The Effect of Debtor Character and Fiducian Guarantee from SME Entrepreneurs on Credit Approval

Ida Ayu Made BINTANG[1], Ida Ayu SURASMI[2], Putu Gede Wisnu Permana KAWISANA[3]

[1,2,3]Faculty of Economics and Business, Warmadewa University Denpasar, Bali

Abstract:

Purpose:

This study aims to determine the effect of debtor character and fiduciary guarantees from SME entrepreneurs on credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency. The location of this research is at the BPD Bank, Klungkung Regency.

Methodology:

The population used is the credit employees of Bank BPD Klungkung Branch, with 35 employees. The sample in this study used 35 respondents. The data collection technique used in this study was a questionnaire containing a Likert scale. The data analysis technique used is multiple linear regression analysis.

Findings:

The results of this study indicate that the debtor's character has a significant positive effect on credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency. Fiduciary guarantees from SME entrepreneurs have no significant positive effect on credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency.

Implication:

This indicates that banks prioritize easy credit for SME entrepreneurs rather than fiduciary guarantees in supporting credit relaxation policies during the Covid-19 pandemic.

Cite this article:
BINTANG, I. A. M., SURASMI, I. A., KAWISANA, P. G. W. P. (2023). "The Effect of Debtor Character and Fiducian Guarantee from SME Entrepreneurs on Credit Approval." Journal of Entrepreneurial and Business Diversity, Volume (1), Issue (2), Page (84-89).

INTRODUCTION

One of the Development Programs in the National Medium-Term Development Plan emphasizes programs for developing business support systems for MSMEs and programs for developing entrepreneurship and competitiveness (RPJMN, 2016). The government pays attention to MSMEs because MSMEs have a role in the national economy. The role of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia is enormous and has proven to save the nation's economy during the 1997 economic crisis.

Scarborough (2016) states that the recovery from the economic crisis lasted seven years, and several studies have shown that the Indonesian economy not only relies on the role of large businesses, but MSMEs have proven to have relatively better resilience than larger scale businesses. It is not surprising that both during the crisis period and the current recovery period for the Indonesian economy, MSMEs have a very strategic and vital role in various aspects. First, the number of industries is large and exists in every sector of the economy. Second, its great potential to create more job opportunities when compared to the same investment in a larger-scale business. Third, the contribution of SMEs to the formation of GDP is quite significant. Fourth, contributes to the country's foreign exchange with a reasonably stable export value.

Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises explains that the objectives of empowering micro, small, and medium enterprises are:

1. Creating a balanced, developed, and just economic structure of the national economy.

2. Growing and developing the capabilities of micro, small, and medium enterprises to become solid and independent businesses, and;
3. Increasing the role of micro, small, and medium enterprises in regional development, creating jobs, equalizing income, economic growth, and alleviating people from poverty.

This role mainly includes increasing employment opportunities, income distribution, rural economic development, and increasing non-oil and gas exports. Hadiyati (2010) stated that a survey from BPS identified various weaknesses and problems faced by MSMEs based on their priorities, including a need for more knowledge of entrepreneurship and capital. Lending is a business activity that dominates the allocation of bank funds. The use of funds for lending reaches 70–80% of the bank's business volume. Therefore, the primary source of bank income comes from lending activities in the form of interest income (Siamat, 2016). The level of lending can also be called the loan-to-deposit ratio.

Siti (2016) explains that the importance of credit is also a concern for banks in selecting debtors, where the debtor who receives a credit loan is responsible for paying off his credit debt to the bank. If the debtor cannot pay his banking obligations to the bank, then there is a case of bad credit or what is known as a Non-Performing Loan.

This phenomenon in 2021 began with a negative trend in the form of a coronavirus pandemic which could potentially cause considerable losses to SME businesses in Indonesia, especially in tourist areas such as Bali (Tira, 2020). Catriona (2020) explained that the losses experienced by all business sectors, especially the SME sector, hampered the possibility of credit payments due to decreased income from SME actors.

Banking parties must pay more attention when providing credit to prospective debtors, where the prospective debtors have several motives behind the loans they submit to banks. There are several motives, but the motive for applying for credit is divided into two, namely productive credit and consumptive credit. Siamat (2016) explains that productive credit is credit intended for business capital activities or business expansion, while consumptive credit is credit intended for personal expenditure on the applicant's part.

Bank BPD as a credit provider to many SME entrepreneurs, enforces a rule whereby the maximum loan value is 60% of the total value of the fiduciary guarantee, where previously the loan value could be 70-80% of the loan value (Bali Regional Development Bank, 2020). It makes it difficult for some SME entrepreneurs to find credit, especially during the Covid-19 pandemic; entrepreneurs often have to get loans to keep running a loss-making business.

Table 1. Submission of Credit and Credit Approval in 2020 at BPD Klungkung

Loans Submitted	IDR 166,381,500,000
Loans Provided	IDR 120,295,000,000
Submissions from Customers	615 people
Number of approved customers	428 people

Source: BPD Klungkung.

Table 1 explains that the loans submitted to the Klungkung Regency BPD amounted to IDR 166,381,500,000, but the approved loans were only IDR 120,295,000,000. There were 615 customers who made submissions, of which the number of customers who were approved was 428 people. The issue is a condition that makes the Klungkung Regency BPD Bank carry out strict screening and audits of loans issued to avoid non-performing loans. One of the steps taken is to issue credit only with fiduciary guarantees that can be cashed out immediately, such as motorbikes, cars, and gold. In addition, SMEs can only receive people's business loans (KUR) because there are no longer collateral-free loans (KTA).

Dwitami's research (2017) yields that the characteristics of the debtor partially have a positive effect on the decision to grant People's Business Credit, and the results of research from Manurung (2020) show that collateral (collateral/collateral) has a significant positive effect on granting credit. However, it is slightly different from the research by Widiantari and Suwendra (2018) that credit assessment (character, collateral, capacity, capital, and economic condition) has no significant positive effect on the decision to grant credit. It is because there are still frequent obstacles that the bank must face in matters relating to the responsibilities of the debtor, namely the ability and timeliness in making payments for taking loans or debts. Based on the issues that occurred and regarding the variables influencing or not influencing credit approval and there were gaps in opinion on the results of previous research, it is essential to do research again.

Debtor Character. Romney (2016) explains that if a debtor fails to pay by the promised deadline, a formal collection process can be instituted, sometimes permitting the confiscation of the debtor's property to compel payment. From the above understanding, the authors conclude that the debtor receives the debt obtained from the creditor, whose payment is determined by the pre-agreed payback period.

Credit Approval. Siamat (2016) explains that credit comes from the Greek "Credere," which means trust. Therefore, the basis of credit is trust. A person or all bodies that provide credit (creditors) believe that the credit recipients (debtors) in the future will be able to fulfill everything promised, which can be in the form of goods, money, or services.

Fiduciary Guarantee. Salim (2016) explains that the term fiduciary comes from the Dutch language, namely fiducia, whereas in English, it is called fiduciary transfer of ownership, which means trust. Property rights are based on trust. Likewise, this term is used in Law Number 42 of 1999 concerning Fiduciary Guarantees.

METHODS

The location of this research is PT. Bank BPD Klungkung Regency, located at Jl. Mount Semeru No. 15, Semarapura Kelod Kangin, Kec. Klungkung, Klungkung regency. The population used is the credit employees of Bank BPD Klungkung Branch, with 35 employees. The sample in this study used 35 respondents. The data collection technique used in this study was a questionnaire containing a Likert scale. Types of data can be divided into two, namely qualitative data and quantitative data. The data analysis technique used in this study is multiple linear regression.

RESULTS AND DISCUSSION

The validity test results showed that all research instruments used to measure debtor character variables, fiduciary guarantees from SME entrepreneurs, and credit approvals during the coronavirus pandemic had a correlation value with a total score of all statement items greater than 0.30. It shows that the statement items in the research instrument are valid and appropriate to be used as a research instrument.

The reliability test results showed that all research instruments had a Cronbach's Alpha coefficient of more than 0.70. So, it can be stated that all variables have met the reliability requirements so that they can be used to conduct research

Based on the Asymp value normality test Sig. (2-tailed) is 0.200, more significant than 0.05, indicating that the data is usually distributed. Based on the multicollinearity test, it was shown that all independent variables had a tolerance value of > 0.10. As well as the results of calculating the VIF value, all variables had a VIF value of < 10. It means that the regression model created does not show signs of multicollinearity.

Based on the heteroscedasticity test, each model has a significance value greater than 0.05. In this regression model, there is no variance similarity from one residual observation to another, or there is no heteroscedasticity.

Multiple Linear Regression is a regression analysis explaining the influence between the independent and dependent variables. The following summarizes the results of multiple linear regression:

Table 2. Results of Multiple Linear Regression Analysis

Variable	Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
	B	**std. error**	**Betas**		
(Constant)	8,727	3,569		2,445	0.020
debtor character	0.509	0.161	0.522	3,160	0.003
Fiduciary guarantee from SME entrepreneurs	0.130	0.162	0.132	0.800	0.429

Source: Processed data (2022)

Based on Table 2, the multiple linear regression equation can be written as follows:

$$Y = 8.727 + 0.509 \ X_1 + 0.130 \ X_2 + e$$

From the linear regression equation above, it can be explained as follows: A constant of 8.727 states that if the independent variables are considered constant, then the average credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency is 8.727.

The coefficient value $\beta_1 = 0.509$ indicates a positive direction between the debtor character variable (X_1) and credit approval during the coronavirus pandemic (Y) with a value of 0.509. If the debtor character variable (X_1) increases by 1 percent, credit approval during the coronavirus pandemic (Y) will increase by 0.509 percent. Note that other variables are fixed or constant.

The coefficient value $\beta_2 = 0.130$ indicates a positive direction between the fiduciary guarantee variable from SME entrepreneurs (X_2) to credit approval during the coronavirus pandemic (Y) of 0.130. It means that if the fiduciary guarantee variable from SME entrepreneurs (X_2) increases by 1 percent, credit approval during the coronavirus pandemic (Y) will increase by 0.130 percent. Note that other variables are fixed or constant.

Effect of Debtor Character on Credit Approval During the Corona Virus Pandemic. Based on the results of multiple linear regression analysis, it can be seen that the debtor's character has a regression coefficient value of 0.509 with a positive influence. The debtor's character affects credit approval during the coronavirus pandemic because the significant value is 0.003, less than the error tolerance of 0.05. From the results of this analysis, the first hypothesis (H1) proposed is accepted, so it can be concluded that the debtor's character partially has a positive and significant effect on credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency. These results indicate that the better the debtor's character, the higher the credit approval during the coronavirus pandemic.

These results follow research conducted by Robert (2016), which states that the debtor's character can influence the bank's trust in providing credit to debtors. This research also supports the research results of Yanti (2017), Desi (2012), and Situmorang (2016), which state that debtor character has a positive and significant effect on credit granting.

Effect of Fiduciary Guarantees from SME Entrepreneurs on Credit Approval During the Corona Virus Pandemic. Based on the multiple linear regression analysis results, fiduciary guarantees from SME

entrepreneurs have a regression coefficient value of 0.130 with a positive influence. However, the value of the regression coefficient is not used because after conducting a partial regression analysis (t-test), it is known that there is no significant effect on the fiduciary guarantee variable from SME entrepreneurs on credit approval during the coronavirus pandemic. Fiduciary guarantees from SME entrepreneurs are said to have a non-significant positive effect on credit approval during the coronavirus pandemic because the significant value is 0.429, greater than the error tolerance of 0.05. From the results of this analysis, the proposed second hypothesis (H2) was rejected, so it can be concluded that fiduciary guarantees from SME entrepreneurs partially had a non-significant positive effect on credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency. It means that the Klungkung Regency BPD Bank ignores fiduciary guarantees from SME entrepreneurs as the main factor in making credit approval decisions during the coronavirus pandemic.

This result is supported by a statement in the journal Reftiana et al. (2020), which stated that in dealing with the Covid-19 pandemic situation, the government launched nine economic policies, one of which was the credit relaxation policy provided by the Financial Services Authority to MSMEs, making it easier for SME entrepreneurs to applying for credit and even though the fiduciary guarantee from SME entrepreneurs is not very high, banks still provide credit approval in order to support government policies for credit relaxation. The results of this study do not support the research of Adi (2016), Yanti (2017), Desi (2021), and Prabowo (2020), who obtained the result that fiduciary guarantees have a positive and significant effect on credit approval.

CONCLUSION

Based on the analysis and research results described above, it can be concluded as follows:

1. Debtor character positively and significantly affects credit approval during the coronavirus pandemic at Bank BPD Klungkung Regency. These results indicate that the better the debtor's character, the higher the credit approval during the coronavirus pandemic.
2. Fiduciary guarantees from SME entrepreneurs have no significant positive effect on credit approval during the coronavirus pandemic at Bank BPD, Klungkung Regency. It means that Bank BPD Klungkung Regency does not pay attention to fiduciary guarantees from SME entrepreneurs as the main factor in making credit approval decisions during the coronavirus pandemic; this is because, during the Covid- 19 pandemic, the majority of banks made it easier to apply for credit for SME entrepreneurs in order to support government policies on relaxation credit so that the bank does not pay too much attention to fiduciary guarantees owned by SME entrepreneurs.

Suggestion.

1) For Debtors. Debtors are expected to pay attention to the requirements of the debtor's character in applying for credit because the debtor's character variables significantly influence credit approval during the coronavirus pandemic at Bank BPD.
2) For Bank BPD Klungkung Regency. In the future, the management of Bank BPD Klungkung Regency should pay more attention to the level of fiduciary guarantees from SME entrepreneurs and pay better attention to the stages of the credit application process because not all potential customer income is always stable during the COVID-19 pandemic. The variable fiduciary guarantees from SME entrepreneurs, namely in terms of the value of fiduciary guarantees, the liquidity of fiduciary guarantees, and the value of guarantees not reduced from fiduciary guarantees, need to be perfected.
3) For Further Researchers. Future researchers are expected to be able to increase the number of variables that are considered capable of influencing credit approval during the coronavirus pandemic, such as level of income or income, capacity, capital, collateral, and condition of the economy.

REFERENCE

Ade, A. (2016). *Banks and Non-Bank Financial Institutions.* Jakarta: Publisher of Gramedia Group Index.

Aryanti, K. D. (2021). The Influence of Principle 5c Credit and Credit Monitoring on Decisions to Grant Credit to Bumdesa in Kubudindingan District, Buleleng Regency. Undergraduate Thesis, Ganesha University of Education.

Arinta, D. Y. (2017). The Influence of Individual Characteristics. Business Characteristics. Characteristics of Credit on Debtor's Ability to Pay Credit at BPR Jatim Probolinggo Branch. Journal of Economics and Business

Catriana, E. (2020). Hit by Corona. These are 5 Complaints from UMKM Actors. Accessed from https://money.kompas.com/read/2020/03/27/190000026/terpukul-corona-ini-5-keluhan-para-pelaku-umkm?page= all

Dwitami, K. G. (2017). Effect of Business Capability. Characteristics of the Debtor. Repayment Capacity and accounting information on the decision to grant people's business credit at PT. Bali Regional Development Bank, Singaraja Branch. *Journal of Applied Quantitative Economics.*

Reftiana, A., Septianing, T., Ardinna, VB, & Lisdiyanti, V. (2020). Analysis of the Implementation of Credit Relaxation Policies During the Covid-19 Pandemic at Pt. Bank Rakyat Indonesia (Persero) TBK. *Journal of Competitive Business COVID-19 Edition. Volume 1,* Number 1, August 2020, pp. 88-97

Romney. (2016). *Income Tax Brevet Guide.* Yogyakarta: Publisher Andi.

Saputra, K. A. K., & Kurniawan, P. S. (2017). Konsep Good Corporate Governance dan Fungsi Badan Pengawas Sebagai Internal Auditor LPD di Bali. Simposium Nasional Akuntansi XX, Universitas Jember.

Saputra, K. A. K., Trisnadewi, A. A. E., Anggiriawan, P. B., & Kawisana, P. G. W. P. (2019). Kebangkrutan Lembaga Perkreditan Desa (Lpd) Berdasarkan Analisis berbagai Faktor. *JIA (Jurnal Ilmiah Akuntansi), 4*(1). https://doi.org/10.23887/jia.v4i1.17250

Saputra, K. A. K. (2013). Persepsi Mahasiswa Strata Satu Akuntansi terhadap Undang-Undang No. 5 Tahun 2011 Tentang Akuntan Publik (Sebuah Studi fenomenologi). *Jurnal Ilmiah AKuntansi Dan Humanika, 3*(1).

Saputra, K. A. K., Ekajayanti, L. S., & Anggiriawan, P. B. (2018). Competency Of Human Resources and Love of Money Attitude in Managing Financial Small-Medium Micro Businesses. *Jurnal Reviu Akuntansi dan Keuangan, 8*(2), 135-146. https://doi.org/10.22219/jrak.v8i2.33

Scarborough. (2016). *Entrepreneurship and Management.* Small business. Salemba Four

Siamat. (2016). *Management of Financial Institutions.* Jakarta: Media Publisher Kita.

Siti, H. (2016). Classification of Credit Quality and How to Avoid Bad Credit. Accessed from https://www.cermati.com/artikel/penggolongan-kualitas-credit-dan-how-to-avoid-credit-jams. Accessed on 19 December 2020

Widiantar, N. M. D, & Suwendra, I. W. (2018). The Influence of Credit Assessment on the Decision to Grant Credit to BPRs. *Journal of Applied Quantitative Economics.*