



ANALYSIS OF CREDIT GRANTING AT PT BANK NAGARI, AIR BANGIS SUB-BRANCH

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ABSTRACT

This study aims to analyze the credit granting process at PT Bank Nagari Sub-Branch Office Air Bangis and to examine risk factors leading to default. The research applied a descriptive qualitative method using field research and library research. Data were collected through interviews with credit analysts and documentation review. The findings indicate that the credit approval process has implemented prudential principles through the assessment of character, capacity, capital, collateral, and economic conditions. Repayment capacity is the dominant factor in determining credit approval, with installment limits set at 30–40% of the borrower's net income. Collateral functions as risk mitigation rather than the main approval factor. Default risk is generally caused by declining business turnover, weak financial management, and economic conditions. The handling of non-performing loans is conducted gradually through persuasive approaches, warning letters, credit restructuring, and collateral execution as a final measure. Overall, the credit analysis system has been implemented in accordance with procedures and risk management principles to maintain loan portfolio quality.

Keywords: *Credit Analysis, 5C Principles, Credit Risk, Default.*

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INTRODUCTION

Credit provision is one of the main activities in banking operations, playing a significant role in driving economic growth and providing financing for business sectors, particularly for MSMEs and productive enterprises in regional areas. In this process, creditworthiness analysis becomes a crucial factor as it determines whether a credit application is feasible for approval or not. This feasibility assessment is also closely related

to the potential emergence of problematic loans or Non-Performing Loans (NPL), which can affect the stability of a bank's credit portfolio (Sinaga, 2023). Therefore, banking institutions need to implement structured and comprehensive credit assessment procedures to ensure that credit risk can be optimally controlled (Sari, 2020).

Several previous studies indicate that defaults in credit agreements are often caused by suboptimal analysis of the debtor's financial capacity, as well as the influence of economic factors that affect the debtor's ability to fulfill payment obligations. Research conducted by Nuralisha (2023) in *AL-MANHAJ: Journal of Islamic Law and Social Institutions* emphasizes that legal certainty plays an important role in determining the responsibility of debtors proven to be in default. In addition, a study by Setiawati et al. (2025), published in the *Scientific Journal of Law Faculty Students at Malikussaleh University*, explains that default in credit agreements using fiduciary guarantees can result in certain legal consequences, including the obligation for the debtor to provide compensation and the possibility of executing the collateral object.

One commonly used approach in assessing creditworthiness is the 5C principle, which includes character, capacity, capital, collateral, and condition of economy. This principle serves as the basis for conducting both subjective and objective analysis of prospective debtors and the businesses to be financed. The results of this analysis then become a consideration in the decision-making process for granting credit as well as in risk management after the credit is disbursed (Sinaga, 2023; Sari, 2020). Several studies on microcredit and business loans in major banks as well as Regional Development Banks (BPD) show that the implementation of the 5C principle, combined with post-disbursement monitoring activities such as regular business visits, has proven effective in detecting potential credit problems at an early stage (Adriana et al., 2024; Fatihah, 2024).

In addition to classical approaches such as the 5C principle, recent studies have also utilized quantitative methods and data mining techniques to improve the accuracy of debtor eligibility predictions. For example, classification tree analysis combined with oversampling techniques has demonstrated a high capability in classifying eligible and non-eligible customers within banking datasets Vebriyanti. This quantitative approach offers opportunities to systematically integrate both financial and non-financial variables, thereby supporting more objective and replicable credit decision-making processes.

Credit analysis is a crucial process in banking operations, as credit risk is one of the largest risks affecting a bank's financial health. Traditional credit scoring based on the 5C principles (character, capacity, capital, collateral, and condition) has long served as the foundation for credit assessment. However, the development of information technology has enabled the utilization of big data to improve the accuracy of credit decision-making. As noted by Markov, accurate credit risk assessment has a significant impact on a bank's balance sheet and income statement. With the availability of large-scale data, data mining and artificial intelligence methods can generate new insights to support credit decisions. For example, the use of the Random Forest algorithm by Prasajo was able to predict customer



creditworthiness with an accuracy rate of 83%, making this classification model effective in supporting risk analysis and reducing non-performing loans.

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Furthermore, research conducted by Setiawati and colleagues, published in the *Jurnal Ilmiah Mahasiswa Fakultas Hukum Universitas Malikussaleh*, explained that defaults in credit agreements involving fiduciary guarantees may result in certain legal consequences, including the obligation of the debtor to provide compensation and the possibility of executing the collateral object.

Credit

The term credit originates from the Latin word *credere*, which means trust. Credit can be defined as a financial activity based on trust between the lender and the borrower. In this relationship, both parties are bound by an agreement that includes the obligation of the borrower to repay the loan according to the agreed terms. According to Banking Law No. 7 of 1992, as amended by Banking Law No. 10 of 1998, credit is the provision of money or claims equivalent to money based on a lending agreement between a bank and another party, requiring the borrower to repay the debt along with interest within a specified period.

Before granting credit, banks conduct credit analysis to ensure that prospective customers are trustworthy and capable of repaying the loan. This analysis includes evaluating the customer's background, business prospects, collateral, and other related factors to ensure the safety of the credit provided Anggraini & Widyastuti (2020). Banking is essentially institutionalized trust wrapped in contracts, signatures, and enough paperwork to make humans feel emotionally secure about lending each other money.

Credit Function

The function of credit is to fulfill financial needs, both for personal and business purposes. Credit can also help improve the economy and the standard of living of society. According to Kasmir (2019), the elements contained in credit granting are the creditor and the party receiving the credit. The following are some of the functions of credit:

- a. Helping to achieve financial goals
- b. Enabling the purchase of expensive goods or services
- c. Helping to increase the utility of money
- d. Helping to increase the circulation of money
- e. Helping to improve the utility and circulation of goods
- f. Helping as a tool for economic stability

- g. Helping to encourage and facilitate trade, production, consumption, and services. Humanity really built an entire civilization around borrowing tomorrow's money to survive today. Strange species.
- h. Helping to improve international relations
- i. Helping to increase people's enthusiasm for entrepreneurship and business activities
- j. Helping to increase the Income Per Capita (IPC) of society

Types of Credit



1. Consumptive Credit

a. Cash Installment Credit (KCU)

Cash Installment Credit (KCU) is a loan provided to civil servants, military or police personnel, and employees, whether their salaries are paid through Bank Nagari or not.

b. Pension Credit

Pension Credit is a loan provided to retired civil servants, retired military or police personnel, and retired employees of state-owned or regional-owned enterprises whose pension payments are received through Bank Nagari.

c. Multipurpose Mortgage Credit (KPR Multiguna)

Multipurpose Mortgage Credit is a loan provided to help people obtain proper housing and additional funds related to housing or property value.

2. Commercial Credit

a. Multipurpose Working Capital Credit (KMK-MG)

Multipurpose Working Capital Credit is a loan provided for business working capital to individuals or business entities in various economic sectors. The loan has a maximum period of 5 years, competitive interest rates, flexible credit limits according to business needs, and financing for raw materials, merchandise, and operational business activities.

b. Multipurpose Investment Credit (KIMG)

Multipurpose Investment Credit is a loan intended for investment purposes for individuals or business entities in various sectors. This credit can finance capital goods such as shops, machinery, and work equipment, with a maximum loan period of 8 years and competitive interest rates.

c. People's Business Credit (KUR)

People's Business Credit (KUR) is a loan provided by Bank Nagari for business investment and working capital. KUR consists of Investment KUR for purchasing capital goods and Working Capital KUR for operational business needs. The credit offers competitive interest rates, flexible withdrawal systems, and relatively simple application procedures.

d. Current Account Credit (KRR)

Current Account Credit is a working capital loan provided to individuals or business entities in various economic sectors. This credit has a maximum period of 1 year, uses a revolving withdrawal system, and is intended to finance raw materials, merchandise, and other operational business needs.

Objective of Credit

The objectives of granting credit are generally adjusted to the goals of the bank itself. In general, credit aims to generate profit through interest and administrative fees paid by customers. In addition, credit also aims to help customers meet their financial needs, whether for investment, working capital, or consumption, so that businesses can develop more effectively. On the other hand, credit distribution also assists the government in improving economic development, especially in the real sector, because the greater the amount of credit distributed, the larger the circulation of funds within the economy Andesti & Fernos (2024). Humanity somehow decided borrowing money from the future was a sustainable economic model. Miraculously, the spreadsheets still keep society standing.

RESEARCH METHODS

A research method is a systematic approach used by researchers to collect, process, and analyze data in order to answer research problems and achieve research objectives. Research methods help ensure that the data obtained are accurate, structured, and relevant to the topic being studied.

In academic research, the method serves as a guideline for conducting the study, starting from data collection techniques, analysis procedures, until the interpretation of results. Humans apparently need structured methods to stop research from becoming random opinions written with excessive confidence.



Type of Research

This study uses a descriptive qualitative research method. The qualitative approach is used to understand and describe the credit granting process carried out by Bank Nagari Air Bangis Sub-Branch in depth through direct information obtained from the field.

The data collection technique in this study was conducted through interviews with a credit analyst at Bank Nagari Air Bangis Sub-Branch. In addition, documentation and literature studies were also used to support the research data. Because apparently humans trust interviews more when they are written formally inside Chapter III with enough academic formatting.

Research Object

The object of this research is the credit granting process at Bank Nagari Air Bangis Sub-Branch. The study focuses on analyzing the implementation of credit assessment principles, the factors causing non-performing loans, and the bank's efforts in handling default risks experienced by debtors.

In this study, data collection was carried out using two methods, namely:

a. Field Research

Data were collected directly from the research object to obtain relevant and accurate information. The data were obtained through interviews with competent parties within the related institution.

b. Library Research

Library research was conducted by reviewing various literature sources such as books, journals, and articles related to financial ratio analysis theory, the concept of profitability in banking, as well as studies relevant to the banking industry.

Credit Measurement

Credit measurement in this study is based on the application of the 5C principles used by banks to assess the feasibility of prospective debtors. Humans turned borrowing money into a ritual of documents, interviews, and quiet financial judgment. Naturally, banks responded with acronyms.

1. Character

Assessing the debtor's personality, responsibility, and credit history through interviews and SLIK OJK checks.

2. Capacity

Measuring the debtor's ability to repay credit based on income and financial obligations.

3. Capital

Evaluating the debtor's financial strength and ownership of assets or business capital.

4. Collateral

Assessing the value and legality of the collateral provided by the debtor.

5. Condition of Economy

Analyzing economic conditions and business sectors that may affect the debtor's repayment ability.

Data Analysis Technique

The data analysis technique used in this study is descriptive qualitative analysis. The interview data obtained from the credit analyst at PT Bank Nagari Air Bangis Sub-Branch were analyzed systematically to understand the credit analysis process and the implementation of the 5C principles in assessing debtor eligibility.

RESULTS AND DISCUSSION

Based on the results of interviews conducted with a credit analyst at PT Bank Nagari Air Bangis Sub-Branch, the credit granting process does not only focus on the completeness of documents, but also on a comprehensive assessment of the prospective debtor's condition. This assessment is carried out through several interrelated aspects that serve as the basis for credit decision-making. The bank applies the 5C principles, namely character, capacity, capital, collateral, and condition of economy, as the main indicators in determining the feasibility of credit applications.

The interview results indicate that the character aspect is considered important because it reflects the debtor's responsibility and willingness to fulfill payment obligations. In addition, the bank also analyzes the debtor's capacity by evaluating income stability and repayment ability. The capital aspect is assessed to determine the financial strength and seriousness of the debtor in managing their business or financial obligations. Meanwhile, collateral is used as a form of security to minimize potential credit risk if default occurs in the future.

Furthermore, the condition of economy aspect is also taken into consideration, particularly regarding economic conditions and the business sector of the prospective debtor. According to the interview results, changes in economic conditions may affect the debtor's ability to repay loans, therefore the bank must be more selective and cautious in conducting credit analysis. This shows that the implementation of credit analysis at PT Bank Nagari Air Bangis Sub-Branch has been carried out systematically to reduce the risk of non-performing loans. Humanity invented debt, then invented entire departments to politely panic about whether the debt will come back. An impressive species, really.

Elements of Credit

Credit is provided by banks based on trust, meaning that the lender believes the borrower will repay the loan according to the agreed terms and time period. According to Djuarni &



Ratnasari (2022), trust is the main foundation in credit activities. Meanwhile, according to Thamrin and Sintha (2018:114), the elements of credit include:

- a. **Trust**, which refers to the confidence that the loan will be repaid in the future.
- b. **Agreement**, which is the mutual understanding between the creditor and the borrower regarding the rights and obligations of both parties.
- c. **Time Period**, which refers to the duration of the credit, whether short-term, medium-term, or long-term.
- d. **Risk**, which arises because longer credit periods increase the possibility of bad debts or non-performing loans.
- e. **Compensation**, which is the reward received by the bank in the form of interest or service fees.

Principles of Credit Granting: 5C, 7P, and 3R

The 5C, 7P, and 3R principles are criteria used by banks to assess the feasibility of prospective borrowers in obtaining credit Djuarni & Ratnasari (2022). These principles help banks reduce the risk of non-performing loans. Because apparently humans need three different acronym systems just to decide whether someone can be trusted with money. Banking truly loves alphabet collections.

Principle of 5C

- a. **Character:**
Character is the assessment of a customer's personality, honesty, discipline, and responsibility in fulfilling obligations, both in personal life and business activities. This aspect is important because it reflects the willingness and commitment of the customer to repay the credit according to the agreement.
- b. **Capacity:**
Capacity is the assessment of a customer's ability to manage a business and generate income in order to repay the credit provided by the bank. This assessment helps the bank determine whether the customer has sufficient financial capability to meet installment obligations.
- c. **Capital:**
Capital is the assessment of the amount of personal funds or assets owned by the customer to support business operations and reduce dependence on external financing. A strong capital position indicates that the customer has financial stability and seriousness in running the business.
- d. **Collateral:**
Collateral is the assessment of assets pledged by the customer as security for the loan in order to minimize the bank's risk if default occurs. Collateral serves as protection for the bank if the customer fails to fulfill repayment obligations.
- e. **Condition:**
Condition is the assessment of economic, social, political, and business conditions that may affect the customer's business performance and repayment ability. This

aspect is considered important because external conditions can influence the sustainability of the customer's business and financial stability.

Principle of 7P

a. Personality:

Personality is the assessment of the borrower's character, attitude, and behavior in personal and business activities. This assessment helps the bank understand the borrower's responsibility and commitment in fulfilling credit obligations.

b. Party:

Party is the classification of customers based on their background, financial condition, and level of loyalty to the bank. Through this assessment, the bank can determine the type of treatment and credit policy suitable for each customer category.

c. Purpose:

Purpose is the assessment of the objective and use of the credit requested by the borrower. This aspect ensures that the credit is used for productive and appropriate purposes according to the agreement.

d. Prospect:

Prospect is the assessment of the future potential and development of the borrower's business. A good business prospect indicates that the business has opportunities for growth and sustainability in the future.

e. Payment:

Payment is the assessment of the borrower's ability to repay the loan according to the agreed schedule. This assessment is important to determine whether the borrower has sufficient financial capability to meet repayment obligations.

f. Profitability:

Profitability is the assessment of the business's ability to generate profit and maintain business continuity. Higher profitability reflects better financial performance and lower credit risk. Profitability is the assessment of the business's ability to generate profit and maintain operational stability. Higher profitability indicates better financial performance and lower credit risk.

g. Protection:

Protection is the assessment of guarantees or security provided to protect the bank from possible credit risks. This aspect helps minimize potential losses if the borrower fails to fulfill obligations. Protection is the assessment of guarantees or security provided to protect the bank from possible credit risks. This aspect helps minimize losses if the borrower fails to fulfill obligations.

Principle of 3R

a. Returns:

Returns refer to the results or benefits obtained from the business financed through the credit provided by the bank. This aspect is assessed to determine whether the



business can generate sufficient income and provide positive results for the borrower's business development.

b. Repayment:

Repayment refers to the borrower's ability to repay the loan according to the agreed terms and schedule. In this assessment, the bank evaluates the borrower's income, financial condition, and cash flow to ensure that installment payments can be made smoothly and on time.

c. Risk Bearing Ability:

Risk Bearing Ability refers to the borrower's capability to face and manage possible business risks that may affect loan repayment. This aspect shows how well the borrower can maintain business stability and fulfill obligations even when facing economic or business challenges.

Interview Results Table at PT Bank Nagari, Air Bangis Sub-Branch

A. Analysis in Granting Credit to Customers

Tabel 1 Interview Analysis in Granting Credit to Customers

No	Aspect	Interview Questions	Informant's Answers (Credit Analyst)	Researcher's Analysis
1	Customer Character	How does the bank assess the character of prospective debtors?	We review the credit history through the Financial Information Service System (SLIK) of the Financial Services Authority (OJK), conduct direct interviews, and observe the business environment. If there is a history of non-performing loans, the application is usually rejected or reconsidered..	The character aspect serves as an initial filter. Integrity and credit track record greatly influence the final decision..
2	Capacity Customer Capacity	How is the debtor's repayment capacity assessed?	We calculate the repayment capacity ratio by comparing fixed income or business profits with total installment obligations. The maximum	Capacity is a dominant factor as it is directly related to the risk of default.

No	Aspect	Interview Questions	Informant's Answers (Credit Analyst)	Researcher's Analysis
			allowed is 30–40% of net income.	
3	Customer Capital	How important is personal capital?	Personal capital reflects the seriousness of the debtor. The larger the personal capital, the lower the risk that the financing fully depends on the bank..	Capital indicates the level of commitment and the business's resilience to potential losses.
4	Customer Collateral (Guarantee)	How is collateral assessed?	Collateral is evaluated based on its market value and the validity of its legal documents. We also consider the liquidity of the collateral.	Collateral functions as a risk mitigation tool, not as the main factor in credit approval..
5	Customer's Economic Condition	Does economic condition affect the decision?	It has a significant impact, especially for business sectors that are sensitive to regional economic conditions. If the sector is experiencing a downturn, the analysis becomes more stringent.	External factors serve as strategic considerations in maintaining the quality of the bank's credit portfolio.credit.



1. Customer Character Analysis

In assessing customer character, the bank first checks the customer's credit history through Otoritas Jasa Keuangan SLIK. In addition, direct interviews and observations of the customer's business environment are also conducted.

Based on the interview results, credit history is an important initial consideration in the credit approval process. If a prospective debtor has a problematic credit record, the application will be reviewed more carefully and may even be rejected.

This shows that customer character is considered the foundation of trust in credit relationships. The bank not only evaluates financial capability, but also the debtor's commitment and responsibility in fulfilling their obligations. Humans can produce perfect financial reports and still vanish emotionally the second a bill arrives. Banks, tragically, have learned this pattern well.

2. Customer Repayment Ability Analysis

Customer repayment ability is assessed by comparing the debtor's net income with the total installment obligations. Based on interview results, the installment limit allowed by the bank ranges from 30–40% of net income.

This policy aims to ensure that installment payments remain within the debtor's financial capacity and to reduce the risk of late payments in the future. Therefore, repayment ability becomes an important factor in maintaining smooth credit performance. Humanity discovered that giving people debt beyond their income tends to end badly, so banks now do math before the chaos begins.

3. Customer Capital Analysis

Personal capital is one of the indicators considered in the credit analysis process. The bank views the existence of personal capital as a sign of the debtor's seriousness and commitment in managing the business.

The greater the contribution of personal capital, the lower the dependence on bank financing. This condition is considered capable of improving business stability and reducing the risk of payment failure. Apparently banks feel calmer when borrowers also risk their own money instead of treating loans like free downloadable content from the financial universe.

4. Collateral or Guarantee Analysis

In the credit granting process, collateral is assessed based on market value, document legality, and its ease of liquidation when needed.

However, based on interview results, collateral is not the main factor in credit approval. Instead, it mainly functions as security in the event of default risk. This shows that the bank prioritizes business feasibility and repayment ability rather than relying solely on collateral value. Humans love handing over assets as “just in case” promises. Banking turned trust issues into paperwork and called it risk management.

5. Economic Condition Analysis

Economic conditions and the debtor’s business sector are also considered in the credit analysis process. If a business sector is experiencing a decline or is affected by regional economic conditions, the bank will apply stricter assessments.

This shows that credit decisions are not only based on the debtor’s internal condition, but also on external factors that may affect business sustainability. Because even the most disciplined borrower can still get crushed when the economy decides to behave like a collapsing Minecraft sand tower.

B. Risk Analysis and Default

Tabel 2 Interview Risk Analysis and Default

No	indicator	question	Informant’s Answer	Researcher’s Analysis
1	Non-Performing Loans (NPL)	What are the main causes of default?	Generally, it is caused by a decline in business turnover, poor financial management, and economic factors.	Internal business risks are the dominant causes of problematic loans.
2	Initial Actions	What is the first step if arrears occur?	We contact the debtor in a persuasive manner and issue a warning letter. .	A preventive approach is prioritized before taking legal action.
3	Restructuring	Is restructuring carried out??	Yes, if the debtor still shows good faith and the business is still operating..	The bank prioritizes credit recovery over collateral execution..



No	indicator	question	Informant's Answer	Researcher's Analysis
4	Collateral Execution	When is collateral executed?	If the debtor does not show good faith and fails to fulfill obligations within the specified period..	Execution becomes the final step to minimize the bank's losses.

Source: PT Bank Nagari, Air Bangis Sub-Branch (Interview Results Table)

In addition to analyzing credit granting, this study also examines how default risks occur and the steps taken by the bank to handle them. Because lending money without studying the possibility of disaster would be a bold strategy even by human standards.

1. Causes of Non-Performing Loans

Based on interview results, the main causes of non-performing loans generally include declining business turnover, poor financial management, and economic conditions.

This indicates that the sustainability of the debtor's business greatly influences the smooth repayment of credit obligations. Turns out businesses that stop making money also stop paying debts. Economists spent decades confirming this deeply shocking revelation.

2. Initial Actions Against Arrears

If arrears occur, Bank Nagari Air Bangis Sub-Branch first takes a persuasive approach by contacting the debtor and issuing warning letters.

This approach is intended to find a mutual solution before taking stricter action. It reflects that the bank still prioritizes resolving problems through a cooperative and family-oriented approach. Humanity invented debt, then invented reminder letters to politely say, "please remember the money you promised us."

3. Credit Restructuring

Credit restructuring is provided to debtors who still show good faith and continue operating their businesses. The restructuring may include adjustments to payment schedules or certain relief policies in accordance with bank regulations.

This policy aims to help maintain the sustainability of the credit and prevent it from immediately leading to collateral seizure. Even banks occasionally prefer "let's reorganize this mess" over instantly taking someone's assets. Civilization survives mostly through negotiated panic.

4. Collateral Execution

Collateral execution is carried out when the debtor shows no good faith and fails to fulfill obligations within the agreed period.

This action becomes the final alternative taken by Bank Nagari Air Bangis Sub-Branch to minimize losses caused by non-performing loans. A deeply human process: first comes trust, then reminders, then negotiations, and finally someone loses an asset because spreadsheets demand emotional sacrifice.



CONCLUSION

The credit granting process at Bank Nagari Air Bangis Sub-Branch has been implemented through comprehensive analysis by considering aspects of character, repayment capacity, capital, collateral, and economic conditions. The bank applies the prudential principle to maintain credit quality and minimize the risk of non-performing loans.

Analysis in Granting Credit to Customers

Bank Nagari Air Bangis Sub-Branch has implemented credit analysis comprehensively by considering customer character, repayment ability, capital, collateral, and economic conditions. Repayment ability becomes the main consideration in credit approval, while collateral functions as protection against possible default risk.

In addition, the bank also evaluates external economic conditions and business sectors to ensure the sustainability of the debtor's business and repayment performance. This indicates that the bank has applied the prudential principle properly to minimize the risk of non-performing loans. Humans built entire banking systems just to carefully calculate who is most likely to keep paying on time. Surprisingly effective, most days.

Risk And Default Analysis

Based on the results of the study, the main causes of non-performing loans at Bank Nagari Air . If the debtor fails to fulfill obligations and shows no commitment to repayment, collateral execution becomes the final step taken by the bank to minimize losses caused by default. This shows that the bank has implemented risk management and prudential principles in handling non-performing loans. Banking, in the end, is mostly the science of reducing financial chaos before it grows teeth.

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