

Analysis of the Factors Affecting Bad Credit at PT. Regional Development Bank Bawean Branch

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Abstract

Background – Credit is an activity carried out by banks and other financial institutions with the aim of providing assistance to small and medium-sized communities. Considering that in the Bawean area itself the majority of the people are still doing poorly, because the business capital they have is very weak so this is very attached to rural areas such as in Bawean. With reduced capital for small entrepreneurs, the business they run cannot run as expected and business owners limit their space for movement or activity. With this, the bank provides assistance in the form of capital to the community with the aim of opening a business to support the sustainability of the effort. In addition, in the world of credit, it does not always run as smoothly as expected, because there are many risks experienced in the event of a credit crunch caused by business owners experiencing a decrease in sales caused by the many existing business competitors, which has an impact on public perception. **Objectives** - This study aims to determine the factors that influence the causes of credit default at PT. Bank Pembangunan Daerah or Bank Jatim, Bawean Branch. **Design/ Methodology/ Approach** - This research is a qualitative research with data collection techniques using interviews. **Findings** - The results of this study indicate that the use of business credit, namely the sustainability that occurs due to the existence of capital assistance from banks to customers who are in need of capital with the aim of opening a customer's business and factors that cause credit defaults, namely because they are caused by risks experienced by customers, namely businesses initiated by customers experience a decrease in sales due to competitors, because the presence of competitors will have an impact on business income. **Research Implications** - This research can be used as a reference for companies, especially the credit department, to find out what factors influence the occurrence of bad credit. **Research Limitations** - Research conducted by researchers has limitations, namely only focusing on customers who experience credit defaults caused by decreased sales and competition, researchers do not look for other causes.

Keywords: bad credit, bad credit factors, causes of bad credit

1. Introduction

Indonesia is a developing country in the economic sector, especially in the banking sector. Because banking is a financial institution that can increase economic growth. In addition, banking also has the task of improving the community's economy in the form of collecting and channeling funds to the community. Banks are financial institutions whose main activity is to collect funds from the public and channel these funds back to the community (Kasmir, 2016). PT. The Regional Development Bank or Bank Jatim Bawean Branch manages funds obtained from customer deposits in the form of Simpeda savings and My Savings which is channeled to small communities or people who have small or large businesses by providing loans in the form of credit. Credit is the delivery of goods, services or money from one party (creditor or lender) on the basis of trust in the debtor with a promise to pay on time to the Bank (Veitzhal Rivai, 2013).

In the world of banking, credit is very influential because credit is the most important activity and an activity that provides high profitability for the company. According to (Santoso and Handayani, 2019:57) Profitability is the company's ability to earn profits or profits in a certain period. Profitability shows the effectiveness of a company's management. The size of a company's profit depends on the effectiveness and efficiency of the use of available resources and the implementation of its operational activities. In addition, credit is also a business activity that obtains the most or obtains funds from the public in the form of interest or fees.

Credit provided can be in the form of credit for investment capital or funds for working capital. Credit received by individuals, both individuals and institutions, can be used for business development and expansion. To apply for credit, the debtor must provide a guarantee or guarantee to the bank. The granting of credit to the public is carried out through a credit agreement between the giver and the recipient of the credit so that there is a legal relationship between the two.

In granting credit, the problem that often occurs is when the debtor has received credit funds that have been provided by the bank, usually at the beginning of the installment payment the installment will pay in a timely manner, but after disbursing it has entered the middle or at the end of the day it is paid off, the debtor have begun to be not on time in making installment payments due to the fact that the business being carried out is not in accordance with what is desired or expected, the income earned cannot be sufficient to pay credit installments to the bank.

In addition, the character of the debtor is also often a trigger for bad credit problems, because the character of the debtor in the Bawean area is, if the debtor has paid installments several times, for example the timeframe taken for credit is around 12 months, when it is repaid it has started to be repaid on the 6th month, most debtors make installment payments not on time, because businesses started by customers experience problems, namely customers experience a decrease in sales due to the many existing competitors so that these obstacles become the risk of bad credit.

Tabel 1
Bad credit data PT. regional development banks

No	Year	Total Credit Distributed	Total Bad Loans	NPL%
1	2016	135.929	1.138	0,84
2	2017	576.630	7.514	1,30
3	2018	163.620	3.305	2.02
4	2019	865.452	3.510	4.05
5	2020	960.850	6.210	6.46

Source: Data Processed by Researchers (2020)

This data is data taken at the company where it can be observed that the level of customer collectability increases every year. In 2016 the NPL was in the position of 0.84% with a total of 1,138 bad loans and a total of 135,929 loans disbursed. for 2017 the NPL position was at 1.30% with a total of 7,514 bad loans with a total of 576,630 loans disbursed. In 2018 the NPL position was at 2.02% with a total of 3,305 loans disbursed and a total of 163,620 loans disbursed. In 2019 the total NPL was 4.05% with a total of 3,510 bad loans and a total of 865,452 loans disbursed. In 2020 NPL experienced a very rapid increase of 6.46% with a total of 6,210 bad loans and a total of 960,850 bad loans disbursed. Thus it can be concluded that bad loans from 2016-2020 have increased.

Bad credit is part of problem loans. Bad credit occurs when the bank experiences. Bad credit is given to customers by the bank with the aim of providing assistance to the Bawean community to open a business with assistance in the form of capital, so that with the capital provided by the bank to the community it can help the sustainability of the Bawean community's business, so that it can help the community's economy. In addition, the cause of bad credit in the Bawean branch of the East Java bank is because the business run by the customer has experienced a decrease in sales due to a lot of business competition, so the risks that occur as a result of this problem, namely, mental health are always late in making installment payments credit, so they experience bad credit.

2. Literature Review

Bank

According to Kasmir (2014: 24) Banks are financial institutions whose activities collect funds from the public in the form of deposits which are then channeled back to the community and provide other services to the community. Apart from being known as a place to borrow money (credit) for people who are in need, banks also carry out activities such as accepting current accounts, deposits and savings. The Bank's daily activities cannot be separated from the financial sector. Because the main activity of a bank can simply be said to be collecting and distributing funds to the public.

Credit

According to Thomas in Ismail (2010: 93) credit in a general sense is a belief in the ability of the debtor (credit recipient) to pay a sum of money in the future. From several definitions of credit, several elements can be drawn that allow credit to occur.

Bad Credit Bad credit

It can be interpreted as a loan that is experiencing repayment difficulties due to intentional factors or due to external factors beyond the control of the debtor's ability. According to Hermanto (2006: 17) bad credit is credit that has substandard withdrawals, doubtful because it has difficulty repayment due to certain factors.

Non-Performing Loan (NPL) Risk

In extending credit to its customers, banks will be faced with loans that the debtor cannot afford to pay, causing problem loans. According to Hermawan Darmawi (2011: 16) *Non-Performing Loan (NPL)* is a measurement of a bank's business risk ratio that shows the magnitude of the risk of non-performing loans in a bank caused by debtors' non-performance in paying credit installments.

3. Research Methodology

Research Approach

In this study using an approach commonly known as qualitative research. According to Sugiyono (2009: 15) Qualitative research is the result given by informants to researchers in the form of explanations, descriptions and descriptions of the topics to be studied or the issues that are being addressed. In qualitative research it relies on a holistic natural background, humans are used as research tools, inductive data analysis, prioritizing processes rather than results and the results of the research carried out have been agreed upon by the researchers and also agreed upon by the research subjects.

Location and Research Focus Researchers

The conducted research is at PT. Bawean Branch Regional Development Bank which is located at the Bawean Branch Office located Jl. Kawedanan No. 3 Sangkapura Gresik, East Java – 61181.

Types and Sources of Data

This research is a descriptive research using qualitative methods. This type of research is descriptive, namely research that describes data information based on facts (facts) obtained in the field. Descriptive research itself is the most basic research shown to explain phenomena or problems that occur both scientifically and engineered or artificial in nature. Qualitative descriptive in this study is used to develop theories that are built from data that has been obtained from the field.

Data Collection Techniques Data

Data Collection techniques are a way to collect the data needed to answer the research problem formulation. Data collection procedures can also be interpreted as an attempt to collect data. The technique used in collecting data by researchers in this study is interviews. The type of interview used in this research is a semi-structured interview. According to Sugiyono (2012: 233) semi-structured interviews are types of interviews in the *in-dept-interview*, which in practice are freer when compared to structured interviews. According to Esterberg in Sugiyono (2015: 72) an interview is a meeting conducted by two or more people with the aim of exchanging information or ideas using the question and answer method, so that it can be used as a conclusion or meaning in a particular topic.

Data Analysis Techniques

After carrying out the research and the necessary data has been collected. Then the researcher will perform data analysis techniques. The data obtained is the result of interviews then the data collected is then analyzed in detail and clearly according to the research objectives. Because this research is a qualitative research, the data analysis used is adjusted to the type of data. Activities in data analysis are data *reduction* (data reduction), *data display* (data presentation), and *drawing conclusions/verification* (verification).

Data Validity Test Checking

The validity of the data is an element that cannot be separated from qualitative research, because the data validity technique is a technique for checking the validity of the data obtained to check the data collected. The validity of the data used in this study is using triangulation of sources and *member checks*. Source triangulation is triangulation that is used to test the credibility of data by checking data that has been obtained through several sources (Sugiyono, 2016: 127). Meanwhile, according to Sugiyono (2012: 129) *member check* is the process of checking data obtained by researchers to data providers.

4. Results and Discussion

Results

PT Bank Pembangunan Daerah Jawa Timur Tbk (“Bank Jatim”) was originally established under the name PT Bank Pembangunan Daerah Djawa Timur on August 17, 1961 by deed drawn up by Notary Anwar Mahajudin, No. 91 dated August 17, 1961. With the existence of Law no. 13 of 1962 concerning the main provisions of Regional Development Banks, which require Regional Development Banks to be established under Regional government regulations. PT Bank Jatim has become a foreign exchange bank since August 2, 1990. On May 1, 1999, in an effort to increase professionalism and independence as a public servant in the field of financial services, Bank Jatim changed the form of legal entity from BUMD to Limited Liability Company (PT). Given that the main task of the Bank is to participate in encouraging the growth of regional economic potential through participation in developing the small and medium business sectors in order to obtain optimal profits by carrying out credit given to the community. And the main activities of the bank are collecting and channeling funds and providing other banking services.

The research was conducted on credit customers at Bank Jatim who experienced bad credit. There were 8 informants in this study. The first informant is the leader of the bad credit supervisor at the Bawean branch of the Jatim Bank and the 2nd to 8th informants are credit customers at the Jatim Bank who are experiencing bad credit.

The purpose of using credit for customers at the Bawean branch of the Jatim Bank is business continuity in the form of assistance and opening a business. The purpose of the assistance here is assistance in the form of capital from the bank which the customer will use as capital to open their business.

Factors causing credit defaults are the risks they experience resulting from a decrease in sales experienced by customers and fairly tight business competition. Because the existence of intense business competition will affect the business that is initiated, and a decrease in sales will also decrease due to the many existing competitors.

5. Discussion

This research results in business continuity, where these results have differences with the results of research conducted by Hermanto (2006: 17) in his research saying that the factors that affect credit defaults are due to errors in the use of credit for customers, managing customer accounting administration and debtor's income. The use of credit in this study, Bank Jatim provides assistance to its customers with the aim of opening a business. The assistance provided by Bank Jatim to its customers is in the form of capital assistance. Here, customers who have the will or intention to open a business but are constrained because there is no business capital, the Bank Jatim itself will provide assistance in the form of capital to its customers to open a business, so that later it can help improve the standard of living of the Bawean people, because with a business undertaken, then the community will later have income from the results of these achievements so that they can help for the sustainability of their business in the longer term in the future.

This research produces risks caused by decreased sales and intense business competition, where these results differ from research conducted by Paturuhu (2017) with the research title "Analysis of Factors Influencing Micro and Small Enterprises (UMK) Credit Distribution" in the results of his research show that the provision of credit is carried out not using the principle of prudence and expansion in lending is uncontrolled, so that the bank will bear a large risk responsibility. The risk is in the form of difficulties in repaying credit by debtors, which are quite large in number. This can affect banking performance so that many of the loans that are disbursed do not produce results.

Provision of credit provided by banks to their customers does not always go as smoothly as imagined, because loans extended to customers always pose a big risk to the bank. The risks that are often experienced by the bank are in the form of risks caused by customers because customers experience a decrease in sales and business competition. A decrease in

sales is very crucial for business owners, because if a decrease in sales continues to increase, the income earned will decrease so that this cause can later cause customers to experience difficulties in repaying the credit provided by the bank to these customers. In addition to the decline in sales experienced, the amount of competition is also an impact on business owners, because if business competition is intense it will affect their business and will impact on the income earned.

The results of this qualitative study stated that the factors that caused bank jatim bawean branch customers to experience credit defaults were caused by a decrease in sales caused by a lack of consumer interest. In addition to declining sales, intense business competition is also a factor caused by credit defaults, because intense business competition makes it more difficult for every business to earn more income, because customers or consumers have more consideration in making a purchase transaction. . . In essence, a decline in sales and intense business competition is a big risk for the bank, because this risk will eventually cause customers to experience credit defaults.

6. Conclusion

Based on the results of qualitative research using interview techniques conducted in Bawean regarding the Analysis of Factors Affecting Bad Credit at PT. Bawean Branch Regional Development Bank, can be interpreted as follows:

- a. Business continuity, namely the principle that is seen whether the business will run in the long term or in a relatively short period of time. Business continuity is realized because of capital assistance provided by the bank with the aim of opening a business, capital assistance is given to customers who want to open a business but are constrained by the capital they have.
- b. Risk is an attack that comes scientifically and the possibility of loss for the company. The risks that occur are experienced by customers, namely businesses driven by customers experience a decrease in sales due to intense business competition, so that the risks that occur can be said to be due to intense business competition resulting in decreased sales.
- c. Revenue is sales income arising from a business, company or business that is started, it is said to benefit from sales if it experiences good and increasing sales, the income earned is not in accordance with the desired target if the increased business experiences a decrease in sales and business competition, because with The existence of intense business competition will have an impact on declining sales so that it will later affect the income earned.

7. Recommendations

The conclusions above can be obtained from the suggestions given by the researcher, namely as follows:

- a. For the Company

It is important for the company to see the risks that come scientifically and possibly cause losses for the company. The risks that occur are experienced by customers, namely businesses driven by customers experience a decrease in sales due to intense business competition, so that the risks that occur can be said to be due to intense business competition resulting in decreased sales. So that in the future the same risk will not occur again.

- b. For future researchers

For future researchers, it is hoped that they can conduct research in a place or object that is different from the previous researchers so that the results obtained will increase even more. Increasing the number of research informants used so that they can get results that are closer to the actual conditions and further deepen the research process, perhaps adding other strategies.

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