

KUR Credit Scoring Assessment for Prospective Debtors to Minimize Non Performing Loan at BPD Sumsel Babel Main Branch Kapten A.Rivai

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Abstract

This research entitled "KUR Credit Scoring Assessment for Prospective Debtors to Minimize Non Performing Loan at BPD Sumsel Babel Main Branch Kapten A.Rivai" analyze the credit assessment process that occurs in BPD Sumsel Babel. BPD Sumsel Babel is one of the financial institutions in Indonesia that supports economic growth in South Sumatera and Bangka Belitung. The main focus of this research is to identify obstacles in credit assessment related to KUR financing using descriptive qualitative research methods in the form observation, interviews, and documentation and also formulating recommendations that can improve the assessment for prospective debtors in order to prevent non performing loans in the future. Recommendations for BPD Sumsel Babel main branch Kapten A.Rivai in the form of improving the assessment form by adding question point to the credit analysis worksheet to develop a system in the form of an integrated website/platform.

Keywords: Credit Scoring, KUR, Non Performing Loan

INTRODUCTION

PT BPD South Sumatera and Bangka Belitung as known as Bank Sumsel Babel is an official company owned by the regional government of South Sumatera. Headquartered at Jl. Gubernur H. Ahmad Bastari, No. 07 Silaberanti, Jakabaring, Palembang, South Sumatera. Bank Sumsel Babel is engaged in the financial sector and has a syariah unit and 29 branch offices, 31 sub-branch offices, and 23 cash branches spread throughout the province of South Sumatera and Bangka Belitung. Bank Sumsel Babel encourages the improvement of the regional economy of South Sumatera and Bangka Belitung by providing a variety of savings and credit products for the community. MSMEs in Indonesia have actively contributed to increasing Gross Domestic Product (GDP). The role of MSMEs has a major impact on economics development, especially in creating jobs and reducing unemployment and poverty.

The role of MSMEs in Indonesia can be the solution to mitigate the high economic disparity that encourages governments to continuously establish and support people-based economic empowerment programs. The government has provided effort to increase access to sources of financing for Micro, Small, and Medium Business to increase national economic growth through People's Business Credit (KUR) product distributed through financial institutions in Indonesia. Bank Sumsel Babel is one of the regional banks that distributes the government's People's Business Credit (KUR) is implemented by providing access to financing to Micro, Small, and Medium Business Enterprises (MSMEs) with a guarantee policy.

The granting of credit by bank can cause credit risk, a condition where the client is unable to pay his debt obligations, both principal and interest due to several reasons for example a debtors loses his main income, absent in his loans payment obligations, etc. otherwise known as non-performing loans. The method that can be cause to prevent the risk of nonperforming loan is to make an assessment to determine whether the debtors is eligible to obtain funding according to criteria set by the bank with credit scoring assessment to decrease the percentage of KUR non-performing loan at Bank Sumsel Babel.

The aim of this internship is to identify the credit scoring process of people's business credit (KUR) to prospective debtors that can assist in minimizing the risk of non-performing loans for Bank Sumsel Babel Main Branch Kapten A.Rivai.

METHOD

This study used a descriptive qualitative approach with the research focus on the assessment of the feasibility of people's business credit (KUR) debtors to the credit granting policy in the productive credit unit at Bank Sumsel Babel Main Branch Kapten A.Rivai a preventive effort in minimizing risk of non-performing loan that can affect bank liquidity. The research methods used is a case study that focuses on specific event, activities, programs, or process in a particular context to determine the direction and progress of the case under study. Data collection uses the methods of direct observation at bank sumsel babel, interviews derived from informant or people who respond to answer the questions asked either questions verbally or in writing by AO Account Officer, Credit Analyst, and Supervisor. The data sources used by primary data sources and secondary data, primary data was obtained directly from Bank Sumsel Babel Main Branch Kapten A.Rivai by interview, observation, and direct documentation with the KUR division consumptive credit unit, while for secondary data obtained from AO logbooks and some information form internet regarding credit scoring KUR.

RESULTS AND DISCUSSION

People's Business Credit (KUR) is intended for micro, small, and medium enterprises (MSMEs). KUR aims to strengthen the economics sectors and the ability of business capital in the context of implementing real sector development policies and empowering MSMEs in Indonesia. KUR at Bank Sumsel Babel Main Branch Kapten A.Rivai itself has three types of People's Business Credit Classification.

Table 1. Type of Credit KUR

Type of KUR	Plafond	Time Period	
		Working Capital	Investment
Super Micro	Up to 10M	Max. 3 Years	Max. 5 Years
Micro	>10M up to 100M	Max. 3 Years	Max. 5 Years
Small	>100M up to 500M	Max. 3 Years	Max. 5 Years

Based on the table above, the type of financing KUR at Bank Sumsel Babel is Classified into three type. For the type of KUR super micro with the plafond offered starting from Rp0 – Rp10 million, the type of KUR micro ranging from Rp10 – Rp100 million, and for small KUR types ranging from Rp100 – Rp500 million.

Each debtors for the KUR loan category of financing requires a feasibility assessment to ensure that debtors has the ability and willingness to fulfill their loan repayment obligations.

KUR Scoring Credit Assessment

SLIK

The financial services authority's SLIK is the latest development of the system previously known as BI Checking. SLIK plays a role in collecting and managing data and information related to customer credit and loan history is used to expedite the process of providing funds, knowing the quality of debtors, managing human resource in SLIK reporters. The output produced from SLIK is historical individual debtor information (IDI), which include all information regarding all provision of funds or financing with current or problematic conditions.

Table 2. Credit Collectability

Category	Description
Collectability 1	Smooth
Collectability 2	Special Attention
Collectability 3	Less Smooth
Collectability 4	Doubtful
Collectability 5	Stuck

Based on table 2, the classification of credit collectability according to the financial services authority is classified into 5 categories. COL 1 if the debtors always pays the principal and interest on time. COL 2 if the debtors is in arrears in principal and/or interest payments between 1-90 days, COL 3 if the debtors is in arrears in principal and/or interest payment between 91-120 days. COL 4 if the debtors is in arrears in principal and/or interest payment between 121-180 days. COL 5 if the debtors is in arrears in principal and/or interest payment for more than 180 days.

Bank Sumsel Babel will refuse credit to prospective KUR debtors who are classified COL 2-5 by accepting the score of prospective debtors who have a current collectability category will help and become a preventive effort for Bank Sumsel Babel so that in the future there is no risk of Non-performing loan.

Survey and Analysis

Survey to the place of business is carried out by 3 people concerned, Account Officer, Credit Risk Analyst, and Productive Credit Supervisor. This is necessary to know and see the character and ability of the debtors to fulfill future credit payment obligation. When the field survey is conducted, Bank Sumsel Babel will assess TC which is the initial stage of a credit going in the future. By analyzing using 5C assessment, it can see and monitors the development of debtors by looking at the payments made by these debtors every month. The question asked by banks included several things such as:

Table 3. 5C of Bank Sumsel Babel

I. General Information	Yes	No
1. Is the prospective debtors between 21 and 65 years old?		
2. Has the prospective debtors been in business for more than one year?		
3. Does the business have a regular monthly cash income and does not conflict with the law?		
II. Feasibility		
1. Does the prospective debtors have self financing?		
2. Is the prospective debtors willing to activate their saving account?		
3. Does the prospective debtors not have credit facilities at other banks?		
4. Is the prospective debtors willing and able to complete the required documents?		
5. Does the prospective debtors agree with the installments, term credit time and other terms in accordance with the provision applicable to the bank?		
III. Collateral		

1. Is the prospective debtors willing to submit collateral or security to the bank?
2. Is the collateral or guarantee owned by the prospective debtors?

Based the table above shows the assessment of the 5C question sheet of BPD Sumsel Babel Main Branch Kapten A.Rivai displays some general question.

The analysis of the feasibility of prospective debtors is carried out by the KUR account officer and credit risk analyst from Bank Sumsel Babel. In this analyst, the type of credit proposed by the prospective debtors, the ceiling proposed and in accordance with the prospective debtor's ability, the history and background of the prospective debtors business, and plan to return the financing by the prospective debtor. Analyzing credit can help reduce the risk of non-performing loan. Conducting credit analysis by considering using the 5C component methods during the previous field survey can be a consideration for further entry into a more in-depth credit analysis.

Discuss and Implementation

Table 4. Distribution of KUR BSB Kapten A.Rivai

Period	Realization			Total
	Small	Micro	Super Micro	
Year 2022	60.146.650.000	38.115.120.000	2.475.000.000	100.736.770.000
Year 2023	28.945.000.000	53.225.500.000	3.453.000.000	85.623.500.000
Year 2024 (as of July 31)	26.530.000.000	22.070.600.000	-	48.600.600.000

The table of total distribution of KUR above shows that type of KUR micro and super micro has increased in 2023. With KUR micro increasing by 39.64% and KUR super micro increasing by 39.52%. meanwhile, small KUR tends to decrease in 2023 by 51.88%. the total value of KUR distribution in 2022 and 2023 tends to decrease by 15%. This is in line with the increase in the percentage of NPL at the bank as shown in the table below.

Table 5. Debits and Total NPLs

Branch	Outstanding Debits	
	Years	Total
Kapten A.Rivai	2022	112.847.601.546
	2023	131.090.364.654
	2024 (as of July 31)	136.554.814.569
	NPL KUR	
	Years	Total
	2022	10.226.209.270
	2023	13.503.064.681
	2024 (as of July 31)	19.889.336.722

NPL Ratio = Total NPLs / Total Loans x 100%

The description of the calculation of the NPL Ratio is as follows:

1. Years 2022

$$\begin{aligned} \text{NPL Ratio} &= \text{Total NPLs} / \text{Total Loans} \times 100\% \\ &= 10.226.209.270 / 112.847.601.546 \\ &= 0,090619642 \times 100\% \\ &= 9\% \end{aligned}$$

2. Years 2023

$$\begin{aligned}\text{NPL Ratio} &= \text{Total NPLs} / \text{Total Loans} \times 100\% \\ &= 13.503.064.681 / 131.090.364.654 \\ &= 1,103005776 \\ &= 10\%\end{aligned}$$

3. Years 2024 (as of July 31)

$$\begin{aligned}\text{NPL Ratio} &= \text{Total NPLs} / \text{Total Loans} \times 100\% \\ &= 19.889.336.722 / 136.554.814.569 \\ &= 0,145650937 \\ &= 15\%\end{aligned}$$

NPL KUR at Bank Sumsel Babel especially main branch Kapten A.Rivai in 2022 and 2023 experienced a 1% percentage increase. According to the NPL standards set by Bank of Indonesia, NPL at BPD Sumsel Babel Main branch Kapten A.Rivai have a less than good category with an NPL amount of $8\% < \text{NPL} \leq 12\%$. This can occurs because the assessment of the eligibility of prospective debtors has biases or obstacle in the credit scoring assessment analysis.

CONCLUSION

Based on the analysis of credit scoring procedures (KUR) to minimize non-performing loans at BPD Sumsel Babel Main Branch Kapten A.Rivai Palembang, it is concluded as follows:

Non-performing loans KUR credit at Bank Sumsel Babel shows an increase form the previous year by 1% with NPL category for people's business credit at Bank Sumsel Babel is included in group four (4) with category of less than good, which ranges from $8\% < \text{NPL} \leq 12\%$. The increase in NPLs at BPD Sumsel Babel indicated that there was an internal obstacle in managing credit assessment and credit risk, especially for people's business credit (kur). According to the financial services authority, the increase NPLs at Bank Sumsel Babel for type of people's business credit (KUR) is influenced by internal factors, namely from the bias of the assessment and analysis carried out for the eligibility of prospective debtors or credit scoring. Identification and internal improvement are essential to prevent further increase in NPLs for the following years. Solution that could be developed as follows:

1. Improve the new credit scoring assessment form at BPD Sumsel Babel Main Branch Kapten A.Rivai by adding several detailed assessment using score parameters ranging from 10-100. This can be provide an overview for Bank Sumsel Babel to be more effective in determining debtor eligibility.
2. Visiting prospective people's business credit (KUR) debtors not only once at different periods of time to get to know the prospective debtors business process and better assess the character of debtors.
3. Increase the capacity of the internal team (credit analyst staff and account officer) of Bank Sumsel Babel in assessing prospective debtors, implemented through staff training.
4. BPD Sumsel Babel Main Branch Kapten A.Rivai needs to ensuring that the process of analyzing debtors eligibility assessment is carried out appropriately and quickly.

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