



Analysis of Credit Provision to PD. BPR Bahteramas Baubau

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ABSTRACT

PD. BPR Bahteramas Baubau is a bank that is quite popular with customers to apply for credit. The internal control system is supervised by a supervisory section consisting of one person who supervises the internal control in the company. The Internal Control System in PD. BPR Bahteramas Baubau is already very good because it has a clear organizational structure and a good division of employee tasks according to the abilities of each employee. The objectives to be achieved in this study are to analyze internal control and credit provision at PD. BPR Bahteramas Baubau. The analysis tool used in this study is a qualitative method and the samples used are observation, interviews and documentation. Based on the results obtained, the provision of credit at PD. BPR Bahteramas Baubau has fully implemented the 5C principle and is in accordance with Syafril's theory. This is done to meet the terms and conditions that apply to prospective customers in applying for credit so that there is no credit congestion consisting of: character, capacity, collateral, capital, condition.

Keywords: Character, Capacity, Collateral, Capital, Condition

1. Introduction

A bank is a financial institution that is generally established with the authority to accept deposits and lend money. According to Ajuha, B. N. (2017:2), banks channel capital from those who cannot use it profitably to those who can make it more productive for the benefit of society (Bryan, 2022). Banking also has a strategic role as a driver of the national economy through its intermediary function, namely collecting and distributing funds. Also in the banking process, the principle of prudence is known in providing credit. This credit granting process is carried out by applying the principle of prudence so that later the facilities provided are right on target. In providing credit, it must be carried out in accordance with the policies set by the bank. This policy is implemented to assess the feasibility of prospective debtors. This is done to overcome the risks that will arise, including the emergence of bad debts. Remembering the importance of risk management in credit or financing, it is necessary to pay attention again to healthy principles, especially the application of the Bank's prudent principle or commonly referred to as the 5C principle, namely character, capacity, capital, collateral and condition in determining the eligibility of its credit provision (Syafril, 2020:96). These five principles are very important to be assessed before the bank gives approval for credit. For banks, debtors who meet all the 5C principles are customers who are worthy of getting credit. Where when the bank sees a prospective debtor who has a strong character, has the ability to repay the loan, has collateral, strong capital, and a safe economic condition like a pearl for the bank.

This 5C principle is also used to see how the credibility of prospective debtors will be in the future. In accordance with Article 8 paragraph (1) and (2) of the Banking Law, this analysis is very important to be considered and implemented by banks before providing credit to debtor customers, because the five elements of the analysis contain elements that underlie whether or not it is feasible (Saraswati,

2012). The company's goals will be achieved if this internal control system is implemented properly and adequately. Therefore, a good internal control system is needed to support the effectiveness of the credit provision system for credit management. The factors that cause bad debts are, first, customers usually deliberately do not want to pay their credit even though they are able to and second, customers do not intentionally usually due to a disaster or natural disaster or experience certain conditions that allow customers to be unable to pay their credit. This is supported by research conducted by Crismania Debby Irmasari (2019) which concluded that the credit distribution procedure at PD. BPR Bank Bapas 69 Magelang has fulfilled the 5C Character, Capacity, Capital, Collateral, Condition guidelines for credit distribution and the role of internal control in PD. BPR Bank Bapas 69 Magelang.

Credit provision analysis at PD. BPR Bahteramas Baubau often faces the problem of disparities in credit distribution among customers. This gap is generally caused by an imbalance in credit assessment criteria that tend to favor customers from certain sectors. This can lead to differences in treatment between small customers who need small amounts of credit and large customers who have easier access to significant amounts of credit. As a result, customers from the micro and small business sectors, especially those with less collateral, find it more difficult to access the financing they need. Disparities also arise in terms of region, where customers in urban areas or more developed areas tend to have easier access to credit than those in rural or remote areas. This is influenced by the limitations of banking infrastructure in areas far from economic centers, so that the distribution of credit services is uneven. Customers in remote areas often do not have adequate access to formal financial services, making them more dependent on informal credit with much higher interest rates.

Another factor that causes the gap is the lack of understanding of certain customers regarding the credit provision procedures that apply at PD. BPR Bahteramas Baubau. Many small customers or from informal business groups do not have adequate information about the requirements and credit application process, so they often feel hampered in obtaining loans. On the other hand, customers who are more educated and have access to banking information are better prepared to meet the requirements and get credit approval. This gap in credit provision can have a significant impact on local economic growth. If access to credit is only enjoyed by a small number of customers, especially from the established class, then the opportunity to encourage the development of micro and small businesses in the Baubau area will be hampered. Therefore, a more inclusive and fair approach is needed in providing credit, so that all levels of society, including those in the small business sector and remote areas, can enjoy the benefits of banking services provided by PD. BPR Bahteramas Baubau.

PD. BPR Bahteramas Baubau is a bank that is quite popular with customers to apply for credit. The internal control system is supervised by a supervisory section consisting of one person who supervises the internal control in the company. The Internal Control System in PD. BPR Bahteramas Baubau is already very good because it has a clear organizational structure and a good division of employee tasks according to the abilities of each employee. The problems that arise in PD. BPR Bahteramas Baubau are that there has been no assessment of the suitability of the application of the 5C principle concept to the completeness of the elements and procedures of the internal control system and there are still employees who do not pay much attention to the credit granting procedures in the company, such as the account office section. So that the files in the granting of

credit are incomplete and there are still customers who manipulate data, this is what causes problematic credit.

2. Methods

This research was conducted at PD. BPR Bahteramas Baubau, located at Jl. Bataraguru No. 39, Wajo Village, Murhum District, Baubau City, Southeast Sulawesi. This study aims to examine and analyze internal control and credit provision in the financial institution. PD. BPR Bahteramas Baubau is one of the important microfinance institutions in the local economy, especially in providing credit services to the surrounding community. The object of this research includes internal control which covers various important aspects such as the control environment, risk assessment, control activities, information and communication, and monitoring activities. In addition, this study also focuses on the aspect of credit provision which is reviewed from five main criteria, namely Character, Capacity, Capital, Collateral, and Condition. These two aspects are very crucial in maintaining the stability and reliability of PD. BPR Bahteramas Baubau operations. This study uses two types of data, namely qualitative data and quantitative data. Qualitative data in this study is in the form of information presented in the form of words, schemes, and pictures, including the profile of PD. BPR Bahteramas Baubau. Meanwhile, quantitative data consists of the annual financial report of PD. BPR Bahteramas Baubau which provides a numerical picture of the financial performance of the institution during the research period.

The data collection techniques used in this study include three main methods, namely observation, interviews, and documentation. Observations are carried out to understand the daily work processes and internal control systems implemented at PD. BPR Bahteramas Baubau. Interviews are used to dig deeper into information from managers and employees related to internal control and credit provision. Documentation is carried out by collecting official documents such as financial reports and relevant operational policies. The analysis method used in this study is quantitative descriptive analysis. Through this approach, quantitative data is analyzed statistically to describe the relationship between the variables studied, such as the effect of internal control on the effectiveness of credit provision. Meanwhile, qualitative data is used to complement and clarify the results of the quantitative analysis, thus providing a more comprehensive understanding of the phenomena that occur.

This type of research aims to clearly describe the phenomena that occur in internal control and credit provision at PD. BPR Bahteramas Baubau. This research is expected to contribute to the development of more effective internal control strategies and improving the quality of the credit provision process, so as to improve the performance and stability of PD. BPR Bahteramas Baubau in the future.

3. Findings and Discussions

3.1 Findings

PD BPR Bahteramas Baubau is a Regional People's Credit Bank Company owned by the Southeast Sulawesi Provincial Government. Based on the Regional Regulation of Southeast Sulawesi Province Number 2 of 2009 concerning the Regional People's Credit Bank Bahteramas in Southeast Sulawesi Province with the aim of being established to encourage regional economic growth and improve services to the needs of the community and the business world. This institution has a vision of wanting to become the Best BPR with a Healthy and Trusted National Reputation in Financing MSMEs. The results of the study obtained from

direct interviews with informants related to the provision of credit obtained positive results that can provide information about what PD BPR Bahteramas Baubau does. The informants are PD. BPR Bahteramas Baubau who occupy different fields of work and bank customers who are additional informants. The bank parties who were successfully interviewed were 5 informants. The five informants are, the President Director, Director of Operations and Compliance, Internal Audit, Person in Charge of Compliance/APUPPT/Risk Management, Operational Manager, Marketing Manager, and one of the customers.

Credit Provision at PD. BPT Bahteramas Baubau

Bank credit provision is one of the products that has an important role in advancing the industrial sector. The results of an interview with Mrs. Inggriid Febrianti, S.E. as the Risk and Compliance Manager regarding the Internal Control System in Credit Provision at PD. BPR Bahteramas Baubau said that:

"Applications for credit here are based on credit analysis, using the 5C analysis, if it is feasible then we will grant it, if not then vice versa".

Meanwhile, the results of the interview with Mr. Fahril, S.Pd. as Marketing Manager, said that:

"When the survey is used to provide credit, namely the assessment of customer character, capacity, capital, collateral, and condition (5C) so that we know what the debtor has is really real with his condition or not, so that there is no credit jam. We also monitor when there is a bad credit. So in applying for credit there are several stages, the first is that he must meet the requirements related to the completeness of the documents such as primary documents, KTP, KK, maybe there is a Marriage Certificate like that. In addition, there are secondary documents, maybe he has a NPWP. which is lent to the customer is seen from the nominal amount of the credit application, for the disbursement of money it depends if the customer applies for a small nominal from 5-10 million, the estimated disbursement is 3 days and if the customer applies for a large nominal from 10 million and above, the estimated disbursement is 10 days".

So it can be concluded that in the internal control system for providing credit at PD. BPR Bahteramas Baubau also uses the 5C principle, namely:

Customer character

The results of the interview with Mr. Fredrik B. Pakiding, S.E. as the internal audit department, said that: "We assess the character of our customers from how they complete their credit and must have a good character history and have never experienced bad credit before at another bank." And an interview with Mrs. Inggriid Febrianti, S.E. as the Risk and Compliance Manager, she said that: "For prospective debtors, they must be honest and have a sense of responsibility for their credit obligations." Furthermore, an interview with Mrs. Waode Hartanti as a customer, said that: "At that time I was asked whether I had ever borrowed money from another bank or not, also asked whether there had been any problematic installments or not, so if I had ever had problems with installments, my credit application would likely not be accepted."

The results of the interview above for the character of the prospective debtor must have a good character and have a sense of responsibility for the credit that has been taken. And the most important thing is PD. BPR Bahteramas Baubau sees whether the prospective debtor has a history of bad credit or not previously at another bank. For example, at PD. BPR Bahteramas Baubau when conducting interviews and checking with prospective customers regarding data on the history

of financing that has been given, the amount that has been given, how payments are made and other information.

Ability to pay credit installments

The results of the interview with Mr. Fredrik B. Pakiding, S.E. as the internal audit department, said that: "In assessing the ability of prospective debtors to pay their credit, we must be very careful. for example by looking at the net income earned by prospective debtors every month, the amount must be greater than the credit installments that must be paid every month. "And an interview with Mrs. Inggriid Febrianti, S.E. as the Risk and Compliance Manager, she said that: "So this is it, prospective debtors must have a good income every month, if the monthly income is not enough to pay the installments then we cannot give according to the nominal amount proposed by the prospective debtor then we also see how the customer's ability to complete the previous credit is good or not" Furthermore, an interview with Waode Hartanti as a customer, said that: "At that time the bank asked about how much my monthly income was like that, whether I was able to pay the installments every month."

The results of the interview above can be concluded that PD. BPR Bahteramas Baubau in assessing how the prospective debtor's ability to pay his credit regarding the assessment of the capacity aspect must be full of caution, where the net income earned each month must be greater than the credit installments that must be paid each month and see whether or not the prospective debtor completes his credit.

Collateral

The results of the interview with Mr. Fredrik B. Pakiding, S.E. as the internal audit section, said that: "For collateral or guarantees, it is seen whether the collateral that the prospective debtor has pledged is really his property or not, then he is asked to show documents regarding the guarantee." Furthermore, the results of the interview with Mrs. Inggriid Febrianti, S.E. as the Risk and Compliance Manager, she said that: "The guarantee must exceed the amount of credit given. So, if the prospective debtor does not pay off his debts, the assets that can be tied up as collateral for certainty of repayment. So if the prospective debtor cannot complete the credit, then we will confiscate the collateral that has been agreed upon at the beginning". And the interview with Mrs. Waode Hartanti as a customer, said that: "Yesterday I applied for a credit of more than 50 million, because the bank asked for the collateral if possible to be more than the loan, so what I used as collateral yesterday was a land certificate."

The results of the interview above can be concluded that if the prospective debtor has his own business or the prospective debtor is a private employee, the prospective debtor must include a monthly pay slip. So that the bank knows whether the funds received per month are sufficient or not to pay the installments.

Economic conditions

The results of the interview with Mr. Fredrik B. Pakiding, S.E. as the internal audit section, said that: "Regarding the economic conditions, we assess whether the customer's business is seasonal or not, because it is possible that the customer's business income is high only in certain seasons. So the economic conditions of the prospective debtor must be good in their business". Furthermore, the results of the interview with Mrs. Inggriid Febrianti, S.E. as the Risk and Compliance Manager, she said that: "If the prospective debtor is a private employee, then what must be seen is the employment status of the prospective debtor as a permanent employee or not, so that it is taken into consideration because if the

customer is a permanent employee, it can be ascertained that he can pay the installments until the specified period. " And the interview with Mr. Fahril, S.Pd. as Marketing Manager, he said that: "The bank will reject the credit application if the prospective debtor's economy is not good so that there will be no credit jams in the future." Furthermore, the results of the interview with Mrs. Waode Hartanti as a customer, that: "Yesterday the bank said my economy was good because I have a food stall business and have sufficient income, so the bank asked whether my income was sufficient or not for its consideration."

The results of the interview above can be concluded that PD. BPR Bahteramas Baubau in assessing the economic condition of prospective debtors must have good conditions in their business and the customer's business income. If the prospective debtor is an employee, then what must be seen is the employee status of the prospective debtor as a permanent employee or not to be considered because if the customer is a permanent employee, it can be ascertained that they meet the specified credit requirements.

3.2 Discussions

The existence of the 5C principle in providing credit, PD. BPR Bahteramas Baubau has fully implemented the 5C principle. This is done to meet the terms and conditions that apply to prospective customers in applying for credit so that there is no credit congestion. the 5C principle is:

Character

Prospective debtors must be seen as how to complete credit, honest and responsible. The results of this study are supported by Syafril regarding character that by looking at the character and background of prospective borrowers or customers who apply for credit.

Capacity

Must be careful in assessing how capable prospective debtors are in paying their credit. The net income of prospective debtors obtained each month, the amount must be greater than the credit installments that must be paid each month. The results of this study are supported by Syafril regarding capacity that by looking at how capable prospective borrowers are in paying their credit. By looking at how capable prospective borrowers are in paying their credit.

Collateral

Must have collateral that is truly owned by the prospective debtor, not owned by someone else. This collateral is the key to solving when there is a bad credit. The results of this study are supported by Syafril regarding collateral that looks at the capital owned by the borrower, for his business or business.

Capital

In applying for credit must be sufficient to pay the installments each month. The Bank will assess how much income is earned per month. The results of this study are supported by Syafril regarding capital, namely by looking at the collateral provided by prospective borrowers when applying for credit to the bank.

Condition

In applying for credit, be more careful in assessing the economic condition of prospective debtors. If by assessing whether the customer's business is good or not, and if the prospective customer is a permanent employee, it can be ascertained that he can pay the installments until the specified period. The results of this study

are supported by Syafril regarding condition, namely by knowing the good economic conditions that are general and specific to the business sector used by the customer.

Based on internal control indicators, namely control environment, risk assessment, control activities, information and communication and monitoring activities. The results of this study are not in line with the research conducted by Muhammad Arif, et al. (2023) entitled "Analysis of Internal Control Systems for Merchandise Inventory Using The Committee Of Sponsoring Organization Of Treadway Commission (COSO) At The Oriens Jaya Medan Motor Vehicle Spare Parts Distributor.". The results of the study showed that there were weaknesses in not maximizing the 5C analysis. The advice given to PT. Bank Perkreditan Rakyat (BPR) Nur Semesta Indah Jember Branch must be more careful and need to carry out proper inspections in the field, not just with trust. In addition, PT. Bank Perkreditan Rakyat (BPR) Nur Semesta Indah Jember Branch must understand the analysis so that problematic credit does not occur.

4. Conclusion

Based on the results of the research and discussion that have been presented previously, it can be concluded that the credit granting process at PD. BPR Bahteramas Baubau has fully implemented the principles known as 5C, namely Character, Capacity, Collateral, Capital, and Condition. This principle serves as a basis for assessing the eligibility of prospective customers in applying for credit. The application of 5C is very important to ensure that prospective debtors have the ability and willingness to fulfill their financial obligations and have sufficient collateral to cover possible risks. The 5C principle applied by PD. BPR Bahteramas Baubau is also in accordance with the theory put forward by Syafril, where each element of 5C must be carefully considered in the credit analysis process. Character refers to the personality and track record of the customer in terms of honesty and integrity. Capacity assesses the customer's ability to repay the loan based on the income or earnings they have. Collateral is a guarantee given as security for the bank in the event of a payment delay. Capital refers to the capital owned by the customer, while Condition refers to the general economic conditions that can affect the customer's ability to repay the loan. With strict application of this 5C principle, PD. BPR Bahteramas Baubau is able to minimize the risk of bad debts. Every credit given has gone through a strict selection process based on the applicable terms and conditions. This ensures that customers who receive credit are customers who have the potential to fulfill their obligations, so that the bank can maintain the stability of its credit portfolio and increase public trust in the banking services provided.

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