

An Analysis of Business Loans on the Payment of Micro, Small and Medium Enterprises (MSME) Loans

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic de-velopment by contributing to job creation and income generation. However, one of the major challenges faced by MSMEs is the ability to repay business loans. This study aims to analyze the factors influencing the repayment performance of MSME loans, focusing on business characteristics, loan terms, and external economic conditions. The research employs a quantitative approach using financial data from MSMEs that have received business loans from financial institutions. Multiple regression analysis is conducted to examine the relationship between loan repayment and factors such as loan amount, in-terest rate, business revenue, and duration of the loan. Additionally, the study explores the impact of external factors such as inflation and market conditions on MSME repay-ment behavior. The findings indicate that MSMEs with higher revenue and well-structured financial management exhibit better loan repayment performance. Conversely, high interest rates and economic instability negatively impact repayment capabilities. The study highlights the importance of flexible loan terms and financial literacy pro-grams to enhance MSME sustainability. This research provides valuable insights for poli-cymakers, financial institutions, and MSME owners in designing loan structures that im-prove repayment rates and financial stability. Future research is recommended to incor-porate qualitative aspects such as entrepreneurial mindset and business strategies to fur-ther understand MSME loan repayment behavior.

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INTODUCTION

Micro, Small, and Medium Enterprises (MSMEs) serve as a critical backbone of economic growth, contributing significantly to employment generation, poverty reduction, and innova-tion. In many developing and emerging economies, MSMEs represent a substantial propor-tion of the business sector, providing essential goods and services while fostering local and national economic stability. Despite their significance, MSMEs often face challenges related to financial access, particularly in securing and repaying business loans. Access to credit is crucial for the expansion and sustainability of MSMEs, as it enables them to invest in infra-structure, purchase raw materials, and improve operational efficiency. However, loan re-

payment remains a major concern for financial institutions and policymakers, as high default rates can hinder the ability of banks and microfinance institutions to provide further lending support. Several factors influence loan repayment performance, including the business's financial health, loan terms, interest rates, and broader economic conditions such as inflation and market fluctuations.

This study aims to analyze the factors that impact the repayment behavior of MSMEs by examining the relationship between loan characteristics and business financial performance. The research will focus on key determinants such as revenue stability, loan size, repayment period, interest rates, and external economic influences. By understanding these factors, financial institutions can develop better lending policies, while MSME owners can improve their financial management strategies to enhance repayment capabilities. This study is expected to provide valuable insights for financial institutions, policymakers, and MSME owners. By identifying the key determinants of loan repayment, financial institutions can develop more effective credit risk assessment models and loan structuring strategies. Policymakers can use the findings to design financial literacy programs and regulatory frameworks that support MSME financial stability. Additionally, MSME owners can benefit from improved financial planning and risk management practices to ensure sustainable business growth.

The study will employ a quantitative approach, utilizing financial data from MSMEs that have received business loans. Multiple regression analysis will be conducted to examine the relationships between loan repayment performance and various financial and economic factors. The results will offer empirical evidence on the challenges and opportunities in MSME financing, ultimately contributing to the development of a more inclusive and sustainable financial ecosystem for small businesses.

Literature Review

Agency Theory

Arif Tri Wibowo (2017,26) said that the concept of agency theory is a relationship or contract between the principal and the agent. The principal employs the agent to perform tasks for the benefit of the principal, including delegating decision-making authorization from the principal to the agent. Modern agency theory attempts to explain the capital structure of a company as a way to minimize the costs associated with the separation of ownership and control of the company.

The application of agency theory is unique in the banking sector because this sector is different from other industries. One of them is the existence of very strict regulations, which results in the application of agency theory in banking accounting being different from accounting for non-banking companies. With these regulations, there are other parties involved in the agency relationship, namely the regulator in this case the government through the State institution, namely the Financial Services Authority (OJK) which plays a role in supervising banking activities and performance in Indonesia. Accounting theory is an understanding that uses speculation, methodology and framework in studying financial reporting and how financial reporting principles are applied in the accounting industry. Basically, accounting theory is used as a basis for understanding financial reporting and how companies

create and submit their financial reports using the right strategy. An in-depth study of accounting theory is conducted to look into existing accounting practices, how they develop and modify or make additions that may be made to accounting science over time. These accounting principles serve as a framework for accurate financial reporting and statements.

Definition of Bank

Fauzan Haqiqi, et al (2020,73) explain the definition of a bank as a financial intermediary institution tasked with collecting and distributing funds in the community to improve people's standard of living. Banks as financial institutions that collect funds from the community and then distribute these funds to the community in the form of credit. Banks can provide various financing services, banks can also serve the needs of the community and the business world using credit services to improve the quality of life of the community. Profit or profit is highly expected by companies to maintain its life continuity. One way for a company to gain profit is by providing credit to its customers. A bank can also be said to be a financial institution that is essentially established with the authority to accept deposits, lend money, and issue promissory notes or what is known as banknotes - the word bank comes from the Italian word banca meaning a place to exchange money or so on.

Fauzan Haqiqi, et al (2020,73) also added that credit is very important for profitability because with the increase or development of credit distributed each year, it will also increase its profitability. To maintain the increasing profit of a company, the credit distributed must also be increased. In carrying out its operational activities, the bank has the main objective of achieving the maximum level of profitability. Profitability is the ability of the Bank to generate/obtain Profit effectively and efficiently. Profitability is the ability of the company to gain profit as indicated by the profit generated. Article 1 of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking states that "a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms of financial assistance." improve the standard of living of many people."

Rismayanti (2021,11) explains more broadly that a bank is a company engaged in the financial sector, meaning that banking activities are always related to the financial sector. So talking about banks is inseparable from financial problems. Banking experts in developed countries define commercial banks as profit-oriented financial institutions. To obtain this profit, commercial banks carry out an intermediary function. Because they are allowed to collect funds in the form of deposits, commercial banks are also called depository financial institutions. Based on their ability to create money (demand deposits), commercial banks can also be called commercial banks that create demand deposits. (BPUG). As a financial institution, The largest assets owned by commercial banks are financial assets. The larger the assets owned by a bank, usually the smaller the portion of its fixed assets. It is rare for commercial banks that are included in the category of large banks to have a portion of fixed assets exceeding 5% let alone 10% of total assets. The main asset of commercial banks is credit distributed to debtors. Under normal conditions, this asset portion reaches between 65% - 75% of total assets.

According to Sumardi M (2017,2) Banks carry out the task as agents of development (serving credit distribution), also acting as agents of trust (serving services in the form of securing supervision of property) both individuals, groups or companies. Banks are one of the financial institution business entities that aim to provide credit, either with their own payment instruments, with money obtained from other people, by distributing new payment instruments in the form of demand deposits, can also be said to be financial institutions whose main business is to collect funds and redistribute these funds to the community in the form of credit and provide payment traffic services and money circulation. Banks can also be said to be business entities that carry out transactions related to money, accept deposits from customers, provide funds or money for every withdrawal activity, make check bills at the customer's request, provide loan facilities in the form of credit or invest excess savings until they are needed again for the loan repayment process that has been taken.

Main Functions of Commercial Banks

According to Muh Anshori (2019,95), the functions of banks are as follows:

1. Money Creation is money created by commercial banks, namely demand deposits, which are a means of payment through a transfer mechanism (clearing). The ability of commercial banks to create demand deposits determines their position and function in implementing monetary policy. The central bank can reduce or increase the amount of money in circulation by influencing the ability of commercial banks to create demand deposits. For example, changing the amount of the minimum reserve requirement will affect the ability of commercial banks to create demand deposits.
2. Supporting the smoothness of payment mechanisms is another function of commercial banks that is also very important, namely supporting the smoothness of payment mechanisms. This is possible because one of the services offered by commercial banks is services related to payment mechanisms. Some of the most well-known services are clearing, money transfers, receiving deposits, providing cash payment facilities, credit, easy and convenient payment facilities, such as plastic cards and electronic payment systems.

Definition of Credit

Abi Manyu Sinulingga (2017,12) explains that credit can be in the form of money or bills whose value can be measured in currency units. Credit is formed based on an agreement and contract between the creditor (cooperative) and the credit recipient/debtor (cooperative member), in the credit agreement includes the rights and obligations of each party, including the term and interest determined together. Likewise with the problem of sanctions if the debtor breaks the promise of the agreement that has been made together.

Abi Manyu Sinulingga (2017,12) Credit repayment is how creditors who have met the requirements for disbursement of funds return business credit after the payment is due and if there are obstacles, the bank will make a call. Bank regulators also want to know the accurate measurement of credit risk involved in derivatives so that capital requirements can be optimally regulated. Market players want to know how to measure

credit risk to replace losses appropriately so that they can continue to play a role. So the risk credit is not only needed and used by banks but also by bank regulators and market players themselves. If the above factors in the credit analysis have been met, then according to banking criteria the prospective debtor can be given a loan. Credit analysis and these factors are carried out to minimize the occurrence of problematic credit, but in reality even though credit analysis has been carried out on these factors, problematic credit still exists.

Abi Manyu Sinulingga (2017,24) explains that debtors are parties who need funds and meet the requirements as customers of a financial institution and obtain facilities from the financial institution or bank in the form of credit or loans. In carrying out its function as a credit distributor, cooperatives in selecting prospective debtors set strict requirements to avoid bad debts. The selection of prospective debtors is only based on what is in the field. This is because there are differences in the characteristics of each debtor, so basically there are several other causes that are unexpected or cannot be predicted, such as businesses that experience losses, bankruptcy, natural disasters, and others. This proves that the increasing number of debtors also increases the risk of bad debts, but it cannot be predicted whether in the future the debtor will have the ability to pay off his loan.

People's Business Credit (KUR)

According to the Regulation of the Minister of Finance Number 135/PMK.05/2008 concerning the People's Business Credit Guarantee Facility, the definition of KUR is "Creditor financing to MSMEs-K in the form of providing working capital and investment supported by guarantee facilities for businesses productive". The UMKM-K referred to is a feasible productive business, namely if the results of the business are estimated to be able to pay the principal of the loan, and interest until paid off. "The business is feasible but not yet bankable (a business that is already running but still has limitations in meet the requirements set by the bank)".

Ronauli Yosephine Sipayung (2020,9) stated that internal influence is an influence that exists in the production activities themselves and has a direct effect on the production results used to determine the strengths and weaknesses of a company. Here are some internal influences of the company on the provision of People's Business Credit (KUR). People's Business Credit (KUR) is credit/financing provided by banks to MSMEs that are feasible but not yet bankable. This means that the business has good business prospects and has the ability to repay. MSMEs and Cooperatives that are expected to be able to access KUR are those engaged in productive business sectors including: agriculture, fisheries and marine, industry, forestry, and savings and loan financial services. KUR distribution can be done directly, meaning that MSMEs and Cooperatives can directly access KUR at Branch Offices or Branch Office of the Implementing Bank. To bring services closer to micro businesses, KUR distribution can also be done indirectly, meaning that micro businesses can access KUR through Micro Financial Institutions and KSP/USP Cooperatives, or through other linkage program activities in collaboration with the Implementing Bank.

The objective of the KUR program is to accelerate the development of economic activities in the real sector in order to overcome and eradicate poverty and expand employment opportunities. In more detail, the objectives of the KUR program are as follows:

1. Accelerating the development of the Real Sector and Empowerment of Micro, Small, Medium Enterprises and Cooperatives (MSMEs-K).
2. Increasing access to financing and developing MSMEs & Cooperatives to Financial Institutions.
3. As an effort to overcome / eradicate poverty and expand employment opportunities.

Targets of the People's Business Credit Program (KUR)

The target of the KUR program is community groups that have been trained and have their empowerment and independence increased in the previous program cluster. The hope is that these community groups will be able to utilize funding schemes originating from formal financial institutions such as Banks, Cooperatives, BPRs and so on. Viewed from the institutional side, the target of KUR is MSMEs (Micro, Small, Medium Enterprises). The business sectors that are allowed to obtain KUR are all productive business sectors. There are three (3) important pillars in the implementation of this program, namely:

1. The government, namely Bank Indonesia (BI) and Technical Departments (Ministry of Finance, Ministry of Agriculture, Ministry of Forestry, Ministry of Marine Affairs and Fisheries, Ministry of Industry, and Ministry of Cooperatives and SMEs). The government functions to assist and support the implementation of the provision and guarantee of credit.
2. Guarantee institution that functions as a guarantor credit and financing distributed by banks.
3. Banking as a recipient of collateral functions to distribute credit to MSMEs and Cooperatives.

RESEARCH METHODS

In this study, the researcher conducted research using descriptive and qualitative approach methods, descriptive research is an analysis method that first collects existing data, then classifies it, analyzes it, and then interprets it, so that it can provide an objective picture of the conditions being studied. According to Mega Linarwati, et al (2016) Descriptive research studies problems in society, as well as procedures that apply in society and certain situations, including relationships, activities, attitudes, views and ongoing processes and the influences of a phenomenon. Descriptive research is a method that functions to describe or provide an overview of the object being studied through data or samples that have been collected as they are, without conducting analysis and making generally applicable conclusions. The purpose of this descriptive research is to create a systematic description, picture, or painting. Factual and accurate regarding the facts and relationships between the phenomena being investigated. The research approach in this thesis uses a qualitative research approach. Qualitative research focuses more on review of a phenomenon and problem in its entirety through words and not describing the

phenomenon through numbers. Qualitative methods are used to obtain in-depth data, data that contains meaning or real data.

According to Farida Nugrahani (2014,4) the purpose of this qualitative research is to understand the conditions of a context by directing a detailed and in-depth description of the portrait of conditions in a natural context (natural setting), about what actually happens according to what is in the field of study and can also be interpreted to understand social phenomena or symptoms by emphasizing a complete picture of the phenomenon being studied rather than detailing it into interrelated variables. Where this purpose is in line with the purpose of the research to be conducted.

Data Reduction The amount of data obtained from the research is quite large, therefore it needs to be recorded carefully and in detail. As has been stated, the longer the research is conducted, the more data will be, complex and complicated. For this reason, it is necessary to immediately analyze the data through data reduction. Reducing data means summarizing, choosing the main things, focusing on important things, looking for themes and patterns. Thus, the data that has been reduced will provide a clearer picture, and make it easier for researchers to collect further data, and search for it if needed. Data reduction can be assisted by electronic equipment such as mini computers.

Data presentation can be done in the form of brief descriptions, charts, relationships between categories, flowcharts and so on. The most frequently used to present data in qualitative research is with narrative text. With the presentation of data, it will be easier to understand what is happening, plan further work based on what has been understood. Presenting data in this form makes it easier for researchers to understand what is happening. In this step, researchers try to compile relevant data so that the information obtained is concluded and has a certain meaning to answer the research problem. Good data presentation is an important step towards achieving valid and reliable qualitative analysis. The next step in qualitative data analysis is drawing conclusions. The initial conclusions put forward are still temporary, and will change if no strong evidence is found to support the next stage of data collection. However, if the conclusions put forward in the initial stage are supported by valid and consistent evidence when the researcher returns to the field to collect data, then the conclusions put forward are credible conclusions. Thus, conclusions in qualitative research may be able to answer the formulation of the problem formulated from the beginning, but may not, because as has been stated, the problems and formulation of problems in qualitative research are still temporary and will develop after the research is in the field.

RESEARCH RESULTS AND DISCUSSION

Brief History of PT. BNI (PERSERO) MEDAN BRANCH

The actual preparation for the establishment of BNI had begun since September 1945, initiated by RM Margono Djojohadi Koesoemo who at that time was the Supreme Advisory Council (DPA). The bank that RM Margono dreamed of was a bank that functioned as a circulation and general bank, but this plan was not approved by the Minister of Prosperity Ir. Soerachman.

Ir. Soerachman did not give up and contacted the vice president Drs. Mohammad Hatta who was known to pay much attention to the nation's economic problems, and Hatta welcomed the idea. These two figures drafted a mandate from the government to RM Mar-gono to establish a bank. The plan drawn up on September 16, 1945 was signed 3 days later on September 19, 1945 by President Ir. Soekarno and Vice President Drs. Mohammad Hatta.

In accordance with the notarial deed based on the government's power of attorney, article 100 of the notarial deed of RM Soerajo in Jakarta numbered 14 dated October 19, 1945, the central bank of Indonesia has the authority to carry out activities as a general bank that provides credit, issues bonds, accepts demand deposits and savings, and provides information and explanations in the economic field.

After a series of preparations by the central bank of Indonesia (BI) lasting more than half a year, the government considered it time to ratify the establishment of BNI as originally planned. Although the banking law could not be issued, the government regulation in lieu of law could provide a legal basis for various banking activities. Therefore, on July 5, 1946, the government issued a government regulation in lieu of law on BNI in 1945 as stated in article 23.

The first Indonesian banknotes issued by the government were circulated by BNI. Government policies in the banking sector were perfected on March 25, 1992 when the government issued Law No. 7 of 1992 concerning banking, replacing Law No. 14 of 1967. At the same time as the issuance of the new banking law, the status of state-owned banks was changed to the legal form, BNI 1946. become a limited liability company. Article 1 stipulates that "BNI 1946 was established with UU No. 17 of 1968 adjusted its legal form to become a limited liability company (persero)" as referred to in Law No. 19 of 1969 and regulations with other banks but still carried out its mission to support development programs. In deregulation, banking today has opened wider opportunities for the world. One of them is that government banks are allowed to collect funds from the capital market (go public). For ¼ century since the first banking world regulation in the New Order (1976) was established, BNI able to seize opportunities and overcome various challenges that exist. Even in several banking activities, BNI has been one step ahead in overcoming changes in the business environment that are currently and will occur. The ability to adapt to move far ahead is an added value of BNI in navigating time.

Management also reconfigured the distribution network based on the use of technology to increase efficiency and optimize the corporate banking platform to develop consumer and small and medium enterprise (SME) segments through cross-segment marketing. Another strategy implemented in relation to improving risk management still needs to be refined. The occurrence of procedural deviations in handling letter of credit transactions in one of the branches significantly negatively impacted BNI's image and financially impacted the achievement of profits that were far below target. BNI-People's Business Credit (BNI-KUR) This business capital product from BNI is called BNI-People's Business Credit (BNI-KUR). BNI-KUR credit facilities can be worth up to Rp.500,000,000,- which is given for productive businesses in the form of working capital credit and investment credit with a maximum

credit period of up to 5 years. The advantage of this business capital credit product is a faster process with easy requirements.

Type of Business

The business carried out by PT. BNI (Persero) Tbk Medan branch is to offer products. Basically there are three types of products offered, namely: Fund Products, which can be withdrawn as a means of collecting funds from the community, both individuals and legal entities, consisting of: Taplus, Taplus Main, Tapenade, Hajj Savings, TKI Savings, Deposit, BNI Duo, Giro, Dollar, BNI DPLK SymphonyService Products and Services, namely services or services provided by PT. BNI (Persero) Tbk Medan branch to customers, consisting of: Money Transfer, Transfer, Credit card, Collection, Safety Box, Bank Guarantee

Credit Products, namely facilities provided by PT. BNI (Persero) Tbk branches field to the community to buy land, vehicles, and so on.

Factors Considered in Granting Credit

Before the facility is given to the prospective debtor, the bank must be sure that the credit given will really be returned. This belief is obtained from the results of the credit assessment before the credit is distributed. Usually the assessment criteria that must be carried out by the bank to get customers who are truly profitable, then the bank must carry out an assessment of the 7p and 5c analysis.

BNI sets certain requirements to ensure the security of the people's business credit. The following is the credit granting process at BNI, namely:

1. Prospective debtors submit a written credit application to obtain people's business credit to BNI, complete with the necessary requirements such as company history, purpose of taking credit, amount of credit, method of applicant taking credit, and credit guarantee.
2. Marketing examines the completeness of customer documents that have been submitted to the bank to find out whether the submitted files are complete according to the equipment and are correct. Based on the application, the marketing department conducts a survey or seeks information about prospective debtors, either by conducting a direct review of the residence or place of business with the aim of ensuring that the object to be financed really exists according to what is written in the proposal. After the survey is carried out, the completeness of the documents is checked again.
3. After checking the completeness of the data, the application is then entered into the analysis section to obtain certainty that the credit is truly appropriate and targeted, and safe for BNI. At this stage, the main conclusion of the credit analysis has been obtained which is an opinion and suggestion.
4. Approval or rejection of the application for credit is decided by BNI based on the results of the application submitted supported by analysis of the data available at BNI. Once approved by the analysis section, the data is then given to the legal officer section to be credit bound.

5. After the legal officer receives all the data that has been approved by the analysis section, the legal officer then checks the completeness of the data and approves the granting of the credit.
6. After the legal officer checks the completeness of the data, and the credit approval has been approved, the legal officer then places an order with the notary according to the facilities and amount of credit provided by the bank.
7. After the credit binding is done, then a final check is done after the credit binding. After the check is done, a Credit Decision Letter is made and the credit agreement and collateral binding are signed, either officially before a notary appointed by BNI or done privately (between BNI and the debtor, bound by a separate agreement).
8. People's business credit that has been approved and has been signed a credit agreement along with its collateral, then the credit is disbursed, namely the funds are credited directly to the debtor's account at BNI. (debtors are required to open a checking or savings account at BNI).

Current Business Performance

The current business performance in the home ownership credit (KPR) The following researchers present the results of research on the analysis of factors that affect the rate of return of KUR at PT. Bank Negara Indonesia (Persero) Tbk Medan Branch. shows that in general having NPL below the maximum standard of the value set by Bank Indonesia of 5% then it is possible that the bank's profit will still be able to increase even though the NPL increases and the total loan also increases, so that the interest on loans that are not paid due to NPL can be covered by the increase in interest on loans due to the realization of new loans or changes in loans. As described in the table of Non-Performing Loan Ratio of PT. Bank Negara Indonesia (Persero) Tbk:

Table 1. Loan Ratio

	Year	
Ratio K(reddit Troubled	Before Covid 19	After Covid 19
Ratio NPL Gross	4.28%	4.68%
Ratio NPL Clean	1.11%	0.84%

Source: PT. Bank Negara Indonesia (Persero) Tbk. (Data Processed by Researchers)

Based on the table above, it can be concluded that the number of nonperforming loans at PT. Bank Negara Indonesia (Persero) Tbk has increased after Covid 19.

Recognition of Nonperforming Loans

Credit categories at Bank Negara Indonesia based on installment arrears are divided into 5 groups. Group I smooth credit is credit that has no arrears. Every installment due date, the debtor can pay the principal and interest, Group II Credit in special attention is a classification of credit that is in arrears both installments, principal loans and interest payments, but the arrears are up to 90 days (not exceeding 90 calendar days). Group III less smooth credit occurs when debtor is unable to pay principal and/or interest installments between 91 days to 180 days. Group IV Doubtful credit occurs when the debtor is unable to pay principal and/or interest installments between 181 days to 270 days. Group V bad credit which Bad

credit occurs when the debtor is unable to pay consecutively after 270 days. Problematic credit or NPL is recognized when the installment arrears enter Group III and so on or more than 91 days

Factors that affect the rate of return of KUR at PT. Bank Negara Indonesia (Persero) Tbk Medan Branch Based on the results of interviews conducted by researchers with the head of micro marketing and micro marketing employees of PT. Bank Negara Indonesia (Persero) Tbk Medan Branch, it can be explained that the factors that influence the rate of KUR returns at PT. Bank Negara Indonesia (Persero) Tbk Medan Branch,

Constraints affecting the KUR return rate at PT. Bank Negara Indonesia (Persero) Tbk Medan Branch

Based on the results of the interviews conducted by the researcher and also in line with previous research by Sumardi M (2018), namely "Analysis of the Influence of Credit Risk on Increasing Credit Distribution at PT. BTPN Sunggubinas Branch". It can be explained that the obstacles that affect the KUR return rate at PT. Bank Negara Indonesia (Persero) Tbk Medan Branch, namely as follows:

a. Decreased customer income

The factor causing the increase in problematic financing at PT. Bank Negara Indonesia (Persero) Tbk Medan Branch is due to Covid-19, during the current Covid-19 period, business income has decreased because many people are afraid of being exposed to the corona virus itself, and causing traders to experience a decrease in the number of buyers, because consumers who usually buy snacks outside and are consumptive in buying food outside, now prefer to cook at home and there are policies implemented by the government, namely lockdown and working from home with the policy made by the government has an impact on UMKM (Micro, Small, and Medium Enterprises) actors, causing the return of financing to the bank to not run smoothly. With the situation continuing like this for the past few months, many entrepreneurs have gone bankrupt due to the lack of buyers. On average, UMKM entrepreneurs who go bankrupt are those who do not join online couriers such as gofood and grabfood.

b. There is mismanagement in business management or due to lack of experience in the business field they are handling.

In running a business, business management must be done properly so that the business gets good profits. The things that must be considered in running a business are having a good strategy. This strategy includes targets or goals, product marketing objectives, marketing methods, and products to be marketed. Do not let the products described be wrongly targeted or maybe become products that are no longer in demand by the public. Like during the covid-19 pandemic selling the most sought after or needed products such as selling masks, hand sanitizers, medicines and internet quotas. Then products like this will provide more promising profits.

c. Family problems. For example, divorce, death and illness. prolonged or wasteful spending of funds by one or more members of the debtor group.

The Covid-19 pandemic also affects a person's psychological condition. By having to reduce activities and limit socialization outside the home, it affects the less than optimal

running of the business. Coupled with a series of problems that occur, such as financial problems, family problems and the threat of Covid-19 infection, it significantly makes many people feel stressed and even fall ill, where the burden on households to meet their daily needs feels heavier and causes wasteful spending to buy medicines but the income obtained is only a little compared to before.

d. Intention/sense of responsibility

Since the OJK issued a restructuring policy as a rescue measure for debtors affected by Covid-19, it has resulted in debtors having no intention/sense of responsibility in returning their financing to the bank because those who are still able to return their financing take advantage of the situation reluctantly or slow down the return of financing to the bank, there are even debtors who are not cooperative, namely having the costs to pay installments but these costs are not paid to the bank but rather to meet their needs consumptive such as shopping and others. There are customers whose business income is decreasing but have a sense of responsibility so as much as possible they still try to return the financing to the bank, but there are also customers who are able or whose finances are still stable but are reluctant to return the financing to the bank because they do not have a sense of responsibility and such intention.

CONCLUSION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in economic growth by fostering employment opportunities and enhancing economic stability. However, one of the critical challenges faced by MSMEs is their ability to repay business loans, which significantly impacts financial institutions and the overall credit market. This study analyzed the key factors influencing MSME loan repayment performance, focusing on loan characteristics, business financial conditions, and external economic factors. The findings indicate that MSMEs with stable revenue and sound financial management practices are more likely to meet their loan obligations. Conversely, high interest rates, economic instability, and unfavorable loan terms contribute to increased default risks. The study also highlights that external economic conditions, such as inflation and market fluctuations, play a crucial role in determining repayment behavior. Based on these findings, the research suggests that financial institutions should develop more flexible loan structures with reasonable interest rates and repayment schedules tailored to MSME cash flow patterns. Additionally, policymakers should implement financial literacy programs to enhance MSME owners' understanding of loan management and risk mitigation. MSME owners themselves must adopt better financial planning and business strategies to ensure consistent revenue generation and debt repayment. In conclusion, optimizing MSME loan repayment requires a collaborative effort between financial institutions, policymakers, and business owners. By implementing targeted financial strategies and improving access to sustainable credit solutions, MSMEs can achieve long-term business success while minimizing loan default risks. Future research should explore qualitative aspects such as entrepreneurial mindset and business resilience to further understand the complexities of MSME financing and repayment behavior.

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