

UDC 336

## ANALYSIS OF PEOPLE'S BUSINESS CREDIT IN THE BANK RAKYAT INDONESIA

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### ABSTRACT

This study analyzes the procedure for providing people's business credit (KUR) at Bank Rakyat Indonesia (BRI). The research method used in this study is a qualitative method with a descriptive type of research. The data obtained in this study used research instruments, namely through observation, in-depth interviews, and documentation studies. Interviews were conducted with the Director of Micro and Small Bank BRI, representatives of debtors and prospective debtors, and the credit department of Bank Indonesia, Bandung Representative. Data collected from several sources are tested for credibility by data triangulation. The data analysis technique used is data reduction, data presentation, and conclusions. The study results indicate that implementing the provision of people's business credit at Bank BRI goes through several stages, namely the credit administration stage, credit documentation, credit approval, credit processing. The Non-Performing Loan (NPL) rate of BRI KUR shows a relatively large number, namely 2.31%, but BRI's NPL is the smallest among other KUR implementing banks. The high level of NPL is due to several factors, including: (1) wrong perceptions among Micro, Small, and Medium Enterprises (MSMEs) regarding the source of funds in the distribution of KUR; (2) a change in the character of the debtor; and (3) the account officer performs a subjective analysis because there is a particular relationship with the prospective debtor. The Non-Performing Loan (NPL) rate of BRI KUR shows a relatively large number, namely 2.31%, but BRI's NPL is the smallest among other KUR implementing banks. The high level of NPL is due to several factors, including: (1) wrong perceptions among Micro, Small, and Medium Enterprises (MSMEs) regarding the source of funds in the distribution of KUR; (2) a change in the character of the debtor; and (3) the account officer performs a subjective analysis because there is a particular relationship with the prospective debtor. The Non-Performing Loan (NPL) rate of BRI KUR shows a relatively large number, namely 2.31%, but BRI's NPL is the smallest among other KUR implementing banks. The high level of NPL is due to several factors, including: (1) wrong perceptions among Micro, Small, and Medium Enterprises (MSMEs) regarding the source of funds in the distribution of KUR; (2) a change in the character of the debtor; and (3) the account officer performs a subjective analysis because there is a particular relationship with the prospective debtor. (2) a change in the debtor's character; and (3) the account officer performs a subjective analysis because there is a particular relationship with the prospective debtor. (2) a change in the debtor's character; and (3) the account officer performs a subjective analysis because there is a particular relationship with the prospective debtor.

### KEY WORDS

Credit, bank system, public service, policy.

Most Indonesians' economic activity is centered around micro, small, and medium-sized businesses (MSMEs). This group's survival is inextricably linked to the expansion of the national economy. Over 64 million individuals can be employed by small and medium-sized enterprises (SMEs), according to data from Rusdin et al. (2017; 58.2% of GDP is generated by SMEs).

For various reasons, Wahyuni (2005), Melnyk et al. (2021), Redjeki, F., & Affandi (2021), Sultan, S., & Sultan et al. (2020), Morgan et al. (2020), Affandi et al. (2020), MSME group is interesting to watch and respond to, including: (1) During the economic crisis, the MSME sector has been able to endure until today. Two things are lacking in the

government's attention to the MSME sector: MSMEs have an essential role and considerable contribution to the economy's structure because of their large number, as well as because of their role in absorbing labor.

Despite the importance of MSMEs to the national economy, many of these firms face difficulties expanding. Limited working capital is one of the challenges faced by MSMEs, according to Tulus TH Tambunan (2009). Entrepreneurs frequently turn to creative solutions to overcome funding constraints. Take out high-interest loans from banks and other financial entities. The profit potential of MSME players is typically eroded by high loan interest rates, hence hindering the growth of these MSMEs.

The government issued the People's Business Credit (KUR) policy in response to the challenges MSME actors had accessing finance sources by Presidential Instruction No. 6 dated 8 June 2007. Prior to the establishment of Bank Negara Indonesia, Bank Mandiri, Bank Syariah Mandiri, Bank Tabungan Negara, and Bank Bukopin, the KUR program was exclusively offered by government-appointed banks. A KUR channeling bank, notably BNI Syariah, was reestablished by the government, along with 26 RDBs.

For MSMEs and Cooperatives, especially those with sustainable enterprises but not yet bankable, this KUR is a funding facility, with limits ranging from Rp. 5 million to Rp. 500 million, which can be accessed. A firm that is feasible but not yet bankable suggests that the business has good business prospects and can make a profit in the future. For MSMEs and cooperatives, KUR can be used for productive business sectors such as agricultural, fishery, maritime affairs; industry; forestry; savings and lending financial services.

For the most thorough KUR distribution to the end of July 2019, these are the numbers.

Table 1 – The Three Largest KUR Distributing Banks (Ceiling in IDR million)

No	Distributor	Total Distribution	
		Ceiling	Debtor
1	PT BRI	59,062,424	2,801,770
2	PT Bank Mandiri	12,812,782	166.660
3	PT BNI	11,037,583	127,933

Source: <http://kur.ekon.go.id/>

Table 1 show that BRI Bank has the highest KUR ceiling. BRI Bank's borrowers are the largest in the industry, as well. The purpose of KUR is to aid the economy of small firms by lending money to those who have started them. Cooperative MSMEs can get KUR immediately at the branch or sub-branch office of the implementing bank, which means that KUR can be directly distributed. Distribution of KUR can be done in an indirect manner, such as through microfinance institutions and cooperatives or other program linking activities in partnership with implementing banks, in order to bring services closer to micro-enterprises. The KUR policy is a way to make it easier for the general population to get loans by providing guarantees. There are no technical or administrative hurdles to overcome. Non-performing loans from KUR are meant to aid source MSMEs and cooperatives, but this is not always the case (NPL).

Using the right distribution of KUR can help MSMEs thrive, according to Dewi Anggraini and Syahir Hakim Nasution. Although legal regulations cannot be implemented sociologically, and MSMEs still do not grasp government policies regarding the provision of KUR, the KUR program is regarded unsuccessful because of this, according to Deckiyanto (2013).

According to Moti et al. (2012) and Setyasari (2015) the aspects of 5C must be considered during the selection process in order to ensure that the bank's credit, in this case KUR, is adequate. According to Hardyanti et al. (2015), 7P must be included in their analysis. To identify potential borrowers for credit, Srisai Chilukuri et al. (2014) recommend that the loan distribution process occur through a channel. Researchers at BRI are interested in researching the KUR service more thoroughly in light of these findings.

## LITERATURE REVIEW

According to Myers and Brealey (2003), the concept of credit is a process whereby possession of goods or services is allowed without spot payment upon a contractual agreement for later payment. Meanwhile, according to Ahmad Anwari (2002), credit is a grant of achievement by a party to another party, and the achievement (service) will be returned at a certain period in the future accompanied by contra-achievement (retribution) in the form of money.

Another understanding, according to Eric L Kohler in Teguh Pudjo Muljono (2007), says that credit is the ability to carry out a purchase or enter into an agreement with a promise that the payment will be deferred at an agreed period. While MacLeod in Rachmat Firdaus & Maya Ariyanti (2011) declare that Credit is a reputation that a person has, that allow he can get money, goods or labor work, with Street exchange it with something promise for pay for it at a later date. According to Rivai et al. (2007), credit quality classifications, namely, credit fluent, in special attention, substandard, and doubtful.

Before a credit is given, it is good for the bank to feel sure that the credit given will come back. This confidence is obtained from the results of the credit assessment before the credit is disbursed. Credit assessment is carried out in various ways by going through the correct assessment procedure. In evaluating the criteria, the value aspect remains the same. Likewise, the established measures have become the standard for each bank's assessment. Usually, the assessment criteria that are genuinely profitable, according to Kasmir (2013) and Teguh Pudjo Muljono (2007) and Abedi (2000), can use the 5 C analysis, which includes analysis of character, capacity, condition, capital, and collateral.

The function of credit, in general, is the fulfillment of services to serve the needs of the community in order to encourage and expedite trade, encourage and expedite production, services, and even consumption. If described in detail the functions of credit according to Rachmat Firdaus and Maya Ariyanti (2011), among others: (1) Credit can promote the flow of exchange of goods; (2) Credit can activate idle payment instruments; (3) Credit may create new means of payment; (4) Credit as a price control tool; and (5) Credit can activate and increase the benefits/benefits/usability of existing economic potentials.

According to Kasmir (2012), the purpose of providing credit is (a) seeking profit, (b) helping customers' businesses, (c) other objectives are to help customers' businesses that.

Need funds, both investment funds and funds for working capital, and (d) assist the government. While the benefits of bank credit, according to Rachmat Firdaus and Maya Ariyanti (2003), are as follows:

- Benefits of bank credit for debtors;
- Credit benefits for banks;
- Credit benefits for the government/country.

While the purpose of providing credit according to Muchdarsyah Sinungan (2002), among others: (1) Credit can increase the utility (utility) of money; (2) Credit can increase the utility of goods; (3) Credit can increase the circulation and traffic of money; (4) Credit is a tool of economic stability, and (5) Credit creates enthusiasm for doing business in the community.

According to Lukman Dendawijaya (2009), the credit distribution process is the stage that must be passed before credit is decided to be disbursed. The goal is to make it easier for banks to assess the feasibility of a credit application. The banking world's lending and credit assessment process, in general, is not much different from one bank to another; the only difference lies in how the bank evaluates and the requirements set with the consideration of each bank.

According to Joetta Colquitt (2007), the credit disbursement process is carried out through the following stages: credit administration, credit documentation, credit approval, and credit processing. Meanwhile, according to Koch and Mac Donald (2009) credit distribution is carried out through (1) business development and credit analysis, (2) credit execution and administration, and (3) credit review. Meanwhile, according to Rachmat Firdaus and Maya Ariyanti (2003) the general steps in credit procedures are (1) Credit Preparation, (2) Credit analysis or credit assessment, (3) Credit decisions, and (4) Credit Implementation and

Administration.

Another opinion is that the credit distribution process, according to Lukman Dendawijaya (2009) carried out through the following stages: (1) Credit Application, (2) Credit Approval, (3) Credit Agreement, (4) Credit Disbursement, (5) Credit Supervision, and (6) Loan Repayment.

Each bank has rules that serve as standard guidelines for implementing credit activities to run effectively. This guideline is formulated through the preparation of a structured and systematic credit policy framework. The elements contained in the credit policy contain more specific and interrelated functions. According to Margaretha (2011), credit policy is a standard of factors that affect the magnitude of the risk of collecting receivables controlled by company management. Credit policy consists of the following dimensions: (1) Credit standard, (2) Credit term, and (3) Bill collection policy.

Meanwhile, the dimensions of credit policy proposed by Ross, Westerfield, and Jordan (2009) are as follows: (1) Terms of sale, (2) Credit analysis, and (3) Collection policy. Bank Indonesia has issued a Decree of the Director of Bank Indonesia number 27/162/KEP./DIR concerning Guidelines for the Preparation of Bank Credit Policy (PPKPB) which requires every commercial bank in Indonesia to prepare guidelines for Bank Credit Policy (KPB). The essence of the KPB must at least contain the process of granting credit along with the provisions at each stage of lending. There are many methods that can be applied to handle credit that is categorized as non-performing. Each problem that arises has a cause/background that tends to vary; this results in the form of decision-making chosen to be in sync with the problem that arises and is expected to reflect an effective solution. According to Rachmat Firdaus and Maya Ariyanti (2007), the recommended settlement methods are: (1) extended credit, (2) rescheduling, (3) reconditioning, (4) sale of collateral/collateral, (5) handing over.

Its collection to the District Court or the Agency for Accounts Receivable and State Auctions/Committee for State Receivable Affairs, and (6) Deleted (write off).

## **METHODS OF RESEARCH**

The approach used in this research is a qualitative approach, with the type of descriptive analysis research. The reason for choosing a qualitative approach is that this research requires basic and in-depth information (explorative) from various sources (informants). Therefore, the author tries to explore and analyze what is happening in the field based on empirical facts to obtain an overview. The data and facts obtained are then formulated to build a model, which is the primary goal of this research.

Primary data was taken from interviews with the Director of Micro and Small Bank BRI, representatives of debtors and prospective debtors, and the Credit Division of Bank Indonesia Representatives of Bandung. While secondary data is obtained from literature study in the form of information or facts by studying books, journals, and articles related to the problems studied.

To test the validity and credibility of the data, it is done by triangulating sources. At the same time, the data analysis technique is carried out with data reduction activities, data presentation, and data conclusions.

## **RESULTS AND DISCUSSION**

People's Business Credit (KUR) has been a program of the Indonesian government for a long time to equalize the economy in the archipelago. At the beginning of its launch, people's business loans were the latest solution intake sides SMEs in Indonesia. From 2007 to 2014, the government disbursed KUR by implementing banks of more than IDR 178.84 trillion with an interest rate of 22 percent per year. There were complaints from debtors regarding the KUR interest rate, which was still burdensome, so in 2015 the government lowered the The KUR interest rate is 12 percent per year with a fund allocation of IDR 22.7 trillion. Then entering 2016, the government again gave the policy to reduce the KUR interest

rate to 9% with an allocation of up to Rp 120 trillion.

As the largest channeling bank for KUR funds, Bank BRI succeeded in disbursing KUR in 2016, amounting to Rp 69.4 trillion to 3.9 million debtors. This realization is higher than the government's target of Rp 67.5 trillion. Meanwhile, in 2017, from the national KUR target of IDR 110 trillion, Bank BRI received a portion of the distribution of IDR 71.2 trillion or 65% of the total national KUR. Moreover, the government has excellent trust in Bank BRI because Bank BRI has services and representative offices in almost all countries' corners.

As regulated by the government, Bank BRI distributes KUR to individuals and legal entities active in productive businesses and is detailed as follows:

- SMEs that have been running;
- Prospective TKI has been declared to have passed the selection and have obtained a work placement decision abroad;
- Families of fixed-income workers abroad;
- Former or TKI who have finished working from abroad;
- Employees who have been laid off from work.

KUR implemented by Bank BRI consists of 3 (three) types, namely Micro KUR, Retail KUR, and KUR for the Placement of Indonesian Migrant Workers (TKI). The requirements for applying for KUR Bank BRI are as follows:

Micro KUR is a business and investment capital loan for MSME actors with a maximum ceiling of IDR 25 million. The requirements for obtaining Micro KUR, among others:

- Indonesian citizens who have productive and appropriate business types as recipients of the KUR program;
- The business has been running for a minimum of 6 consecutive months;
- Credit recipients are not currently undergoing or enjoying productive credit facilities either from BRI or other banks;
- Apply for credit by filling out the application form and completing the required files such as ID cards, family cards, and business legality letters;
- Photocopy of the legality of additional guarantees, whether BPKB Motor or other types of assets, can be used as collateral.

Retail KUR is a business capital loan for retail business actors with a nominal application above IDR 25 million to IDR 500 million. Like Micro KUR, Retail KUR is a loan intended for business capital and investment for MSME actors. The requirements for obtaining Retail KUR, among others:

- Indonesian citizens are productive business actors and are eligible to receive retail-type people's business loans from BRI banks;
- The applicant is not enjoying productive credit services either received through BRI or other banks;
- The running business is at least half a year old;
- The business owned is a legal business that has pocketed a micro and small business license and a certificate that can replace it;
- *Photocopy* valuable assets in the form of car BPKB or house certificates which are planned to be used as additional collateral.

The procedure for granting credit is a series of activities that must be carried out in managing credit applications from the time the application is received until the credit disbursement. The benefits of the credit granting procedure are to provide better services to debtors, to identify and resolve problems that arise in credit applications, and to seek credit in a relatively short time.

The discussion in this study will only focus on Micro KUR, which is then written KUR only. The procedure steps for granting KUR that prospective debtors must pass include credit administration, credit documentation, credit approval, and credit processing. These stages must be passed by prospective debtors so that the stages of granting credit can run well. All parties in providing credit, namely the bank and the debtor, must agree on a predetermined procedure so that the credit granting process can run well.

Based on the research results, the procedure for granting credit is carried out by Bank

BRI through several stages.

Credit Administration, in other terms, can be referred to as the credit application stage. This stage contains the administrative requirements, including the form to fill out, which describes, in general, the information on prospective debtors. In addition, the information on the prospective debtor must be accompanied by personal documents regarding his background and the activities he is currently undergoing.

The KUR distribution program at Bank BRI has several administrative provisions and requirements by the provisions. First, prospective debtors must submit a written application for KUR to Bank BRI. Second, prospective KUR debtors come to the BRI office, assisted by customer service; prospective KUR debtors fill out a registration form or KUR application form that the bank has provided, then signed by the applicant.

Prospective KUR debtors are required to meet the requirements that have been set in terms of applying. KUR was introduced as easy-to-obtain credit, so the conditions set were straightforward. As for the conditions for get KUR, among others:

- Individuals (individuals) who carry out a productive and decent business;
- I have been doing business actively for at least six months;
- Not currently receiving the credit from banks except for consumer credit such as KPR, KKB, and Credit Cards;
- Other administrative requirements.

If they meet these requirements, prospective debtors can apply for KUR to the nearest BRI Bank branch or unit. The KUR application must be accompanied by the requirements for proof of identity in the form of a photocopy of the Identity Card (KTP), photocopy of Family Card (KK), photocopy of Marriage Certificate, and Business Certificate.

The procedure carried out by prospective KUR debtors by filling out an application letter and completing personal identity according to Tohar (2000) is the terms and conditions that must be carried out. Lukman Dendawijaya (2009) also expressed the same opinion, which stated that in applying for credit, prospective debtors must first fill out complete documents. Furthermore, Joetta Colquitt (2007) explains that a provision for granting credit administration must be by the relevant institution that provides the authority.

The bank conducts interviews and data checks with potential borrowers during this stage. They conducted an interview and asked a series of questions that served as the baseline for their appraisal of their ability to provide credit. Such as the quantity of income of prospective borrowers, the number of family members they have, their jobs, and the reasons they are seeking for a loan.

The bank will benefit from an evaluation of the potential debtor's viability, which will assist it avoid making an incorrect credit decision. For the purposes of examining potential debtors, the bank uses the 5C. Principle evaluation, which is based on Abedi (2002)'s method for conducting credit analyses. Character, capital, capacity, collateral, and the state of the economy are all considered as part of the 5C examination. To determine if a prospective debtor is creditworthy, lenders look at these five factors in depth. Only then can they make an accurate determination.

Bank BRI's credit documentation process hasn't gone properly. Since the quantity of non-performing loans fluctuates each year, this can be seen. Bank BRI, on the other hand, has the lowest NPL of any of the implementing banks.

Table 1 – Non-performing Loans

No	Bank	% NPL
1	BNI	3.30
2	BRI	2.35
3	MANDIRI BANK	3.40
4	BTN	12.90
5	BUKOPIN	5.50
6	MANDIRI SHARIA BANK	17.20
7	BNI SHARIA	4.60
8	BPD	9.50
	Average	7.34

Source: Indonesian People's Business Credit Committee.

Problems with non-performing loans are sometimes triggered by a misperception among MSME players about the source of KUR distribution money. They erroneously believe that KUR money are non-refundable government handouts.

In addition, debtors' families may be experiencing hardships that have an effect on their character. To begin with, this borrower had a solid track record when it came to lending activities when the credit assessment was performed. Because of this, the bank is confident in lending money. These debtors, whose character has shifted, are more difficult to collect monthly payments from and, as a result, their loans are no longer performing.

Character is one of the five C's, which means that in the course of credit analysis, prospective debtors' personalities are taken into account when deciding whether or not to grant them credit. First and foremost, the lender needs to know about the applicant's character. Because this credit requires specialized knowledge in the field to see and assess the character of the potential debtor, it is difficult to examine. NPL is a result of MSME actors believing that KUR is a government grant.

Prior to approving credit, financial institutions must undergo multiple steps of credit research, including checking for completeness, according to Joetta Colquitt (2007). There are still numerous subjective evaluations at this point in the analysis. As a result, banks must avoid conducting credit analysis in a subjective manner. Weak assessments of probable debtors are the leading cause of non-performing loans. This frequently occurs, especially when specific parties, such as credit department employees who have a special relationship or, according to him, already know the prospective debtor, prefer to ignore and override the principle of credit application assessment in consideration of the analysis results. That is, credit decisions are not influenced by the outcomes of the credit analytic assessment.

In this credit approval stage, the prospective credit debtor will receive a credit decision containing approval for the provision of credit by the bank. The decision on the approval of this credit application is in the form of approval of part or all of the credit application from the prospective debtor. The bank will provide a credit decision that will be conveyed to prospective debtors through the customer service section. Usually, the bank's granting of credit decisions will be made after the results of the credit analysis are available. Therefore the report on the results of the credit analysis becomes the benchmark for granting debtor's credit.

The results of the credit analysis stored in the memorandum and survey forms will be considered in making credit decisions. The bank will archive the results of this credit analysis in the archives section. The decision to grant credit is given as stated by Lukman Dendawijay (2009 after considering various factors from the results of credit analysis.

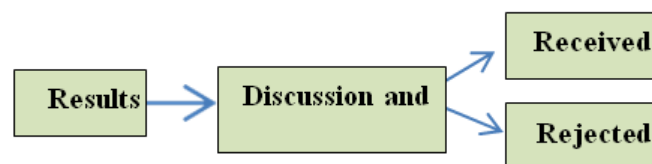


Figure 1 – BRI Bank KUR Credit Decision Stage

Bank BRI, as a financial institution in providing credit, always follows the rules and regulations. These provisions are always carried out as material for the feasibility assessment in deciding the granting of credit to prospective debtors. As with Joetta Colquitt (2007), banks in providing credit must be guided by the provisions. Bank BRI has implemented regulations, such as conducting field surveys, conducting interviews and credit analysis processes. All these processes are carried out as material for assessing prospective debtors whether their credit decisions are accepted or rejected.

The process of granting credit will be given after fulfilling the last criteria or procedures, namely meeting administrative requirements, fulfilling criteria in credit analysis, and the stage of granting credit. Then furthermore, the credit agreement or credit disbursement includes several stages, including the preparation stage for disbursement, pre-disbursement

provision, signing of credit agreements, and payment of credit disbursement.

At this stage, the bank will provide information on the disbursement schedule and provide the nominal amount of credit that both parties have agreed. The disbursement of this credit has several previous stages regarding the feasibility assessment, whether the prospective debtor is eligible for credit or not. When the disbursement process takes place, the prospective debtor will fill out a letter of agreement on stamp duty to prove the validity of credit lending activities. This agreement letter can be said to be a statement that the prospective debtor is declared indebted and obliged to fulfill his obligations in paying credit for the amount of money he borrowed.

The bank makes a process flow in order to provide certainty to prospective debtors. This is what was stated by Joetta Colquitt (2007) that banks must provide information about. According to Kasmir (2013), which states that before disbursing credit, prospective debtors must go through the stage of signing a credit agreement or credit agreement first.

## CONCLUSION

Based on the results of the study, it was concluded that the procedure for granting KUR Bank BRI was carried out in several stages, namely: credit administration stage, credit documentation stage (credit review and analysis or examination stage), credit approval stage, and credit processing stage.

Credit disbursement is carried out by Bank BRI after the standard procedures and stages of credit application are carried out. The amount of KUR provided by the bank is determined by several factors, including the application from the applicant, the results of analysis and field surveys, and the KUR ceiling itself. Non-performing loans occur because the account officer section conducts a subjective analysis. After all, there is a particular relationship with the prospective debtor and changes in the debtor's character. Problem credit also occurs due to the wrong perception among MSME business actors regarding the source of KUR funds. MSMEs as debtors assume that KUR is a credit whose source of funds comes from the government and aid from the government to MSMEs.

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