ABSTRACT

Commercial Segment Credit Portfolio Optimization at PT Bank X (Persero) Tbk Using Efficient Frontier

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The objectives of this study are to identify the commercial segment credit portfolio at CBC B of Bank X and its changes, to analyze the correlation between the economic sectors within the credit portfolio provided by CBC B, and to formulate the credit line combination to the economic sectors at CBC B using modern portfolio theory as an input for the management in distributing its commercial credits. The secondary data were obtained from CBC B of PT Bank X, i.e., the realization of credit distribution to economic sectors from 2003 to 2005. The data were then analyzed using credit portfolio return, risks and correlation formula, while efficient frontier formula was used to determine the optimum credit combination. The study indicated that based on return expectation plotted into the efficient frontier curve, the existing credit distribution from CBC B had not been optimum yet. The sectors that provided high recovery rate at CBC B were of industrial, business service, public social service and others. SBI rate as a risk free investment rate of interest influenced the efficient frontier curve, the higher the SBI rate would be associated with an efficient frontier curve with higher expected return and risk rates. The optimum combination credit line using risk and expected return rates were: agriculture, industrial, electricity, trading, public social service and others, while there should be no allocation for mining, construction and transportation sectors due to their high unexpected losses.