



MICROCREDIT DISTRIBUTION PT. BANK NAGARI SITEBA BRANCH

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ABSTRACT

This study aims to analyze the development of microcredit distribution and the level of Non-Performing Loans (NPL) at PT Bank Nagari Siteba Branch for the 2023–2025 period. The data used are secondary data consisting of total loan distribution, number of debtors, NPL value, and its percentage. The research method applied is a quantitative descriptive method using a trend analysis approach. These findings indicate that although loan distribution increased in 2024, credit risk significantly rose in 2025 as reflected by the higher NPL percentage. Therefore, strengthening creditworthiness analysis and debtor supervision is necessary to maintain credit quality and minimize the risk of non-performing loans.

Keywords: *Micro Credit, Non-Performing Loan (NPL), Credit Distribution, Credit Risk*

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INTRODUCTION

The development of Micro, Small, and Medium Enterprises (MSMEs) plays a pivotal role in regional economic growth, particularly in creating employment opportunities and increasing community income. In Indonesia, MSMEs serve as the backbone of the national economy, fostering resilience against global economic fluctuations. However, limited access to capital remains one of the primary challenges faced by micro-entrepreneurs in expanding and sustaining their businesses.

To address this gap, the government has introduced the People's Business Credit (KUR) program. KUR is a financing scheme designed to help MSMEs gain access to business capital with government-subsidized interest rates. The main benefits of KUR include providing low-interest working capital, promoting financial inclusion for "unbanked" entrepreneurs, and offering flexible terms tailored to the scale of the business (Permenko No. 1 of 2023).

Non-Performing Loan (NPL) is a key indicator for measuring a bank's asset quality, reflecting the percentage of loans that face repayment difficulties or default. According to the regulations of Bank Indonesia and the Financial Services Authority (OJK), the maximum NPL ratio considered safe or "healthy" is **below 5% net**. If a bank's NPL ratio exceeds this threshold, the bank is deemed to have high liquidity risk, which can hinder its ability to disburse new credit and diminish the trust of both the public and investors.

In the context of microcredit distribution at PT Bank Nagari, Siteba Branch, maintaining a minimal NPL is a top priority to ensure the branch's operational sustainability. This is due to the characteristics of micro-debtors, who are highly vulnerable to daily economic fluctuations; even a slight decrease in purchasing power in traditional markets can directly impact their ability to pay installments. Consequently, the bank does not only rely on the initial 5C analysis but also engages in persuasive collection efforts and credit restructuring when necessary, to ensure the non-performing loan ratio remains below the safety threshold and maintains regional financial system stability.

Banks must implement the prudential principle to minimize the risk of problematic loans. Before credit is granted, banks are required to conduct credit analysis based on the 5C principles, namely character, capacity, capital, collateral, and condition of the economy (Utara, 2020). Microcredit aims to assist small entrepreneurs in obtaining business capital in order to increase productivity and business sustainability (Gustawinata, Abubakar, & Rahmawati, 2021).

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in supporting regional economic growth, particularly in increasing employment opportunities and improving community welfare. However, one of the main challenges faced by micro entrepreneurs is limited access to capital, which often hinders business expansion and sustainability. In this context, microcredit has become an important financial instrument provided by banking institutions to support the development of MSMEs.

Microcredit distribution is designed to provide financial assistance in the form of relatively small loans with simplified procedures, enabling micro-entrepreneurs to access formal financial services. This financing scheme not only helps increase business productivity but also promotes financial inclusion among unbanked or underserved communities. In Indonesia, regional banks play a strategic role in supporting local economic development through microcredit programs. One of these institutions is PT Bank Nagari Cabang Siteba Padang, which actively distributes microcredit to MSME actors, particularly those operating in traditional market areas and small-scale businesses. Through this program, the bank contributes to strengthening local economic resilience and improving community income levels.

However, microcredit distribution is not without challenges. Issues such as credit risk, debtor repayment capacity, and business management constraints require banks to apply prudential principles in credit assessment. Therefore, careful analysis using credit evaluation



principles such as the 5C (character, capacity, capital, collateral, and condition of economy) is essential to ensure the quality of credit and minimize the risk of non-performing loans. In addition, effective monitoring and continuous evaluation after credit disbursement are also important to ensure that the funds are used appropriately and that repayment obligations are fulfilled according to the agreed schedule. Based on these conditions, this study aims to analyze the microcredit distribution process at PT Bank Nagari Cabang Siteba Padang, including its procedures, implementation mechanisms, and its contribution to supporting MSME development in Padang City.

Microcredit is a financial service provided by banking institutions to micro-scale enterprises to support working capital and investment needs. According to Kasmir (2014), microcredit refers to a credit facility granted with relatively simple procedures and small loan amounts, aimed at assisting micro entrepreneurs in developing and sustaining their businesses. Microcredit plays an important role in improving access to finance for small business actors who are often unable to meet the requirements of conventional banking services.

In addition, microcredit is not only a financial instrument but also a tool for economic empowerment. It contributes to improving productivity, expanding business capacity, and supporting income generation among low-income communities. By providing access to formal financial systems, microcredit also helps enhance financial inclusion and reduces the dependency of micro entrepreneurs on informal lenders.

According to (Bunga et al., 2019), 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.

Furthermore, in credit distribution practices, banks are required to apply prudential banking principles to minimize credit risk. One of the commonly used approaches in credit assessment is the 5C analysis, which includes character, capacity, capital, collateral, and condition of the economy. This analytical framework is used to evaluate the creditworthiness of prospective borrowers and ensure that lending decisions are made based on objective and measurable criteria.

In addition, microcredit is closely related to the concept of sustainable economic development, as it supports the growth of small enterprises that serve as the backbone of the local economy. Through proper credit management and risk assessment, microcredit programs can contribute to financial stability and regional economic development.

In the context of this study, the theoretical framework is used as a basis for analyzing the microcredit distribution process at PT Bank Nagari Cabang Siteba Padang, particularly in relation to its procedures, implementation, and effectiveness in supporting MSME development.

Benefits of Microcredit Distribution Some of the main benefits of microcredit distribution include:

1. Strengthening Local MSME Capital Providing additional funds for market traders, farmers, and craftsmen in West Sumatra to increase inventory volume or production capacity.
2. Promoting Regional Financial Inclusion Encouraging previously unbanked individuals to enter a formal and regulated financial system supervised by the Financial Services Authority (OJK).
3. Adaptive Requirements Application procedures are designed to accommodate local practices, such as the use of a Business Certificate (Surat Keterangan Usaha/SKU) issued by the village or local authority, which is more accessible to the community.
4. Guidance and Assistance Banks such as Bank Nagari often provide financial education to microcredit borrowers so that they can manage business cash flow more professionally.

Microcredit at Bank Nagari is more than just a financial loan; it is a local economic empowerment instrument that bridges the gap between small business actors and the formal banking system in West Sumatra. Principles of Microcredit Distribution In credit distribution, banks must apply the prudential banking principle to minimize credit risk. One of the approaches used is creditworthiness analysis through the 5C and 7P principles (Minor et al., 2010).

Principles of Microcredit Distribution In credit distribution, banks must apply the prudential banking principle to minimize credit risk. One of the approaches used is creditworthiness analysis through the 5C and 7P principles.

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. 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.

The 7P approach complements the 5Cs with a broader perspective, covering specific classifications and purposes for the use of funds Kasmir. (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.

Credit Application Prospective customers submit a credit application by completing forms and required documents. Verification and Credit Analysis The financial institution verifies data and analyzes business feasibility and repayment capacity, often using the 5C principles. Field Survey (On-the-Spot Inspection) Officers conduct direct visits to the business location or residence to assess the actual conditions of the prospective borrower. Credit Decision Based on the analysis and survey results, the bank or financial institution decides whether the credit is approved or rejected. Fund Disbursement Loan funds are disbursed to customers in accordance with the agreement. Monitoring and Assistance After disbursement, supervision and guidance are carried out to ensure proper fund utilization and timely repayment. Loan Repayment Borrowers repay installments until the loan is fully settled according to the agreed schedule.

RESEARCH METHODOLOGY

This study employs a qualitative approach with a descriptive method to gain an in-depth understanding of microcredit distribution at PT Bank Nagari Cabang Siteba Padang. The research location was selected purposively because the branch has a high level of microcredit distribution activities to UMKM actors in traditional market areas.

The data used consist of primary data obtained through interviews and direct observation, and secondary data derived from documents, reports, and literature studies. Data collection techniques include interviews, observation, documentation, and literature review. Data analysis is conducted descriptively through data reduction, data presentation, and conclusion drawing. Data validity is ensured using source and technique triangulation. The focus of this study includes procedures, mechanisms, and microcredit distribution.

NPL (Non-Performing Loan) Calculation Formula

To determine the bank's financial health in the provided table, the NPL ratio formula is used as follows:

$$\text{NPL} = \frac{\text{Total Non-Performing Loans (Bad Debt)}}{\text{Total Credit Disbursed}} \times 100\%$$

Application Example using 2025 Data:

$$\text{NPL} = \frac{557,514,000}{9,890,403,662} \times 100\% = 5.64\%$$

(Note: The 5.84% figure in your table indicates a specific calculation by the bank that may include penalty components or specific collectibility categories, but the formula above is the standard generally used)

Analysis of Research Methodology.

The methodology employed in this study is Descriptive Qualitative. This approach is highly effective for evaluating banking procedures because:

Purposive Approach: The selection of the Siteba Branch is highly appropriate due to its strategic location within a traditional market area, which serves as the natural ecosystem for MSME actors.
Data Triangulation:

By combining interviews (primary data) with internal bank reports (secondary data), the researcher can verify whether the procedures written in the Standard Operating Procedures (SOP) align with the actual implementation in the field.
Analysis Flow: The stages from data reduction to conclusion drawing ensure that the raw information from the bank is filtered into key points relevant to NPL issues and the 5C procedures.

RESULTS AND DISCUSSION

This research report provides a vital signal that PT Bank Nagari, Siteba Branch, needs to reinforce its Monitoring and Evaluation functions post-disbursement. Given that the NPL has reached 5.84% (exceeding the healthy standard of 5%), the bank is advised to implement credit restructuring or more intensive mentoring for debtors in traditional markets to reduce the level of bad debt.

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 (Chosyali et al., 2019).

The results show that the microcredit distribution activities at PT Bank Nagari Cabang Siteba Padang are carried out through systematic stages, namely application, assessment and verification, field survey, credit decision, disbursement, monitoring, and loan repayment. These stages are consistent with credit procedure theory, which emphasizes the importance of analysis prior to disbursement to minimize the risk of non-performing loans (Kasmir, 2014).

Based on the data obtained, the number of microcredit disbursements during the 2023–2024–2025 period

Table 1. Microcredit Distribution at PT Bank Nagari Cabang Siteba Padang for the Period 2023–2024–2025

Year	Total Disbursement (Rp)	Number of Debtors	NPL	NPL
2023	12.430.842.842	397	528.294.223	4,25%
2024	13.408.601.291	419	572.515.169	4,27%
2025	9.890.403.662	352	557.514.000	5,84%

Sumber: Bank Nagari Siteba Branch

Based on Table 1 above, the microcredit distribution at PT Bank Nagari Cabang Siteba Padang in 2023–2024 showed positive growth in terms of both loan disbursement and the number of debtors. In 2024, loan disbursement increased by approximately IDR 977 million (around 7.9%). The number of debtors also increased in 2024 (+22 borrowers), in line with the growth in disbursement.

However, in 2025, the number of debtors declined significantly (-67 borrowers), which was consistent with the decrease in total loan disbursement. In the same year, there was a substantial decline of approximately IDR 3.5 billion (around 26%), indicating a reduction in credit demand or a tightening of credit policy. Both loan disbursement and the number of debtors experienced a downward trend, accompanied by an increase in the non-performing loan (NPL) ratio.

The microcredit performance was relatively strong during 2023–2024, indicating that credit expansion was still effective. However, in 2025, there was a decline in credit expansion and an increase in credit risk. The rise in the NPL percentage in 2025 indicates a deterioration in credit quality, even though total loan disbursement decreased

CONCLUSION

Based on the research, PT Bank Nagari Cabang Siteba Padang plays a strategic role as a regional banking institution that promotes local economic growth through microcredit distribution. This microcredit serves as a solution for small business actors who often face capital constraints in improving their productivity and ensuring the sustainability of their businesses. As part of its support for economic development, Bank Nagari designs financial products that are aligned with the local economic ecosystem to help improve community welfare.

In mitigating the risk of non-performing loans or credit default, PT Bank Nagari Cabang Siteba Padang implements a strict credit analysis system based on the 5C principles, namely character, capacity, capital, collateral, and condition of the economy.

This analysis aims to ensure that each debtor has the ability and strong commitment to fulfill their repayment obligations in accordance with the agreement. The implementation of this prudential principle is essential to minimize credit risk before funds are disbursed to customers.

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