International Journal of Informatics, Economics, Management and Science
http://journal.stmikjayakarta.ac.id/index.php/ijiems
E-ISSN: 2809-8471 (online), **P-ISSN:** 2809-9281 (Print)
DOI: 10.52362/ijiems.v2i2.1198
Volume 2 , Issue 2 , August 2022, pp. 112-120

Analysis Of The Factors Causing The Non-Dance Credit At PT Hemas Parama

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Received: May 27, 2023; **accepted** : July 22,2023 ; **Published** : August 8, 2023

Abstract: The problem of bad credit is a serious issue in the banking industry that can have a significant impact on the financial health of a company. This study aims to analyze the factors that cause bad credit at PT. Hemas Parama. Literature review was conducted to understand the concept of bad credit, risk management theory, and the factors that cause bad credit that are generally identified in the banking industry. Through a review of the literature, factors such as economic factors, ineffective risk management, changes in customer conditions, and internal company factors have been identified as common causes of bad debts. In addition, best practices in managing credit risk and the role of technology and analytics in identifying risk factors are also obtained from the literature. This literature review describes an in-depth conceptual framework for analyzing the causes of bad credit at PT. Hemas Parama. This study has practical implications by generating a better understanding of the factors that can lead to bad credit in these companies. The results of this study can be used to formulate more effective risk management strategies and solutions that can help reduce the risk of bad credit. Thus, this research is expected to provide valuable insights for PT. Hemas Parama in overcoming bad credit challenges and improving company financial performance.

Keywords: Bad credit Credit risk management Factors causing bad credit banking industry PT. Hemas Parama

1. Introduction

In analyzing the factors contributing to non-dance credit at PT Hemas Parama, it is essential to delve into the various elements that might be causing this problem. There are both internal and external factors that can contribute to non-performing loans in a bank. Internal factors that can cause non-performing loans at PT Hemas Parama include collusion between bank employees involved in credit handling and customers, a lack of information about the debtor's business owned by the bank, flaws in credit monitoring and fostering standards, and procedures not being

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implemented or fulfilled during the credit analysis process of prospective debtors (Kusmiati & Wahyuningsih, 2022).

External factors that can also contribute to non-performing loans at PT Hemas Parama include difficulties in the debtor's business activities, which can impact their capacity to meet their financial commitments. Another factor that may contribute to non-performing loans at PT Hemas Parama is the ineffective functioning of financial markets in developing countries. This can result in the inability of individuals to fulfill their obligations, thus leading to an increase in non-performing loans. The ratio of non-performing loans in the banking sector is a crucial factor in the emergence of banking or financial crises, highlighting the significance of addressing this issue.In addition, there are microeconomic and macroeconomic factors that contribute to non-performing loans (Tacinur, 2023). Microeconomic factors, also known as bank-specific determinants, play a significant role in causing non-performing loans. These factors are specific to the internal operations of the bank. Some examples of microeconomic factors include the management of credit risk in banks, the unconscious use of credit, and the deterioration of the country's economy's basic building blocks. These factors can directly impact the performance of loans and contribute to their non-performing status.

On the other hand, macroeconomic factors also play a vital role in causing non-performing loans at PT Hemas Parama. These factors are related to the broader economic conditions and can affect the ability of borrowers to repay their loans. Some macroeconomic factors that can contribute to non-performing loans include changes in GDP, unemployment rates, interest rates, and public debt (Bhattarai, 2020). The findings of Louzis et al suggest that these macroeconomic variables significantly impact non-performing loans in various loan categories (Widarjono & Rudatin, 2021). Moreover, the management quality of the bank also plays a crucial role in determining the level of non-performing loans.Effective credit risk measurement and management practices, as well as the implementation of proper credit analysis activities, are essential in reducing the likelihood of non-performing loans occurring. By considering both microeconomic and macroeconomic factors, PT Hemas Parama can better understand and manage the risk of non-performing loans. In conclusion, the determinants of non-performing loans at PT Hemas Parama can be attributed to both microeconomic and macroeconomic factors.

Addressing the issue of non-performing loans requires a comprehensive understanding of both microeconomic and macroeconomic factors. By analyzing the bank-specific determinants and the broader economic conditions, steps can be taken to effectively mitigate the risk of non-performing loans. Furthermore, empirical literature has consistently shown that macroeconomic conditions have a significant impact on the movement and level of non-performing loans. Therefore, it is crucial for banks like PT Hemas Parama to closely monitor and assess these macroeconomic factors, such as GDP growth, unemployment rates, inflation rate, interest rates, credit growth, and exchange rates. By doing so, PT Hemas Parama can proactively manage their loan portfolios and make informed decisions to minimize the occurrence of non-performing loans. Additionally, the study conducted by Klein using panel data analysis method found that macroeconomic variables such as unemployment rate, inflation rate, and growth rate

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significantly affect non-performing loans. Furthermore, the study by Mileris using logistic regression analysis method also concluded that deterioration in macroeconomic variables, including the unemployment rate, inflation rate, and growth rate, leads to an increase in non-performing loans.

2. Materials and Method

Research with a quantitative approach emphasizes numerical data which are then analyzed using appropriate statistical methods. Usually, quantitative research is used in inferential research to test hypotheses. Statistical test results can present the significance of the relationship sought. Thus, the direction of the relationship obtained depends on the hypothesis and statistical test results, not scientific logic (Sugiyono, 2015).

Population and Sample

The population is the total number consisting of objects and subjects who have certain characteristics and qualities which are examined by the researcher to be examined and then applied by the researcher to then be examined and conclusions drawn. The population in this study were all bad credit customers at PT Hemas Parama as many as 87 customers. sample is part of the number and characteristics possessed by the population. If the population is large, it is not possible for researchers to take all of the large population, it is not possible for researchers to take all of the population for samples, for example due to limited funds, manpower, and time, therefore in this study the authors only took a few samples which are thought to be representative of all populations. In this study, the number of samples was 47 customers using credit cards who experienced bad credit at PT. Hemas Parama.

Data Collection Methods

This study uses a quantitative research method, namely a research method based on the philosophy of positivism, is used to examine certain populations or samples, data collection uses research instruments, data analysis is quantitative/statistical in nature, with the aim of testing established hypotheses. Quantitative research is generally for the hypothesis or support the hypothesis. And is used to find out what are the things that influence the occurrence of a phenomenon in other words the researcher wants to know the relationship between variables that are the object of research. To obtain the data that is considered, the authors use data collection techniques as follows:

a. Observation

Observation or direct observation is a data collection activity by conducting direct research on the environmental conditions of research objects that support research activities. Observations in this study are observations about what factors are the causes of bad credit. The form of

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observation is to find out whether internal customer factors, external customers and business failures have an impact on bad loans to PT Hemas Parama.

b. Questionnaire

Questionnaire is data collection that is carried out by giving written questions to the respondent to answer. This questionnaire is an efficient data collection technique when the researcher knows exactly the variable to be measured and knows what can be expected from the respondent. Researchers provide questionnaires directly to customers with the number of respondents that have been applied before. The type of questionnaire used was a closed questionnaire so that the respondents only had to choose the answers provided by the researcher. Researchers in this case distributing questionnaires to customers of PT. Hemas Parama to find out how far the results of the factors that cause bad credit occur.

c. Documentation

Documentation is to obtain data directly from the research site, including relevant books, regulations, activity reports, photographs, documentaries, research relevant data. Documentation is a data collection technique through company documents that are closely related to the subject matter found

2.1 Definition of Bad Credit

Bad credit, also known as non-performing loans or non-performing loans, refers to a situation where the borrower fails to repay the loan according to the agreed terms. This can be caused by various factors, both due to external factors that the borrower cannot control, or because of a deliberate decision not to repay the loan. When a borrower is unable or unwilling to repay a loan in accordance with predetermined terms, the loan is deemed to be in default or in trouble. Bad credit or non-performing credit is the provision of credit facilities that carry the risk of congestion. Bad credit or non-performing credit is the provision of a credit facility that carries the risk of congestion. Bad credit or bad credit occurs when the borrower fails to repay the loan according to the agreed terms (Antari & Baskara, 2020). Non-performing loans, or credit default, occur when borrowers fail to repay their loans according to the agreed-upon terms. Bad credit or problem loans can be a serious problem for financial institutions such as banks. Bad credit or problem loans can cause financial losses for banks and affect banking as a whole. Bad credit or problem loans can be a serious problem for such financial institutions

2.2 Factors Causing Bad Credit

There are several factors that can contribute to the occurrence of credit defaults or non-performing loans. These factors include:

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2.2.1 Weak credit analysis and assessment: In some cases, lenders fail to conduct a thorough evaluation of the borrower's creditworthiness, resulting in the approval of loans that should have been denied. One internal factor that causes non-performing loans is the lack of careful credit analysis or assessment during the loan approval process (Kusmiati & Wahyuningsih, 2022). As cited from the source, "flaws in the monitoring and fostering of credit, standards and procedures that are not implemented or fulfilled in the process of credit analysis activities of prospective debtors" can contribute to non-performing loans.

2.2.2 Collusion between bank employees and customers: Another internal factor that can lead to non-performing loans is collusion between bank employees who handle credit and customers(. This unethical behavior can involve bank employees approving loans for friends or family members even if they do not meet the necessary criteria. As mentioned in the source, "collusion between bank employees who handle credit and customers" is one of the internal factors that can contribute to non-performing loans.

2.2.3 Lack of information about the debtor's business: When banks do not have sufficient information about the debtor's business, they may approve loans without fully understanding the debtor's ability to repay. This lack of information is an internal factor that can lead to non-performing loans, as stated in the source.

2.2.4 Procedural failures: Non-performing loans can also result from failures in implementing or fulfilling proper credit analysis procedures. This can include inadequate documentation, failure to verify income or repayment capacity, or not conducting regular reviews of the borrower's financial situation.

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2.3. Risk Management Theory

One of the key theories of risk management is the concept of credit risk. Credit risk refers to the potential loss that a financial institution or bank may incur due to the failure of a borrower to repay their loan or meet their financial obligations. This theory, often attributed to Merton, emphasizes the importance of effectively managing credit risk to avoid financial distress (Ikpesu, 2019). By properly identifying and analyzing credit risk, financial institutions can implement risk mitigation strategies and controls to minimize the likelihood of default and subsequent losses. Effective credit risk management plays a crucial role in the profitability of banks and other financial institutions. A strong credit risk management framework is essential for banks as credit risk is one of the most significant risks they face. Poor credit risk management can lead to financial problems for banks and have negative implications for stakeholders and the overall economy. Credit risk management is particularly important for banks due to the significant role that lending activities play in their revenue generation. Furthermore, credit risk management involves assessing the creditworthiness of borrowers and analyzing their ability to repay their loans. This includes evaluating factors such as the borrower's income, assets, credit history, and financial stability.

By thoroughly assessing these factors, banks can make informed decisions about loan approvals and set appropriate terms and conditions to mitigate credit risk. By effectively

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managing credit risk, financial institutions can improve their profitability (Asllanaj, 2018). One of the key theories of risk management is the concept of credit risk. Credit risk refers to the potential loss that a financial institution or bank may incur due to the failure of a borrower to repay their loan or meet their financial obligations.

3. Results and Discussion

3.1. Data Processing Results of Research/Testing Requirements Analysis

3.1.1 Descriptive Statistical Analysis

Descriptive statistics aim to see the distribution of personal data from the variables used in this study. The data used in this study is questionnaire data to determine the factors that influence the occurrence of bad credit at PT. Hemas Parama.

Table 8.1 Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Faktor Internal Nasabah (X1)	35	15,00	25,00	775,00	22,1714	2,87469
Faktor Eksternal Nasabah (X2)	35	10,00	25,00	743,00	21,2286	3,39624
Kredit Macet (Y)	35	17,00	25,00	769,00	21,9714	2,47916
Valid N (listwise)	35					

Based on table 1 above, it can be seen that N or the number of valid respondent data, namely as many as 35 respondents from bad credit customers at PT. Hemas Parama, with the Internal Factor variable (X1) the minimum answer is 15 and the maximum is 25 with a total of 776 and an average of 22.1714 with a standard deviation of 2.87469. Next is the variable Customer External Factors (X2) with a minimum answer of 10 and a maximum of 25 for a total of 743 with an average of 21.2286 with a standard deviation of 3.9634. Meanwhile, the variable Bad Debt (Y) with a minimum answer of 17 and a maximum of 25 for a total of 769 and an average of 21.9714 with a standard deviation of 2.47916.

3.1.2 Multiple Linear Regression Analysis

Multiple linear regression analysis is an analysis of the relationship between one dependent variable and two or more independent variables. The independent variables in this study are customer internal factors (X1) and customer external factors (X2). While the dependent variable in this study is bad credit (Y). based on the results of calculations using SPSS obtained the following data:

Table 2. Results of Multiple Linear Regression Analysis

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	8,321	2,562		3,212	003
	Faktor Internal Nasabah (X1)	275	124	319	2,219	034
	Faktor Eksternal Nasabah (X2)	360	105	493	3,435	002
a. Dependent Variable Kredit Macet (Y)						

In analyzing the data obtained from this research activity, the authors used the multiple linear regression method, namely an analysis of the relationship between the dependent variable and two or more independent variables.

3.1.3 Coefficient of Determination

The correlation coefficient test is used to predict how large the contribution of the internal customer factor and the customer external factor (X) to the credit market variable (Y) is, the value of the coefficient determined is determined by the value of R square as it can be seen as follows:

Table 3. Determination Coefficient Test (R2) Summary models

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	707	500	469	1,80680
a. Predictors: (Constand), Faktor Elsternal Nasabah (X2), Faktor Internal Nasabah (X1)				
b. Dependent Variable : Kredit Macet (Y)				

The Influence of Customer Internal Factors on Bad Loans

The customer internal factor variable in this study shows a positive and significant effect on bad loans. These results can be seen in the significance value of the test of 0.034 which is below the significant level of 0.05. The results of this test support the research hypothesis or H1 has a positive effect on bad loans. This indicates that the customer's internal factors have an influence on bad credit on the customers of PT. Hemas Parama. This research is in accordance with the theory of Suyatno (2017: 117) which says that the cause of bad credit comes from the

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customer's internal factors. And according to research conducted by Arif Yulianto (2017) with the title Internal-External Factors Affecting Bad Credit for PD Customers. BPR BKK Wonosobo Wonosobo Regency. This states that internal factors have a significant influence on the occurrence of bad loans on PD customers. BPR BKK Wonosobo Wonosobo Regency.

Influence of Customer External Factors on Bad Credit

Variables External customer factors in this study show a positive and significant influence on bad loans. These results can be seen in the significance value of the test of 0.002 which is below the significant level of 0.05. The results of this test support the research hypothesis that H2 has a positive effect on bad loans. This indicates that the customer's external factors have an influence on bad loans at PT. Hemas Parama. This research is in accordance with the theory of Suyatno (2017: 117) which says that the cause of bad credit comes from external factors of the customer. And according to research conducted by Pipit Buana Sari (2018) with the title Factors Influencing Non-Performing Loans (Case Study at PT Bank Rakyat Indonesia Tbk, Binjai Branch). This suggests that external customer factors have an influence on bad loans at PT Bank Rakyat Indonesia Tbk Binjai Branch (Sari & Sari, 2018).

4. Conclusion

Based on the results of the analysis and discussion described in the previous chapter, the conclusions of this study are: 1. Customer internal factors have a positive and significant effect on bad loans at PT. Hemas Parama. This is indicated by a significant value (0.026 <0.05). If there is an increase in the customer's internal factors, then the bad credit that occurs by PT. Hemas Parama will increase. 2. Customer external factors have a positive and significant effect on bad loans at PT. Hemas Parama. This is indicated by a significant value (0.002 <0.05). If there is an increase in the customer's external factors, the bad credit that occurs to PT. Hemas Parama will increase.
sponsor acknowledgments in the unnum-bered footnote on the first page.

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