

Analysis of Factors Affecting Credit Quality (Case Study at PT. Bank Rakyat Indonesia (Persero) Tbk)

Rita Yuniarti
Namirah Sukmawaty
Adisty Rini
Obsatar Sinaga

DOI: <https://doi.org/10.37178/ca-c.23.1.005>

Rita Yuniarti, Widyatama University, Bandung, Indonesia
Email: rita.yuniarti@widyatama.ac.id

Namirah Sukmawaty, Widyatama University, Bandung, Indonesia
Email: namirah@widyatama.ac.id

Adisty Rini, Widyatama University, Bandung, Indonesia
Email: adisty.rini@widyatama.ac.id

Obsatar Sinaga, Padjadjaran University

ABSTRACT

This study discusses the factors that affect credit quality in the banking world. This research uses descriptive analysis method. The data in this study used primary and secondary data. The results showed that the credit disbursement did not focus on the knowledge of bank officials towards the type of debtor's business. While, credit disbursement policy, data analysis and future predictions, the implementation of credit coaching and supervision of debtors, the debtor's economic activities and debtor's faith are the main factors in the implementation of credit lending activities. Credit quality at PT. Bank Rakyat Indonesia (Persero) Tbk in the pandemic period is still quite good as seen from the highest Non-Performing Loan (NPL) value of 3.27 in June 2021. Meanwhile, the NPL value limit set by OJK for the pandemic period was increased to 5%.

Keywords: Credit quality, Non-Performing Loan, Internal Factors, External Factors

Introduction

In early 2019, the Corona Virus Disease 2019 outbreak (hereinafter referred to as Covid-19) hit the world and its spread became uncontrollable, then began to enter Indonesian territory since early March 2019. Until finally, the President of the Republic of Indonesia, Ir. H. Joko Widodo issued Presidential Decree No. 12 of 2020 concerning Non-Natural Disasters Spreading Corona Virus Disease 2019 (Covid-19) which was designated as a National Disaster, at point number 1 (one) the decree concluded that Covid-19 included in non-natural disasters is a national disaster. One of the efforts to reduce the spread of Covid-19 carried out by the government is the implementation of Large-Scale Social Restrictions (PSBB) where people are asked to limit activities

outside the home environment, the impact of PSBB is felt by business actors so that their businesses become empty of customers, and among them quite a lot are out of business and many workers have lost their jobs causing the impact of an economic slowdown [1]

For this reason, the government has begun to take the National Economic Recovery policy, which aims to protect, maintain, and improve the economic performance of economic actor's, including micro, small and medium enterprise towards normalizing the economy in conducting their business in Indonesia. PP 23 of 2020 regulates the implementation of the National Economic Recovery program, that is guidelines to implement the National Economic Recovery program in support of the country's financial policy in the framework of handling the Corona Virus Disease 2019 (Covid-19) pandemic and/or threats that endanger the Indonesian economy and/or financial system stability and national economic rescue as stipulated by President Joko Widodo on May 9th, 2020 in Jakarta.

Banks play a role in economic development by transferring capital in the form of loans to individuals or companies to meet consumption needs or to increase production [2, 3] and one of the state-owned banks appointed by the government to implement the National Economic Recovery program during 2020 is PT. Bank Rakyat Indonesia (Persero) Tbk, as a bank that focuses on empowering micro, small and medium enterprises (MSMEs) continues to strive consistently to save and rehabilitate MSMEs affected by Covid-19. According to Sunarso, 2021, President Director of BRI, explained that "Within a month BRI can disburse loans derived from the placement of national economic recovery funds by two times, which is RP 24.94 trillion for MSMEs entities amounting to more than 583 thousand. This is in accordance with our commitment that BRI targets loans of Rp.30 trillion in three months. These efforts are aimed at revitalizing the economic activities of MSMEs so that the wheels of the economy continue to spin."

Credit quality problem at PT. Bank Rakyat Indonesia (Persero) Tbk occurs when credit growth increased because of the appointment of BRI as the implementer of the national economic recovery program. Along with the targets to be achieved, BRI provides easier terms, namely credit without collateral. In other words, BRI lowers the standard in disbursement of its credit. it tends to have the potential to increase non-performing loans because debtors feel unattached to his loan. In addition, credit quality problems also arise when the government issues a emergency public activity restrictions (PPKM) policies which results in business actors being unable to carry out their business activities and eventually experiencing a decrease in income, this is one of the causes of the increase in non-performing loans and ultimately has an impact on the actual delinquent value or Non-Performing Loans (NPL) at PT. Bank Rakyat Indonesia (Persero) Tbk fluctuated and increased sharply during the pandemic. Where the NPL value limit set by OJK during the pandemic was increased to 5%, which was previously 3%.

In banking practice, a decrease in credit quality is unavoidable, what banks can do is minimize the possibility, the causative factors of the decline in quality include internal and external factors and from these factors can serve to overcome the problems and find adequate solutions[4, 5]

Literature Review

Credit Quality

The main function of banking in Indonesia based on Law Number 8 of 1992 concerning Banking which has been amended by Law Number 10 of 1998, is a business entity that aims to collect funds from the public in the form of savings then distributed in the form of loans or other forms to the community to improve the standard of living of the community. Law Number 10 of 1998 stipulates that credit is the provision

of capital in the form of money or bills that can be equated with it based on an agreement between the bank and another party that requires the borrower to pay back his debt plus interest after a certain period.

The collectability (quality) of credit is the debtor's ability to repay bank loans, both principal and interest on the loan, at a predetermined time in accordance with the agreement that has been agreed in advance. This credit rating is used to monitor the smooth payment of loan installments and the income of prospective debtors so that banks can assess the ability of prospective debtors to repay loans according to the agreement. Based on the Decree of the Board of Directors of Bank Indonesia No. 31/147/KEP/DIR dated November 12, 1998, the status of credit collectability is current (no arrears), DPK (special mention, up to 90 days), substandard (90 - 180 days), doubtful (180 - 270 days) and Loss (DH) (> 270 days).

Risk and Credit Analysis

In carrying out its activities, banks are absolutely obliged to pay attention to the risks that arise. Risk is the result of an event that has the potential to cause harm. Credit risk is the risk that arises because the debtor does not fulfill his obligations to the bank [2] Bankers Association and Banking Professional Certification Institute, 2013). According to PBI number 13/23/PBI/2011 on the implementation of risk management for commercial banks, credit risk is the risk that customers or other parties do not fulfill their obligations to the bank in accordance with the promised agreement.

When providing credit, the bank must be sure that the credit provided will be returned. To avoid credit risk, banks need to conduct an analysis of potential debtors. [6] said that credit analysis is defined as work preparation, work analysis of all aspects, both financial and non-financial preparation of the necessary analytical reports required with descriptions and conclusions, and alternative presentation to consider when making decisions about managing customer loan application.

The principle of credit examination that is often used is the principle of evaluation of 5C analysis according to [7, 8] Character, a prospective debtors with good character/reputation can be applied in credit considerations, (2) Ability, where this principle evaluates the customer's ability to manage the credit provided in such a way that he can pay off his loan to the bank, (3) Capital, the prospective debtor already has initial capital and the credit only for the purpose of addition to capital so that the bank feels safer when lending, (4) Economic conditions, the assessment of economic prospects must be good so that the probability of Non-Performing Loan is relatively low and (5) Collateral in the form of property belonging to the debtor or other parties as collateral and serves as a determinant of factors in the provision of credit and collateral for credit provided.

The 7P principles used by banks as considerations in distributing credit to customers [9] Personality, the character/personality of the prospective debtor, (2) The parties, classify customers into categories based on capital, loyalty and character in order to provide different credit facilities by banks to customers, (3) Purpose, to determine the customer's purpose in borrowing, including the type of credit that the customer wants (4) Prospect, to evaluate the customer's business in the future, whether profitable or not, (5) Payment, i.e. from any source of funds for loan payments, (6) Profitability, to analyze how customers have the ability to seek profit (7) Protection, credit provided gets guaranteed protection so that the credit provided is completely secure.

In addition to the above principles, explained that the 3R is a principle used by banks to select prospective debtors. (1) Returns or results, the assessment of the debtor after receiving a loan at the bank, (2) Repayment is the ability of the prospective

debtor to repay the loan provided by the bank, (3) Risk tolerance is the ability of the prospective debtor to face risks in the future and may affect credit returns.

With credit distribution, the bank expects that the loan can be returned according to the scheme agreed with the customer, in reality not all loans are distributed according to the agreement, and causes a default [2] The Financial Services Authority Regulation No. 40/POJK.03/2019 of 2019 concerning the Quality of Asset Assessment for Commercial Banks, it is stated that debtors fall into the category of default if they meet one of the following three criteria:

1. There is a late payment of 90 (ninety) days on the repayment of principal and interest and/or other bills even though the Productive Assets has not been paid.
2. If the productive asset is due, and the bank does not receive repayments.
3. The debtor is unable to meet other requirements set by the bank (other than payment of principal and/or interest) and may result in default.

Loan approval is determined from the results of credit analysis. The approved loan is a reasonable loan, complies with lending procedures guidelines, does not deviate from credit limit regulations and government regulations, has considered loan guarantees, and are terminated in accordance with the credit decision-making authorities [9] banking, a bank's credit risk can be mapped using NPL (Non-Performing Loan). NPL affects the financial health of a bank because if a bank experiences an increase in the NPL rate then the bank experiences bankruptcy or a decrease in income [7, 10] (Pertiw) This is related to the high allowance of Impairment Loss Reserves (CKPN) that must be set aside by banks in the event of an increasing NPL, this risk must be suppressed to a minimum so that the NPL does not swell further [1]

Factors That Affect Credit Quality

[4] said that the variables affecting credit discontinuity are internal factors which include expansive credit policies, irregularities in the implementation of credit procedures, and bad faith from bank owners/managers/employees. Meanwhile, external factors include the declining economic activities of the debtor and the higher interest rates on credit and disasters that occur in debtors/business activities [11-15].

According to [6] factors that affect credit quality include (1) inaccurate analysis and predictions about what will happen during the loan period, (2) agreements between bank officials who process loans and customers, so that banks decide on loans that should not be given, (3) Limited knowledge of bank officials about the type of debtor's business, (4) Too much interference from related parties (commissioners/directors) so that officials are not independent in making credit decisions; (5) Weaknesses in the implementation of credit supervision of debtors.

According to research [6] factors that affect credit quality are (1) Credit growth, rapid credit growth occurs because banks want to extend credit but ultimately lower the standard, this will encourage them to increase bad loans, (2) Interest rates on loans, interest rates changes can affect debtor solvency because rising interest rates results in higher borrower obligations to the bank, (3) Types of credit are divided into two, consumptive credit, where the source of payment generally comes from wages or other income and not from the object to be financed, and commercial credit whose source of payment comes from the business (Indonesian Bankers Association and Banking Professional Certification Institute, 2013). Therefore, it is assumed that the greater the proportion of commercial loan financing, the greater the risk of non-performing loans because in the field of consumptive credit, the security of payments to banks is more secure than commercial credit (Saputro, Sarumpaet, & Prasetyo, 2019). According to research [4] the factors that affect credit quality are (1) the term, the longer the loan term the greater the risk that may arise, the bank will charge a

higher interest rate than short-term loans, (2) Debtor character, the purpose of this character analysis is to find out the extent of the customer's willingness to fulfill the agreed contractual obligations, (3) The ability to manage credit, how the ability to manage the business after receiving credit funds from the Bank, if the business deteriorates, the customer's solvency may not run smoothly because his business income will experience ups and downs or uncertain[16-19].

Theoretical Framework

One of the SOEs appointed by the government is PT. Bank Rakyat Indonesia (Persero) Tbk to implement the National Economic Recovery Program (PEN) in 2020 by providing loans to MSMEs. Due to the impact of the COVID-19 pandemic, BRI continues to make efforts to rescue and reactivation of MSMEs.

Giving credit is the main activity of banks to earn profits. In addition to generating profits, banks also have risks from their activities as distributors of funds in the form of credit, namely the risk of non-performing loans or bad loans (NPL). The larger the loan that is disbursed, the risk that can be obtained is also greater. To avoid credit risk from disbursed loans, banks must analyze their prospective debtors according to the 5C, 7P and 3R principles, but most banks use the 5C principle to analyze potential debtors.

If there is a problem in the credit disbursement process, the bank will suffer losses in the future because the loans provided by the public do not work properly. There are several categories of credit ratings based on collectability. Decree No. 31/147/KEP/DIR dated November 12th, 1998, issued by the Board of Directors of Bank Indonesia divided credit classification based on quality into pass credit, special mention, substandard, doubtful and loss. Credit quality according to[7] as well as (Yuliana, 2016) are influenced by internal and external factors of the bank. The operational framework can be seen in figure 1 below.

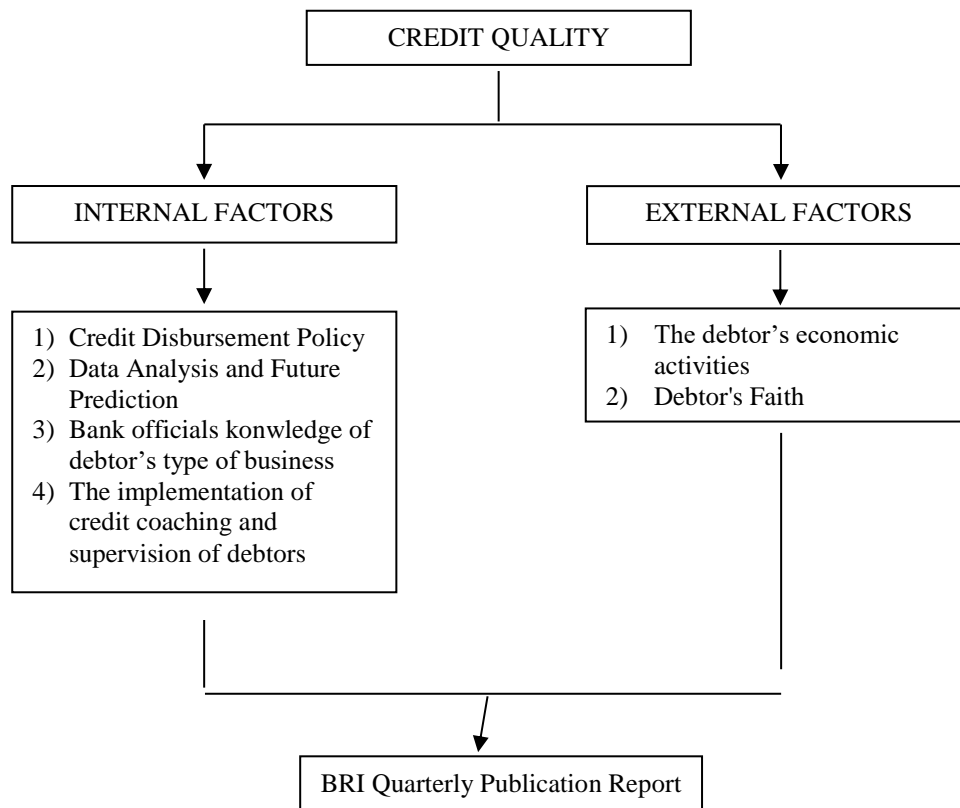


Figure1. Theoretical

Framework

Research Methodology

Research Design

This research uses descriptive analysis techniques, that is intended to investigate a condition, situation or other event, then the results will be presented in the form of a research report (Arikunto, 2019). Descriptive analysis aims to determine what factors affect credit quality by comparing the theory of Joyosumarto and Ismail (1994; 2016) and research [4] with facts in the field.

Data Types and Sources

The data used in this study are primary data and secondary data. Primary data were obtained from the results of discussions between researchers and the management of PT. Bank Rakyat Indonesia (Persero) Tbk related to the procedures to provide credit and how to handle customers who have problems in credit returns. The secondary data used comes from the BRI Quarterly Publication Report data which contains data on Asset Quality Reports and Other Information published by PT. Bank Rakyat Indonesia (Persero) Tbk on the website page www.ir-bri.com/download.html. In addition, data were also obtained from articles, research journals, books, theses, and other sources related to research.

Population and Sample

The population in this study is data derived from the BRI Quarterly Publication Report which contains data on Asset Quality Reports and Other Information published by PT. Bank Rakyat Indonesia (Persero) Tbk on the website page www.ir-bri.com/download.html for the period 2018, 2019, 2020 and 2021, is the 5-quarter report before the Covid-19 pandemic and the 5-quarter report during the Covid-19 pandemic. The research sample is all members of the population or is called the saturated sample technique. Accsaturated sampling technique is a sampling technique where all members of the population are used as samples.

Table 1

Operationalization of Variables

No	Variable	The Dimension	Indicator	Scale
1	Internal Factors	Disbursement Credit Policy	Amount of credit disbursement before and after pandemic	Nominal
		Credit analysis and future predictions	Amount of NPL	Ratio
		Bank officials knowledge of debtor's type of business	Before the pandemic is reviewed to the debtor's place of business, after the pandemic the review is only done through telecommunication media in the form of video calls so that the knowledge of the debtor is limited	Nominal
		The implementation of credit coaching and supervision of debtors	Credit collectability	Nominal

2	External Factors	The debtor's economic activities Debtor's faith	Amount of Credit Restructuring Debtor's Background	Nominal Nominal
---	------------------	--	---	------------------------

Data Analysis

The data analysis used in this study is descriptive data analysis in the form of a description of factors that affect credit quality at PT. Bank Rakyat Indonesia (Persero) Tbk.

Result and Discussion

Result

Internal Factor Credit Disbursement Policy

Table 1

Credit growth before and after the Covid-19 Pandemic PT. Bank Rakyat Indonesia (Persero) Tbk

Year	Type of Credit		
	Kupedes	Kupedes Rakyat	Micro KUR
2018	205,2	4,8	64,3
2019	232,2	6,2	69,3
2020	221,2	3,4	126,7
June 2021	209,4	2,6	154,6

Based on the data above, it can be concluded that before the Covid-19 pandemic, from 2018 to 2019, Kupedes credit type increased by 13.16% and the type of Kupedes Rakyat credit increased by 29.17%. During the Covid-19 pandemic in 2020 until the last report in June 2021, Kupedes credit type decreased by 9.81% and the type of Kupedes Rakyat credit decreased by 58.06% while the type of Micro KUR (Kredit Usaha Rakyat) credit increased by 7.78% before the Covid-19 pandemic and during the Covid-19 pandemic in 2020 until the last report in June 2021, there was a significant increase of 123.09%, this was because PT. Bank Rakyat Indonesia (Persero) Tbk is one of the state-owned banks implementing the National Economic Recovery Program and the type of credit distributed in this program is the type of Micro KUR credit so that after the Covid-19 pandemic for the type of Micro KUR credit has a significant increase compared to the other two types of credit, because BRI has a target that must be achieved, which is Rp.170 trillion for 2021 so that credit distribution is focused on the type of Micro KUR credit. Along with the targets to be achieved, BRI provides easier conditions, namely without collateral for a ceiling of up to Rp.50,000,000 (fifty million rupiah). In other words, BRI lowers the standard in disbursement of its credit this tends to have the potential to increase non-performing loans because debtors feel unattached to their loans.

Analysis Credit and Future Predictions

Table 3

Gross Non-Performing Loan (NPL) Before and after Covid-19

Year	% NPL			
	Quarter 1	Quarter II	Quarter III	Quarter IV
2018	2,39	2,33	2,46	2,14
2019	2,31	2,33	2,94	2,62
2020	2,81	2,98	3,02	2,94
2021	3,12	3,27		

Based on the data above, it can be concluded that before the Covid-19 pandemic the value of NPL still ranged from 2.14% to 2.46%, this was still included in the category of good for credit quality, after the Covid-19 pandemic the highest NPL value was in the second quarter 2021, which is 3.27% this is already included in the category of less good because the higher NPL value reflects declining credit quality. Credit analysis and less accurate future predictions are likely to potentially increase non-performing loans, even more so in pandemic times like today. This can be seen from the high NPL value. With credit distribution targets that must be met by bank officers, allowing bank officers to conduct less accurate credit analysis, so that it has the potential to increase non-performing loans, or when credit analysis has been done accurately, but conditions beyond the initial prediction as is happening now, the pandemic Covid-19 caused the government to issue PPKM which resulted in business actors being unable to carry out their business activities and ultimately experiencing a decrease in income, this is one of the causes of the increase in non-performing loans.

Bank Official's Knowledge of Debtor's Type of Business

One of the stages in credit approval by bank officials or Unit Head is a review by the bank officer or Unit Head to the debtor's place of business before credit approval is carried out to ensure the condition and existence of the debtor's business which has previously been conducted a preliminary survey by bank officers. Before the Covid-19 pandemic, bank officials or Unit Heads would conduct a direct review to the debtor's place of business, but after the Covid-19 pandemic, the review tends to be carried out via video calls depending on the condition of the debtor's area. If the debtor resides in the green zone, then a direct review will still be carried out, but if the debtor resides in the yellow or red zone, the review tends to be done via video call. Based on the description above, review tends to affect credit quality, because direct review will be more accurate than review via video call with all its limitations. The limited knowledge of bank officials regarding the condition of the existence of the debtor's business by reviewing via video calls tends to have the potential to increase non-performing loans compared to direct reviews by bank officials or the Head of Unit to the debtor's place of business, because when bank officials or the Head Unit conducts a direct review will be able to examine precisely and accurately about the condition of the debtor's business existence.

The Implementation of Credit Coaching and Supervision of Debtors

Based on the description below, it can be concluded that before the Covid-19 pandemic, coaching and supervision of debtors tended to be carried out more optimally, this can be seen from the larger percentage decrease in the collectability of DPK credit, Substandard and Doubtful by 102.36%, compared to the percentage increase in 2018 which was 18.47% for the quality of DPK and Substandard credit. In 2019, the Covid-19 pandemic began to hit Indonesia, this also affected credit quality, where the percentage decrease in the DPK credit collectability, Substandard and Doubtful before the pandemic results were different from during the pandemic, the percentage decrease in collectability was smaller, at 62.79% compared to the increase in percentage of 266.54% in 2019 until the last report in June 2021. This was because, when coaching and supervision was carried out in the form of billing to debtors, debtors experienced a decrease in their ability to pay due to government regulations since the beginning of the Covid-19 pandemic in the form of PSBB in the first wave of Covid-19 and then replaced to PPKM in the second wave of the Covid-19 pandemic which essentially limits community activities outside the home so that business actors do not carry out their business activities and finally many business actors have gone bankrupt. Therefore, for 2020 and 2021 BRI strives to improve credit quality by providing coaching and supervision in the form of billing or relaxation in the form of restructuring

on the condition that the debtor's business and ability to pay is still there although not as big as before.

Table 4

Credit Quality Quarterly Report

Period	Type of Credit	Credit Collectability				
		Pass	DPK	Substandard	Doubtful	Loss
March 2018	UMKM	309,229,241	22,555,032	1,756,493	2,689,092	5,525,279
	Non UMKM	292,645,708	9,892,838	1,288,883	491,080	3,005,846
	Total	601,874,949	32,447,870	3,045,376	3,180,172	8,531,125
June 2018	UMKM	320,697,073	24,310,520	1,922,828	2,490,816	6,068,624
	Non UMKM	304,223,531	9,878,505	1,455,050	429,787	2,669,316
	Total	624,920,604	34,189,025	3,377,878	2,920,603	8,737,940
September 2018	UMKM	325,712,452	22,145,834	1,897,644	1,870,141	6,558,049
	Non UMKM	311,521,357	12,752,339	814,448	995,108	3,314,808
	Total	637,233,809	34,898,173	2,712,092	2,865,249	9,872,857
Desember 2018	UMKM	341,416,783	16,809,917	1,299,892	1,610,815	6,194,359
	Non UMKM	335,246,524	9,303,795	663,280	446,699	3,944,434
	Total	676,663,307	26,113,712	1,963,172	2,057,484	10,138,793
March 2019	UMKM	334,066,820	22,924,024	1,554,592	2,748,245	6,080,779
	Non UMKM	332,962,409	10,682,502	745,836	683,342	3,975,597
	Total	667,029,229	33,606,526	2,300,428	3,431,587	10,056,376
June 2019	UMKM	358,878,606	24,891,884	1,832,081	2,691,033	7,019,166
	Non UMKM	340,688,867	15,435,081	682,877	497,833	3,987,837
	Total	699,567,473	40,326,965	2,514,958	3,188,866	11,007,003
September 2019	UMKM	372,010,716	24,424,378	2,004,476	2,216,716	7,182,713
	Non UMKM	341,172,823	12,988,867	2,811,767	490,091	4,061,407
	Total	713,183,539	37,413,245	4,816,243	2,706,807	11,244,120
Desember 2019	UMKM	384,281,103	19,260,412	1,984,083	2,210,825	5,891,514
	Non UMKM	344,901,612	11,566,627	2,023,582	450,658	4,982,178
	Total	729,182,715	30,827,039	4,007,665	2,661,483	10,873,692
March 2020	UMKM	378,353,250	35,182,507	2,546,805	3,511,941	5,920,208
	Non UMKM	341,217,111	14,553,398	2,027,768	960,394	4,303,799
	Total	719,570,361	49,735,905	4,574,573	4,472,335	10,224,007
Juni 2020	UMKM	393,321,443	17,864,422	1,370,274	1,768,262	7,857,071
	Non UMKM	335,868,285	13,869,312	3,537,678	797,199	5,628,373
	Total	729,189,728	31,733,734	4,907,952	2,565,461	13,485,444
September 2020	UMKM	406,586,714	27,667,120	1,556,428	2,007,726	8,013,745
	Non UMKM	328,656,862	13,237,692	889,449	1,527,534	7,541,842
	Total	735,243,576	40,904,812	2,445,877	3,535,260	15,555,587
Desember 2020	UMKM	440,704,549	14,342,721	1,093,339	1,365,218	7,493,029
	Non UMKM	318,382,830	8,314,123	988,992	930,172	8,039,481
	Total	759,087,379	22,656,844	2,082,331	2,295,390	15,532,510
March 2021	UMKM	442,992,768	25,550,710	1,871,859	2,716,033	7,526,455
	Non UMKM	314,755,084	10,630,519	458,891	1,700,532	7,583,005
	Total	757,747,852	36,181,229	2,330,750	4,416,565	15,109,460
Juni 2021	UMKM	450,876,242	28,212,134	2,074,283	3,735,996	7,797,756
	Non UMKM	312,357,701	14,010,267	395,914	1,186,383	7,949,909
Total	763,233,943	42,222,401	2,470,197	4,922,379	15,747,665	

External Factor**Debtor's Economic Activities**

Table 5

Number of Restructurings Before and After Covid-19

Year	% Restructuring of Total Loans			
	Quarter 1	Quarter II	Quarter III	Quarter IV
2018	5,8	5,8	6	6
2019	6,1	6	6,4	6
2020	7,2	25,6	27,2	26,2
2021	26,3	24,5		

Judging from the table above, in the first quarter of 2018 to the first quarter of 2020 or before the government restructuring relaxation policy was enacted, the percentage of restructuring data at PT. Bank Rakyat Indonesia (Persero) Tbk ranged from 5.7% to 7.2%. After the implementation of the restructuring relaxation policy for debtors affected by Covid-19, the percentage of restructuring increased by 20% and until the second quarter of 2021 the percentage of restructuring was around 25% and above. Based on the explanation above, it can be concluded that the debtor's economic activities were disrupted after the Covid-19 pandemic and the implementation of PSBB and PPKM by the government resulted in a decrease in the ability to pay or even the debtor could not pay his obligations to the bank. In March 2020 the Government through the Financial Services Authority (OJK) issued a Loan Restructuring Relaxation policy as stipulated in regulation No 11/POJK.03/2020 to maintain the stability of the financial services sector from economic activities due to the impact of Covid-19 and BRI began implementing this policy in second quarter of 2020 to its debtors. BRI implements restructuring with several schemes other than extending the loan period, the most dominantly enforced during the Covid-19 pandemic is the postponement of principal installments for a maximum of 12 months and the debtor only pays the interest. This policy, in addition to helping banks improve credit quality, also provides space for debtors to recover their ability to pay.

Debtor's Faith

When applying for credit by the debtor, the bank officer first checks the Financial Information Service System (SLIK) to view the debtor's payment history. This was done both before and after the Covid-19 pandemic. If there is a bad collectability record regarding the debtor's payment history, the credit application will be rejected and vice versa. But, if the debtor is an old debtor, then there will be separate considerations for the credit application, either in the form of credit approval with the same ceiling or with a lowered credit limit. Based on this, there will be a possibility of an impact on credit quality, because if the debtor with a poor payment history repeats the same thing, there will be a risk of non-performing loans in the future.

**Discussion
Internal Factor**

Credit quality is seen from the factors of credit realization policy, data analysis and future predictions, knowledge of bank officials about the type of debtor business and the implementation of credit coaching and supervision of debtors from Bank Rakyat Indonesia (Persero) Tbk, showing that:

1) Credit realization tends to increase for Micro KUR, this shows that the Micro KUR credit realization policy is more focused on this because PT. Bank Rakyat Indonesia (Persero) Tbk is one of the state-owned banks implementing the National Economic Recovery Program and has a target that must be achieved, namely Rp. 170 trillion for 2021. While the Kupedes and Kupedes Rakyat have decreased, this shows that along with the targets that must be achieved, finally the focus of disbursement credit to Micro KUR and BRI provides easier terms, namely without collateral for a ceiling of up to Rp. 50,000,000 (fifty million rupiah). In other words, BRI lowers the standard in disbursement of its credit this tends to have the potential to increase non-performing loans because debtors feel unattached to his loans.

2) Credit Analysis and Future Predictions as measured by NPL show fluctuations before the pandemic and after the pandemic, these fluctuations increased sharply after the pandemic caused by the target of credit distribution that must be met by bank officers, allowing bank officers to conduct credit analysis which tends to be less accurate, so that has the potential to increase non-performing loans, or when credit analysis has been done accurately, but there are conditions beyond the initial prediction as is happening now, the Covid-19 pandemic has caused the government to issue PPKM which resulted in business actors unable to carry out their business activities and eventually experienced a decrease in income, this was one of the causes of the increase in non-performing loans.

3) Knowledge of bank officials about the debtor's business in the form of a review by a bank official or head unit to the debtor's place of business tends to affect credit quality, because a direct review will be more accurate than a review via video call with all its limitations. The limited knowledge of bank officials regarding the condition of the existence of the debtor's business by reviewing via video calls tends to have the potential to increase non-performing loans compared to direct reviews by bank officials or the Head Unit to the debtor's place of business, because when bank officials or the Head Unit conduct a direct review will be able to examine precisely and accurately about the condition of the debtor's business existence.

4) The implementation of credit coaching and supervision of debtors before the Covid-19 pandemic tends to be done more optimally. Meanwhile, when the Covid-19 pandemic began to hit Indonesia, coaching and supervision in the form of billing debtors, the results were less than optimal because debtors experienced a decrease in their ability to pay due to government regulations since the beginning of the Covid-19 pandemic in the form of restrictions on community activities outside the home so that business actors unable to carry out their business activities and eventually many business actors went out of business. This affects credit quality, therefore for 2020 and 2021 BRI strives to improve credit quality by coaching and supervision in the form of billing or relaxation in the form of restructuring on the condition that the debtor's business and ability to pay is still there, although not as big as before.

External Factor

Credit quality is seen from the factors of the debtor's economic activity and the debtor's faith of PT. Bank Rakyat Indonesia (Persero) Tbk, shows that:

Debtor's economic activities were disrupted after the Covid-19 pandemic and the implementation PSBB and PPKM by the government which resulted in a decrease in their ability to pay or even debtors could not pay their obligations to the bank. In March 2020, the Government through the Financial Services Authority (OJK) issued a Loan Restructuring Relaxation policy as stipulated in regulation No. 11/POJK.03/2020 to maintain the stability of the financial services sector from economic activities due to the impact of Covid-19 and BRI began implementing this policy in second quarter of 2020 to its debtors. BRI implements restructuring with several schemes other than extending the loan period, the most dominantly enforced during the Covid-19 pandemic is the postponement of principal installments for a maximum of 12 months

and the debtor only pays the interest. This policy, in addition to helping banks improve credit quality, also provides space for debtors to recover their ability to pay.

Debtor's faith tends to affect credit quality this is based on the debtor's payment history in the Financial Information Service System (SLIK) report. For new debtors with poor payment history, the credit application cannot be continued, but for old debtors there are separate considerations for credit applications, either in the form of credit approvals with the same ceiling or with a lowered credit limit. Based on this, there will be a possibility of an impact on credit quality, because if the debtor with a poor payment history repeats the same thing, there will be a risk of non-performing loans in the future.

Conclusion

This study examines internal and external factors that can affect credit quality during the pandemic and before the pandemic. The results showed that the disbursement credit of lending activities did not focus on the knowledge of bank officials on the type of debtor's business. While the disbursement credit policy, data analysis and future predictions, implementation of credit coaching and supervision of debtors, debtor economic activities and debtor's faith are the main factors in the implementation of lending activities.

Credit quality at PT. Bank Rakyat Indonesia (Persero) Tbk during the pandemic was still quite good as seen from the highest NPL value of 3.27 in June 2021. Meanwhile, the NPL limit value set by OJK for the pandemic period was increased to 5%. To improve credit quality, PT. Bank Rakyat Indonesia (Persero) Tbk also considers the knowledge factor of bank officials on the type of debtor's business because the working period of bank officials is longer than bank officers who carry out credit analysis processes so that they have wider experience and knowledge. Therefore, this factor should be used as a consideration in deciding the approval of the debtor's credit application.

In addition, PT. Bank Rakyat Indonesia (Persero) Tbk added human resources in the work unit, specifically for supervising and fostering debtors in the form of billing, because so far, only one officer has carried out the process from the beginning of credit application until the debtor has finished his credit period. This burdens the officer's workload and ultimately affects credit quality because the officer does not only focus on credit development and supervision, but also focuses on growth targets or disbursement credit.

References

1. Satradinata, D.N. and B.E. Muljono, *Legal Analysis of Credit Relaxation During the Corona Pandemic With Loan Allowance Based on Financial Services Authority Regulation Number 11/POJK. 03/2020*. Jurnal Sains Sosio Humaniora, 2020. **4**(2): p. 613-620.
2. Firmansyah, A., *Analysis of Non-Performing Loans Viewed from the Standard of Non-Performing Loans (NPL) at PT. Rural Bank (BPR) Prima Mulia Anugrah Padang Branch*. 2019. **5**(2) DOI: <https://doi.org/10.31227/osf.io/gcj94>.
3. Sekerci, H. and F. Yilmaz, *The Role of Respectful Behaviour in the Relationship between Empathetic Tendencies and Conflict Resolution in Primary School Students*. Eurasian Journal of Educational Research, 2021. **93**: p. 73-94 DOI: <https://doi.org/10.14689/ejer.2021.93.4>.
4. Yuliana, D. and H. Harun, *Analysis of the factors that affect non-performing loans in revolving funds in PNPB Mandiri in rural areas, Guntur sub-district, Demak Regency*. JURNAL STIE SEMARANG (EDISI ELEKTRONIK), 2016. **8**(3): p. 163-180.
5. Shanmugam, N., et al., *CALCULATION OF ABRAHAM MODEL L-DESCRIPTOR AND STANDARD MOLAR ENTHALPIES OF VAPORIZATION FOR LINEAR C7-C14 ALKYNES FROM GAS CHROMATOGRAPHIC RETENTION INDEX DATA*. EUROPEAN CHEMICAL BULLETIN, 2021. **10**(1): p. 46-57 DOI: <https://doi.org/10.17628/ecb.2021.10.46-57>.
6. Saputro, A.R., S. Sarumpaet, and T.J. Prasetyo, *Analysis of the Effect of Credit Growth, Types of Credit, Bank Loan Interest Rates and Inflation on Non-performing Loans*. Ekspansi: Jurnal

- Ekonomi, Keuangan, Perbankan, dan Akuntansi, 2019. **11**(1): p. 1-12 DOI: <https://doi.org/10.35313/ekspansi.v11i1.1325>.
7. Pertiwi, R.E., Y. Syaikat, and D. Rachmina, *Factors affecting non-performing loans of conventional and Islamic banks in Indonesia*. Jurnal Aplikasi Bisnis dan Manajemen (JABM), 2020. **6**(1): p. 118-118 DOI: <https://doi.org/10.17358/jabm.6.1.118>.
 8. Shtamburg, V.G., et al., *NUCLEOPHILIC SUBSTITUTION IN N-ALKOXY-N-CHLOROCARBAMATES AS A WAY TO N-ALKOXY-N', N', N'-TRIMETHYLHYDRAZINIUM CHLORIDES*. EUROPEAN CHEMICAL BULLETIN, 2020. **9**(1): p. 28-32 DOI: <https://doi.org/10.17628/ecb.2020.9.28-32>.
 9. Nursyahriana, A., M. Hadjat, and I. Tricahyadinata. *Analysis of the Causes of Bad Credit*. DOI: <https://doi.org/10.29264/jfor.v19i1.2109>.
 10. Singh, S., N.P. Singh, and R. Rani, *hazardous elements in aqueous leachates of coal fly ash around thermal power plants disposal area*. European Chemical Bulletin, 2020. **9**(12): p. 360-365 DOI: <https://doi.org/10.17628/ecb.2020.9.360-365>.
 11. Rašidagić, E.K. and Z. Hesova, *Development of Turkish Foreign Policy Towards the Western Balkans with Focus on Bosnia and Herzegovina*. Croatian International Relations Review, 2020. **26**(86): p. 96-129 DOI: <https://doi.org/10.37173/cirr.26.86.4>.
 12. Putri, A.Z., *Relationship of Company's Characteristics and Markets Power on Leverage In Indonesian Manufacturing Companies*. Cuadernos de Economía, 2020. **43**(123): p. 401-409.
 13. Kasalak, G. and M. Dagyar, *The Relationship between Teacher Self-Efficacy and Teacher Job Satisfaction: A Meta-Analysis of the Teaching and Learning International Survey (TALIS)*. Educational Sciences: Theory and Practice, 2020. **20**(3): p. 16-33.
 14. Ozden, M., *Elementary School Students' Informal Reasoning and Its' Quality Regarding Socio-Scientific Issues*. Eurasian Journal of Educational Research, 2020. **20**(86): p. 61-84 DOI: <https://doi.org/10.14689/ejer.2020.86.4>.
 15. Kováčik, M., *Freedom to Choose Between Good and Evil: Theological Anthropology in Discussion with Philosophy*. European Journal for Philosophy of Religion, 2020. **12**(4) DOI: <https://doi.org/10.24204/ejpr.v12i4.3521>.
 16. Brookes, G., *Glyphosate use in Asia and implications of possible restrictions on its use*. AgBioForum, 2019. **22**: p. 1-26.
 17. Van Huong, N., et al., *Impact of Accession to WTO on Agriculture Sector in Vietnam*. AgBioForum, 2021. **23**(1): p. 56-64.
 18. Miller, J.J.H. and E. O'Riordan, *Robust numerical method for a singularly perturbed problem arising in the modelling of enzyme kinetics*. BIOMATH, 2020. **9**(2): p. 2008227 DOI: <https://doi.org/10.11145/j.biomath.2020.08.227>.
 19. Lukyanets, A., et al., *The economic and social consequences of environmental migration in the central Asian countries*. Central Asia and the Caucasus, 2020. **21**(2): p. 142-156 DOI: <https://doi.org/10.37178/ca-c.20.2.13>.