



PEOPLE'S BUSINESS CREDIT PROVISION ACTIVITIES AT PT. BANK NAGARI BRANCH PASAR RAYA PADANG

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ABSTRACT

People's Business Credit (KUR) is a credit or financing scheme for Micro, Small, and Medium Enterprises (MSMEs) in the form of working capital and investment supported by guarantee facilities for productive and feasible businesses that have limitations in meeting the requirements set by banks. This study uses qualitative data methods, namely interviews from sources related to the author, observation through monitoring, and documentation to supplement the interview data. The results of the study show that the credit provision process at PT. Bank Nagari Pasar Raya Padang Branch begins with the submission of credit applications from prospective customers, followed by assessment and inspection, credit analysis phase, credit approval, and credit disbursement. This process aims to ensure the feasibility of a credit application, whether it is accepted or rejected. In determining credit feasibility, an in-depth assessment is consistently conducted at every stage.

Keywords: KUR, Micro Small and MediumEnterprises

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy, as they are capable of absorbing a large number of workers and contributing significantly to the Gross Domestic Product (GDP). This sector has proven to be resilient in facing various economic crises. However, the growth of MSMEs still encounters several constraints, particularly in terms of access to formal financing. The phenomenon of the financial gap remains one of the primary obstacles, whereby MSME actors possess business potential but have not yet met the technical banking requirements to obtain credit.

In response to this issue, the government has introduced the People's Business Credit (KUR) program, which aims to improve access to financing for MSMEs through interest subsidies and credit guarantees (Suginam, 2021). In its implementation, the role of regional banks is highly significant, particularly in reaching business actors at the local level. PT Bank



Nagari, as the Regional Development Bank of West Sumatra, holds a strategic function as an intermediary institution that is not only profit-oriented but also serves as an agent of regional economic development (Pratama, 2019).

One of the areas with high economic activity is Pasar Raya Padang, which serves as the main trading center in the City of Padang. The majority of business actors in this area are small traders characterized by rapid capital turnover and high working capital requirements. This condition makes Pasar Raya Padang both a potential and challenging location for credit distribution, particularly for KUR. Credit distribution in market areas contributes significantly to the bank's operational income due to the high demand for business capital among traders (Andayani et al., 2014).

In practice, the provision of KUR is inseparable from a rigorous credit analysis process, such as the application of the 5C principles (Character, Capacity, Capital, Condition, and Collateral). Despite the existence of government guarantees, credit risk remains a primary concern for banks. The challenges become more complex due to administrative limitations and the low level of financial literacy among MSME actors, such as the lack of separation between business and personal finances and the absence of business legality (Jurnal DPR RI, 2015).

On the other hand, well-targeted KUR distribution can have a positive impact on the local economy by increasing business capacity, income, and purchasing power. Research indicates that access to affordable credit can significantly enhance the scale of community businesses (Gustika, 2016). Based on the above explanation, this study aims to examine the activities of providing People's Business Credit (KUR) at PT Bank Nagari, Pasar Raya Padang Branch, including the distribution mechanism, implementation effectiveness, and the challenges encountered in the field

People's Business Credit (KUR)

People's Business Credit (KUR) is one of the government's policy instruments aimed at improving access to financing for Micro, Small, and Medium Enterprises (MSMEs). In general, credit is defined as the provision of money or claims equivalent to it, based on an agreement between a bank and another party, which obligates the borrower to repay the debt within a specified period along with interest (Kasmir, 2014).

More specifically, KUR is defined as credit or financing for working capital and/or investment provided to individual debtors, business entities, or business groups that are productive and feasible but do not yet have sufficient additional collateral. This program is supported by the government through interest subsidies and credit guarantees provided by guarantee institutions such as Jamkrindo and Askkrindo. In addition to being a banking product, KUR also has a socio-economic dimension as an instrument for community empowerment. According to Zameen (2013), KUR functions as a means to encourage MSME actors to enter the formal economic system and to enhance their capacity for sustainable business management.



Benefits of People's Business Credit (KUR)

According to (Kasmir 2014) and (Zameen 2013), credit is generally defined as the provision of money or an equivalent claim, based on an agreement or lending-borrowing contract between a bank and another party, which requires the borrower to repay their debt after a specific period with the addition of interest. In the context of KUR (People's Business Credit), this represents a specific form of working capital or investment credit provided to productive and viable individuals, business entities, or business groups that do not yet have sufficient additional collateral or are not yet "bankable."

The main benefits of KUR include:

1. Opening New Businesses KUR can be utilized to open new businesses that comply with regulations and possess good business potential. However, banks remain highly selective in granting KUR for this purpose, as there are no guarantees yet to ensure the business prospects of the customer's prospective venture.
2. Financing Production Processes Namely, it is used to finance production processes such as the purchase of raw materials and the financing of inventory for processing raw materials into finished goods.
3. Financing Distribution Processes Financing the distribution process also assists business actors in maintaining financial liquidity and generating higher profits for the smooth operation of their business.
4. Financing the Maintenance of Production Equipment With the acquisition of new tools or equipment, the production process is expected to become more efficient, thereby resulting in greater profits.

Objectives of People's Business Credit (KUR)

1. Enhancing access to financing for MSMEs and cooperatives.
2. Alleviating poverty through expanded employment opportunities.
3. Through KUR, the Government strives to provide easy access for MSMEs that are feasible (having a viable business) but not yet bankable (having no prior banking experience). These measures include the settlement of non-performing loans for MSME-K and the provision of credit up to IDR 500 million, focused on five business sectors: fisheries, agriculture and marine, forestry cooperatives, as well as industry and trade.

Principles of Credit Provision

In the distribution of credit, banks are required to apply the prudential banking principle in order to minimize the risk of non-performing loans. One of the approaches used is creditworthiness analysis through the application of the 5C and 7P principles.

a. The 5C Principles

The 5C principles are a method used by banks and financial institutions to evaluate the creditworthiness of prospective debtors before approving a loan. These principles help banks assess the borrower's ability and willingness to repay the credit, while also minimizing the



risk of bad loans. By applying the 5C principles, banks can make more accurate and responsible lending decisions.

These principles serve as the fundamental framework used by banks to evaluate the creditworthiness of a prospective debtor (Utara, S, 2020)..

1. **Character:** Assessing the nature, reputation, and honesty of the prospective debtor. The bank wants to ensure that the borrower has good intentions and the morality to repay their debt.
2. **Capacity:** Measuring the debtor's ability to repay the loan based on cash flow, income, and past business management.
3. **Capital:** Assessing the amount of net worth or equity owned by the debtor. The more personal capital invested in the business, the greater the debtor's commitment.
4. **Condition:** Analyzing macroeconomic situations, market trends, or government policies that could affect the debtor's business prospects in the future.
5. **Collateral:** Physical or non-physical guarantees provided to the bank. Its purpose is to serve as a safety net in the event of a default.

b. The 7P Principles

The 7P principles are one of the methods used by banks to analyze the feasibility of prospective debtors before granting credit. These principles aim to assess the debtor's capability, character, and business prospects so that the credit provided can run effectively with controlled risk. Through the application of the 7P principles, banks can determine whether a prospective debtor is eligible to receive a loan in accordance with the applicable requirements. The 7P approach complements the 5Cs with a broader perspective, covering specific classifications and purposes for the use of funds : Kashmir. (2014)..

1. **Personality:** An assessment of the debtor's daily behavior and lifestyle. This is similar to *Character* but goes deeper into social aspects and personality traits.
2. **Party:** Categorizing debtors into specific groups based on loyalty, capital, and character to determine the most appropriate credit facilities.
3. **Purpose:** Identifying the exact purpose of the credit (whether for working capital, investment, or consumption). Banks aim to prevent the misuse of funds for high-risk activities.
4. **Prospect:** Assessing whether the business sector being financed has a bright future or is currently in a declining phase.
5. **Payment:** Analyzing the source of funds that will be used to pay the installments (e.g., business profits, salary, or asset liquidation).
6. **Profitability:** Assessing the business's ability to generate profit. Higher profitability indicates a more guaranteed repayment capacity.
7. **Protection:** Forms of additional protection beyond collateral, such as life insurance for the debtor or insurance for goods/businesses to protect the bank from unforeseen risks.



Procedures for Granting People's Business Credit (KUR)

People's Business Credit (KUR) is an Indonesian government program that provides credit assistance and low interest rates to micro, small, and medium-sized enterprise (MSME) debtors to support their business development (Mitan et al., 2021). Assessment and verification stage, including interviews, field surveys, and examination of business documents.

1. Credit analysis stage, utilizing the 5C principles to assess the feasibility of the debtor.
2. Credit decision stage, involving the approval or rejection of the credit application.
3. Credit disbursement stage, conducted after all requirements have been fulfilled.
4. Monitoring stage, to ensure that the credit is used in accordance with its intended purpose and that repayments are made smoothly.
5. Credit repayment stage, which involves the settlement of the loan by the debtor in accordance with the agreement.
6. This procedure indicates that credit provision is not solely focused on the disbursement of funds but also on supervision and risk control.

RESEARCH METHODS

KUR Credit Granting Procedures This procedure is a series of stages that both the bank (as the lender) and the customer (as the debtor) must undergo to ensure the fulfillment of the prudential banking principle. Main Stages:

1. Application: The customer submits a loan application accompanied by identity documents (ID Card, Family Card), business legality (NIB or Business Certificate), and other supporting documents.
2. Verification & Interview: The bank conducts document authenticity checks and initial interviews to understand the purpose of the credit and the customer's business history.
3. Field Survey (On-the-Spot): Bank officers conduct a physical visit to the business location to ensure the business is existing, productive, and eligible for government subsidies.
4. Credit Analysis (5C): The bank performs an in-depth assessment using the 5C principles:
5. Character: The debtor's honesty, integrity, and reputation.
6. Capacity: The ability to generate cash flow to repay installments.
7. Capital: The debtor's personal equity and financial condition.
8. Condition: Future business prospects and market trends.
9. Collateral: Guarantees or assets provided as security (if required).
10. Credit Decision: The credit committee decides whether the application is approved, rejected, or approved with an adjusted credit limit.
11. Disbursement: Funds are transferred to the customer's account after signing the credit agreement to be used according to its intended purpose.



Calculation of KUR Distribution Growth

Growth analysis is used to determine the extent of increase (or decrease) in the volume of credit distribution from one period to the next.

Growth Rate Formula:

$$\text{Growth} = \frac{V_t - V_{t-1}}{V_{t-1}} \times 100\%$$

Component Descriptions:

V_t : The value or volume of distribution in the current year or period.

V_{t-1} : The value or volume of distribution in the previous year or period.

Simulation Example:

If PT Bank X distributed Rp100 Billion in KUR in 2023, and it increased to Rp125 Billion in 2024, the calculation would be:

$$\text{Growth} = \frac{125 - 100}{100} \times 100\%$$

Interpretation:

1. Positive Result (+): Indicates business expansion or growth. This reflects strong bank performance in reaching out to MSME actors.
2. Negative Result (-): Indicates a contraction or decrease in distribution. This could be caused by tightened credit requirements, a sluggish economic climate, or the achievement of set targets.

Data Analysis Method

This study employs a qualitative approach with a descriptive method to obtain an in-depth understanding of the procedures and activities involved in the provision of People's Business Credit (KUR) at PT Bank Nagari, Pasar Raya Padang Branch. The research location was selected purposively because the branch demonstrates a significant level of KUR distribution activity to Micro, Small, and Medium Enterprises (MSMEs), particularly those operating in the traditional market area. The study focuses on the procedures for granting KUR, including the stages of credit application, document verification, field survey, credit analysis, credit approval, disbursement, monitoring, and repayment. In addition, the research also examines the calculation of KUR growth by analyzing the increase or decrease in the number of borrowers and the total amount of credit distributed during a certain period. The data used in this research consist of primary and secondary data. Primary data were obtained through interviews with bank employees and direct observation of the KUR distribution process, while secondary data were collected from company documents, reports, archives, and relevant literature studies. Data collection techniques include interviews, observation, documentation, and literature review. Data analysis was carried out using a descriptive qualitative approach through the stages of data reduction, data presentation, and conclusion.

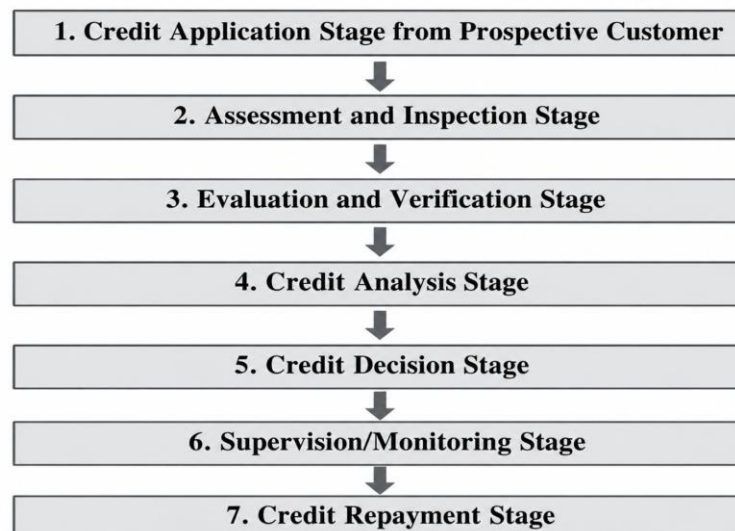


drawing. To support the analysis of KUR growth, the researcher also used simple percentage calculations to compare the level of credit distribution between periods. Furthermore, the validity of the data was ensured through source triangulation and technique triangulation methods.

RESULTS AND DISCUSSION

The results of the study indicate that the activities involved in the provision of People's Business Credit (KUR) at PT Bank Nagari, Pasar Raya Padang Branch are carried out through several systematic stages, namely the application stage, assessment and verification, credit analysis, credit decision, disbursement, monitoring, and credit repayment. These stages are in line with the theoretical framework of credit granting procedures, which emphasizes the importance of pre-disbursement analysis to minimize the risk of non-performing loans (Kasmir, 2014).

At the application stage, prospective debtors are required to complete administrative documents such as identification, business legality, and collateral. This stage serves as an initial screening process in determining the feasibility of the credit application. Furthermore, during the assessment and verification stage, the bank conducts interviews and field surveys to ensure the accuracy of the data and the condition of the debtor's business. This is consistent with the prudential banking principle in credit distribution, which highlights the importance of validating debtor information (Pratama, 2019).



**Picture 1. Stages of People's Business Credit (KUR) Provision
Activities at PT Bank Nagari**



Stages of People Business Credit (KUR) Provision at PT Bank Nagari

1. **Application Stage** Prospective debtors (MSME entrepreneurs) visit the nearest PT Bank Nagari branch office to fill out the credit application form. At this stage, customers must complete administrative requirements, including their ID Card (KTP), Family Card (KK), and Business Certificate (SKU) or Business Identification Number (NIB).
2. **Document Verification Stage** Bank officers (typically Credit Administrators or Account Officers) verify the completeness and authenticity of the submitted documents. The bank checks the prospective debtor's credit history through **SLIK (Financial Information Service System)** from the OJK to ensure the customer has no problematic loans at other financial institutions.
3. **On-the-Spot Survey Stage** Bank officers conduct a direct visit to the customer's business location and residence. The goal is to physically verify that the business exists, is operating well, and has the potential to grow.
4. **Credit Analysis Stage** The bank conducts an in-depth assessment using the **5C principles** (Character, Capacity, Capital, Condition, and Collateral). The primary focus is on **Capacity** (repayment ability), where the bank calculates the customer's business cash flow to determine the appropriate credit limit.
5. **Credit Decision Stage** The results of the analysis are submitted to the bank officials authorized to approve credit (the Credit Committee). The decision may result in the application being **approved, rejected, or approved with adjustments** (e.g., a lower loan amount than initially requested).
6. **Contract Signing Stage** Once approved, the debtor is invited to the bank to sign the Credit Agreement (Akad). At this stage, the customer's rights and obligations, interest rates, loan term (tenor), and penalties for late payments are explained.
7. **Disbursement Stage** After the contract is signed, the credit funds are transferred directly to the customer's savings account at PT Bank Nagari. The funds are then ready to be used as working capital or for business investment.
8. **Monitoring Stage** After the funds are disbursed, the bank continues to oversee the account. PT Bank Nagari monitors the use of the funds and the regularity of the customer's installment payments to minimize the risk of non-performing loans (NPL). At the credit analysis stage, the 5C principles (Character, Capacity, Capital,

Condition, and Collateral) are applied to assess the debtor's ability and feasibility in repaying the loan. The implementation of these principles represents a standard approach in credit analysis to reduce the risk of default (Kasmir, 2014). The results of this analysis serve as the basis for credit decision-making, determining whether the application is approved or rejected.

At the disbursement stage, credit is granted to the debtor after all requirements have been declared complete and valid. Following disbursement, the bank conducts periodic monitoring to ensure that the funds are utilized according to their intended purpose and that installment payments are made smoothly. This monitoring process is essential for maintaining credit quality and anticipating potential non-performing loans (Suginam, 2021).



Based on the data obtained, there has been a decline in the outstanding loan balance during the 2023–2025 period.

**Table 1. Growth Rate of People’s Business Credit (KUR)
at PT Bank Nagari, Pasar Raya Branch for the 2023–2025 Period**

Year	Total Amount of People’s Business Credit (KUR)	Growth	Persentase (%)
2023	84.974.838.158	0	0
2024	76.182.018.122	8.792.820.036	10,35
2025	59.093.464.272	17.088.553.850	22,43

Source: PT Bank Nagari, Pasar Raya Padang Branch, processed data

Based on the table above, there is a clear downward trend in the credit volume each year. In 2023, the recorded amount was IDR 84,974,838,158, which then decreased in 2024 to IDR 76,182,018,122 (a decline of 10.35%), and further declined in 2025 to IDR 59,093,464,272 (a decline of 22.43%). This decrease indicates a significant contraction in credit distribution.

In terms of discussion, this decline may be caused by several factors, including an increase in loan repayments by customers, the bank’s prudential lending policies, and the economic conditions of UMKM actors in the Pasar Raya Padang area, which affect credit demand. This is consistent with Andayani et al. (2014), who stated that credit distribution is strongly influenced by business sector economic conditions and market demand.

In addition, low financial literacy and administrative constraints among UMKM actors also serve as barriers to new credit applications. This finding aligns with the study of the Indonesian House of Representatives (DPR RI, 2015), which highlights that administrative limitations and insufficient financial understanding are major factors restricting UMKM access to financing.

On the other hand, the strict implementation of credit procedures and prudential banking principles shows that Bank Nagari is committed to maintaining credit quality and minimizing the risk of non-performing loans. However, this condition also leads to a decrease in credit distribution if it is not balanced with effective expansion strategies. Therefore, innovation in services is needed, such as proactive outreach approaches and simplification of administrative processes, to improve UMKM access to financing (Gustika, 2016).

Thus, the provision of KUR at PT Bank Nagari, Pasar Raya Padang Branch has been implemented in accordance with established procedures; however, it still faces challenges in optimizing credit distribution. This highlights the importance of balancing prudential banking principles with efforts to enhance financial inclusion for UMKM.



CONCLUSION

Based on the results of the study, it can be concluded that the People's Business Credit (KUR) program is a government instrument designed to assist MSMEs in overcoming capital limitations through interest subsidies and credit guarantees. PT Bank Nagari, Pasar Raya Padang Branch, plays an important role as a development agent in distributing KUR to business actors in traditional market areas, although it still faces constraints such as low financial literacy and administrative limitations.

Operationally, KUR provision activities have been implemented through systematic procedures with the application of prudential banking principles, particularly the 5C analysis, to maintain credit quality. With the support of service innovations such as proactive outreach strategies, KUR distribution is expected to enhance the scale of traders' businesses and promote more inclusive regional economic growth.

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