

# Description Study of the Implementation of the MSME Credit Relaxation Policy Affected By Covid 19 in BPR Christa Jaya Kupang

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**Abstract** - The involvement of banking institutions that maintain their existence as a provider of funds for MSME business activities most affected by the covid 19 outbreak is also supported by the Regulation of the Financial Services Authority of the Republic of Indonesia Number 48 / POJK.03 / 2020 on national economic stimulus as a countercyclical policy on the spread of coronavirus disease 2019. The credit bank of christa jaya kupang became one of the banks that implemented policies to support economic growth stimulus for debtors affected by the spread of coronavirus disease 2019 (covid-19) including MSME debtors while paying attention to the precautionary principle. This type of research is qualitative research with a descriptive analysis approach. The results showed all respondents or (100%) respondents stated that covid-19 had a severe impact on the decrease in sales volume above 50%. Debtor Business Sector shows that as many as 1 people (21.43%) do business in the field of Tourism (Bureau of Services, Hospitality, Restaurants, Café, Entertainment, etc.), as many as 4 people (47.14%) respondents with transportation business (Shuttle Services, Flights, Mbl Rental, Mbl, Mtr buying, and selling) and debtors as 1 person (21.43%) do business in the field of Export / Import business with countries affected by COVID-19 and affected by "lockdown". The results of interviews with debtors about the ability to pay debts as shown in table 4.8 showed that as many as 3 people (60%) respondents stated that the ability to pay debts to Bank Christa Jaya 3-12 in the future will decrease by 30%-50%, while respondents as many as 2 people (40%) stated that the ability to pay debts to Bank Christa Jaya 3 - 12 months ahead decreased to above 50%.

**Keywords:** *Credit Relaxation, MSMEs.*

## I. INTRODUCTION

The success of a country is influenced by many factors, one of which is the role of the Bank as a financing institution. All business sectors, including industry, trade, agriculture, plantations, services, and other non-financial ones, really need banks as partners in developing their businesses. One of the roles of banks is to provide credit to their customers in the form of working capital loans, investment loans and consumer loans. MSME credit is one of the working capital loans which is the main driver of the real sector and has a direct effect on national economic growth.

Based on the description above, it can be formulated how the implementation of the credit financing relaxation policy carried out by BPR Christa Jaya Kupang for MSMEs affected by covid 19. So this study aims to find out "The relaxation of MSME credit financing affected by Covid-19 at BPR Christa Jaya and the effectiveness of this relaxation policy is implemented at BPR Christa Jaya. This research can provide theoretical contributions related to the policy of relaxing MSME credit financing affected by COVID-19 and can provide input in issuing banking policies in solving credit problems and as material for further studies for academics and the general public.

Formulation of the problem

1. How is the regulation of credit relaxation for micro, small and medium enterprises by banks after the enactment of POJK Number 11 of 2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the 2019 Corona Virus Spread?
2. What are the obstacles in providing credit relaxation for micro, small and medium enterprises by banks after the enactment of POJK Number 11

of 2020 concerning National Economic Stimulus as a Countercyclical Policy The impact of the 2019 Corona Virus spread at BPR Christa Jaya Kupang? The purpose of this study is to determine the regulation of credit relaxation for micro, small and medium enterprises by banks after the enactment of POJK Number 11 of 2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Covid-19. To find out the obstacles in providing credit relaxation for micro, small and medium enterprises by banks after the enactment of POJK Number 11 of 2020 concerning National Economic Stimulus as a Countercyclical Policy Impact of the spread of Covid-19 at BPR Christa Jaya Kupang

## II. LITERATURE REVIEW

### 2.1 State of the Art

The state of the art research is taken from several examples of previous research as a guide or example for current research.

Research by Edy Supriyono and Sumarta (2020), The effectiveness of the credit relaxation policy on batik SMEs affected by Covid-19 in the city of Solo. The results of the analysis show that the variable of the effectiveness of the credit relaxation policy affects the sustainability of MSMEs in the future, which means that the financial impact variable from the COVID-19 pandemic has an effect on on the sustainability of SMEs in the future.

Lina's research. MS, Luluk & Ambarwati (2020), Restructuring regional bank X loans during the Covid-19 pandemic. The results of the study show that the credit restructuring process that occurs at regional bank x is carried out through delaying and changing the amount of installments, not based on a decrease in credit interest rates, extension of credit terms, reduction of loan interest arrears, reduction of loan principal arrears, additional credit facilities, and/or conversion of credit into temporary equity participation. Credit restructuring saves bad loans and saves banks from losses

### 2.2 Micro, Small and Medium Enterprises (MSMEs)

Micro, Small and Medium Enterprises (MSMEs) Micro, Small and Medium Enterprises (MSMEs) in Indonesia are regulated in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises Article 1. In this law, it is stated that:

Micro-enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises as stipulated in the law, namely the maximum assets of Rp. 50 million and the maximum turnover of Rp. 300 million.

According to Bank Indonesia (2016), the development of Small and Medium Enterprises (SMEs) is essentially a shared responsibility between the government and the community. From internal factors, MSMEs in Indonesia really need assistance in terms of capital. The government needs to expand a special credit scheme with conditions that are not burdensome for MSMEs, to help increase their capital, be it through the formal financial services sector, the informal financial services sector, guarantee schemes, leasing and venture capital funds. In addition, by looking at the external factors faced by MSMEs, in the future it is necessary to strive for the creation of a conducive business climate where the government can strive, among others, by seeking peace and security in business as well as simplifying business licensing procedures, tax breaks and so on.

### 2.3 Credit Relaxation Policy

The Financial Services Authority (OJK) as the institution authorized to regulate the financial services industry is very aware that the Corona virus (Covid-19) pandemic has had a significant impact on the performance and capacity of banking debtors in paying their loan installments, including micro, small, and business debtors. medium-sized enterprises (MSMEs). This has the potential to affect economic growth. This has also hampered the performance of the banking sector and the stability of the financial system in Indonesia. Therefore, OJK issued Financial Services Authority Regulation Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy Impact

This POJK stipulates that banks can implement policies that support economic growth stimulus for their debtors who are affected by the spread of Covid-19, including MSME debtors, while still paying attention to the principle of prudence. Debtors in question are debtors who have difficulty fulfilling obligations to banks because the debtor or debtor's business is affected by the spread of Covid-19, either directly or indirectly. Banks are expected to implement policies that support various sectors in the economy including: tourism, transportation, hospitality, trade, processing, agriculture, and mining. The stimulus policies that can be applied by banks are:

- a. Assessment of the quality of credit/financing/providing other funds is only based on the accuracy of payment of principal and/or interest for credit/financing/providing other funds with a ceiling of up to Rp10 billion; and
- b. Improved credit/financing quality to be smooth after being restructured during the validity period of the POJK. This restructuring provision can be applied by

the Bank regardless of the credit/financing ceiling limit or the type of debtor .

2.4 How to Relax Credit/Financing

Credit/financing relaxation methods that can be carried out by banks as regulated in OJK regulations regarding asset quality assessment, among others, are by:

Lower interest rates; Term extension; Reduction of principal arrears; Reduction of interest arrears; Addition of credit/financing facilities; and/or Conversion of credit/financing into Temporary Equity Participation.

Banks may provide new credit/financing/providing of other funds to debtors who have received special treatment in accordance with this POJK by determining the quality of credit/financing/other fund provision separately from the previous credit/financing/providing of other funds.

2.5 Framework of thinking

Based on the description above, the framework of thought in this study is :

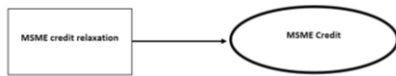


Figure 1. Research Framework

III. RESEARCH METHODS

This research is a field research with the type of research is qualitative research with descriptive analysis approach. Qualitative research as a research procedure that produces descriptive data in the form of written or spoken words from people or observed behavior (Lexy J. Moleong, 2010: 4). To facilitate the research, the researcher made the research flow to be carried out as follows .

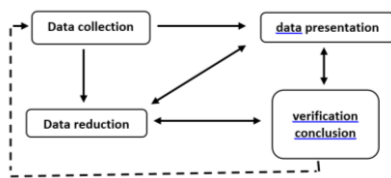


Figure 2. Research Procedure Flow

3.1 Research Location and Time

This research was conducted by BPR Christa Jaya Kupang Jl. Frans Seda No.16 Fatululi Oebobo Kupang – NTT. In addition, this research was also conducted in several MSMEs spread across the city of Kupang and these MSMEs were customers who received financing relaxation from BPR Christa Jaya Kupang. This research was carried out in stages

according to a predetermined schedule, namely for six months starting from May to October 2021 .

3.2 Research subject

The research subject is something that is being studied, whether people, objects, or institutions (organizations) that will be subject to the conclusions of the research results. The subject of this research is the Director of BPR Credit Christa Jaya Kupang so that by interviewing the leaders who directly handle the financing, it is hoped that the researchers and the team will get as much information as possible with a high level of data validity. and then customers who get financing relaxation from BPR Christa Jaya Kupang .

3.3 Data collection technique

In this study, data collection was carried out in a natural setting, with primary data sources and data collection techniques mostly in *in-depth interviews* and documentation. Interviews conducted by researchers to customers who do financing at BPR Christa Jaya Kupang , which were conducted using questionnaires distributed to MSME business actors. Interviews were also conducted with the Bank, namely the leader who occupies the financing section for MSME customers, either directly or indirectly, so that they can obtain accurate data with the aim of knowing events, activities, and others. In carrying out this research, several tools were used, namely: interview guides, recording devices, and writing instruments

3.4 Data analysis technique

Data analysis is an ongoing process that requires continuous reflection on the data, asking analytical questions, and writing short notes throughout the research (Creswell, 2012). Data analysis in this study was carried out interactively and continued until the data analysis was complete, starting from data collection, data reduction, data presentation to drawing conclusions. Based on the results of data analysis, the last step is testing the data in the form of member checking and triangulation. The first data testing is done by member checking, which means that the results of the analysis will be returned to the participants to ensure that the results already describe the results of the interview. The second data test is done by data triangulation. Data triangulation is done by looking for convergence from different sources of information, in this case from several participants

IV. RESEARCH RESULTS AND DISCUSSION

Based on the results of the tabulation of respondents' answers can be seen in the following table:

- 1) The impact of covid-19 on debtors

To find out the impact of covid-19 on debtors, it can be seen the respondents' answers in the following table:

Table 1  
Impact of COVID-19 on Debtor's business

No	Information	Respondent's Answer	%
1	Not or not affected by Covid-19	0	0%
2	MEDIUM AFFECTED with Decrease in Business Volume (Not more than 50%)	0	0%
3	SEVERELY AFFECTED with Decreased Business Volume (>50%)	5	100%
Amount		5	100%

Source: Secondary data by the author in 2021

From the table above, it shows that all respondents or (100%) of respondents stated that COVID-19 had a severe impact with a decrease in sales volume of more than 50%.

#### 2) Debtor Business Sector

To find out the debtor's business sector affected by COVID-19, see the following table:

Table 2  
Respondent's Business Sector

No	Information	Respondent's Answer	%
1	Tourism (Service Bureau, Hospitality, Restaurant, Café, entertainment, etc.),	1	21.43
2	Transportation (Private Services, Flights, Mbl Rental, Mbl Buying, Mtr),	4	57.14
3	Export/Import with countries affected by COVID-19 and affected by "lockdown"	1	21.43
4	Infrastructure Projects related to the supply of raw materials, labor, machinery from certain countries COVID-19	0	0
Amount		6	100.00

Source: Secondary data by the author in 2021

Based on the respondents' answers as in the table above, it shows that as many as 1 person (21.43%) does business in the tourism sector (Service Bureau, Hospitality, Restaurant, Café, entertainment, etc.), as many as 4 people (47.14%) respondents with the transportation business sector. (Pick-up services, flights, Mbl rental, Mbl buying and selling, Mtr) and 1 person (21.43%) debtors doing business in the Export/Import business with countries affected by COVID-19 and affected by the "lockdown"

#### 4.1 Regulation of Credit Relaxation for Micro, Small and Medium Enterprises by Banks After the Enactment of Pojk Number 11 of 2020 concerning National Economic Stimulus

The banking industry has started an assessment process for applications for bank credit relaxation or leasing loans in accordance with the Financial Services Authority (OJK) policy. The OJK relaxation policy to continue to encourage the economy in the midst of the economic slowdown due to the spread of COVID-19 is contained in POJK No. 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy and OJK circular letter to Financing Companies in early April 2020. OJK policy It asks banks or finance companies to provide relaxation or relief from bank credit payments or leasing loans for debtors or borrowers whose businesses and jobs are directly or indirectly affected by the COVID-19 pandemic. The payment relief can be by reducing interest rates, extending the installment period, reducing principal arrears, reducing interest arrears, adding credit/leasing facilities, converting credit/leasing into temporary equity participation. The types of relaxation that can be provided by Bank Christa Jaya to debtors who have met the requirements and policies that have been set for restructuring are lowering loan interest rates from the date of approval of the loan relaxation application by the customer and Bank Christa Jaya

The relaxation period is valid for 6 months from the date of agreement that has been mutually agreed between the customer and Bank Christa Jaya. After the relaxation period expires, the customer is required to pay the arrears as usual, without any reduction in the amount of arrears that has been determined prior to credit relaxation. Bank Christa Jaya did not extend the time for payment of arrears during credit restructuring due to COVID-19. Bank Christa Jaya also does not make a policy other than the relaxation of payments previously described.

#### 4.2 The Policy for Relaxation of Financing Affected by Covid-19 Published by the Government Through the Financial Services Authority

Regulation of the Financial Services Authority of the Republic of Indonesia number 11 /POJK.03 /2020 concerning the national economic stimulus as a Countercyclical policy due to the impact of the spread of the Coronavirus - 19

The global spread of Covid-19 has an impact on increasing bank credit risk due to a decrease in debtor performance and capacity in fulfilling credit or financing payment obligations. An increase in credit risk has the potential to disrupt banking performance and financial system stability which can affect economic growth, so countercyclical policies are needed.

This POJK applies to BUK, BUS, UUS, BPR, and BPRS. Banks can implement policies that support economic growth stimulus for debtors affected by the

spread of Covid-19, including MSME debtors, while still paying attention to the principle of prudence. Debtors affected by the spread of Covid-19 including MSME debtors are debtors who have difficulty fulfilling obligations to the Bank because the debtor or debtor's business is affected by the spread of Covid-19 either directly or indirectly in the economic sector, including tourism, transportation, hospitality, trade, processing, agriculture and mining

The stimulus policy in question consists of assessing the quality of credit/financing/other fund provision based only on the accuracy of principal and/or interest payments for credit/financing/other fund provision with a ceiling of up to Rp.10 billion and Improvement of credit/financing quality to be smooth after being restructured for a period of time. the validity period of the POJK.

#### 4.3 Implementation of the MSME Credit Relaxation Policy Affected by Covid-19 at Bank Christa Jaya

To find out the implementation of the MSME Credit Relaxation Policy Impacted by Covid-19 at Bank Christa Jaya, interviews with several debtors can be used as informants.

The results of interviews with debtors regarding the ability to pay debts as shown in table 4.8 show that as many as 3 people (60%) respondents stated that the ability to pay debts to Christa Jaya Bank 3-12 in the future will decrease by 30%-50%, while respondents as many as 2 people (40%) stated that the ability to pay debts to Bank Christa Jaya for the next 3-12 months had decreased to above 50%

The results of interviews with respondents about the belief in future business revival as shown in table 4.11 show that as many as 100% of respondents strongly believe in the revival of the business undertaken in the future, then the results of interviews with respondents about the debtor's ability to pay debts or settle credit after relaxing as in table 4.12 shows 4 people (80%) of debtors are very confident that they have the ability to pay interest to Bank Christa Jaya, while 1 person (40%) of respondents stated that they are quite sure of paying debts to Bank Christa Jaya

#### 4.4 Results of an interview with the Head of Bank Christa Jaya

The relaxation policy issued by Bank Christa Jaya to debtors follows the policy issued by the government, in the form of a credit relaxation policy for MSME business actors issued through the Executive Summary of Financial Services Authority Regulation Number 11/POJK.03/2020. Which aims to help ease the burden on debtors in paying deposits due to the impact of the covid-19 pandemic which greatly affects income in their business.

Interviews conducted with the leadership of Bank Christa Jaya regarding the relaxation policy for debtors affected by COVID-19.

In this interview, Bank Christa Jaya emphasized several important points, including: The management of Bank Christa Jaya responded quickly to government policies issued regarding the credit relaxation policy for debtors affected by Covid-19, by opening applications for relief for debtors who experienced a decline in operating income. The proposal for restructuring/credit relaxation is given to all debtors affected by COVID-19 without exception, so it is considered very helpful for debtors who have MSME scale businesses. The relaxation policy given by Christa Jaya bank to debtors who are experiencing the impact of Covid-19 is by lowering interest rates credit.

#### 4.5 Obstacles in Implementing Credit Relaxation

Credit distribution activities by banks to borrowing customers (debtors) essentially have the aim of helping the economy of the community, especially MSME entrepreneurs. Based on the results of research conducted by the author on the constraints experienced by Bank Christa Jaya, as for the information obtained, there are no significant obstacles affecting the credit restructuring process due to covid-19, however, the obstacles faced are in the form of things that include before restructuring the. These obstacles include:

- 1) People who compare the relaxation policy at Bank Christa Jaya with other banks, while other banks of course have their own policies kebijakan
- 2) There is a view of debtors who consider credit relaxation during the COVID-19 pandemic to mean removing credit arrears that still have to be paid to banks, or lowering loan interest rates onwards, even though if the relaxation ends, loan interest rates will return to normal and debtors are required to pay the remaining loan interest that has not been paid due to relaxation
- 3) There are debtors whose credit relaxation has been carried out by reducing credit interest rates but still not making payments for various reasons
- 4) After the relaxation of credit expires, the debtor will have a huge obligation to repay the loan each month for other than interest repayments of principal will be added to the mortgage loan interest margin due to a decrease in the current interest rate *r e laksana*

## V. CONCLUSION

1. The policies carried out by Bank Christa Jaya in dealing with the declining economic situation due to the Covid-19 pandemic based on the Financial

Services Authority Regulation Number 11 of 2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Covid-19, one of which is credit relaxation, especially for Micro Business actors. Small and Medium Enterprises (MSMEs) who are directly affected. The policy is a reduction in loan interest rates

2. There are facilities provided by Bank Christa Jaya to debtors in managing credit relaxation where all borrowing customers (debtors) affected by COVID-19 receive a relaxation policy from Bank Christa Jaya without exception.
3. The implementation of credit relaxation at Bank Christa Jaya cannot be separated from obstacles or difficulties. The obstacle is in the form of the difficulty of customers in fulfilling their obligations even though reclamation has been carried out. On the other hand, there is a comparison of policies carried out by Bank Christa Jaya with other banks which of course have their own policies.

#### **Suggestion**

1. It is recommended that the relaxation provided by Bank Christa Jaya not only reduce credit interest rates, but also in other ways, namely extending the installment period, paying interest installments, providing a grace period for installments
2. Christa Jaya Bank should reflect deeply upon all debtors to know for certain problems faced by each - each debtor, after which it provides relaxation based on the evaluation information of the
3. Because the Covid-19 pandemic is still running, it is recommended that credit relaxation be continued or extended for one year.

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