its business, credit unions raise funds or capital from several sources, is as follows.
- a. Principal  
Principal is the amount of money to be paid by the members to the cooperative at the time of entry into a member of the cooperative, the same amount for each member.
  - b. Deposit required  
Deposit required is a deposit to be paid by the member to the cooperative on a regular basis the same amount for each member. Regular payment here can every week, every month, or every season in accordance with the statutes and bylaws of the cooperative.
  - c. Deposits voluntary  
Deposits voluntarily are deposits that are voluntary, meaning that is not obliged to member cooperatives, so that members of the cooperative may not be save. The amount of voluntary savings is not specified and it's up to the member concerned.
  - d. Another source of legitimate  
Other sources of funding and cooperative capital can come from government aid, grants, cooperative reserve fund, and the loan capital from other parties.

➤ **Advantages:**

- Do not wear guarantee
- Members spared from moneylenders
- In the end of year will obtaining SHU ( Sisa Hasil Usaha )

# 4. Pawnshop

➤ Pawnshop is committed to ensuring that the business activities of valuables to a particular party, in order to earn some money and goods as collateral will be redeemed in accordance with the agreement between the depositor and pawn institutions. The characteristics of the pawn business as follows:

- There valuables pawned
- The loan amount depends on the value of the pawned goods
- Goods pawned may be redeemed

## ➤ **Business profits Pawn**

- The advantage of pawnshops is not concerned about what the money is used and it is certainly contrary to the banks that have to be made as detailed as possible about the use of the money. Similarly, given the relatively mild sanctions, if it fails to pay within a certain time.
- The most severe sanction is a guarantee that is stored will be auctioned to cover the loan has been granted.

## ➤ The amount of the Loan Amount

The amount of the loan amount depends on the value of the collateral (valuables) is given. The larger the value, the greater the loan that can be acquired by the customer and vice versa. But usually only serve to pawn a certain amount, and usually use the services of pawnshops is a lower middle income people. To customers who obtain a loan will be subject to capital leases (lending) per month which depends on the customer group.



# Pegadaian

Mengatasi Masalah Tanpa Masalah

## ➤ Goods Guarantee

- The types of valuables are acceptable and can be used as collateral by the Pawnshop as follows:
- Items such as jewelry
- Goods such as vehicles
- Electronic goods
- Machinery
- Goods household

## ➤ Loan procedures

- As it is known that pulling money on mortgage borrowers due to the procedure that is easy, fast and cost imposed relatively mild. Besides that usually pawnshops are not so concerned as to what the money is used. The important thing every process of borrowing money at pawnshops should be guaranteed certain goods.
- *Other Pawnshop Business Activities*
  1. Serving effort estimates
  2. Serving the goods courier service
  3. Giving credit
  4. Participate in certain business in cooperation with third parties

## 5. LEASE (LEASING)

- **The lease is** engaged in financing capital goods for the purposes desired by the customer. Financing here means if a customer requires capital goods such as office equipment or cars by way of lease or purchased on credit can be obtained in the company leasing. Lessor parties can finance the customer wishes in accordance with the agreement that has been agreed by both parties.
  
- The criteria for finance leases when a leasing company meets the requirements:
  - a. the amount of the lease payments and during the lease term the first time, plus the residual value at lease goods should be able to cover the acquisition cost of capital goods in the lease and profit for the lessor;
  - b. In the lease agreement contains a provision the option for the lessee.
  
- The criteria for operating lease if it meets the following requirements:
  - a. the amount of the lease payments during the first period can not be cover the acquisition cost of capital goods in the lease plus profit for the lessor.
  - b. In a lease agreement does not contain the option for the lessee.

➤ Agreement made between the lessor with lessee called the lease agreement, which in this agreement includes a conditional employment contract between both parties. The contents of a contract made generally includes, among others:

- a. the name and address of the lessee,
- b. the desired types of capital goods,
- c. the amount or value of the goods in leasing,
- d. the payment terms,
- e. the terms of ownership or other terms,
- f. the costs imposed, and
- g. sanctions if the lessee broken promise.

➤ The parties involved in the process of leasing facilities is:

1. The lessor is a company conducting leasing business provides a broad range of capital goods. The leasing company may not perform the activities undertaken by banks such as providing savings and credit in the form of money.
2. The lessee is the customers who apply for a lease to the lessor to obtain the desired capital goods.
3. Supplier is a merchant that provides goods to be leased in accordance with the agreement between the lessor and the lessee in this case the supplier can also act as a lessor.
4. Insurance is a company that will run the risk of the agreement between the lessor to the lessee. In this case the lessee bears the cost of insurance and if something happens, then the company would run the risk of in accordance with the agreements on goods in leasing right.

**ADIRA**  
FINANCE



Bussan Auto Finance

**PARA**  **FINANCE**

 **WOMFinance**

  
*financial services*

➤ Insurance is an agreement between two or more parties, by accepting insurance premiums, to reimburse the insured for loss, damage or loss of expected profit, or legal liability to third parties which may be suffered by the insured, arising from an uncertain events , or to provide a payment based on death or life of an insured person.

➤ Keyword terms :

- Insurance Policy : A contract of insurance in the form of implementation of the agreement of both parties
- Insurance Premium : Sum paid insured to the insurer

➤ Advantages Insurance:

1. For Owner Insurance:

- Benefit from premiums paid customers
- Profits from capital investment to other companies
- Profit from the investment interest securities

2. For Clients:

- Gives a sense of security
- A deposit at maturity can withdrawn again
- Avoid the risk of loss
- Earn in the future
- Obtain reimbursement for losses due to damage or loss

## ➤ Type of Insurance Business

### a. Social Insurance



Social insurance is the insurance services provided to participants who died, disability, or retirement.

For example, PT TASPEN (Insurance Savings Servants), Social Security (Social Security and Labor)



### b. Individual Insurance :

#### ▪ Life insurance



Life insurance is a service dealing with risks associated with life or death of an insured person. Examples term insurance, insurance savings, and so on.



## Health and Accident Insurance



Health insurance is a type of insurance products that specifically guarantee the cost of health care or treatment of the members of such insurance if they fall ill or have an accident. Broadly speaking there are two types of treatments are offered by insurance companies, namely hospitalization (in-patient treatment) and ambulatory (out-patient treatment).

- General Insurance
- Fire Insurance
- Marine Cargo Insurance
- Motor Vehicle Insurance
- Insurance Liabilities
- Theft Insurance
- Credit Insurance

Insurance losses are businesses that provide services in the prevention of the risk of damages, lost benefits, and legal liability to third parties arising from uncertain events. For example, fire insurance, motor vehicle insurance, transport insurance, aviation insurance, etc.

## 7. FACTORING

Factoring is a financing in the form of business activity financing and or transfer, as well as the management of short-term bills receivable or an enterprise in commercial transactions, both domestically and abroad.

### ➤ Factoring activities

The main activity is factoring receivables takeover maintenance of a certain responsibility, depending on the agreement with the creditors (those who had accounts receivable). Efforts undertaken by the factoring company with regard to the takeover and management of receivables of a company, depending on the request of the creditor.



The parties involved in factoring transactions are:

1. The creditor or the client who submitted the bill to the factoring of receivables to be collected and managed.
2. The factoring company
3. Debtor

➤ Gains derived by each of the parties is as follows:

a. For the factoring company

1. Obtain profits in the form of fees or administrative costs
2. Helps to Resolve Disputes between creditors and debtors
3. To assist the management of creditors and credit implementation.

b. Credit for (client)

4. Reduce the risk of losses
5. Improve the system of administration
6. Streamlining business activities

c. For debtors

Provide motivation to borrowers to immediately pay as soon as possible, because there is shame that bend over backwards to immediately pay in various ways.

Venture capital is a long-term financing of business activities in the form of equity participation in a company that received the aid financing for a certain period.

Characteristics:

- a. The activities carried out are direct investments to a certain company
- b. Inclusion in the company long term.
- c. Businesses that entered is a high risk business.
- d. Profits obtained in the form of capital gains, dividends or profit sharing.
- e. many activities carried out for the opening of new businesses.

- Establishment purpose Venture capital
  - a. For the development of a specific project
  - b. Development of a new technology
  - c. Expropriation of a company
  - d. Partnership in the context of poverty reduction

- Advantages Provided by

- a. For venture capital firms
  1. Obtain profits in the form of dividends
  2. Obtain the advantage of capital gains from the difference
  3. Obtain profits in the form of profit sharing
- b. For joint-venture (PPU)
  4. Helps to increase capital
  5. Improving the transfer of technology through
  6. Assist the business development
  7. Reducing the risk of loss

## ➤ Sources of Venture Capital Fund

### a. Of the company

1. Amount of working capital
2. Reserves profit that has not been used
3. Profit detained

### b. From outside the company

4. The investors, both individuals and industry
5. Loans from the banking world
6. Loans from insurance companies
7. Loans from companies and pension



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## 9. PENSION FUND

Before the pension age is the period that are no longer productive. It is therefore not surprising that their primary choice of work is plunging both civil servants, because the employee at the time provide certainty for pension. By providing pension services program employees feel safe, especially for those who consider the age of retirement are no longer productive.

### ➤ Understanding Retirement and Pension Fund Company

Retirement is the right person to gets income after working so many years and has entered the age pension or are there other reasons in accordance with the agreements that have been set.

### ➤ Retirement goals

- a. Giving awards to employees who have served
- b. Pension age so that future employees can enjoy the results
- c. Gives a sense of security in terms of inward
- d. Increase employee motivation
- e. Improve the image company



## ➤ Types of Retirement

- a. Normal retirement
- b. Early Retirement
- c. Retirement Delayed
- d. Disability pension

## ➤ Types of Retirement Funds

The types of pension funds can be classified into several types, namely:

- a. Employer pension fund
- b. Pension funds of financial institutions

# Type of Payment Pension Fund

## Defined benefit plan

### 5 things to know about Defined Benefits plans

1. A DB pension plan promises to pay you a certain amount of retirement income for life.
2. The amount of your pension is based on a formula that usually takes into account your earnings and years of service with your employer.
3. In most plans, both you and your employer contribute.
4. Your employer is responsible for investing the contributions to ensure there's enough money to pay the future pensions for all plan members.
5. If there's a shortfall in the money needed, your employer must pay the difference.

# Defined contribution plan

## 5 things to know about Defined Contribution plans

1. With a DC plan, contributions are guaranteed, but retirement income is not.
2. Usually, both you and your employer contribute to the plan. Your employer may match some of the contributions you make.
3. You are responsible for investing all contributions to grow your savings.
4. The amount available for your retirement depends on the total contributions made to your account and the investment returns this money earned.
5. At retirement, you use the money in your account to generate retirement income. You can do this by:
  - buying an **annuity** from an insurance company, or
  - transferring your savings to a locked-in retirement income fund (LRIF) or similar income fund designed specifically for pension savings.