



ANALYSIS OF FACTORS INFLUENCING BAD DEBT AT PT. BANK PEREKONOMIAN RAKYAT RAGA DANA SEJAHTERA

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ABSTRAK

This study aims to identify and analyze the factors influencing non-performing loans at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera. The research method used is descriptive with quantitative and qualitative approaches through data collection through observation, interviews, and documentation. The results show a -23,93% increase in non-performing loans in 2020-2021, a 29,34% decrease in 2021-2022, and a -2,59% increase in non-performing loans in 2022-2023.

Keywords: *Non-Performing Loans, Bad Debt, Bank Perekonomian Rakyat*

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INTRODUCTION

The banking sector plays a vital role in supporting country's economy. In Indonesia, banking is not limited to commercial banks, but also to the People's Economic Bank (BPR), which has a more limited scope of activities but is oriented towards lower-middle class communities and the micro, small, and medium enterprise (MSME) sector. The existence of the People's Economic Bank significantly assists communities not yet covered by commercial banks, particularly in providing people's business loans, microfinance, and public savings with simpler procedures. However, the main activity of the People's Economic Bank in disbursing credit to the public is not free from various risks, especially credit risk. One clear manifestation of credit risk is the emergence of problem loans, often referred to as non-performing loans (NPL).

The banking industry currently faces increasingly complex challenges due to intense competition, demands for improved performance, and evolving business risks. Banks are required to increase credit distribution as their primary source of revenue, while maintaining prudent principles to maintain credit quality. Increasing credit distribution without adequate credit analysis can increase the risk of non-performing loans. In this regard, supervision and regulation by the Financial Services Authority (OJK) play a crucial role in maintaining

banking system stability. High levels of non-performing loans not only impact bank profitability but can also undermine public trust in banking institutions.

Bank *Perekonomian Rakyat* (BPR) is a banking financial institution that carries out business activities conventionally or based on shariaprinciples, but does not provide services in payment transactions. According to Law Number 10 of 1998 concerning Banking, Bank *Perekonomian Rakyat* has a more limited business scope compared to general banks, but play an important role in supporting financing for micro, small and medium enterprises (MSME).

Kasmir (2018) stated that Bank *Perekonomian Rakyat* functions as a financial intermediary institution that collects funds from the public in the form of deposits and distributes them back to the community in the form of credit, particularly to the small and medium economic sector. Thus, bank *Perekonomian Rakyat* holds a strategic position in driving regional economic growth. Dendawijaya (2019) added that the main characteristic of Bank *Perekonomian Rakyat* lies in its closeness to local communities, thus providing and advantage in understanding the characteristics and needs of debtors. However, limited capital and human resources also make Bank *Perekonomian Rakyat* more vulnerable to credit risks, particularly bad debts.

Credit is essentially a financial facility that allows an individual or business entity to borrow money or purchase goods in cash with a promise to repay the money in the future. The term is rooted in the Greek word *credere*, meaning trust, because the granting of such loans is based on the lender's belief that the debtor will be able to repay their obligations within the agreed timeframe. In practice, borrowers are typically charged interest as a reward for the use of these funds, and often include collateral or security as a form of protection for the lender in the event of default.

Bad debts is a condition in which a debtor is unable to fulfill their obligation to pay principal and interest installments according to the agreed schedule. High levels of bad debt can be an indicator of weak risk management and oversight. For Bank *Perekonomian Rakyat* (BPR), an increase in non-performing loans will directly impact liquidity, profitability, and public trust in the institution. Therefore, analyzing and understanding the factors influencing non-performing loans is crucial for the sustainability and stability of BPR (Marshal Aditya Fahrozi and Afif Musthafa, 2025).

Factors that can influence the occurrence of bad debt can stem from various aspects, both internal and external. Internal factors include credit management policies, debtor creditworthiness analysis, credit officer analytical skills, monitoring systems, and collection policies. Meanwhile, external factors can include macroeconomic conditions, interest rate changes, the debtor's business stability, and social factors such as debtor dishonesty in using loan funds.

PT. Bank *Perekonomian Rakyat Raga Dana Sejahtera*, a financial institution focused on financing the public and small businesses, also faces the problem of non-performing loans. The occurrence of non-performing loans is thought to be influenced by various factors, such as the accuracy of credit analysis, the character and capacity of the debtor, and the effectiveness of post-credit disbursement supervision. Weak credit monitoring is one of the main causes of the increase in non-performing loans at PT. Bank *Perekonomian Rakyat Raga Dana Sejahtera*.

Furthermore, increasingly fierce economic conditions and business competition have also worsened debtor's ability to meet their obligations. If non-performing loans are not



optimally managed, this can impact the decline in financial performance and the bank's soundness level in accordance with the provisions stipulated by Bank Indonesia. Therefore, this study is important to analyze the factors influencing non-performing loans at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera as a basis for formulating more effective credit management policies.

Bad Credit

Non-performing loans are a form of problematic credit that occurs when a debtor is unable to fulfill their obligations under the credit agreement. Non-performing loans are an important indicator in assessing asset quality and bank health. According to Dendawijaya (2019), non-performing loans are loans that experience difficulty in repayment due to deliberate factors or circumstances beyond the debtor's control. This definition indicates that non-performing loans can be caused by internal factors, such as the debtor's inability to manage their business, or external factors, such as worsening economic conditions.

A non-performing loan is a loan for which the principal and interest cannot be repaid according to the established schedule, potentially resulting in losses for the bank. In banking practice, non-performing loans are categorized as non-performing loans (NPL). A loan is considered non-performing if its collectibility falls into the substandard, doubtful, or loss categories.

According to Siamat (2017), non-performing loans reflect a bank's failure to manage credit risk and can directly impact its performance and health. Non-performing loans not only harm banks financially but also erode public trust in banking institutions. Furthermore, non-performing loans require banks to establish larger loss reserves, thereby reducing profits.

Causes of Bad Credit

In the banking context, non-performing loans fall under the category of problematic loans, which can undermine a bank's health by impacting asset quality, liquidity, and profitability. According to Kasmir, non-performing loans arise from a mismatch between the debtor's ability to repay the loan and its obligations, both due to internal and external factors. One of the main causes of bad debt stems from internal bank factors. This factor relates to weaknesses in the credit analysis and granting process, such as the suboptimal application of prudential principles and creditworthiness analysis. Inadequate credit analysis of the debtor's character, capacity, capital, collateral, and business conditions can lead to errors in credit decision-making. Furthermore, weak post-credit supervision and monitoring also contribute to bad debt, as banks are unable to detect problems faced by debtors early. Inappropriate credit policies and a lack of human resource competency in credit management also increase the risk of bad debt.

In addition to internal factors, external factors originating from the debtor also play a significant role in the occurrence of bad debts. These factors include poor debtor character, such as low commitment to meeting loan repayment obligations and weak managerial skills in running a business. Debtors who lack proper financial planning tend to have difficulty managing cash flow, potentially leading to loan delinquency. Misuse of loan funds is also a frequent cause of bad debts, as the funds do not generate sufficient income to repay the loan.

Bad Debts Resolution Techniques

Credit resolution techniques aim to minimize bank losses while providing debtors with the opportunity to improve their business conditions and meet their credit obligations. Some commonly use bad debt resolution techniques are as follows.

1. Collection and Persuasive Approach
In the initial stage, the bank communicates directly with the debtor to determine the cause of the payment arrears. This approach involves visits, warning letters, and in-person meetings between the bank and the debtor.
2. Credit Restructuring
Credit restructuring is an effort to improve credit terms to suit the debtor's capabilities. Forms of credit restructuring include rescheduling, reconditioning, and restructuring.
3. Acquisition and Settlement Through Collateral
Collateral enforcement is carried out as an effort to minimize bank losses. However, in carrying it out, banks must still consider legal aspects, the economic value of the collateral, and the costs incurred during the settlement process.
4. Settlement of Bad Debt Through Legal Channels
This resolution is undertaken if all non-litigation efforts fail to demonstrate good faith. Legal action can be pursued through civil lawsuits, collateral auctions, or other legal mechanisms in accordance with applicable regulations.

The following is the number of non-performing loans at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera for the 2020-2023 period.

**Table 1. Number of Bad Loans
PT. Bank Perekonomian Rakyat Raga Dana Sejahtera
Period 2020-2023
(In Rp. 000)**

No	Year	Number of Bad Loans
1	2020	1.471.601
2	2021	1.119.442
3	2022	1.447.924
4	2023	1.410.464

Source: PT. Bank Perekonomian Rakyat Raga Dana Sejahtera

In table above, in 2020 the number of non-performing loans was Rp. 1.471.601.000, then in 2021 it decreased to Rp. 1.119.442.000, and in 2022 it increased again to Rp. 1.447.924.000, then in 2023 it decreased to Rp. 1.410.464.000.



RESEARCH METHODS

In conducting the research, the author used a descriptive qualitative method, where this method combines research taken from the field and libraries.

1. Field Research

Direct research on the object in question by examining the data obtained. This research can help the author complete the necessary data by conducting interviews with the relevant parties.

2. Library Research

This is research conducted by looking at and reading previous research references found in the library.

Data Analysis Methods

In analyzing the data, the author used a qualitative descriptive method to explain the factors that influence bad debt at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera. In addition, the author also used a growth analysis method to determine the increase and decrease in non-performing loans (NPL) from year to year. This analysis was carried out by comparing the amount of NPL in each period so that the development of problematic credit could be measured clearly.

The measurement of growth was calculated using the following formula:

In the main calculation:

$$\text{Non-Performing Loan Growth Rate(\%)} = \frac{N_t - N_{t-1}}{N_{t-1}} \times 100\%$$

This measurement aims to determine the percentage increase or decrease in non-performing loans occurring each year, so that the company's credit condition can be analyzed more effectively.

RESULTS AND DISCUSSION

Factors Influencing the Occurrence of Bad Debt

Bad debts don't happen suddenly, but are influenced by various interrelated factors. According to Siamat (2017), the causes of bad debts can be classified into internal bank factors and external factors.

1. Internal Bank Factors

Internal factors originate from within the bank's management and operations. Kasmir (2018) cites several internal factors, including weak credit analysis, a lack of post-credit oversight, and a lack of firmness in implementing prudential banking principles. Furthermore, the quality of human resources also has a significant impact. Inexperienced loan officers can make errors in assessing a debtor's business viability. Dendawijaya (2019) emphasized that weaknesses in a bank's internal control system can increase the potential for bad debts.

2. External Bank Factors

External factors are causes of bad debt that originate outside the bank, particularly those related to the debtor and the business environment. These factors are generally beyond the bank's direct control, but they have a significant impact on the debtor's ability to meet their loan repayment obligations.

According to Kasmir (2018), bad loans are not only caused by bank weaknesses but are also significantly influenced by debtor conditions and an unstable business environment. This suggests that even if a bank has conducted a credit analysis, changes in external conditions can still lead to problematic loans.

Types of Credit According to Collectibility

Credit types according to collectibility are current (performing loans) and non-performing (non-performing loans). Collectibility is a grouping of the quality of individual loan payments. Credit collectibility status in Indonesia is divided into five categories: Collectibility 1 (Col-1) Current, Collectibility 2 (Col-2) Special Mention, Collectibility 3 (Col-3) Substandard, Collectibility 4 (Col-4) Doubtful, Collectibility 5 (Col-5) Loss (Sukma & susanto, 2023). Credit is considered current if the customer's credit quality is current or there are arrears of up to 90 days.

The Impact of Bad Debt on Banking

Non-performing loans are a major problem in banking operations because they can impact the bank's overall performance and health. High levels of non-performing loans reflect poor asset quality and weak credit risk management. According to Kasmir (2018), non-performing loans impact not only bank revenue but also liquidity, capital, and public trust.

1. Decrease in Bank Revenue and Profit

The primary impact of bad debt is a decrease in the interest income that banks should receive. Bad debts result in uncollected interest, which in turn reduces the bank's operating income.

2. Decrease in Bank Liquidity

Bad debts result in disbursed funds not being returned on schedule, disrupting bank liquidity. Funds that could have been used to disburse new loans or meet customer obligations are held up. Impaired liquidity can force banks to seek additional funding sources at higher costs.

3. Declining Asset Quality and Increasing NPL Ratio

Bad loans directly increase the Non-Performing Loan (NPL) ratio, a key indicator of bank's asset quality. The higher the NPL, the worse the bank's asset quality. If the NPL ratio exceeds the regulatory threshold, the bank may be subject to sanctions and stricter oversight.

4. Increasing Bank Operational Expenses

Handling bad debts requires additional costs, such as collection fees, credit restructuring, and legal fees. These costs increase the bank's operating expenses. Increased operating expenses will negatively impact bank efficiency.

5. Declining Bank Health Level



Non-performing loans impact bank health ratings, particularly in terms of asset quality, profitability, and liquidity. Banks with high non-performing loans tend to have lower health ratings.

6. Declining Public Trust

High levels of non-performing loans can erode public trust in banks. This makes people hesitant to deposit funds or conduct banking transactions. This reduced public trust can lead to a reduction in third-party funds.

Overview of Bad Debts at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera

Bad debts at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera are a complex issue that directly impacts the bank's business continuity. As a financial institution focused on financing the micro, small, and medium enterprises (MSME), PT. Bank Perekonomian Rakyat Raga Dana Sejahtera faces a relatively higher level of credit risk compared to commercial banks. This is due to the characteristics of MSME borrowers, who generally have limited capital, simple financial records, and a high dependence on local economic conditions.

Bad debts at PT. Bank Perekonomian Rakyat are generally influenced by the weak resilience of debtors' businesses to economic shocks, such as declining purchasing power, rising raw material prices, and increasingly fierce business competition. This condition is also reflected at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera, where the majority of non-performing loans originate from the trade and services sectors.

Bad debts not only impact bank cash flow but also increase the burden of loss provisions, thereby reducing the bank's ability to extend new credit. Therefore, bad debts are a crucial indicator in assessing asset quality and bank health.

The Growth Rate of Non-Performing Loans at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera

**Table 2. Non-Performing Loan Growth Rate at
PT. Bank Perekonomian Rakyat Raga Dana Sejahtera
for the 2020-2023 Period
(In Rp.000)**

No	Year	Number of Bad Credits	Growth (%)
1	2020	1.471.601	0
2	2021	1.119.442	-23,93%
3	2022	1.447.924	29,34%
4	2023	1.410.464	-2,59%

Source: PT. Bank Perekonomian Rakyat Raga Dana Sejahtera (Data processed)

Based on the table of Non-Performing Loans (NPL) at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera for the 2020–2023 period, it can be seen that the amount of non-performing loans fluctuated each year. In 2020, the amount of non-performing loans was recorded at 1,471,601 and was used as the base year, therefore the growth rate was 0%. In 2021, the amount of non-performing loans decreased to 1,119,442 or declined by 23.93%. This decrease indicates that the bank was able to reduce the level of non-performing loans through improved credit supervision, more effective collection efforts, and an improvement in debtors' ability to repay their obligations. In addition, the credit restructuring carried out by the bank also helped reduce bad loans.

Furthermore, in 2022 the amount of non-performing loans increased again to 1,447,924 or rose by 29.34%. This increase may have been caused by unstable economic conditions which affected the debtors' ability to fulfill their obligations. In addition, the increase in credit distribution that was not balanced with optimal credit analysis could also have contributed to the rise in non-performing loans. Many debtors experienced delays in installment payments due to decreased income or business difficulties.

In 2023, the amount of non-performing loans decreased again to 1,410,464 or declined by 2.59%. This decrease indicates that the bank had begun to improve its credit risk management through stricter supervision and more effective efforts in resolving non-performing loans. Moreover, the improving condition of debtors also helped reduce the level of non-performing loans. Overall, the development of non-performing loans at PT. Bank Perekonomian Rakyat Raga Dana Sejahtera during the 2020–2023 period showed fluctuating conditions influenced by both the bank's internal factors and the economic conditions of the debtors.

Discussion

Internal factors stem from the bank's internal policies and management. One key factor is weaknesses in credit analysis, particularly in assessing the debtor's character and capacity. Mistakes in analyzing debtor character can lead banks to grant credit to debtors who lack good faith. Furthermore, suboptimal post-credit monitoring is also a contributing factor to the rise in bad debts. Irregular monitoring results in banks being late in detecting a decline in a debtor's business performance. Regular credit monitoring is crucial to prevent problem loans from developing into non-performing loans.

External factors stem from conditions beyond the bank's control, particularly those related to debtors and the business environment. A decline in debtor business turnover due to weakening purchasing power is the most dominant external factor. Macroeconomic instability can directly impact debtor's repayment capacity. Furthermore, force majeure factors such as natural disasters and emergencies can also cause debtors to default on their obligations. In the context of Bank Perekonomian Rakyat (BPR), which operates in the regions, environmental factors and social conditions have a significant impact on credit quality.

Bad debts have a significant negative impact on the performances of PT. Bank Perekonomian Rakyat Raga Dana Sejahtera. This impact can be seen from both financial and non-financial aspects. From a financial perspective, increasing bad debts lead to an increase in the Non-Performing Loans (NPL) ratio, which ultimately reduces the bank's soundness.



High NPL increase the cost of providing for losses, thereby reducing bank profits. Furthermore, bad debts also reduce liquidity. Banks are unable to repay funds that should be used for other financing.

From a non-financial perspective, bad debts can erode public trust in bank. This decline in public trust can impact third-party funds, which are a primary source of bank funding.

CONCLUSION

Based on the results of research and discussion regarding the factors that influence bad debt at PT. Bank Perekonomian Rakyat Raga Dana sejahtera, it can be concluded that the problem of bad debt is a complex phenomenon and is influenced by a combination of internal bank factors and external debtor factors. Internal bank factors that predominantly influence the occurrence of non-performing loans include the suboptimal application of creditworthiness analysis, particularly in the implementation of the 5C (Character, Capacity, capital, Collateral, and Condition of Economy) principles, weak credit supervision and monitoring systems after disbursement, and credit granting policies that have not been fully adapted to the debtor's risk profile. These conditions make bank less able to identify potential credit risk early, thus increasing the likelihood of non-performing loans.

On the other hand, external factors originating from the debtor also significantly influence the occurrence of non-performing loans, particularly the declining ability of debtors to meet payment obligations due to unstable business income, changing economic conditions, and high levels of business competition. Furthermore, debtor's lack of good faith and low awareness of their credit payment obligations also increase the risk of non-performing loans.

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