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## Treasury Management Training For Bank of China Employees

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**Abstract:** *Over the last several decades, corporate treasury management methods have evolved significantly. Treasury management's duties continue to expand. The Bank of China, which has been commercially active in Indonesia since 1938, is one of the international banks that has begun to recognize the importance of treasury management. As a management organization, Smart Indonesia Academy offers treasury management training to the Bank of China team as a means of empowering the community. The goal of this research was to conduct an analysis of the Smart Indonesia Academy program, which included delivering marketing training for treasury management to the Bank of China team in the context of community empowerment. This is a qualitative study using an analytical descriptive strategy. The findings indicated that the community service on March 30, 2022, was conducted efficiently and successfully. Additionally, the Bank of China team believes that similar community service initiatives may be sustained with a variety of different subjects or issues.*

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## INTRODUCTION

Over the last several decades, corporate treasury management methods have evolved significantly. Treasury management's duties continue to expand. Treasury tasks started to be seen almost exclusively through the perspective of financial cash management or liquidity management. Recent advancements (the development of new information and communication technologies, the emergence and use of new financial instruments, and an organizational philosophy centered on increasing organizational value in all areas) have facilitated the development of new treasury management functions and increased the importance of treasury departments within businesses (San-Jose et al., 2011).

Treasury management's duties have evolved beyond monitoring monetary flows and holdings to include a broader variety of tasks. Centralization of treasury processes enables businesses to improve efficiency, increase transparency, and get real-time access to information across wide geographic regions, numerous time zones, and different organizations. There are many

stages involved in centralizing treasury management, ranging from decentralized treasury management to completely centralized cash and treasury administration. Numerous businesses begin with centralized exchange rate and interest rate risk management as a first step toward centralizing treasury activities, progressing via cash and liquidity management to a completely centralized treasury (Petr Polak, 2010). This is also the case for banking institutions which have begun to think about the management of exchange rate and interest rate risk as the first step towards centralizing treasury activities by implementing treasury management.

Bank of China (Hong Kong) Limited Jakarta Branch (formerly Bank of China Limited Jakarta Branch) (hereinafter referred to as "BOCHK Jakarta" or "Bank") is a commercial branch of BOCHK that has been in operation since 1938. It is one of the few foreign banks in Indonesia that began its operations with treasury management. Because this bank ceased operations in 1964, Thirty-nine years later, on January 13, 2003, the bank began operations according to the Governor of Bank Indonesia's Decree No. 5/1/KEP.GBI/2003. After resuming operations in Jakarta, the Bank of China Jakarta Branch changed its name to Bank of China Limited Jakarta Branch, which was approved by Bank Indonesia (Bank of China, 2022).

As a management company, Smart Indonesia Academy provides treasury management training to the Bank of China team as a means of empowering the community. This method of community empowerment seeks to strengthen the skills and potential of the Bank of China team in terms of risk management strategies and overall corporate efficiency. As a result, extensive treasury management training is required for the Bank of China staff from the Smart Indonesia Academy. The goal of this study is to look at the Smart Indonesia Academy program, which teaches treasury management to the Bank of China team in the context of empowering the people in the area.

## **LITERATURE REVIEW**

### **Community empowerment**

Empowerment is a process of maturation, independence, and strengthening the lower class's bargaining position against oppressive forces in all spheres and sectors of life (Alwi et al., 2016). "Empowerment of communities" is a process that tries to maximize potential and resolve a variety of issues that arise in a society (Y Winoto, 2019). Training therefore becomes a tool for empowering the community, particularly in terms of increasing team awareness and being a vehicle for achieving business objectives (Sadu, 1998).

### **Treasury Management**

Local banks need fresh management techniques in today's economic context. Bank management mechanisms have undergone substantial modifications in recent years, but the approach for evaluating their success has remained the same (Kostyuchenko et al., 2020). Treasury management is one of the approaches used in a dynamic profession that is always growing, striving for optimum efficiency and streamlining all treasury functions in banking (P. Polak et al., 2018). Treasury management is a term that refers to a person or group of people who are assigned a position in a corporation with the duty and tasks of ensuring the firm's liquidity (Afriani, 2020).

## **METHOD**

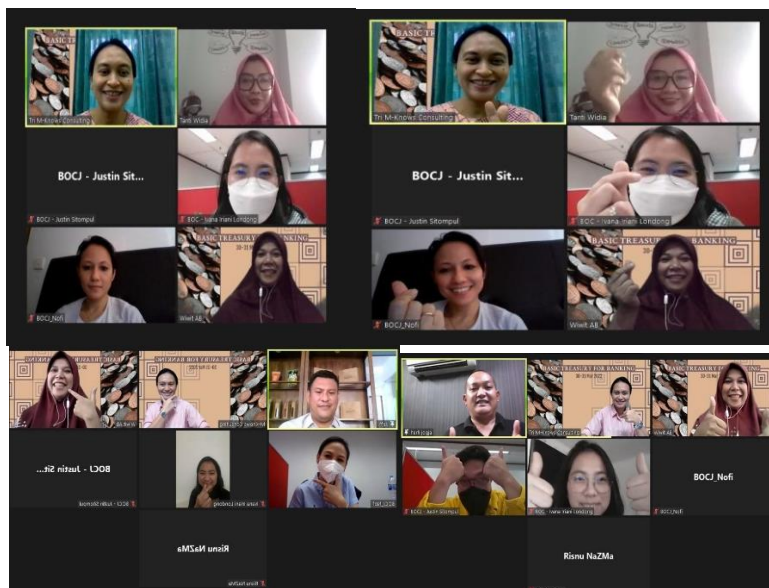
In this qualitative research, analytical descriptive method is used to collect data and analyze and interpret the results (Sugiyono, 2016). Researchers used primary data, namely interviews with the Bank of China team and Smart Indonesia Academy. Secondary data are journal articles, books, news articles, etc. The object of this research is the training provided by Smart Indonesia Academy

to Bank of China. The Bank of China acts as the main instrument in this qualitative research. The researchers used a three-stage technique for data collection: orientation, selection, and identification. The data were analyzed using the Miles and Huberman model. According to Miles and Huberman (Miles & Saldana, 2014), qualitative data analysis consists of the following steps: data reduction, data presentation (data presentation, data presentation and drawing conclusions).

## RESULTS AND DISCUSSION

This community service activity was carried out by the Smart Indonesia Academy online on March 30, 2022, which was attended by the Bank of China team. The activity began with an opening filled with the executive and director of Smart Indonesia Academy (SIA) then continued with the main activity in the form of material presentation.

The presentation of material titled "An Introduction to Treasury Management" to 15 Bank of China staff. This material is written in compliance with the CIPFA TM Code of Practice for Treasury Management. Investment, cash flow management, banking, money market, and capital market activities are all examples of organizational management. The Director of SIA said that good risk management is important to make sure that the company can perform at its best in the face of these risks.



**Figure 1. The Presentation of “An Introduction to Treasury Management” from Smart Indonesia Academy to the Bank of China team**

Source: (Smart Indonesia Academy, 2022b)

The presentation contains information relating to the Local Government (Scotland) Act 1975, which the team learned from the Bank of China, including the authority to borrow, permitted sources, the ability to lend to other authorities, the ability to loan funds, and the authority to establish funds. Additionally, the SIA Director said that the Financial Circular to Scotland is as follows: (Smart Indonesia Academy, 2022a):

- Scottish Ministerial approval for local authorities to invest money
- Must comply with the provisions set out in this circular
- Investment properties are included in the LA . investment portfolio

- Any loan to a third party is an investment – except for loans to other authorities that are part of the Common Good under s.40 2003 Act
  - Pay attention to the TM Code of Practice and Prudential Code
  - Only make investments that are defined as permitted investments
  - Identify which investments are allowed in the coming financial year
- Limit of the amount that can be invested in each type of investment allowed
- State the purpose of each type of investment

The SIA Director explained why the CIPFA Treasury Management Code should be understood by the Bank of China team due to the following, among others, high-profile losses from investing with failed banks in the 1990s, declining trust back between Municipal financial institutions and local authorities, increasing inappropriate risk exposure, maintaining high and consistent standards in safeguarding public funds and debt, increasing cash balances held by local authorities and new investment instruments. In addition, the CIPFA Treasury Management Code has three main principles, namely the existence of formal and comprehensive objectives, policies, practices, strategies, & reporting arrangements for effective management and control of TM activities, risk control: security, liquidity, yield and value for money in the context of management. effective risk management (Smart Indonesia Academy, 2022b).

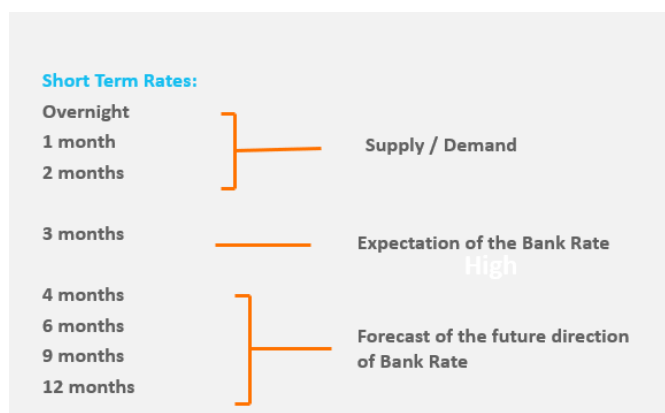
The director of SIA explained that the Prudential Code indicators are described as follows (Smart Indonesia Academy, 2022b):

- Reviewed at the end of the year
- Revised as needed – following the right process
- Set for the coming year and the next 2 years
- Approved by the same process as the budget

Indicator	Estimate	Actual
Adoption of TM Code and guidance notes		
Ratio of financing costs to net revenue stream	✓	✓
Incremental impact of capital expenditure decisions on the council tax (& housing)	✓	
Capital Expenditure	✓	✓
Capital Financing Requirement (CFR)	✓	✓
Net borrowing and the CFR		✓
<u>Authorised</u> limit (Statutory limit)	✓	
Operational boundary	✓	
Actual external debt		✓

**Figure 2. Prudential Indicators – in the Prudential Code**  
**Source: (Smart Indonesia Academy, 2022b)**

The Director of SIA explained things that affect financial market results, which are described in his presentation as follows:



**Figure 3. Money Market Results**

Source: (Smart Indonesia Academy, 2022b)

Gap management is frequently emphasized as a vital component of financial institution management. Gap management is defined as an endeavor to manage and control the difference between assets and liabilities over a certain time period. The difference may be measured in terms of available cash, interest rates, or maturity. Additionally, the gap management objectives (Smart Indonesia Academy, 2022b) are as follows:

- Minimize the possibility of losses from changes in interest rates (repricing structure)
- Strive for maximum income with certain risks
- Support liquidity management
- Develop a balance sheet structure that can improve performance

The presentation discussed why it is critical for the Bank of China team to understand and practice gap management. Bank of China is also anticipated to focus on numerous factors in gap management, including the following (Smart Indonesia Academy, 2022b):

- Period (maturity)
- There are differences in the timing of each asset component and liabilities
- Repricing
- The length of time for determining interest rates for the components of assets/loans and components of liabilities, both before maturity and after
  - Interest rates
  - The amount of interest rate or price set for assets and liabilities side
  - Acceleration of change
  - Speed of adjustments that can be made to assets and liabilities in the event of changes in interest rates so that the position remains profitable

Along with the management gap, the Director of SIA discussed in the presentation how a management activity is used to establish the interest rate on the bank's products, both in terms of assets and liabilities. This is often referred to as "management pricing." One kind of policy that the Bank of China may explore is determining the lending rate, or the interest rate on loans supplied to clients. Covering all of the costs of a loan in order to get a good return is what this insurance is for.

Community service combined with this training may aid in the development of knowledge

of treasury management via definition, complete end-to-end analysis, and the placement and implementation of a treasury management plan by the Bank of China team. As a result, the Smart Indonesia Academy is here to help the community through comprehensive treasury management training and to help the Bank of China team with real-world management ideas.

The Bank of China team has also agreed that community service via SIA's treasury management training is efficient, effective, and beneficial in terms of increasing the Bank of China team's knowledge and capabilities. Additionally, the team believes that similar community service initiatives may be sustained with a variety of different themes or issues.

## **CONCLUSION**

A community service activity, which included this training, was organized on March 30, 2022. A total of 15 people participated. According to trainees, this training may aid in the development of knowledge of treasury management via definition, a comprehensive end-to-end analysis, and how a treasury management plan should be established, as well as the goals that the Bank of China must fulfill. As a result, Smart Indonesia Academy is here to empower the community via comprehensive treasury management training and to provide practical management solutions to the Bank of China team. Additionally, the Bank of China team acknowledged that community service via SIA's treasury management training is efficient, effective, and helpful in terms of expanding the Bank of China team's knowledge and skills. Additionally, the team believes that these kinds of community service activities may be sustained by including a variety of different themes or subjects.

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