



ANALYSIS OF NON PERFORMING LOAN (NPL) AT PT. BANK NAGARI WEST SUMATERA

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ABSTRACT

This study aims to analyze the Non Performing Loan (NPL) ratio as an indicator of credit quality at PT. Bank Nagari Sumatera Barat during the period 2022–2025. The research uses a descriptive method with a quantitative approach. The data used are secondary data obtained from the bank's credit reports. The analysis technique was conducted by calculating the NPL ratio, which compares total non-performing loans to total loans disbursed and is expressed as a percentage. The results show that the NPL ratio decreased gradually during the study period, namely 2.28% in 2022, 2.00% in 2023, 1.74% in 2024, and 1.59% in 2025. This decreasing trend indicates an improvement in the credit quality managed by the bank over time. Based on these findings, it can be concluded that the NPL ratio is categorized as healthy because it remains below the maximum limit of 5% set by the Otoritas Jasa Keuangan.

Keywords: Non-Performing Loan, Credit Quality, Loan Management, Document Bank Nagari, Bank Nagari West Sumatera

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INTRODUCTION

Banking is one of the sectors that plays a significant role in supporting a country's economic growth and development. Banks function as intermediary institutions that collect funds from the public in the form of deposits and redistribute them to the public in the form of credit. The distribution of credit aims to support business activities, enhance economic productivity, and encourage overall economic growth. In addition, lending activities constitute one of the primary sources of income for banks through the interest earned from loans extended to debtors (Kasmir, 2016).

Nevertheless, lending activities are inseparable from various risks that may affect a bank's performance. One of the most common risks is non-performing credit risk, commonly

referred to as Non-Performing Loan (NPL). Non-Performing Loan (NPL) refer to loans that experience repayment difficulties, either as a result of borrowers' deliberate failure to fulfill their obligations or due to external factors beyond their control. Such conditions may hinder the timely settlement of loan principal and interest, thereby increasing the risk of credit default and potentially affecting the financial performance and stability of banking institutions (Ratih Karuniawati, 2017).

Non-Performing Loan (NPL) serve as an important indicator for assessing the level of credit risk faced by banking institutions. A higher NPL ratio reflects a greater degree of credit risk borne by banks (Diyanti & Widyarti, 2012). Elevated NPL levels may hinder a bank's ability to extend credit, as they increase the likelihood of financial losses arising from problematic loans. Conversely, a lower NPL ratio indicates a smaller proportion of non-performing loans, reflecting better credit quality and more effective credit management practices. According to Riyadi (2006), the NPL ratio is calculated by comparing the amount of non-performing loans to the total loans extended by a bank. Therefore, the NPL ratio is widely recognized as a key measure of asset quality and overall banking soundness.

Credit

Amelia and Marlius (2018) define credit as the provision of economic value, either in the form of money or goods, in exchange for a future commitment to repay or provide compensation. This definition emphasizes the element of trust that underlies every credit transaction. Similarly, Turuis (2017) argues that credit represents a relationship founded on confidence between the lender and the borrower, in which the borrower assumes the responsibility to fulfill repayment obligations according to the terms previously agreed upon. Furthermore, Widayati and Maiwati (2019) state that credit is the provision of money or monetary claims by a financial institution to a borrower under a contractual agreement, requiring repayment of the principal along with interest within a specified timeframe.

Function of Non-Performing Loan (NPL)

The Non-Performing Loan (NPL) ratio serves as an essential indicator for evaluating the quality of a bank's loan portfolio and the effectiveness of its credit risk management practices. The ratio measures the proportion of non-performing loans relative to the total loans granted by a bank, thereby providing valuable information regarding the bank's exposure to credit risk.

According to Haryanto (2018), a higher Non-Performing Loan (NPL) ratio indicates poorer credit management practices within a banking institution. An increasing NPL ratio reflects a growing proportion of problematic loans, suggesting that the bank is less effective in managing credit risk and maintaining the quality of its loan portfolio.

Based on the regulations established by banking authorities in Indonesia, a healthy Non-Performing Loan (NPL) ratio for banks is a maximum of 5%. If the NPL ratio exceeds this threshold, the bank's condition may be categorized as less healthy, as it indicates a high level of non-performing loans. Therefore, every bank is required to manage credit risk



effectively in order to maintain the NPL ratio within the prescribed limit and preserve the bank's financial stability (Dendawijaya, 2009).

Non-Performing Loan (NPL), is one of the key indicators used to assess the quality of bank credit and the credit risk faced by banking institutions. NPL arises when debtors fail or are delayed in fulfilling their obligations to repay the principal and/or interest within a specified period in accordance with the initial agreement, causing the loan to no longer generate cash flow for the bank. The measurement of NPL is conducted by comparing the amount of non-performing loans to the total loans disbursed, thereby reflecting the level of soundness of the credit assets owned by banking institutions.

The NPL ratio serves as a fundamental indicator in evaluating banking performance, as a high NPL ratio reflects poor asset quality, increases credit risk, suppresses profitability, and may affect the stability and public confidence in financial institutions. Within the context of Indonesian banking regulations, a bank is considered to be in a healthy condition when its NPL ratio remains below the maximum threshold established by the regulator, generally below a certain percentage as stipulated by Bank Indonesia. Furthermore, NPL analysis is also utilized to assess the effectiveness of credit risk management and the implementation of non-performing loan mitigation strategies adopted by banks in maintaining the sustainability of credit portfolio quality and supporting the financial intermediation function within the economy.

Non-Performing Loans (NPL) play an important role in assessing the soundness of a bank, as a higher NPL ratio indicates a greater risk of losses that must be borne by the bank. A high NPL ratio reflects weaknesses in the credit analysis system, supervision, and risk management practices, whereas a low NPL ratio indicates effective and prudent credit management. According to banking literature, NPL also reflects a bank's ability to manage credit risk, maintain liquidity, and preserve financial stability. Bank Indonesia and Otoritas Jasa Keuangan stipulate that a healthy NPL ratio should remain below 5%; therefore, banks are required to maintain this ratio within a safe threshold in order to ensure business sustainability and public confidence.

Based on the phenomena described above, NPL has become an important issue in the banking industry because it has direct implications for financial soundness, the bank's ability to provide lending services, and local economic stability. The disparity between the ideal condition (a low NPL ratio in accordance with regulatory standards) and the actual conditions in practice (fluctuating or high NPL ratios) indicates the existence of a gap that requires in-depth analysis. Therefore, this study is considered important to examine the level of NPL at PT Bank Nagari, identify the factors contributing to non-performing loans, and determine the strategies that may be implemented to reduce problematic credit in order to improve credit quality and the overall soundness of the bank.

The following table presents the Non-Performing Loan (NPL) figures of PT Bank Nagari for the 2022–2025 period.

Table 1 Calculation of Non-Performing Loan (NPL) at PT Bank Nagari for the 2022–2025 Period

No	Year	Total Non-Performing Loan (NPL)
1	2022	479.692
2	2023	451.049
3	2024	420.317
4	2025	407.254

Source : PT. Bank Nagari West Sumatera

Table 1 presents the total amount of Non-Performing Loans (NPL) at PT Bank Nagari during the 2022–2025 period. Based on the data, the amount of NPLs showed a consistent downward trend throughout the observed years. In 2022, the total NPL was recorded at 479,692. This figure declined to 451,049 in 2023, indicating a reduction of 28,643 compared to the previous year. The decreasing trend continued in 2024, when the total NPL fell further to 420,317, representing a decrease of 30,732 from 2023. In 2025, the total NPL reached 407,254, reflecting an additional decline of 13,063 compared to the previous year.

The continuous reduction in the amount of non-performing loans suggests that PT Bank Nagari was successful in improving the quality of its credit portfolio and managing credit risk more effectively during the study period. A lower level of NPL indicates that fewer borrowers experienced difficulties in meeting their loan repayment obligations, which contributes positively to the bank's financial performance and operational stability.\

Furthermore, the declining NPL trend may reflect the effectiveness of the bank's credit assessment procedures, loan monitoring systems, and debt recovery strategies. The implementation of prudent lending policies and continuous supervision of borrowers could have played an important role in minimizing problematic loans. This improvement is beneficial not only for the bank's profitability but also for maintaining public confidence in the institution.

Overall, the data demonstrate that PT Bank Nagari experienced a gradual and sustained improvement in credit quality between 2022 and 2025. The downward movement in total non-performing loans indicates stronger credit management practices and reflects the bank's commitment to maintaining a healthy and sustainable lending portfolio.

RESEARCH METHODS

Method of collecting data

a. *Library Research*

This research was conducted by collecting data and using theories obtained from several books related to the problems discussed in this research.

b. *Field Research*

This research was conducted through observation and interviews with PT Bank Nagari.



Data Analysis Methods

In analyzing the data, the author used a mixed methods approach, analyzing both quantitative and qualitative data. According to (Sugiyono, 2019), mixed methods research is a research method that combines quantitative and qualitative methods in a single research activity, with the goal of obtaining more comprehensive, valid, reliable, and objective data. The use of mixed methods was carried out because quantitative and qualitative data have their respective advantages and limitations. Therefore, by combining the two approaches, researchers can complement each other's research results.

a. Quantitative Method

The quantitative method uses a growth formula to analyze data obtained from the PT Bank Nagari.

$$\text{Growth (\%)} = \frac{X_t - X_{t-1}}{X_{t-1}} \times 100\%$$

Explanation:

X_t : Value in a given year

X_{t-1} : Value in previous year

b. Qualitative Method

Qualitative methods were used to describe, understand, and explain data from research conducted by researchers at the PT Bank Nagari. Data from interviews and observations were analyzed descriptively by reducing, presenting, and drawing conclusions.

This study employs a descriptive quantitative research method. A descriptive quantitative approach is used to describe and analyze the level of Non-Performing Loans (NPL) at PT Bank Nagari West Sumatera during the 2022–2025 period based on financial data obtained from the bank's annual reports. The purpose of this research is to examine the trend of the NPL ratio and evaluate the quality of the bank's loan portfolio over the study period.

The object of this research is PT Bank Nagari West Sumatera. The study focuses on the Non-Performing Loan (NPL) ratio, which is measured by comparing non-performing loans to the total loans disbursed by the bank during the period of 2022–2025. The research relies on **secondary data** obtained from the annual financial reports of PT Bank Nagari West Sumatera for the period 2022–2025, as well as supporting documents relevant to the study.

Non-Performing Loan (NPL) Assessment Criteria Matrix

Tabel 2 Non-Performing Loan (NPL) Assessment Criteria

Criteria	NPL Ratio
Very Healthy	$< 2\%$
Healthy	$2\% \leq \text{NPL} < 5\%$
Fairly Healthy	$5\% \leq \text{NPL} < 8\%$
Less Healthy	$8\% \leq \text{NPL} < 12\%$
Unhealthy	$\geq 12\%$

Source : Bank Indonesia

Based on the table above, it can be observed that the assessment criteria for the soundness level of Non-Performing Loans (NPL) are determined according to the standards established by Bank Indonesia. A bank is categorized as healthy when the NPL ratio remains below 2%, indicating that the level of problematic loans is relatively low and that the bank is capable of managing its credit risk effectively. A low NPL ratio reflects good credit quality, effective loan supervision, and prudent risk management practices implemented by the banking institution.

On the other hand, a bank is categorized as unhealthy when the NPL ratio exceeds 12%. Such a condition indicates a high level of non-performing loans, which may adversely affect the bank's financial performance, asset quality, liquidity, and overall financial stability. A high NPL ratio may also reduce public confidence in the banking institution and increase the risk of financial losses. Therefore, banks are required to maintain their NPL ratio within the prescribed standards in order to preserve financial soundness, sustain operational performance, and support the stability of the banking sector as a whole.

RESULTS AND DISCUSSION

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

In the credit evaluation process, financial institutions commonly apply the 5C, 7P, and 3R principles as analytical frameworks to assess the creditworthiness of prospective borrowers. These principles assist banks in minimizing credit risk and ensuring that credit facilities are granted to eligible applicants.

1. The 5C Principles

The 5C principles represent fundamental criteria used in assessing a borrower's capability and willingness to fulfill credit obligations. These principles include:



- a. **Character** – refers to the borrower's integrity, honesty, reputation, and commitment to meeting financial obligations, as reflected in personal and business conduct.
- b. **Capacity** – refers to the borrower's ability to manage business operations and generate sufficient income to repay the loan according to the agreed terms.
- c. **Capital** – represents the financial strength of the borrower, including the amount of personal or business funds invested in the enterprise.
- d. **Collateral** – refers to assets pledged by the borrower as security for the loan, which may be utilized by the lender in the event of default.
- e. **Condition of Economy** – encompasses economic, political, social, and industrial conditions that may influence the borrower's business performance and repayment capacity.

2. The 7P Principles

The 7P principles provide a more comprehensive assessment of the prospective borrower by considering the following aspects:

- a. **Personality** – evaluates the borrower's personal characteristics, behavior, and reliability.
- b. **Party** – classifies borrowers into specific categories based on their financial condition, business background, and creditworthiness.
- c. **Purpose** – examines the intended use of the loan and whether it aligns with productive and legitimate activities.
- d. **Prospect** – assesses the future potential and sustainability of the borrower's business or investment project.
- e. **Payment** – analyzes the borrower's ability to repay the loan from anticipated cash flows or business income.
- f. **Profitability** – evaluates the borrower's capacity to generate profits, which serves as an indicator of financial performance and repayment capability.
- g. **Protection** – refers to safeguards available to the lender, including collateral, insurance coverage, and legal guarantees that reduce credit risk.

3. The 3R Principles

The 3R principles focus on the borrower's financial feasibility and risk management capabilities, consisting of:

- a. **Returns** – assesses the expected benefits or income generated from the financed activity, ensuring that it can support loan repayment.
- b. **Repayment** – evaluates the borrower's ability to fulfill repayment obligations within the agreed schedule and conditions.

- c. **Risk-Bearing Ability** – examines the borrower's capacity to withstand potential business risks, financial losses, or adverse economic conditions without jeopardizing loan repayment.

Overall, the implementation of the 5C, 7P, and 3R principles enables banks to conduct a comprehensive assessment of prospective borrowers, thereby reducing the likelihood of non-performing loans and supporting prudent credit management practices.

Non-Performing Loan (NPL)

According to Dewi Zulvia (2018), Non-Performing Loan (NPL) is a ratio used by financial institutions to measure the risk of failure in loan repayment. All loans disbursed inherently carry the possibility of experiencing credit quality problems, and when loans become non-performing, they may cause losses to the public and the banking institution. Furthermore, the NPL ratio is regulated by Bank Indonesia and must not exceed 5%.

Non-Performing Loan (NPL) Ratio Formula

According to Riyadi (2006), the NPL ratio is calculated by comparing the amount of non-performing loans to the total loans extended by a bank. Measurement of Non Performing Loan (NPL) :

$$NPL = \frac{\text{Non Performing Loans}}{\text{Total Loans}} \times 100\%$$

Benefits of Non-Performing Loan (NPL)

One of the primary benefits of the Non-Performing Loan (NPL) ratio is its function as an indicator for measuring the soundness of a bank. According to Kasmir, the NPL ratio is used to assess a bank's ability to manage non-performing loans, thereby reflecting the overall financial condition of the bank. The lower the NPL ratio, the better the level of the bank's financial health.

Another important benefit of NPL is its role as a basis for strategic decision-making. Information regarding the level of NPL assists bank management in determining appropriate measures, such as tightening lending requirements, conducting loan restructuring, or improving internal control systems. These actions are essential in minimizing credit risk that may negatively affect the bank's financial performance.

From an external perspective, NPL also provides benefits for regulators, investors, and the public. For regulators such as Otoritas Jasa Keuangan, NPL serves as a supervisory instrument to ensure the stability of the banking system. For investors, the NPL ratio functions as one of the indicators for assessing the level of investment risk in a bank.



Meanwhile, for the public, a low and stable NPL ratio may enhance confidence and trust in banking institutions.

Non-Performing Loan (NPL) at PT Bank Nagari, West Sumatra

Table 3. Analysis of Non-Performing Loan (NPL) at PT Bank Nagari for the 2022–2025 Period
(in thousand Rupiah)

No	Year	Total Non-Performing Loans	Total Loans Disbursed	Percentage (%)
1	2022	479.692	20.972.783	2.28%
2	2023	451.049	22.472.602	2%
3	2024	420.317	24.032.021	1,74%
4	2025	407.254	25.550.823	1,59%

Source : PT. Bank Nagari West Sumatera

Based on the table above, it can be explained that in 2022, the NPL ratio was recorded at 2.28% and was categorized as healthy. However, this figure represented the highest NPL ratio during the observation period. This condition indicates that the amount of non-performing loans in 2022 was relatively higher compared to the following years. Such a situation may have been influenced by internal factors, such as weak credit monitoring, as well as external factors, including post-pandemic economic conditions that affected debtors' repayment capacity.

In 2023, the NPL ratio declined to 2.00%. This decrease indicates an improvement in credit quality, which may have resulted from the increasing repayment capability of debtors, more selective credit evaluations, or strengthened credit supervision implemented by the bank. The decline of 0.28% compared to the previous year reflects the increasing effectiveness of credit risk management.

Furthermore, in 2024, the NPL ratio decreased again to 1.74%. This figure demonstrates that the bank became increasingly capable of reducing non-performing loans through improvements in collection policies, more targeted loan restructuring programs, and enhanced feasibility analysis of prospective debtors.

In 2025, the NPL ratio further declined to 1.59%, representing the lowest figure during the research period. This condition indicates that the bank's credit risk management was in a very good condition. The low NPL ratio reflects the increasingly healthy quality of the bank's credit portfolio.

Techniques for Resolving Non-Performing Loans

According to Fernos (2018), the stages of loan settlement include:

a. Monitoring Stage

The bank carries out intensive and disciplined monitoring of the entire credit portfolio to anticipate potential risks of loss. Activities conducted at this stage include:

- 1) Assessing the overall quality of the credit.
- 2) Involving Internal Audit in the credit monitoring process.
- 3) Identifying debtors whose credit quality has changed, such as from current to special mention, substandard, doubtful, or loss.

b. Supervision Stage

The bank conducts periodic analysis of problems and evaluations to improve credit quality by implementing, establishing, and determining credit management work units as follows:

Clarification of Credit Categories:

- 1) Credits classified as current and special mention are managed by the Branch Credit Working Unit (*Satuan Kerja Perkreditan Cabang – SKPC*).
- 2) Non-performing loans—including substandard, doubtful, loss, and off-balance sheet credits—are managed by the Special Credit Working Unit (*Satuan Kerja Perkreditan Khusus – SKPK*) at the branch level, with support from the Special Credit Working Unit at the head office.

CONCLUSION

Based on the results of the research and discussion regarding the analysis of Non-Performing Loans (NPL) at PT Bank Nagari during the 2022–2025 period, it can be concluded that the NPL ratio demonstrated a consistent declining trend from year to year. In 2022, the NPL ratio was recorded at 2.28%, then decreased to 2.00% in 2023, followed by a further decline to 1.74% in 2024, and eventually reached 1.59% in 2025. The gradual reduction in the NPL ratio indicates that the quality of credit distributed by the bank improved significantly throughout the observation period. This improvement reflects the bank's increasing effectiveness in managing problematic loans and minimizing credit risk.

The declining trend of the NPL ratio also demonstrates that the bank implemented more prudent and effective credit management policies. Several factors may have contributed to this improvement, including stricter credit analysis procedures, enhanced monitoring and supervision of debtors, improved collection strategies, and the implementation of loan restructuring programs for customers experiencing financial difficulties. In addition, the bank's ability to maintain the stability of its loan portfolio indicates that management was successful in balancing credit expansion with sound risk management practices.

Based on the bank soundness assessment standards established by Bank Indonesia and Otoritas Jasa Keuangan, an NPL ratio below 5% is categorized as healthy. Therefore, the NPL ratio of PT Bank Nagari throughout the research period can be classified as healthy and



even very healthy, particularly in 2024 and 2025 when the ratio fell below 2%. This condition indicates that the bank was capable of managing credit risk effectively while maintaining the quality of its productive assets.

Furthermore, the low and stable NPL ratio reflects the bank's strong financial performance and its ability to preserve public confidence in the banking institution. A healthy NPL ratio also supports the sustainability of the bank's intermediation function, enabling the bank to continue distributing credit to the public while maintaining financial stability. Overall, the findings of this study suggest that PT Bank Nagari has demonstrated good performance in controlling non-performing loans and maintaining the overall soundness of the bank during the 2022–2025 period.

In addition, the continuous decline in the NPL ratio indicates that the bank has been increasingly successful in implementing effective credit risk mitigation strategies. Effective risk management not only reduces the possibility of financial losses arising from problematic loans but also strengthens the bank's operational efficiency and profitability. By maintaining a low NPL ratio, the bank is able to allocate its resources more productively, enhance liquidity conditions, and improve overall financial performance. This achievement also demonstrates the bank's commitment to applying the principles of prudence in lending activities in order to maintain sustainable business growth.

Moreover, the results of this study may serve as an important reference for the management of PT Bank Nagari in evaluating and improving future credit policies. The findings may also provide useful insights for other banking institutions regarding the importance of effective credit supervision, careful debtor assessment, and sustainable risk management practices in minimizing non-performing loans. Therefore, maintaining a healthy NPL ratio is not only essential for preserving the bank's financial stability but also for supporting economic development through the provision of safe and productive lending activities to the community.

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