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Contractor Credit Handling Procedure At PT. BPR Bank Boyolali (PERSERODA)

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Abstract

Banks play an important role in economic growth. Economic growth must also be supported by the development of infrastructure in the region. Therefore, speed and accuracy are needed in development. In development, qualified human resources are needed, namely contractors who have adequate qualifications and capital. However, in reality there are still many contractors with these qualifications but do not have sufficient capital. Therefore, PT BPR Bank Boyolali (PERSERODA) facilitates this problem with the existence of Contractor Credit. This Contractor Credit is given to contractors who have met the requirements and are domiciled in Boyolali Regency. In providing Contractor Credit, it must meet certain aspects and existing procedures, and follow the established flow. This study contains the procedures for handling Contractor Credit at PT BPR Bank Boyolali (PERSERODA). This study aims to determine the handling of Contractor Credit, handling of problematic credit in Contractor Credit and the weaknesses of Contractor Credit. The results of this study are suggestions for overcoming the weaknesses of Contractor Credit.

Keywords: Credit management, contractor loans, PT BPR Bank Boyolali, Problematic loans

INTRODUCTION

PT BPR Bank Boyolali (PERSERODA) is a regional government-owned enterprise in Boyolali that provides credit services for contractors based in Boyolali. This study focuses on PT BPR Bank Boyolali as it is one of the few banks offering contractor credit services, a topic that has not been extensively researched. The research aims to identify

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the contractor credit procedure, how the bank handles problematic loans, and the weaknesses in the credit system. The findings will help improve the credit services provided by PT BPR Bank Boyolali, especially in managing contractor loans effectively. This is a relevant topic for financial management studies.

Banks play a crucial role in channeling public funds to support economic growth (Mahrani, 2023). Economic development often requires regional infrastructure improvement, which relies on qualified human resources and sufficient capital. In Boyolali, while there are many qualified contractors, not all of them have adequate funding to complete projects. PT BPR Bank Boyolali developed a contractor credit service to provide contractors with easy and affordable access to capital, secured against project contracts. This credit service has shown positive growth, but it is subject to external factors like political changes, as seen in the decline of the Outstanding Credit (OSC) in 2023 due to reduced government projects.

The credit approval process involves multiple steps to assess the applicant's creditworthiness (Claudio Yosia Tumbel, 2015). These assessments help the bank determine the appropriate loan amount based on factors such as the borrower's financial history, company dependency on consultants, and management issues (Julius R. Latumaerissa, 1999). In PT BPR Bank Boyolali's case, the contractor credit approval process requires careful consideration to ensure the funds are properly allocated and risks are minimized. Proper loan procedures are essential in maintaining economic stability and ensuring that credit serves its purpose in promoting infrastructure development.

However, credit also carries risks, particularly when loans become problematic (Putri & Mukhlis, 2022). Problematic loans are those that fail to meet the bank's standards and pose a high risk (Arthesa et al., 2010). Several factors, including debtor-related issues like business failure or personal problems, can lead to bad loans (Handayani & Nengsih, 2019). Effective management of problematic loans is crucial, and PT BPR Bank Boyolali addresses these through methods like restructuring and rescheduling (Firmanto, 2019). This study explores how the bank handles problematic contractor loans to ensure that such risks are managed efficiently.

Banking

According to Joey Allen Fure (2016), banks hold a unique value in the economy as intermediaries between those with excess funds and those in need of funds. As financial institutions, banks play a strategic role in a country's economic system by

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facilitating credit and providing various financial services. They serve to meet financing needs and streamline payment systems across all sectors of the economy. According to Law No. 10 of 1998, a bank is a business entity that manages public funds in the form of deposits and redistributes them as credit or other financial forms to improve living standards. Banks manage funds through savings, deposits, securities, loans, and investments in financial instruments (Kasmir, 2008).

BPR (People's Credit Bank)

According to the Banking Law No. 7 of 1992, reinforced by Law No. 10 of 1988, Bank Perkreditan Rakyat (BPR) is a bank that operates conventionally or based on Islamic principles but does not offer payment services. Its activities are limited compared to conventional banks, focusing solely on managing and distributing funds, without accepting demand deposits. BPR can only accept deposits in the form of time deposits, savings, or similar products, and its operations are restricted to within Indonesia. Additionally, BPR is prohibited from participating in clearing and foreign exchange transactions. In 2022, the Financial Sector Development and Strengthening Bill (RUU P2SK) changed the name of BPR from Bank Perkreditan Rakyat to Bank Perekonomian Rakyat. Research by Indria Widyastuti (2019) found that BPR significantly impacts the increase in revenue and net profit margins, although its role in financing is relatively small compared to commercial banks due to its limited capital. Factors affecting the effectiveness of credit distribution can come from both the government and the BPR itself.

Credit

According to Law No. 10 of 1998, credit is defined as the provision of money or equivalent claims based on a loan agreement between a bank and another party, where the borrower is obligated to repay the debt with interest within a specific period. Credit, in simple terms, refers to deferred payment, and the word originates from the Greek "Credere," meaning trust, which underlies the relationship between lender and borrower. Hasibuan, Kasmir, and Veithzal Rivai define credit as a loan to be repaid with interest, or the transfer of money, goods, or services under an agreement of repayment (Andrianto, 2020).

In banking, credit plays a vital role in supporting commercial activities by providing necessary funds to individuals and businesses. As per Law No. 10 of 1998, banks collect public funds through deposits and redistribute them to improve the community's standard of living. Banks must carefully manage credit to minimize risks and ensure loans are

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repaid, while providing adequate supervision of the credit facilities (Firnanda, 2022). The proper management of credit is crucial to prevent financial losses, as most banking risks stem from lending activities.

Interest from credit forms the primary revenue for banks, as defined by Law No. 10 of 1988, which mandates that borrowers repay their loans with interest within a specified time frame. The goals of credit include generating profit for the bank through interest, supporting customers' businesses, and assisting government programs by financing small and medium enterprises (Andrianto, 2020). Credit functions to increase the utility of money and goods, stabilize the economy, promote entrepreneurship, and enhance national income, while also facilitating international economic relations.

Non-Performing Loans

Non-performing loans (NPLs) refer to loans facing difficulties in repaying either the principal or interest, including penalties for delays (Andrianto, 2020). Generally, NPLs are high-risk loans that do not meet the quality standards set by banks (Arthesa et al., 2010). NPL risks stem from internal and external factors, either from the customer or the bank. Tampubolon (2004) notes that internal factors, such as loose credit standards, poor credit management, or the bank's failure to anticipate economic changes, are primary causes of NPLs. Internal factors also include misusing funds, business owner conflicts, and borrower negligence (Khatimah & Kasmiah, 2020). Additionally, borrower issues like family problems, wasteful spending, business failure, job loss, or unforeseen events like natural disasters can also lead to NPLs (Handayani & Nengsih, 2019). Rustam (2013) distinguishes between customers who can but refuse to pay and those unable to pay due to economic changes. Reducing NPL risk can be achieved by adjusting credit distribution based on economic changes, such as interest rates and GDP growth (Pertiwi et al., 2020).

RESEARCH FRAMEWORK

This research was conducted at PT. BPR Bank Boyolali (PERSERODA) which is a Regionally-Owned Enterprise (BUMD) in Boyolali Regency. The purpose of this study was to analyze the contractor credit procedure, handling of problematic credit on contractor credit and weaknesses of contractor credit. This research was conducted directly with the author who participated in carrying out the contractor credit procedure and conducted interviews with several employees who also took part in the contractor credit procedure.

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RESEARCH METHODS

The research methodology employs a qualitative approach, utilizing interviews and document analysis. Interviews will be conducted with the general credit department regarding contractor credit procedures and potential weaknesses. Additionally, previous contractor credit reports will be analyzed. The unit of analysis focuses on the general credit department, where the researcher will participate in discussions, observe credit procedures, and conduct interviews with relevant staff. Data collection involves both primary and secondary data. Primary data will be gathered through observations and interviews with key personnel such as account officers, credit supervisors, and the business director. Secondary data will come from existing company reports on contractor credit, excluding confidential client information. Data analysis will follow a descriptive technique, where similar data is grouped and interpreted to identify relationships between various aspects. The analysis will focus on credit procedures, contractor profiles, and loan eligibility, with findings presented in descriptive form or tables as necessary.

RESULTS

PT. BPR Bank Boyolali (PERSERODA) is a regional-owned enterprise (BUMD) in Boyolali Regency that aims to drive regional economic growth and development. The bank offers several financial products and services, including credit, savings, and other services. One of its key offerings is various types of credit, such as employee credit, general credit, and contractor credit. Employee credit is designed for ASN (civil servants) and non-ASN workers, with payments deducted directly from their salary as long as there is a formal agreement (MOU) between PT BPR Bank Boyolali and the relevant government office or employer. This type of loan includes various subtypes, including loans for civil servants, members of the TNI/Polri, DPRD members, and village officials.

The general credit option is available for business owners in Boyolali and surrounding areas, providing capital for expanding their businesses. This credit requires collateral, with a loan ceiling that does not exceed the appraised value of the collateral. The repayment period can extend up to 60 months. Contractor credit is offered specifically for contractors or developers who undertake government projects in Boyolali Regency. The maximum loan amount is 60% of the contract value, with additional guarantees if necessary. This credit facilitates contractors in securing working capital to complete infrastructure projects in the region, supporting regional development initiatives.

PT BPR Bank Boyolali plays an essential role in facilitating contractor credit, especially for those who may lack sufficient working capital despite having the

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qualifications to complete government projects. The bank carefully assesses the contractor's project value, track record, and payment sources to mitigate risks. Additionally, the bank monitors payment schedules and ensures that loan repayments are aligned with project progress, providing flexibility with installment or lump-sum payment terms based on the agreed contract.

However, there are certain risks associated with contractor credit, particularly regarding the reliance on document-based collateral such as SPK (Work Order) and SPMK (Work Start Order). This collateral structure poses a risk if the contractor defaults or abandons the project, as there is no tangible collateral to mitigate potential losses. PT BPR Bank Boyolali must address this vulnerability by strengthening its credit assessment and monitoring processes, ensuring the bank remains competitive with other financial institutions offering similar services.

DISCUSSION

PT BPR Bank Boyolali (PERSERODA) is committed to fostering regional economic growth through various financial products, including credit for contractors, which is designed to provide working capital to contractors based in Boyolali. This type of loan is critical for contractors who may have the qualifications to complete government projects but lack sufficient working capital. As a regional development bank, PT BPR Bank Boyolali aims to support infrastructure development through its contractor credit program, which is facilitated by project-based guarantees such as SPK (Surat Perintah Kerja) and SPMK (Surat Perintah Mulai Kerja). However, one weakness identified in this program is the reliance on document-based guarantees, which increases the risk of contractors defaulting on loans due to the absence of more tangible collateral.

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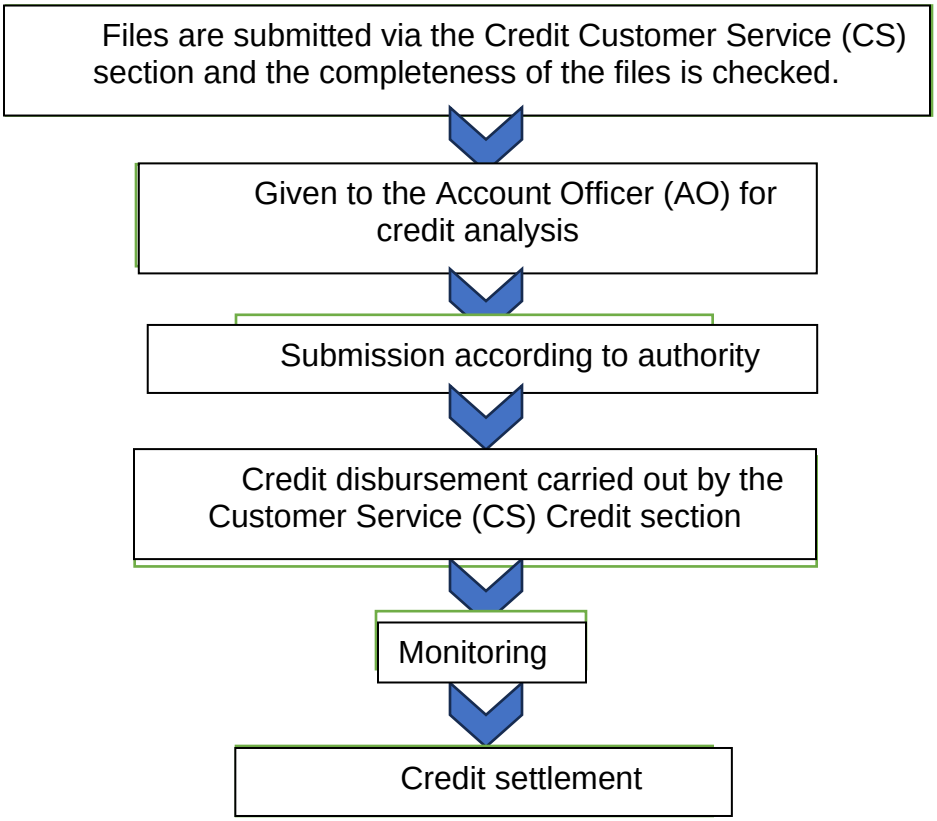

In the broader economic context, the role of banks in providing credit is vital for economic development. The ability of PT BPR Bank Boyolali to offer contractor credit aligns with its goal of stimulating local growth by helping contractors complete regional infrastructure projects. The bank actively monitors the progress of these projects via electronic procurement systems, which allows for better management of contractor performance and loan disbursement. This is in line with government regulations promoting electronic procurement for public projects to ensure transparency and accountability.

Despite these benefits, PT BPR Bank Boyolali faces challenges from other financial institutions offering similar contractor credit products, often with faster processing times. This competition underscores the importance of PT BPR Bank Boyolali addressing procedural inefficiencies to maintain its competitive edge in the local banking market. Additionally, the handling of problematic loans is an ongoing concern, especially when contractors fail to complete projects or default on payments. In such cases, the

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bank employs measures such as transferring the contractor loan to a general credit facility backed by more secure collateral.

The management of non-performing loans (NPLs) is a critical aspect of PT BPR Bank Boyolali's operations. When a contractor is unable to repay a loan, the bank follows a structured process involving loan restructuring, issuing warning letters, and, if necessary, liquidating collateral through public auctions. Strengthening the credit evaluation process and ensuring more robust collateral requirements could help mitigate the risk of loan defaults in the contractor credit program, ultimately reducing financial losses for the bank.

CONCLUSION

Based on the description in the results and discussion section, it can be concluded that PT BPR Bank Boyolali (PERSERODA) has a Contractor Credit product to facilitate contractors who have qualifications but lack capital. In providing this contractor credit, there are several aspects that must be considered, namely; project value with its loan percentage, contractor work history, terms taken, source of payment and purpose of payment. The credit provision procedures carried out include; incoming files and checking completeness, checking contractors, credit feasibility analysis, submission according to authority, credit disbursement, monitoring and repayment of credit. In handling problematic credit in Contractor Credit, PT BPR Bank Boyolali (PERSERODA) will transfer its credit to General Credit which uses collateral. If there are still problems, it will be handled in accordance with General Credit. Contractor Credit at PT BPR Bank Boyolali (PERSERODA) has 2 weaknesses, namely; weak collateral that only uses SPK and SPMK, and competitor risk.

RECOMMENDATION

PT BPR Bank Boyolali (PERSERODA) must implement prudent lending practices, especially given the relatively light collateral required for contractor credit, which relies only on SPK (Work Order) and SPMK (Work Start Order). The bank should be vigilant in thoroughly assessing the contractor's history to mitigate potential risks. Additionally, providing fast and accurate services is crucial. Fast service refers to expediting credit disbursement, as competitors often offer quicker processes, which may attract contractors away from PT BPR Bank Boyolali. Accurate service involves carefully selecting contractors to ensure the credit is given to the right recipients, thus minimizing the risk of bad debts or problematic loans.

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