DOI <https://doi.org/10.18551/rjoas.2018-05.23>

THE ANALYSIS OF BAD CREDITS ON GENERAL SERVICE AGENCY (BLUD) MICROCREDIT «HARUM» IN KENDARI, INDONESIA

Putera Asrip*, Balaka M. Yani, Gamsir

Faculty of Economics and Business, University of Halu Oleo, Indonesia

*E-mail: asripputera@gmail.com

ABSTRACT

This research is motivated by a number of bad credits that occurred in the General Services Agency (BLUD) Microcredit «Harum» in Kendari. The purpose of this study is to determine the factors that cause bad credit. The research used a qualitative approach by taking informants from managers (managers and field employees). The results showed that the factors causing bad credit are: the customer moved the different address; business does not run smoothly or bankrupt; the marketing / surveyor only chase bonus; no coordination between husband / wife; death, and limited number of employees.

KEY WORDS

Credit, microcredit, bank system, market, finance policy.

Microfinance is a pretty important instrument for job creation, income enhancement, and poverty reduction. An access to financial services for micro and small enterprises is a precondition to improve a business. Some of the things underlying the fact that microfinance is important are due to the number of perpetrators of microenterprises in Indonesia. In 2004, out of the total business units that existed in Indonesia, 98.5% or 41.8 million units of it are micro enterprises (Ismawan and Budiantoro, 2005). Furthermore, the microenterprise has limited financial resources for its micro attribute and small capital. Micro enterprises also do not have a legal body and some are still managed traditionally so that this sector is not touched by the service of formal financial institutions (banks) that always apply the principle of banking to decide the credit (Sumodiningrat, 2003).

Based on the data of the Central Bureau of Statistics (2014), of the whole micro and small enterprises, there was 73.01% of micro and small enterprises which experience a difficulty. The great difficulty experienced by small and micro enterprises is in the capital which is about 38.3%. Then, about 25.02% of the difficulties encountered are on the issue of raw materials and 21.3% are on marketing.

Microfinance (microcredit) has a very important role in economic development. Credit loans can encourage the small and micro enterprises to make investments or to adopt new technologies. Microcredit is considered important, both from the Government side as well as from the side of the businessmen who need credit. From the side of the Government, microcredit can be used as a tool to drive the economic level of the society through micro enterprises. Credit loans will give an impact on business, as for example, the increase in the purchase of inputs or the use of new technologies that can improve the outputs. The increasing outputs and sales will increase further profits. Moreover, it is possible to create an employment due to the additional working capital or investment. In wider impact, this can increase the economic activity of the community. Microcredit is very important for the Government to improve the welfare of the community.

It is also considered very important from the side of the microcredit user because entrepreneurs are experiencing capital barriers to make new investments or to change technologies. Without microcredit, entrepreneurs will have difficulty in developing the business. Generally, micro-entrepreneurs do not have the financial capability to do business development.

Microcredit is not only important for the development of micro-enterprises but also for entrepreneurs who have financial constraints and limited access to formal financial institutions. For that reason, this credit is designed in such a way to make low-income communities get credit loans in formal financial institutions more easily as to have flexible requirements for the loans.

Because of microcredit is essentially reserved for microenterprises conducted by the poor society, it is clear that these credits provide a great role in poverty reduction. Robinson (2001) pointed out that poverty reduction can be accomplished through many means and programs including food, health program, settlement, education, family planning, and micro financial services. Loan in the form of microcredit is one powerful way to cope with poverty.

The role of the Government to improve the standard of living of the poor community is urgently needed. It can be in the form of food program, job creation, and subsidies. Meanwhile, for the poor society which still has economic activities and for the people who have low incomes, it is more appropriate to approach them with the provision of microfinance services (Robinson (2001), Setiawan (2011)).

By that, Kendari City Government is considered to do the right steps by forming a special agency that specifically channels microcredit. The agency is known as General Service Agency (*Badan Layanan Umum Daerah* or BLUD) Microcredit "HARUM". This was established with the purpose to (1) Improve the services to the community in order to realize the tasks of the Government in advancing the common welfare and intellectual life of the nation; (2) Provide public services more effectively and efficiently which are in line with healthy business practices; and (3) Realize independent micro and small retail merchants.

The agency was formed in 2008 and has experienced significant development. Until 2014, it has served 28,952 clients with the total of fund IDR 48,740,000,000,-.

Figure 1 – The development of the clients in BLUD Microcredit Kendari

Figure 2 – The Development Distributed Funds (In Million Rupiahs)

The highest achievement experienced by BLUD Microcredit "Harum" was achieved in 2012 and 2013. In 2012, the number of clients served was 6,452 with the total of fund IDR 8,611,000,000,-. Meanwhile, the clients served in 2013 were slightly decreased to 4,261 clients but the flow of funds reached IDR 9,387,000,000,-.

The amount of funds has increased since the beginning of the establishment until 2013. At the beginning of the formation, BLUD Microcredit "Harum" of Kendari was already able to distribute funds as much as IDR 1,452,000,000,-. This gives an idea that the needs to increase the capital of the community are relatively large. On the second year, there was a very significant growth which reached 382.75%. , BLUD Microcredit "Harum" of Kendari

reached the highest position on the sixth year of its operation as much as IDR 9,387,000,000,-.

Although it has a fairly good performance especially in the early days of its establishment, BLUD Microcredit “Harum” began to experience a decrease in the performance since 2014. This was caused by a large number of bad credit. To date, the number of clients that fall into the category of bad credit is 2,448 clients (Maret, 2017). On the other hand, the number of stalled loan is IDR 1,295,644,000,- (Maret, 2017).

BLUD Microcredit “Harum” make a category for bad credit. The bad credit is classified into 3 (three) categories such as loans with a term of 3 to 5 years categorized as stalled, 1 to 3 years categorized as sluggish, and 0 to 1 year categorized as active. Of the total loans of IDR 1,295,644,000,-, most of the loans are in the period of 3 to 5 years (IDR 602,365,000,-) so that it can be categorized as stalled credit/loan. Whereas, the loans categorized as sluggish are in the period of 1 to 3 years as much as IDR 368,257,000,-.

Table 1 – The State of Bad Credit

Maturity (Years)	Total (IDR)	Timeframe (Years)	Category
2008, 2009, 2010, 2011	602,365,000	Above 5 Years	Stalled
2012, 2013	368,257,000	3 - 5 Years	Sluggish
2014, 2015	325,022,000	1 - 3 Years	Active
Total of Debt	1,295,644,000		

Source: BLUD Microcredit Kendari, processed data (2017).

The number of bad credit that occurred on BLUD Microcredit “Harum” is a quite interesting issue to be researched so that it could give a way out for the improvement of the institution in the future.

This research was motivated by many bad credits at BLUD Microcredit “Harum” in Kendari. The purpose of this research is to know the factors causing the occurrence of bad credit.

METHODS OF RESEARCH

This research was implemented at BLUD Microcredit “Harum” in Kendari with the consideration that this agency is the only institution that serves microcredit on small and micro enterprises without any collateral. In addition, it is also the only microcredit institution established by Kendari City Government.

Selection and Determination of the Informant. Qualitative research emphasizes the amount of information rather than the number of informants. Therefore, the number of informants is not questioned as long as the information obtained is considered sufficient and valid (Fatchan, 2011). To get accurate and valid information, the selected informants should know the incident or event well. Informants who experience or do an activity are the source of information that is quite accurate. The research’s informants are the Manager which consists of the leaders and employees (surveyors).

Table 2 – List of Research’s Informants

Number	Name	Occupation	Year of Work
1	Drs. Askin, BC. Ku.	Chairman of Enterprise Construction & Development	2013
2	Manser	The staff of Enterprise Construction & Development	2008
3	Sulasman	Staff of Enterprise Construction & Development	2009

These are the description of the informants selected in this study;

Drs. Askin, BC. Ku (first informant). He was a pensionary civil servants of Kendari and began working at BLUD Microcredit “Harum” of Kendari in 2013 as a surveyor. His tasks were looking for a customer, surveying the customer's feasibility prior to the loan distribution, and collecting the debts of the customers.

Currently, he is as the Chairman of Enterprise Construction & Development since 2016. In everyday life, he is the leader who always available in the office so that he knows

every issues or event occurred. In addition, in some national and local meetings, he attends the occasions as a representative of BLUD Microcredit “Harum” of Kendari.

The researchers conducted interviews with him for two times. The first interview took place on 5 September 2017 and the second was on 6 September 2017 at BLUD Microcredit “Harum” of Kendari. The interview was done in a relaxed and friendly environment. Besides that, he is already quite familiar with one of the research team so that the interview process was relatively more conducive and communicative.

Manser (second informant). He started working in BLUD Microcredit “Harum” of Kendari since 2008 or since the establishment of the agency as a surveyor. His tasks were looking for a customer, surveying the customer's feasibility prior to the loan distribution, and collecting the debts of the customers.

He is considered as a fairly senior employee and had quite a lot of work experience. Up to this point, he is recorded as one of the surveyors who have most clients by 500 people. Of the many clients who became his recruits, he has around 40 clients that belong to a sluggish credit.

The interview was conducted for two times. The first interview was held on 5 September 2017 and the second was on 6 September 2017 at BLUD Microcredit “Harum” of Kendari. The interview was relaxed and friendly. He was selected as an informant because of the recommendation from the first informant (Drs. Askin, BC. Ku).

Sulasman (third informant). He started working in BLUD Microcredit “Harum” of Kendari in 2009 as a surveyor. His tasks were looking for a customer, surveying the customer's feasibility prior to the loan distribution, and collecting the debts of the customers.

He is considered as a fairly senior employee and had quite a lot of work experience. To date, he is recorded as a surveyor who has the most clients which are $\pm$ 600 people. A large number of clients reflect him as an active worker who has a quite experience in performing the tasks in BLUD Microcredit “Harum” of Kendari.

The interview was carried out one time on 6 September 2017 at BLUD Microcredit “Harum” of Kendari. The interview was conducted in a relaxed and friendly environment. He was selected as an informant because of the recommendations from the first informant (Drs. Askin, BC. Ku and Manser (second informant)).

The data and information needed in this study were collected through several methods, including:

- Observations, (before and after the interview): researchers were in the environment of the research and tried to understand the situation and condition of the research object. This was done before the interview. Whereas, the observations made after the interview is intended to verify the information revealed by the informant with the real conditions in the field (triangular).
- The in-depth interviews were conducted with the semi-structured and non-structured interview. The duration of this interview was customized based on the situations and condition of the informants. In fact, the interview took place for 30 to 90 minutes. Some instruments were used in the interview, such as tape recorders, cameras, and notebook.
- Documentation; collects various data from BLUD, Government, and other reliable sources.

In order to ensure the quality of the data, a test was performed by several criteria as has been said by Lincoln and Guba (1985) in Fatchan (2013):

- The researchers performed data triangulation in several ways: *First*, to compare the observations data with the results of the interview, when there is a mismatch between the statements of the informants and the reality, the researchers will ask the informant over and over again to obtain a completely valid and accurate information. *Second*, in comparison of informant's understanding and other understanding (not the informant), if the researchers found that there were differences in the statements, there will be a confirmation to the informants concerned.

The data was analyzed by interactive techniques adopted from Miles and Huberman (1992). The interactive model is done with three stages of analysis, such as:

1. Data Reduction. Conducting the process of data election, selection, simplification, and grouping whether it is the result of observations or interviews. Next, do the coding of data and make the summary of the themes relevant to the focus of the research so that the data which are not relevant to the focus of the research will be removed.
2. Data presentation. The process of information organization and description in the form of narrative text, matrices, graphs, charts, or network.
3. Drawing conclusion.

RESULTS OF STUDY

The Condition of the Organization and Human Resources. There are 25 employees in BLUD Microcredit “Harum” of Kendari. This consists of 3 leaders and 22 staff who are divided into 4 financial staff, 5 administrative staff, and 14 business construction and development staff.

The big number of employees or staff in the division of business construction and development is caused by the condition that there is two classifications such as administrative division and field division. The field division is the employees placed at the “front area” of BLUD Microcredit “Harum” of Kendari. The employees who work in the field or more popularly known as surveyor have the tasks to find, survey, and charge the customer. As the “front area”, it is reasonable that this division has a number of employees. The purpose of BLUD Microcredit “Harum” is to serve small merchants who are not familiar with credit providers so that this division needs employees to work directly from home to home (*door to door*).

The Process and Mechanism of Customer Service. BLUD Microcredit “Harum” of Kendari has implemented a good enough service and concept to facilitate the customers in channeling the loans. The concept used is *tanggung renteng* which means that some potential clients will make a group and then they will choose the leader of the group.

Figure 1 – The Flow of Loan Distribution in BLUD Microcredit “Harum” of Kendari

Each member has to form at least three people and a maximum of 5 to make a group. In practice, a prospective client will look for another potential customer to form a group. Usually, the member of the group is relatives, neighbors, or family. This condition is quite helpful because they know each other thus making it possible to have a good communication and trust between them.

Each group must have a leader and should be elected by the members of the group. The task of the leader is to ensure that the members of the group have the ability and will to succeed in a revolving fund on BLUD Microcredit “Harum” of Kendari. If there is a stalled payment, the leader should play an active role in the process of the payment.

If there are members of the group who failed to pay and the loan turned into bad credit, there will be a forum conducted by the group leader and members as well as BLUD surveyors. The group leader and members will try to help the payment or repayment in some cases, but, the quantity or amount of the participation is voluntary.

The member who failed to pay is going to get the sanctions or be removed from the group if the group want to continue or open a new loan.

Terms, Time, and the Number of Loans. Each group member or potential customer must complete some files (documents) which are a requirement from BLUD Microcredit "Harum" of Kendari. The files that have to be met are relatively simple, including: copy of ID Card of Kendari; copy of Family Card of Kendari; photograph of the Applicant; Has a business.

Seen from the requirement to become a client, it can be said that nearly every small merchants are eligible to apply for a loan so that the enthusiasm of the small merchants to get capital loans is relatively very high.

The number of loans disbursed by BLUD Microcredit "Harum" of Kendari is relatively limited to each member of the customer. The number of funds will depend on the amount of disbursement or disbursements stages which have been passed.

The amount of funds which will be obtained by any member of the group at the first disbursement is IDR 500,000 (five hundred thousand rupiahs) for each member and will increase on the second disbursement and so on. However, the requirement to obtain the second disbursement is that all members of the group must have paid the first loan. On the second disbursement, each member will get IDR 1,000,000,- for the loan.

Then, in the next disbursement or the third round, each member will get IDR 1,500,000,-. Of course, the same terms still apply to all members of the group. The amount of fund for any subsequent disbursement on the next round will be increased to IDR 500,000,-.

The repayment of the loan has been assigned for 100 days (applies to all round of disbursement). This means that when the loan is IDR 500,000,- every client will pay daily for IDR 5,000,-. However, due to the factor of efficiency and effectiveness, the repayment becomes flexible based on the deal made between group members or clients with the surveyors. In general, the customer will pay 14 times or every 2 weeks.

In addition to the loan, the clients must pay services. The charge of the service is IDR 28,000,- for each disbursement in the first stage. This charge will increase along with the amount of the loan.

DISCUSSION OF RESULTS

Based on the results of observation and in-depth interviews, the researchers found some reasons causing the occurrence of bad credit on BLUD Microcredit "Harum" of Kendari, namely:

The Customer Moved Its Address. The first reason that contributes to the occurrence of bad credit is the fact that the client cannot be found at the address listed in the ID Card submitted. This is because they still use manual ID Card (non-electric and not national).

The changing of the customer's address after making loan becomes the barrier of the BLUD employees to collect the debts. Customer's new address is not reachable for the BLUD employees.

The Business Went Bankrupt. The other factor that caused the occurrence of bad credit on BLUD Microcredit "Harum" of Kendari is the condition that some businesses experience a loss and some customers went bankrupt.

The customers have difficulty to pay the loan along with the business that went down. The business is the only source of income for them so that there is no other alternative to pay the loan.

Marketing/Surveyor Pursue Target Customer. BLUD Microcredit "Harum" of Kendari in increasing the motivation of "marketing" also implemented the system of bonuses to those who are able to recruit customers. A growing number of clients will generate a greater bonus for the recruiters. As a microcredit agency which was formed in 2008, this requires a hard work from the "marketing" in the field so that the presence of BLUD Microcredit "Harum" of

Kendari can be felt by the community particularly poor society which becomes the target of this agency.

One measure of performance of this agency is a large number of clients and loans disbursed. Therefore, the "marketing" infield will compete to get new customers because it is an accomplishment for the individuals and organization.

On the other hand, "marketing" in recruiting clients tends to be less careful so that the survey of the appropriateness of potential customers did not go well. "Marketing" tends to be permissive in the circumstances or conditions of the customers because it emphasized more on the recruitment.

There is No Coordination between the Husband/Wife. The coordination between husband and wife in BLUD Microcredit "Harum" of Kendari also contributes to the occurrence of bad credit. In some cases, the husband or wife of the customer refused to know the existence of the loan they had. When the period of the loan has come to an end and the BLUD employees come to collect the debts, the husband or wife of the customer rejected it because they admit that they have no idea about the loans.

Death. The other factor which caused bad credit is death. Most clients had passed away so that the loans can no longer be paid. BLUD Microcredit "Harum" of Kendari in disbursing the loans did not recognize the existence of the insurance listed either on financial institutions and other nonfinancial institutions. In addition, BLUD does not distinguish the existence of debts delegation on heirs so that when a client dies, the loan will be jammed.

The Limited Number of Employees of BLUD Microcredit "Harum" of Kendari. The limited number of employees is one of the problems faced by the agency. The employees on the field or known as surveyors have an excessive workload. Surveyors who work in the field tend to be "self-employed" so that all information about a customer is only sourced from the surveyor. For example, on some financial or non-financial companies engaged in the business of credit, the surveys for customer worthiness have several layers and stages. The marketing and surveyor also being separated.

The number of customers handled by a surveyor also has the potential to make the surveyor less careful in performing the observation and verification in the field. As a single source of information, surveyors should have deep information about the prospective customer so that the information obtained is valid and accurate.

CONCLUSION

The factors causing the occurrence of bad credit on BLUD Microcredit "Harum" of Kendari are 1. The customer has moved its address, 2. The business went bankrupt, 3. The marketing/surveyors pursue bonus, 4. No coordination between husband and wife, 5. Death, and 6. The limited number of employees.

REFERENCES

1. Fatchan, Achmad. 2011. Metode Penelitian Kualitatif. Jenggala Pustaka Utama. Surabaya
2. Fatchan, Achmad. 2013. 10 Langkah Penelitian Kualitatif; Pendekatan Konstruksi dan Fenomenologi. Universitas Negeri Malang Press. Malang
3. Ismawan, Bambang dan Setyo Budiantoro. 2005. Mapping Microfinance in Indonesia, <http://www.ekonomirakyat.org/>.
4. Sumodiningrat, Gunawan. 2003. Peran Lembaga Keuangan Mikro Dalam Menanggulangi Kemiskinan Terkait Dengan Kebijakan Otonomi Daerah " Article - Year II - No. 1 – March 2003
5. Robinson, M. S., 2001. The Microfinance Revolution, Sustainable Finance for the poor, Washington, D.C: The World Bank.
6. Milles, Matthew B. & Huberman, A. Michael. 2009. Analisis Data Kualitatif, Edisi Translated by T.R. Rohidi, Universitas Indonesia Press. Jakarta.