


Effectiveness of Micro Credit Management in Minimized Non-Performing Loans at Bank BJB

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Article Info	ABSTRACT
<p>Keywords: Credit Management, Non-Performing Loans, Bank BJB, Effectiveness, Risk</p>	<p>This study was motivated by the high ratio of non-performing loans (NPL) in Bank BJB's Micro Credit product, which once reached 34%, far above the Bank Indonesia threshold. The research aims to analyze the effectiveness of Bank BJB's credit management in minimizing bad loans, identify their causes, and explore handling strategies. The study employed a descriptive quantitative method with a case study approach. The population consisted of 185 microcredit debtors, with 65 respondents selected through simple random sampling. Data were collected through field studies, literature reviews, questionnaires, and interviews, and analyzed using validity and reliability tests, simple linear regression, correlation, coefficient of determination, and t-test. The findings reveal that credit management effectiveness significantly influences bad loan minimization with a contribution of 28.1%, while 71.9% is affected by external factors. The better the implementation of planning, credit procedures, 5C and 7P analyses, interest rate determination, and credit supervision, the stronger the bank's ability to control credit risk. The study concludes that effective credit management is a crucial instrument in maintaining banking health. It is recommended that Bank BJB enhance human resource competence, strengthen supervision, and develop adaptive risk mitigation strategies to external conditions.</p>
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INTRODUCTION

This research has quite a high urgency because banking institutions, especially the Regional Development Bank of West Java and Banten (Bank BJB), play an important role in economic development through credit distribution (Andri & Andri, 2013) (Zumarnis & Irsad, 2023). However, the risk of bad debts often arises and has an impact on the profitability and stability of the bank. (Puspitasari, 2022) (My & Quoc, 2022). This phenomenon is clearly visible in Bank BJB's Main Micro Credit product, where the non-performing loan (NPL) ratio reached 34% in 2015, far above Bank Indonesia's 5% limit. These non-performing loans are influenced by internal factors, such as a lack of thoroughness and competence in human resources in credit analysis, weak oversight, and external factors such as debtor business failures, high interest rates, and uncertain economic conditions.

Bank BJB was chosen as the research object because this bank, a regionally-owned enterprise (BUMD) headquartered in Bandung, has a significant impact on the high non-

performing loan ratio, particularly in its Main Microcredit product. Various previous studies have addressed credit management in other financial institutions, such as Bank Huga, BRI, Pegadaian, BPR, and Bank Jatim. However, the high non-performing loan case at Bank BJB highlights a research gap that requires further study. Therefore, this research is expected to contribute to understanding the effectiveness of Bank BJB's credit management in minimizing non-performing loans.

The benefits of this research are both theoretical and practical. Theoretically, this research is beneficial for the development of financial management science, particularly related to credit management, while also enriching the literature in this field. For researchers, this research can hone analytical skills related to strategies for minimizing non-performing loans. Practically, this research can serve as a comparison between theory learned in lectures and actual practice in the field, and provide input for Bank BJB Bandung's credit management.

The purpose of this study is to determine the effectiveness of credit management implemented by Bank BJB Bandung in an effort to minimize bad debts, identify factors that cause bad debts, and explore efforts to handle bad debts carried out by the bank.

Literature Review

The theoretical basis of this research consists of grand theory, middle theory, and applied theory. Grand theory, namely management theory, explains that management is the science and art of planning, organizing, directing, and controlling the use of resources to achieve organizational goals effectively and efficiently. Some experts state that management is the process of directing a group of people to achieve goals. (Terry & Rue, 2005), managing resources (Hasibuan, 2016), and coordinate activities to be efficient and effective (Robbins & Coulter, 2012; Stone, 2006). Management functions include planning, which is setting targets, strategies, and work plans; organizing, which is determining tasks, methods, and implementers; leading, which is motivating and leading members of the organization; and controlling, which is supervising and ensuring compliance with the plan.

Middle Theory, namely Banking Management, where banks as financial institutions function to collect (funding) and distribute funds (lending), as well as provide services (service). Banking management emphasizes the importance of customer trust, so it must be managed professionally. Banking management includes managing funds, accounts receivable and payable, transaction traffic, and currency exchange to achieve goals effectively (Rizki, 2010; Syariah Muamalah, 2011).

Applied Theory is Credit Management. Credit management is the process of managing credit, from planning, organizing, implementing, and monitoring it to ensure credit runs according to agreements and minimizes the risk of bad debt (Kasmir, 2002; Dewi, 2012). Important aspects of credit management include credit planning (Rivai, 2007); credit granting procedures including application, assessment, interviews, site review, and decision (Kasmir, 2000); credit analysis with the 5C principles (Character, Capacity, Capital, Collateral, Condition) and 7P (Personality, Party, Purpose, Prospect, Payment, Profitability, Protection) (Kasmir, 2004); interest rate determination including fixed, floating, flat, effective, and annuity (Pantouw, 2008); and credit monitoring, both active and passive, including early warning systems and report monitoring (Handoko, 2000). Bad debt can be identified from business

prospects, debtor finances, and repayment capacity (Kuncoro & Suhardjono, 2002). Control of bad debt is carried out with preventive techniques through debtor selection and the 6C principle, as well as repressive techniques such as negotiation, restructuring, legal collection, and collateral confiscation (Mulyono, 2007). Meanwhile, rescue of problematic credit can be done through rescheduling, reconditioning, restructuring, and confiscation of collateral (Kasmir, 2000).

Previous relevant research indicates that the use of 5C analysis in credit provision is mandatory, but economic constraints, bank management, and politics cause its implementation to be less than optimal (Triwahyuniati, 2008). Credit management through planning, organizing, implementing, being accountable, and 5C analysis can minimize non-performing loans (Wahyutin, 2009). Factors causing non-performing loans can include family problems, business failures, and force majeure, while handling is done through rescheduling, reconditioning, restructuring, and submission of collateral (Mulyadi, 2016). Non-performing loans amounting to 2.02% can occur due to business declines and sudden debtor needs, so they need to be handled through restructuring and peaceful settlement (Kustiyorini, 2013). Credit management is also needed to increase profitability, including through appropriate strategies, 2C (KCA) and 6C (KUMK) credit analysis, and a focus on collateral (Dianstuti, 2016). In addition, the implementation of credit risk management with active supervision, policies, procedures, risk identification, and control has proven effective in minimizing problem loans, although it is still necessary to increase the independence of credit staff and monitoring (Savitri, 2014).

RESEARCH METHODS

The research method used is a descriptive quantitative method, namely examining the status of a group of people, objects, systems of thought, or events in the present with the aim of creating a systematic, factual, and accurate description or picture of the facts, nature, and relationships between the phenomena being investigated. The approach used is a case study, namely a detailed, in-depth, and comprehensive study of a particular object over a certain period of time, including its environment (Sugiyono, 2013; Umar, 2008).

The population in this study was all 185 primary microcredit debtors at Bank BJB in the first semester of 2019. The sampling technique used was simple random sampling, as the population was considered homogeneous. The sample size was determined using the Slovin formula with a margin of error of 0.1, resulting in 65 respondents.

The research instrument was structured around two variables. The independent variable (X) is the effectiveness of credit management, with indicators including credit planning, credit granting procedures, credit analysis (5Cs and 7Ps), interest rate types, and credit monitoring. The dependent variable (Y) is the minimization of non-performing loans, with indicators including external factors (income/turnover, profit, repayment period) and internal factors (credit manager knowledge and skills, credit policies, and credit granting and monitoring according to procedures). All indicators are measured using an ordinal scale.

Data collection techniques are carried out in four ways, namely: (1) Field Study to obtain primary data through direct review of the research object; (2) Library Research to obtain

secondary data from books and relevant references; (3) Questionnaires distributed to micro credit debtors at Bank BJB who are selected randomly; and (4) Interviews with micro credit policy holders and several debtors to obtain more detailed information.

The data analysis techniques used include: (1) Validity Test, with Pearson Product Moment correlation, the item is declared valid if $r \geq 0.30$; (2) Reliability Test, with the Cronbach Alpha method, the instrument is declared reliable if $\alpha \geq 0.60$; (3) Simple Linear Regression Analysis, to determine the effect of credit management on minimizing bad debt with the equation $Y = a + bX$; (4) Correlation Analysis, to determine the degree of relationship between variables X and Y, accompanied by the Coefficient of Determination (KD) to see the contribution of X to Y; and (5) t-Test (Partial), to test the hypothesis whether credit management is effective in minimizing bad debt. The research was conducted at Bank BJB Head Office, Jl. Naripan No. 12-14, Bandung, West Java, and at several debtor businesses. The study period was six months, from December 2018 to June 2019.

RESEARCH RESULTS AND DISCUSSION

Validity and Reliability Test

The results of the validity test show that 27 statement items in the credit management effectiveness variable (X) are valid, because the calculated r value is > 0.3 . Meanwhile, in the bad credit minimization variable (Y), there are 5 valid items and 1 invalid item.

Table 4.1 Results of Calculation of Validity Values of Credit Management Effectiveness Variable (X)

No	Correlation Coefficient (r)	Critical r Value	Conclusion
1-27	0,338 – 0,724	0,3	Valid

Table 4.2 Results of Calculation of Validity Values of the Bad Debt Minimization Variable (Y)

Item	Correlation Coefficient (r)	Critical r Value	Conclusion
28	0,665	0,3	Valid
29	0,631	0,3	Valid
30	0,297	0,3	Invalid
31	0,676	0,3	Valid
32	0,710	0,3	Valid
33	0,546	0,3	Valid

Table 4.3 Questionnaire Reliability Test Results

Variables	Cronbach's Alpha	Critical Value	Conclusion
Credit Management Effectiveness (X)	0,897	0,6	Reliable
Minimizing Bad Debt (Y)	0,706	0,6	Reliable

Respondent Identity

Respondents were predominantly aged 31–40 (36.9%), male (60%), and had a high school education (38.5%) or a bachelor's degree (38.5%). The types of businesses they

operated varied, including trade, clothing manufacturing, food businesses, rental properties, and building materials stores.

Normality Test

Table 4.8 Results of Normality Test (Kolmogorov-Smirnov Test)

Statistics	Mark
Kolmogorov-Smirnov Z	1,259
Asymp. Sig. (2-tailed)	0,084

The results show that the data is normally distributed (significance > 0.05).

Picture 4.3 Chart Normal P-Plot

(dots follow a straight line → normal data)

Heteroscedasticity Test

Picture 4.4 Chart Uji Heteroskedastisitas

(points spread randomly → no heteroscedasticity occurs).

Simple Linear Regression Analysis

Table 4.9 Regression Coefficient Results

Variabel	B	Std. Error	Beta	t	Sig.
(Constant)	6,458	2,099	-	3,077	0,003
Efektivitas Manajemen Kredit (X)	0,122	0,025	0,531	4,968	0,000

Regression equation: $Y = 6,458 + 0,122X$

Correlation Analysis

Table 4.10 Correlation Coefficient of X against Y

Correlation	Mark	Information
r (Pearson Correlation)	0,531**	Strong Enough (Sig. 0,000)

Coefficient of Determination

Table 4.11 Coefficient of Determination

Model	R	R ²	Adjusted R ²	Std. Error
1	0,531	0,281	0,270	2,40628

Results: The effectiveness of credit management influences the minimization of bad debt by 28.1%, the remaining 71.9% is influenced by other factors..

Test t

Table 4.12 t-Test Results

Variables	B	Std. Error	t	Sig.
(Constant)	6,458	2,099	3,077	0,003
Credit Management Effectiveness (X)	0,122	0,025	4,968	0,000

The calculated t value = 4.968 > t table = 1.998, so H_0 is rejected. The effectiveness of credit management has a significant effect on minimizing bad debt.

Discussion

This study demonstrates that effective credit management significantly impacts the reduction of non-performing loans in Bank BJB's Main Micro Credit product. The regression equation indicates a positive effect, meaning that the better the implementation of credit management, the greater the bank's ability to reduce non-performing loan risk.

The correlation coefficient ($r = 0.531$) indicates a fairly strong relationship, while the coefficient of determination ($R^2 = 0.281$) confirms that credit management contributes 28.1% to reducing non-performing loans, while the remaining 71.9% is influenced by other factors such as economic conditions, the debtor's business, and external factors.

These results support credit management theory (Kasmir, 2000; Rivai, 2007), which states that planning, procedures, 5C and 7P analysis, and supervision are key to minimizing non-performing loans. This study also aligns with the findings of Triwahyuniati (2008), Wahyutin (2009), and Kustiyorini (2013), which emphasize the importance of credit analysis and external factors in preventing non-performing loans.

Practically, these findings imply that Bank BJB needs to strengthen credit management procedures, improve oversight, and pay attention to external factors affecting debtors. Theoretically, these results reinforce the relevance of credit management as a crucial strategy for maintaining banking health.

CONCLUSION

This study demonstrates that effective credit management plays a significant role in minimizing non-performing loans in Bank BJB's Main Micro Credit product. Statistical test results demonstrate that the better the implementation of planning, credit granting procedures, credit analysis, interest rate determination, and credit monitoring, the greater the bank's ability to maintain the quality of its credit portfolio. The positive and fairly strong relationship between effective credit management and the minimization of non-performing loans indicates that successful credit management depends not only on technical mechanisms but also on the bank's consistency in implementing prudential principles and ongoing monitoring. Although credit management has been shown to contribute significantly to the reduction of non-performing loans (28.1%), other, more dominant factors, such as economic conditions, external factors affecting the debtor's business, and macroeconomic policies, play a role in determining the success rate of loan repayments. This confirms that effective credit management must be understood as a crucial element within a broader system, where internal and external factors influence each other. Theoretically, this study reinforces the concept that effective credit management is a crucial instrument in maintaining banking health. Practically, the results of this study imply that banks need to strengthen their credit management strategies, improve human resource capacity, and expand their risk monitoring and mitigation systems to better address external challenges that could potentially lead to non-performing loans. Therefore, effective credit management serves not

only as a technical tool but also as a managerial strategy that determines the bank's long-term sustainability and competitiveness.

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