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Role of Credit Management Analysis to Reduce the Occurrence of Problem Loans (Study on People's Credit Bank in Gianyar District)

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ABSTRACT
This study aims to identify and analyze credit management, the causes of bad credit, and the handling of loan problems in banking. This study uses quantitative methods and the data used are secondary data. The data used is based on the application of credit management and credit collectability data, the level of Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), loan limit and Loan to Deposit Ratio (LDR). The results of this study indicate that Rural Banks have carried out the stages of credit management appropriately. The findings in this study indicate that the causes of bad loans are debtors who have family problems, business failures, job terminations and the covid 19 pandemic disaster. Non-performing loans are handled by rescheduling.

KEYWORDS: Credit Management; Non-performing Loans, Troubled Credit Handling

INTRODUCTION

The role of banking to advance the economy of a country in this modern world is very large. Banks are basically a kind of industry where all banks can offer and serve various types of products, be it different products or the same product. Banks seen from the aspect of competition between one another, each type of product or service can be modified slightly or completely, even though the product or service already exists. This is one of the strategies made by banks to attract customers. Providing credit that aims to make it easier for customers to make loans.

Viewed from the bank's point of view, credit has a strategic position where as a source of money that is necessary in financing business activities that can be emphasized as the key to life for every human being. Credit facilities provided by banks are the biggest assets for banks. In terms of the activities of banks providing credit facilities, the risk of loss mostly comes from these activities, so that if they are not managed properly and accompanied by adequate supervision, they will threaten the survival of the bank. In providing credit, the bank must have confidence in the prospective debtor that the funds provided will be used in accordance with the purpose, and in the end it will be returned to the bank in accordance with the agreed agreement.

Credit interest is the largest source of income for the banking industry. UU no. 10 of 1998 (Banking Law) defines credit as the provision of money or equivalent claims, based on an agreement or loan agreement between a bank and another party that requires the borrower to repay his debt after a certain period of time with interest. However, this lending has a fairly high risk factor, and has a large enough effect on the soundness of banks. Banking will be said to be successful as measured by the smooth return of loans which is reflected by the low level of non-performing loans (NPL).

Indonesian banking statistics, the Financial Services Authority (OJK), states that bank loans disbursed to third parties reached Rp.5.56 quadrillion in July 2021. Of this amount, those in the bad category reached Rp.126.28 trillion or 2.27 % of total credit. Bank loans that are in the doubtful category are IDR 30.72 trillion or 0.55% of the total loans disbursed. Meanwhile, those in the substandard category were Rp. 29.16 trillion or 0.52% of total loans. Thus, the total value of non-performing loans (NPLs), namely the category of loss, doubt and substandard, reached Rp. 186.16 trillion in July 2021. This value is equivalent to 3.35% of the total loans granted by banks. When compared to June 2021, the value of non-performing loans (NPLs) in banks increased by 3, 01%. Then when compared to the position in July 2020, non-performing loans rose by 4.35% and when compared to the position in December 2020, the nominal non-performing loans rose 11%. As for the total credit, as much as Rp 1,879.723 trillion (Indonesian Financial Services Authority Report 2021)

Bad credit will have a negative impact on the company. Therefore, analysis of the provision of credit loans to prospective customers is very important to be able to control irregularities. Analysis of the credit proposed by the prospective customer before the credit is granted. After banks provide credit loans to customers, banks also need to carry out periodic supervision, so that debtors can fulfill their obligations so that there are no credit arrears which will have an impact on bad loans.

Rural Bank is a banking company whose function is not only to channel credit to micro, small and medium entrepreneurs, but also to accept deposits from the public. In distributing credit to the public, the main function of Rural Banks is as an intermediary between people with excess funds and people who lack funds, the main business carried out by banks is activities in the credit sector, or distribution of funds. Credit distribution is one of the main activities of banks as intermediary institutions. However, in the business of disbursing credit, there is a risk of failure or delay in repayment, in this case the customer is no longer able to pay off his credit.

In an effort to anticipate bad loans, banks must apply the principle of prudence. In providing credit, BPR is required to provide confidence based on in-depth analysis or the intention and ability and ability of the debtor customer to pay off his debt or return it in accordance with the agreement (Sulhan, 2009:15-16). To avoid non-performing loans, a credit management is needed which is good credit management, starting from planning the amount of credit, determining interest rates, lending procedures to controlling and supervising bad loans (Kasmir, 2010:71-72).

Credit management is credit management carried out by banks including planning, organizing, implementing, supervising in such a way that the credit runs well in accordance with the agreement between the bank and the debtor (Firdaus, 2009:4). Therefore, this study aims to identify and analyze credit management, the causes of bad loans, and the handling of loan problems in banking.

LITERATURE REVIEW

Banking and Credit

Banks can simply be interpreted as financial institutions whose main activity is to collect funds from the public and channel them back to the community and provide other banking services (Kasmir, 2010:11). Meanwhile, according to Sawaldjo Puspopranoto (2012), a bank is a financial institution that accepts various types of deposits and uses funds collected in banks, especially for lending. It can be concluded that the bank is a financial institution whose main activity is to collect funds through customer deposits and distribute funds in the form of working capital loans to customers in order to improve the standard of living of the community. Rural Bank (BPR) is a bank that specifically serves small communities in sub-districts and villages. The BPR came from the Village Bank, Market Bank, Lumbung Desa, Employee Bank and other banks which were later merged into Rural Banks. The types of products offered by BPRs are relatively narrow when compared to commercial banks, and there are even several types of bank services that BPRs may not provide, such as opening checking accounts and participating in clearing. Rural Banks (BPR) are banks that carry out business activities conventionally or based on sharia principles. In its activities it does not provide services in payment traffic based on RI Law no. 10 of 1998 concerning Banking.

Firdaus (2009) states that credit management is credit management carried out by banks including planning, organizing, implementing, supervising in such a way that the credit runs well in accordance with the agreement between the bank and the debtor. Credit management is the main key for national banks to survive in intense competition, and will provide the expected income or profit. Banking steps in Indonesia to achieve healthy credit conditions, namely Credit Planning, credit granting processes and credit administration, analysis of lending, types of charging interest rates, credit supervision.

Lending Principle

Before a credit facility is given, the bank must feel sure that the credit given will really come back. This confidence is obtained from the results of the credit assessment before the credit is disbursed. Credit assessment criteria that must be carried out by banks to get really profitable customers are carried out by analyzing the 5C, 7P and 3R (Kasmir, 2010). Credit assessment with the 5C analysis method consists of, nature, ability, capital, collateral, and economic conditions. The 7P analysis method consists of personality, class, purpose, business valuation, payment, earning ability, and protection. Meanwhile, the 3R method consists of, assessment, calculation, and calculation of the amount of ability. Completely can be seen in Table 1.

Table 1. Credit Assessment Criteria

	Variable	Definition
5C . analysis	Nature	The character of the customer who will be given credit must be trustworthy, and this characteristic refers to a person's work or personality
	Ability	The ability of prospective customers to pay credit, this ability is seen based on the customer's business performance in obtaining profits.
	Capital	Capital is the effective use of capital as reflected in the financial statements (balance sheet and income statement) by measuring liquidity, solvency, profitability and other measures.
	Guarantee	Collateral is something that is given to prospective customers, both physical and non-physical. Collateral should exceed the amount of credit granted.
	Condition Economy	Current and future economic conditions. The assessment of prospects for the business sector being financed should have good prospects, so that the possibility of non-performing loans is relatively small.
7P Analisis Analysis	Personality	The nature and behavior of the prospective debtor who applies for the credit concerned and is used as consideration for granting credit.
	group	Customers in certain classifications or certain groups based on their capital, loyalty and character.
	Destination	The purpose and use of credit by prospective debtors, whether for consumptive activities or as working capital.
	Business Appraisal	Assess the customer's business in the future, whether it will be profitable (good) or detrimental (bad)
	Payment	Knowing how to repay loans given, this can be known if credit analysis takes into account the smooth sales and income of prospective debtors.
	Profitability	To analyze how the customer's ability to seek profit. Profitability is measured from period to period whether it will remain the same or will it increase, especially with the additional credit that will be obtained.
	Protection	Keeping businesses and guarantees protected. Protection can be in the form of guarantees of goods or people or insurance guarantees.
3R. Analysis	Evaluation	Assessment of the results to be achieved by the prospective debtor company after obtaining credit.
	Calculation	Taking into account the ability, schedule, and term of credit payments by prospective debtors, but the company continues to run.
	Calculation of the Amount of Ability	Taking into account the ability of the prospective debtor company to face risks. The company's ability to face risk is determined by the amount of capital and its structure. If the company's risk bearing ability is high, then credit is not given and vice versa

Sources: Hasibuan, 2009; Cashmere, 2010

Troubled Credit

Non-performing loans in general are all loans that contain high risk or non-performing loans are loans that contain weaknesses or do not meet the quality standards set by the bank (Arthesa, et al., 2010)

Credit Collectability

Based on the Decree of the Board of Directors of Bank Indonesia No. 31/147/Kep/DIR dated November 12, 1998 concerning the quality of earning assets, Article 6 paragraph 1, divides the collectability of credit into 5, namely 1) Current loans, namely loans whose journey is smooth or satisfactory, meaning that all obligations (interest or principal debt installments are settled well by the customer), 2) In special attention, namely loans that for 1-2 months the mutation is not smooth, the debtor starts to be in arrears, 3) Substandard, namely loans for 3 months the mutation is not smooth, payment interest or principal debt is not good. Efforts to approach have been made but the results are still not good, 4) Doubtful, namely credit that has not been smooth and has not been able to be completed by the debtor concerned, 5) Loss, which is 6 months of not paying installments.

Troubled Loans

Rescue of bad loans is done by several methods (Kasmir, 2010), namely:

1. Rescheduling, namely by:
   - ***a.*** Extending the term of credit: In this case the debtor is given relief in terms of the credit period from 6 months to one year so that the debtor has a longer time to repay it.
   - ***b.*** Extending the installment period is almost the same as the credit term: In this case, the credit installment period is extended, for example from 36 times to 48 times and this of course the number of installments becomes smaller as the number of installments increases.
2. Reconditioning, namely by changing existing requirements such as:
   - ***a.*** Capitalization of interest, i.e. interest is used as principal debt.
   - ***b.*** Postponement of interest payments until a certain time. This means that only interest payments can be postponed, while the principal of the loan must still be paid as usual.
   - ***c.*** Lower interest rates, in order to further ease the burden on customers. For example, if the previous year's interest was charged at 17%, it was reduced to 15%. This depends on the consideration of the bank concerned.
   - ***d.*** Interest exemption, in the interest rate exemption is given to the customer with the consideration that the customer will no longer be able to pay the credit.
3. Restructuring, namely by:
   - ***a.*** Increase the amount of credit
   - ***b.*** Increase equity by depositing cash and additional from the owner
4. The combination is a combination of the three types of methods above.
5. Foreclosure guarantees are this is a last resort if the customer really does not have good ethics or is no longer able to pay all his debts.

ANALYSIS METHOD

Nazir (2011) explains that the purpose of this study using quantitative methods and using secondary data types is to make a systematic, factual, and accurate description, picture or painting of the facts and the relationship between the phenomena investigated, while those analyzed descriptively in This research is credit management consisting of credit planning, credit organization, credit implementation, and credit supervision.

RESULTS AND DISCUSSION

There are 3 Rural Banks (BPR) in Gianyar Bali, namely BPR Tish, BPR Suarjaya Ubud and BPR Angsa Sedana Yoga. Rural Banks carry out management functions in providing credit, namely planning functions, organizing functions, implementation functions and credit monitoring functions on an ongoing basis. In planning for the provision of credit at Bank BPR Tish, BPR Suarjaya Ubud, BPR Angsa Sedana Yoga first evaluated the effect of lending on the overall condition of the Bank. The reference for these conditions includes, Minimum Capital Adequacy (KPMM). CAR is measured based on a certain percentage of Risk Weighted Assets (RWA). This ratio is used as a measure of the minimum capital requirement or KPMM that must be met by Bank BPR Tish, BPR Suarjaya Ubud,

Table 2. Adequacy of Minimum Capital Adequacy (KPMM) BPR Bank in Gianyar

BPR name	**Year**	**KPMM Achieved**	**Minimum Level Requirements**	**Information**
BPR Tish	2018	25%	12%	Has fulfilled Obligations that Determined by OJK
	2019	43%	12%	
	2020	49%	12%	
BPR Suarjaya	2018	16%	12%	
	2019	20%	12%	
	2020	16%	12%	
BPR Goose Sedana Yoga	2018	18%	12%	
	2019	40%	12%	
	2020	37%	12%	

Source: Secondary Data (2021)

The next condition reference is the Loan Deposit Ratio (LDR).*LDR*is the ratio between loans and Third Party Funds (DPK) plus own capital. LDR 81% will contribute to improving the health of BPR Banks in Gianyar, therefore, Bank Management needs to maintain LDR which can improve the health of BPR Banks. The Maximum Lending Limit (LLL) is one of the efforts to spread credit risk by limiting credit distribution so that it is not concentrated on certain debtors. BPR Banks in Gianyar will distribute lending by complying with the provisions of the LLL from the OJK so that lending is not centered on certain debtors and/or groups of debtors. The evaluation is carried out in accordance with the provisions of the OJK, so that the objectives of providing credit to debtors will be achieved, namely credit can provide benefits, can minimize non-performing loans and repay loans according to the agreement. The following is a description of the LDR condition at the BPR in Gianyar as shown in table 3.

Table 3. Loan to Deposit Ratio (LDR) of BPR Banks in Gianyar

BPR name	Year	LDR Achieved	Minimum Level Requirements	Information
BPR Tish	2018	62%	Under 81%	Has fulfilled Obligations that Determined by OJK
	2019	44%	Under 81%	
	2020	53%	Under 81%	
BPR Suarjaya	2018	80%	Under 81%	
	2019	61%	Under 81%	
	2020	68%	Under 81%	
BPR Goose Sedana Yoga	2018	68%	Under 81%	
	2019	67%	Under 81%	
	2020	70%	Under 81%	

Source: Secondary Data (2021)

In an effort to support the process of providing credit, the BPR Bank in Gianyar formed a work unit consisting of: 1). Marketing Officer (Marketing Officer); 2). Credit Administration Unit; 3). Legal Officer; 4). Credit Committee. Each work unit has duties and responsibilities that have been determined by the board of directors. In the process of granting credit to prospective debtors, there are several stages, namely the initial stage of providing credit, the process of assessing and reviewing credit guarantees, the process of assessing and reviewing credit guarantees, the process of credit analysis and preparation of credit memorandums, the stage of binding credit and guarantees, and the stage of disbursing credit funds. , the stage of monitoring the use of credit. Bad loans that occurred at BPR Banks in Gianyar were mostly caused by debtor errors, namely wrong analysis, wrong purpose of borrowing, family problems, waste by one member of the debtor's family, failure of the debtor's business, termination of employment (employee debtors), natural disasters (pandemic). The following is a description of the NPL condition at the BPR in Gianyar as shown in table 4

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Table 4. Non-Performing Loans (NPL) of BPR Banks in Gianyar

BPR name	Year	LDR Achieved	Minimum Level Requirements	Information
BPR Tish	2018	17%	5% maximum	Does not meet the Obligations that Determined by OJK
	2019	19%	5% maximum	
	2020	20%	5% maximum	
BPR Suarjaya	2018	20%	5% maximum	
	2019	17%	5% maximum	
	2020	13%	5% maximum	
BPR Goose Sedana Yoga	2018	20%	5% maximum	
	2019	20%	5% maximum	
	2020	20%	5% maximum	

Source: Secondary Data (2021)

Based on the data in table 4 shows that the NPL of all BPRs in Gianyar has exceeded the maximum NPL limit based on the provisions of the Financial Services Authority, which is five (5) percent. The high NPL has an impact on the risk of loss that must be borne by the BPR.

Application of Credit Management

The ways taken by the management to settle uncollectible loans are holding meetings with the debtor to try to find the best solution for the debtor and the BPR Bank in Gianyar. From the results of the meeting, Bank BPR in Gianyar can take one of the following steps:

1. *Rescheduling*/rescheduling
   Rescheduling is changing the payment schedule and or credit period. This method is carried out if the debtor still has good business prospects, and the difficulties experienced are temporary.
2. *Reconditioning/*re-requirement
   Namely changing part or all of the credit terms while maintaining the existing credit limit, for example by changing the interest rate, installment schedule, credit period and so on. This rescue step is taken as long as the debtor's business still has good prospects and can still be recovered.
3. *Restructuring*/ restructuration
   Namely changing or renewing credit facilities, among others by:
   a. Convert all or part of interest arrears into new loan principal.
   b. Looking for investors who are willing to take over their business (novation)
   c. The combination of innovation and the Bank adding new credit funds, accompanied by rescheduling or changing credit terms.
4. Rescheduling, Reconditioning and Restructuring combination policy
5. Submission of credit guarantees (collateral) to the BPR Bank in Gianyar for sale in accordance with the agreement reached between the BPR Bank in Gianyar and the debtor. If the debtor does not show good faith for the settlement of his credit (uncooperative), then the BPR Bank in Gianyar chooses the method of submitting the collection to the court, but so far there has been no credit settlement by submitting it to the court.

CONCLUSION

Factors that cause non-performing loans are debtor errors, such as family problems, waste, and business failure, termination of employment for debtors with employee status and the occurrence of post-majeure or unexpected events such as natural disasters. The BPR Bank in Gianyar has taken several steps to mitigate the risk of bad loans by rescheduling, Reconditioning and Restructuring or a combination of the three policies. The next step is the sale of debtor assets, namely this effort is carried out by providing an opportunity for the debtor to sell his assets by the debtor concerned together with the bank and the sales value will be used to pay off the credit while the rest of the sales value is given to the customer.

Practically, before providing credit, banking companies need to apply the precautionary principle, and all leaders and employees must be committed to this principle. Guidance for debtors needs to be carried out continuously since the debtor gets a loan by providing an understanding of the dynamics of the debtor's business and about money management and incentive communication with customers. Joint problem solving between banks and debtors to find alternative solutions to problem solving.

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