

Analysis of systems and procedures in distributing people's business credit for MSMEs

Desi Miawaty*✉, Hamdani M. Syah

Sekolah Tinggi Ilmu Ekonomi Indonesia, Jakarta, Indonesia

1

Abstract

Purpose: This study examines the distribution system and procedures for People's Business Credit (KUR) to Micro, Small, and Medium Enterprises (MSMEs)

Methods: Utilizing a qualitative approach, data were gathered through interviews, observations, and internet resources.

Findings: The KUR distribution process, which includes a credit application and a thorough 5C analysis (Character, Capacity, Capital, Collateral, Condition of Economy), operates effectively. The bank employs Preventive Control (field observations pre-distribution) and Repressive Control (post-distribution credit usage checks) to promote sound business practices and mitigate risks of defaults.

Practical Implications: The study's practical implications highlight the bank's structured approach to supporting MSMEs, ensuring fund utilization aligns with business goals and thereby fostering local economic growth and stability within the MSME sector.

Keywords: People's business credit, credit systems and procedures, micro, small and medium enterprises

Paper type: Research paper

ARTICLE INFO:

Received 7/9/2024

Revised 12/20/2024

Accepted 1/1/2025

Online First 2/25/2025

Asian Journal of
Corporate Governance
and Financial
Performance
Vol 1, No.1, 2025, 1-8
pISSN XXXX-XXXX

✉ Corresponding:

Desi Miawaty (Email: desimiawaty@gmail.com)



© The Author(s) 2025

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).use.

Abstrak

Tujuan: Penelitian ini mengkaji sistem dan prosedur penyaluran kredit usaha rakyat kepada usaha mikro, kecil, dan menengah.

Metode: Dengan menggunakan pendekatan kualitatif, data dikumpulkan melalui wawancara, observasi, dan sumber informasi dari internet.

Temuan: Hasil penelitian mengungkapkan bahwa proses penyaluran KUR, yang mencakup pengajuan kredit dan analisis 5C secara menyeluruh (Character, Capacity, Capital, Collateral, Condition of Economy), berjalan secara efektif. Bank menerapkan Pengendalian Preventif (observasi lapangan sebelum penyaluran) dan Pengendalian Represif (pemeriksaan penggunaan kredit setelah penyaluran) untuk mendorong praktik bisnis yang sehat dan memitigasi risiko gagal bayar.

Implikasi Praktis: Studi ini menyoroti pendekatan terstruktur yang diterapkan oleh bank dalam mendukung UMKM, memastikan bahwa penggunaan dana selaras dengan tujuan bisnis, sehingga berkontribusi pada pertumbuhan ekonomi lokal dan stabilitas sektor UMKM.

Kata Kunci: Kredit Usaha Rakyat (KUR), Sistem dan Prosedur Kredit, Usaha Mikro, Kecil dan Menengah

1. Introduction

Micro, Small, and Medium Enterprises dominate the global business landscape, significantly contributing to job creation and economic development in developed and developing countries. In the United States, for instance, MSMEs account for more than half of private-sector employment and are responsible for nearly two-thirds of job growth. Similarly, a study by (Ayyagari et al., 2011), which analyzed data from 99 countries between 2006 and 2010, highlights that MSMEs provide nearly two-thirds of all employment opportunities and contribute approximately 90% of job creation.

MSMEs eligible to access the KUR program primarily engage in productive sectors such as agriculture, fisheries, maritime affairs, industry, forestry, and financial services related to savings and loans. The distribution of KUR can be conducted directly at branch offices or sub-branch offices of the implementing banks. Significant progress has been achieved since the Indonesian government appointed Bank Bk as a KUR distributor in 2014. To date, Bank Bk has disbursed KUR amounting to IDR 1.8 trillion, benefiting more than 12,144 MSMEs. In 2019, Bank Bk exceeded its KUR distribution target, reaching 104% of the set goal, according to financial reports. Based on this background, this study focuses on analyzing the system and procedures for KUR distribution to MSMEs by PT Bank Bk, with the aim of assessing their effectiveness in supporting MSME growth.

2. Case description

Understanding systems and procedures

According to Ranatarizsa & Noor (2013: 4), The fundamental difference between the notion of system and procedure is: "The system is a network of procedures formulated for the company's operating activities, while the procedure is a series of activities or activities that are carried out continuously in the same way, in a sequence of daily business activities or transactions, generally involving several people in a department or

more designed to ensure uniform handling, as well as a part of the system which is a series of actions involving several people.

Internal control

Mulyadi (2008:163) states, "Internal Control includes the organizational structure, methods and measures that are coordinated to maintain organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies."

Bank

According to the Statement of Financial Accounting Standards (PSAK) No. 31, the definition of a Bank is an institution that acts as a financial intermediary between parties who have excess funds and parties who need funds, as well as an institution that functions to facilitate payment traffic.

Defenition of credit

According to Law no. 7 of 1992, as amended into Law no. 10 of 1998 concerning banking, it is stated that "credit is the provision of billed money or its equivalent, based on an agreement or loan agreement between the Bank and other parties which requires the borrower to repay the debt after a certain period with the amount of interest, compensation or profit sharing. Profit".

According to Rollin G. Thomas, "In a general sense, credit is based on confidence in the debtors' ability to make a money payment at some future time." Credit, in a general sense, can be interpreted as a belief in the ability of the debtor (credit recipient) to pay a certain amount of money in the future.

People's business credit

In the context of empowering MSMEs to create jobs and reduce poverty, the Government is making efforts to increase access to financing sources, among other things, by providing credit guarantees for MSMEs through KUR. KUR is a credit or working capital funding and/or investment to individual debtors, business entities, and/or business groups that are productive and feasible but do not have additional collateral (kur.ekon.go.id, nd).

People's business credit

According to M. Kwartono, MSMEs are defined as people's economic activities, with a maximum net worth of IDR 200,000,000, without considering the land and buildings where the business is run. Or whose annual sales do not exceed IDR 1,000,000,000 and belong to Indonesian citizens (idcloudhost, 2020). The definition of MSMEs, in general, is a productive business run by an individual or a business entity and meets the criteria of a micro-enterprise based on Law Number 20 of 2008.

3. Methods

3.1. Sampel and procedures

This study uses a descriptive research method with a qualitative approach. Descriptive research aims to describe a symptom, event, or incident that occurs. It focuses on actual problems in the study. This study focuses on implementing the system and procedures for providing People's Business Credit to MSMEs by Bank Bk.

The data collected from this research are primary and secondary. Primary data in this study is obtained directly by researchers through data collection methods, including interviews and observations with PT Bank Bk staff employees in the credit section (Kredit Usaha Rakyat). Secondary data used to support primary data in this study are generally

evidence, records, or historical reports compiled in archives. The secondary data from the Bank concerned will be obtained from the Internet and MSME data from the previous year.

3.2. Data analysis method

Data analysis in qualitative research occurs both during the data collection process and after its completion. The method of data analysis employed in this research is multifaceted, beginning with data reduction, abstracting, and transforming "rough" data from field records. In qualitative research, data reduction is an ongoing activity where the retrieved data is continuously summarized and refined to align with the research objectives. Irrelevant information is discarded, clarifying which data is essential for the study. This process is facilitated through various techniques, including interviews and observations with employees from PT Bank Bk's credit section, specifically focusing on the Kredit Usaha Rakyat program. Following data reduction, the next step involves data presentation. The final aspect of qualitative data analysis is concluding. Sugiyono (2015:252) emphasizes that the conclusions drawn in qualitative research reflect new insights that previously did not exist. The presented data will ultimately be synthesized into conclusions and verified, which will be articulated in a narrative form detailing the systems and procedures of KUR distribution at the PT Bank Bk. This structured approach facilitates an in-depth understanding of the research subject and ensures that the findings are communicated and actionable.

4. Result and discussion

MSMEs credit distribution terms

Targets Micro, Small, and Medium Enterprise for credit distribution, offering loans as working or investment capital. The loan categories include Special KUR, allowing up to Rp. 500 Million, and Small KUR, covering amounts between Rp. 50 Million and Rp. 500 Million. Both types have an interest rate of 11.5%, with a reduced burden of 6% for the debtor due to a 14% government subsidy, and no additional fees are charged.

Applicants must meet specific criteria, including operating a productive and legitimate business and providing required documents such as personal identification, Taxpayer Identification Number (NPWP), Business Identification Number (NIB), or Micro and Small Business License (IUMK). They must have been operational for over six months and provide recent bank statements or agree to open an account with Bank Bk. Additionally, applicants should not currently have credit with other banks, except for KUR, and must comply with consumer credit requirements. These requirements reflect the bank's commitment to ensuring that MSMEs meet the necessary standards to access credit facilities that support their growth.

MSMEs people business credit distribution system and procedure

In distributing KUR, PT Bank Bk has a KUR Application connected Host to Host with the Program Credit Information System (SIKP) of the Ministry of Finance and Guarantee Companies (Askrindo and Jamkrindo). Program credit information system is an application system built to facilitate the implementation of Program Credit, especially KUR. From the author's interviews with the Credit Account Officer of PT Bank Bk, the author can argue that distributing KUR is carried out in stages. The model can be seen in Figure 2

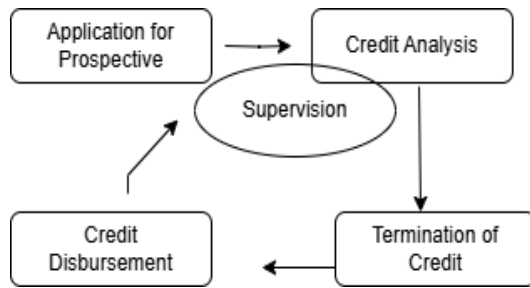


Figure 2. Stages of distributing people business credit

In distributing KUR to MSME practitioners, PT Bank Bk employs a KUR application that is connected via Host to Host with the Ministry of Finance's SIKP and guarantee companies like Askrindo and Jamkrindo. This system is designed to facilitate the implementation of the credit program, particularly in the disbursement of KUR. According to interviews with the Credit Account Officer at PT Bank Bk, the KUR disbursement process is conducted in stages to ensure that credit is targeted accurately and by applicable regulations.

One crucial stage in this process is the credit analysis, which aims to determine the viability of the credit application. This analysis refers to the 5C method, which includes assessing character, capacity, capital, collateral, and the economic condition of the debtor. After the Credit Account Officer has submitted the credit administration documents, the credit manager responsible for credit investigation (CI) will further examine these documents. At this stage, the debtor's financial information will be verified through the Financial Information Report System (SLIK), formerly known as BI Checking. This process helps expedite credit analysis and facilitate more accurate decision-making.

Subsequently, the Account Officer will conduct a direct field review to evaluate the debtor's business viability and ability to repay the loan. The Credit Account Officer will issue a rejection letter if the prospective debtor does not meet the requirements. However, suppose the analysis shows that the debtor meets the criteria. In that case, the process will continue with the input of the debtor's business data, preparation of a feasibility study, and further verification of credit information through SID-BI/SLIK-OJK and the Credit Information Bureau. The Credit Account Officer will also submit a collateral tax request to the internal investigation team before the documents are handed over to the Analysis Officer for thorough proposal preparation and credit feasibility analysis. Once the documents are verified, the Credit Committee Memorandum (MKK) is drafted and submitted to the Credit Committee Secretary to be scheduled for a committee meeting for the final decision.

The credit decision is made after thoroughly examining the structure and requirements specified in the final MKK. The Analysis Officer will prepare and issue the Credit Principle Approval Letter (SPPK), which the Branch Manager signs before being forwarded to the Credit Account Officer. After receiving the approval, the Credit Account Officer will inform the debtor that the credit application has been approved and set a schedule for signing the SPPK, which must be returned within 14 days along with the original collateral documents. These documents are then sent to the legal center for the credit and collateral binding process.

Once the credit decision is made, the prospective debtor must sign the credit agreement, including the Debt Acknowledgment Letter (SPH) and other administrative documents. The Credit Account Officer will prepare the documents and submit a

disbursement plan to the credit manager. Following final approval, the funds will be disbursed to the debtor. If the prospective debtor does not have an account at Bank Bk, they must first open one to facilitate the disbursement of funds.

To ensure the credit operates smoothly, PT Bank Bk implements two oversight methods: preventive supervision and repressive supervision. Preventive supervision occurs before credit disbursement through field reviews to assess the debtor's eligibility. In contrast, repressive supervision occurs after fund disbursement, with regular visits every three months to monitor the debtor's business condition and prevent potential credit default.

PT Bank Bk approves credit for MSMEs based on several important factors. One factor is successfully uploading debtor data into the SIKP and guaranteeing companies for further processing. Additionally, prospective debtors must meet the criteria established by both Bank Bk internal and government regulations. There should be no deviations in this process, ensuring that all prospective credit recipients fully meet the established standards to obtain approval.

5. Conclusion

Based on the analysis and interpretation of data, it can be concluded that the systems and procedures implemented by PT Bank Bk in distributing KUR to MSMEs have been running effectively and by the established standard operating procedures.

With a well-implemented system and procedure, the credit distribution process can run faster, starting from the debtor's application to credit analysis and loan determination to credit disbursement to the debtor. In addition, the supervision carried out by PT Bank Bk is also quite adequate, with the implementation of preventive controls that include supervision before credit disbursement through field reviews, as well as repressive controls carried out after credit disbursement and when the debtor uses the credit. However, several obstacles arise during the MSME lending process, caused by the large number of prospective debtors who do not have adequate financial report management, prospective debtor businesses that are considered less productive and developing, and tight competition among MSMEs.

In addition, prospective debtors with no collateral or a bad credit history are less cooperative in returning loan funds. As a solution, efforts are being made to provide simple financial management education to prospective debtors, and it is hoped that PT Bank Bk and customers can work together well to overcome these challenges.

References

- Aristanto, E., Khouroh, U., & Ratnaningsih, CS (2020). Policy Dynamics of the People's Business Credit Program (KUR) in Indonesia. *Journal of Management and Entrepreneurship*, 8(1), 85-95.
<https://doi.org/10.26905/jmdk.v8i1.4247>
- Fahmi Irham. (2014). *Credit Management*. Alfabeta.
- Jenkins, H., & Hossain, M. (2017). An analysis of the macroeconomic conditions required for SME lending: Evidence from Turkey and other emerging market countries. *Panoeconomicus*, 64(1), 77-92.
<https://doi.org/10.2298/PAN140213008>
- Kumari PS Raghu & Pankaj Trivedi. (2019). Determinants Of Sme Credit In Mumbai- Empirical Analysis On Factors. *Journal of Developing Areas*, 53(2), 193-203.

- Mulyadi. (2008). Accounting System. Salemba Four.
- Prasadhana, DD, Sulindawati, NLGE, & Sinarwati, NK (2017). Analysis of the credit application system in the implementation of internal control in the provision of micro credit for small and medium enterprises at PT. Bank Rakyat Indonesia (Persero), TBK Banyuwatis Unit. E-JournalS1 Ak, 7(1), 1-12.
- Putra, MHA, Rahayu, SM, & Saifi, M. (2016). Internal Control Analysis of the Working Capital Loan System (Case Study at PT. Bank Perkreditan Rakyat MSMEs East Java Pacitan Branch). Journal of Business Administration, 39(1), 195-204.<http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/1552>
- Rahman, A., Rahman, MT, & Ključnikov, A. (2016). Collateral and SME financing in bangladesh: An analysis across bank size and bank ownership types. Journal of International Studies, 9(2), 112-126.
<https://doi.org/10.14254/20718330.2016/9-2/8>
- Ranatarizsa, MM & MAN (2013). Accounting Information Systems in Business Administration Applications. UB Press.
- Romney, PJS (2015). Accounting information systems (13th ed.). pearson educations Limited.
- Sesiady, NA, AR, MD, & Saifi, M. (2018). Analysis of Systems and Procedures for Providing Working Capital Loans in an Effort to Support Internal Control (Study at PT. BPR Nusamba Wlingi Kepanjen Branch). Journal of Business Administration, 61(1/August), 181-190.<http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/view/2561/2953>
- Silly, D., Kristi, A., Saifi, M., & Dwiatmanto. (2018). Evaluation of Microcredit System and Procedures to Support Internal Control (Study on PT. Bank Jatim Kediri Main Branch). Journal of Business Administration (JAB), 55(1), 170-179.<http://administrasibisnis.studentjournal.ub.ac.id/index.php/jab/article/download/2255/2654>
- Sri Mulyani Reveals Myriad Obstacles to SMEs. (2021). Kompas.Com.
<https://money.kompas.com/read/2021/04/20/125105926/sri-mulyani-unjuk-segudang-kendala-umkm?page=all>
- Sugiyono. (2015). Combination Research Methods (Mix Methods). Alfabet.
- Yasman, R., & Afriyeni, A. (2019). Lending Procedures at Pt. Bank People's Credit (Bpr) Jorong Kampung Tengah (Jkt) Pariaman Padang Branch. 7, 1-9.
<https://doi.org/10.31219/osf.io/c5ufr>
<https://kur.ekon.go.id/image-umum>
<https://rri.co.id/economy/887167/bank-bukopin-salurkan-kur-perkuat-umkm>
<https://money.kompas.com/read/2021/04/20/125105926/sri-mulyani-ungkap-segudang-kendala-umkm>

Declarations

Funding

The authors received no financial support for the research and publication of this article.

Conflicts of interest/ Competing interests:

The authors have no conflicts of interest to declare that are relevant to the content of this article.

Data, Materials and/or Code Availability:

Data sharing is not applicable to this article as no new data were created or analyzed in this study.