



The Application of 5C Analysis on the Micro People's Business Credits Financing with Murabaha contract in Sharia Bank of Indonesia Buah Batu 2 Branch Office

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Abstract

Based on the results of observation and interviews, the background of this research is the fluctuation of the clients' late-paid installment data due to the bank's improper in analyzing potential clients. Therefore, the bank applied a 5C analysis method to prevent the clients' failed and/or late payments at the Sharia Bank of Indonesia (BSI) Buah Batu 2 branch office. This research aims to discover how to apply the 5C principle on micro People's Business Credits (KUR) financing at the Sharia Bank of Indonesia (BSI) Buah Batu 2 branch office. The descriptive qualitative method is applied to this research with the 5C principle as the object. Furthermore, observation, interviews, literature review, and documentation are the techniques used to collect this research's primary data. The research findings lead to the conclusion, that is, the application of 5C analysis has been implemented by the bank before they approved the financing. Nevertheless, the bank still gets a problem in observing the character aspect of the clients for the reason that one's character is way too complex and difficult to observe. Moreover, there are three points for the aspects of character, three points for the aspects of capacity, five points for the capital aspects, six points for the collateral aspects, and lastly, two points for the condition aspects.

Keywords : Character, Capacity, Capital, Collateral, Condition.

1. Introduction

Nowadays, the sharia bank position in Indonesia is developed and getting the most attention from society. This is caused by the perspective of moslem, which believes that the operation of most conventional banks in Indonesia is applying the usury system which is prohibited by the Islamic religion (Thalib et al., 2020). As an intermediary institution, banks distribute funds through financing, however, it needs special attention because it is related to the refund rate. This might impact the liquidity health of the bank because the problem of financing is the one phenomenon that is most feared by all the financial institutions, specifically sharia banks because such problems perhaps make the possibility of bankruptcy getting higher (Wahyuni, 2022).

To prevent the bank from such financial problems, both either General Sharia Bank (BUS) and Sharia Business Unit (UUS) are required to do some financial analysis such as further identification and protection of the client properly (Koren et al., 2019). Financing analysis to identify the potential client is normally analyzed with the 5C principle which consists of character, capacity, capital, collateral, and condition of the economy aspect (Gorsuch, 1997).

The previous research which is conducted by Rahadian & Permana, (2021) analyzed the same object, in this case, the 5C analysis with different product, place, and results. Their research concludes that there is a problem in applying the 5C and 7P principle in Swamitra Pekanbaru while processing the approval of credit to prevents the problem credit and to increase the banks' profability (Rahadian & Permana, 2021). Nevertheless, Fernando & Siagian, (2021) found that the application of the 5C principle in PT. Dayarta Sedana has been successfully implemented according to the procedure of credit approval which is, if the data is not appropriate, the bank will decline the credit application (Fernando & Siagian, 2021). Additionally, Rodoni & Yaman, (2018) discovered that the application of 5C has not been implemented properly by the reason of the clients' incomplete documents and the clients' fraud in giving the false salary slip and manipulating the financial statements (Rodoni & Yaman, 2018).

The Sharia Bank of Indonesia (BSI) is a bank institution that applies the sharia system This is a merger of three sharia banks in Indonesia, that are BRI Syariah, BNI Syariah, and Mandiri Syariah which is established since February

1, 2021. The Sharia Bank of Indonesia (BSI) has various product of collection, distribution and service of funds. One of them is Micro People's Business Credits (KUR) Financing. It aimed to fulfill the capital and investment needs for the micro business, and the average. The financing of the BSI KUR used the Murabaha contract or sale contract.

This table presents the BSI micro KUR financing clients' data in the Sharia Bank of Indonesia (BSI) Buah Batu 2 Branch Office on the past five years.

Tabel 1: Number of Micro BSI KUR Financing Clients in Sharia Bank of Indonesia (BSI) Buah Batu 2 Branch Office

No.	Year	Number of Clients	Percentage
1.	2017	63	-
2.	2018	75	19.05%
3.	2019	56	-25.33%
4.	2020	64	14.28%
5.	2021	49	-23.44%

Source: Sharia Bank of Indonesia (BSI) Buah Batu 2 Branch Office 2022

Based on the data above in 2018, the number of Micro BSI KUR Financing Clients in Sharia Bank of Indonesia (BSI) Buah Batu 2 Branch Office increased 19.05%. Furthermore, in the year of 2019, decreased -25.33%. In 2020 it increased 14.28% & in 2021 it decreased -23.44%. According to the operational staff of the bank, Mr. Muhammad Ibrahim states that the number decrease of clients caused by the late-payment of the client installment in 2018 and 2020. Therefore, the bank suppressed the financing of Micro KUR in the next year so that another potential of late-payment can be prevented.

Tabel 2: Number of Late-Paying Financing Installment of Micro KUR Clients in Sharia Bank of Indonesia Buah Batu 2 Branch Office in 2018 and 2020

Month	2018 (Client)	2020 (Client)	Late-Pay
January	-	-	-
February	2	-	7 – 14 day
March	-	-	-
April	-	1	3 day
May	-	3	5 – 10 day
June	1	4	3 – 14 day
July	1	3	1 – 7 day
August	-	3	3 – 7 day
September	-	4	3 – 10 day
October	-	3	3 – 5 day
November	-	2	2 – 7 day
December	-	2	2 – 7 day

Source: Result of the Research in 2022

Based on the data in the table above, it can be seen that the number of late-paying clients in KUR Micro financing installments at BSI KCP Buah Batu 2 Bandung has increased, this is in contrast to the theory of Suzuki & Pramono, (2020) which states that the 5C analysis is carried out before providing financing so to prevents financing failure (Suzuki & Pramono, 2020). Based on the results of an interview with Ms. Adis Ayu Agustina as the Branch Office & Service Manager (BOSM), the late-payment happened because initially the employees were not careful in analyzing the 5C before financing was approved. This shows that the application of 5C analysis at BSI KCP Buah Batu 2 Bandung has not been implemented properly because there are still some employees who are negligent in carrying out this 5C analysis so that the risk of late payments tends to be high. The existence of these problems makes researchers interested in analyzing this matter.

2. Materials and Methods

This research applies a descriptive approach with a qualitative research methodology. Research that focuses on understanding and providing interpretations of any current issues is referred to as qualitative research (Supriyanto et al., 2019). Descriptive study, on the other hand, describes a phenomena in greater detail in light of the current problem situation (Ashworth, 1997).

The 5C principle of micro KUR financing with a murabahah contract at the Sharia Bank of the Buah Batu 2 Sub-branch Office, Bandung, is the subject of this research's analysis.

Through observation at BSI KCP Buah Batu 2 Bandung, interviews with a number of BSI KCP Buah Batu 2 Bandung employees and micro KUR financing clients with murabaha contracts, literature, and documents, data gathering procedures were used.

The researcher conducts data analysis after obtaining the data. Every researcher must conduct data analysis as part of their research since, if it done incorrectly, a study can result in untested raw data. Researchers might process data

through data analysis to finally arrive at a conclusion that serves as the foundation for new, more advanced fields of study than those previously known (Hennink et al., 2020). Data gathering, data reduction, data presentation, and conclusions are the four processes in this study.

3. Results and Discussion

Furthermore, this is the results and discussion regarding the 5C analysis of micro KUR financing with a murabaha contract at BSI KCP Buah Batu 2 Bandung are as follows:

3.1. Character

This character trait is evaluated by looking at the prospective client's background, the type of business being handled, their personal identification, and their resume. The following is how character traits are evaluated at BSI KCP Buah Batu 2 Bandung:

1. BI Checking
BI Checking by BSI KCP Buah Batu 2 Bandung has largely been done in compliance with the regulations that are in effect.
2. Getting information from the other parties toward the potential clients.
This information is needed to strengthen the bank's confidence in its ability to assess the character and integrity of potential clients. But occasionally, especially when it comes to information from family or friends, bank employees are easily deceived. Due to this, potential clients' characters are incorrectly judged. Additionally, processing installment payments can have an effect on character.
3. Observing the potential clients' background
The background of a potential client is investigated in order to ascertain their profile, which is directly tied to their character. Due to the ease with which personal identity, like identity and family card, may be used to access the data, the risk of error when researching potential clients' backgrounds is small. Regarding the issues investigated by BSI KCP Buah Batu 2 Bandung, among others:
 - a) Age, because of the provisions of this Micro KUR financing, the clients must be at least 21 years old
 - b) Status, in order to apply for Micro KUR financing, a client must be married. This is to ensure that the bank can get in touch with the partner of the potential client if something unfavorable occurs.
 - c) Lifestyle, Whether the potential client lives a frugal or wasteful lifestyle on a daily basis is relevant because if the potential customer lives a frugal lifestyle and has more expenses than income, there may be a delay in making installment payments.
 - d) Hobby, to determine whether a potential customer engages in risky pursuits like drinking, consuming drugs, gambling, and such things.

Based on these findings, it can be said that BSI KCP Buah Batu 2 Bandung has essentially conducted a character analysis in accordance with the law. However, there are still inaccuracies in staff members' research into this topic that affect how material from other sources is evaluated. Furthermore, it can be exceedingly challenging to forecast someone's character.

3.2. Capacity

The assessment of the capacity aspect carried out by BSI KCP Buah Batu 2 Bandung is carried out in the following way:

1. Check out the financial records of potential clients. A cycle or flow of the potential customer's expenses and revenue is shown in the customer's financial report. Occasionally, a number of potential clients fall short of this requirement since their outgoing costs exceed their inflow of money. Through the potential client's business platform and other financial reports outside those from the platform, one can view the financial statements of prospective clients. Employees that prepare financial reports outside of the platform occasionally aren't as careful and fail to recalculate the financial statements, which can lead to instances where, after a second review, the financial statements don't match the realities.
2. Check the address of the potential client's place of business. This is done to ascertain the true state of the operation of the business. The following should be noted during the direct survey:
 - a) aspects of production, including a review at the equipment or tools utilized to support corporate operations and the inventory of commodities owned. In this situation, workers frequently neglect to carefully inspect the state of the manufacturing equipment. Therefore, it is normal for the firm being financed to experience constraints as a result of the production equipment no longer being acceptable for use once funding has been completed.
 - b) Aspect of marketing, how products are promoted; some companies use the Shopee, Lazada, and TiktokShop platforms.
 - c) See financial reports for financial aspects. Each potential clients business platform displays the revenue generated by their firm.

BSI KCP Buah Batu 2 Bandung evaluates the capacity aspect by looking at the financial reports to see the income and expenses incurred by potential clients, although in some cases employee mistakes were discovered in reviewing the client's financial accounts, according to the information above. Additionally, carry out surveys at the customer's place of business. The problem that frequently arises is that employees don't accurately examine the production equipment, which limits the business that is being financed when financing takes place.

3.3. Capital

BSI KCP Buah Batu 2 Bandung conducts an assessment on the capital aspect in the following way:

1. Consider the daily and monthly revenues, earnings, and average income of potential clients. It can be seen in the statistics for the relevant business platform. Potential clients cannot create this because it has already been automatically accumulated by the platform.
2. observing how potential clients' needs differ from others' household needs. This can be determined based on how many burdens the potential customer has by looking at the family card. The higher the need, the more burdens there are.
3. Check to see if the company is privately held. This can be observed in the tax identification number or documentation pertaining to the business or location where it is being conducted.
4. Take a look at how much stock the business has. The survey allows the bank to check the stock directly; the more stocks there are, the more confident the bank is in its ability to provide financing.

Based on the aforementioned data, it can be said that the analysis of the aspect of capital is not confined because it is simple to access and compute the amount. Similar to the amount of income, it is simple to determine from each of the financial statements of the potential client's business platform.

3.4. Collateral

In evaluating the collateral aspect, BSI KCP Buah Batu 2 Bandung uses the following method:

1. Observing the products the customer has used as collateral. These must be simple-to-transfer items, including two-wheeler proof of ownership book and land/building certificates.
2. Look at the market value of the clients' assets pledged as collateral. A pricing survey is typically carried out by BSI KCP Buah Batu 2 Bandung in a number of locations where the collateral is kept.
3. Examine the legality and terms of any pledged assets offered by clients. Several mistakes frequently arise in this circumstance, particularly when examining the two-wheeler conditions. Employees occasionally don't check adequately and simply ignore something.
4. The suggested loan-to-value must be less than the collateral assets value. This is done so that the guarantee can meet the financing loan-to-value in the event of faulty financing. However, BSI KCP Buah Batu 2 Bandung can only finance 80% of the value of the collateral supplied by clients.

Based on the aforementioned data, it may be concluded that mistakes are frequently made when screening for collateral conditions, particularly two-wheeler pledges.

3.5. Condition of Economy

BSI KCP Buah Batu 2 Bandung assesses this aspect in the following way:

1. Clients' economic condition
Direct interviews with potential clients are used to conduct this assessment during visits. The elements that go into assessments include:
 - a) Total income both daily and monthly, this income includes net income.
 - b) Total monthly expenses, consists of family needs and the other particular expenses.
 - c) The number of burdens owned, because the more burdens, the greater the expenses.
2. The types of business
Additionally, the location of the business must be privately owned, not contested land or state-owned land. The type of business that is owned must be privately owned, not owned by others.
3. The prospect of business
Business opportunities for potential clients must improve and be able to compete with those of rival businesses. This is one of the challenges since it is challenging to foresee future situations.

Based on the aforementioned information, it can be deduced that BSI KCP Buah Batu 2 Bandung's assessment of the condition aspect is more concerned with the operations of prospective future clients, regardless of whether this will have an influence. However, BSI KCP Buah Batu 2 Bandung has not been effective in monitoring or supervising KUR Micro Financing Customers Mrs. Sri Daryanti and Mr. Tommy Rizaldy, according to the findings of researcher interviews with them.

4. Conclusion

According to the findings of the researchers' research, a 5C analysis—which considers Character, Capacity, Capital, Collateral, and Condition—must be completed before a prospective customer's application for Micro KUR Financing is authorized. In order to prevent poor lending, the bank, namely the Micro Relationship Manager Team Leader (MRMTL) unit, conducts this study. The SOP has been followed while using 5C analysis at BSI KCP Buah Batu 2 Bandung, but in practice certain customers are still tardy in fulfilling their responsibilities. This is because the bank did not conduct a complete 5C analysis, increasing the risk of faulty financing. Therefore, both MRMTL and other staff must be more careful in analyzing potential customers

Three criteria make up the assessment of the character aspect; these criteria include the prospective customer's background, information obtained from third parties, and BI Checking. Two criteria are used to evaluate a company's capacity: financial reports from the potential client and in-person interviews at the client's place of business. These criteria are used to determine how well the potential client can manage their business and turn a profit. One point is assigned to the capital assessment, which is determined by the amount of capital the potential client possesses. This capital must exceed the suggested loan-to-value. Four criteria are used to evaluate the collateral aspect: the type of products pledged, the market price of the collateral, if the pledged assets is lawful, and whether the pledged assets value must exceed the maximum loan-to-value. Three factors make up the condition assessment: the customer's economic situation, the type of their business, and their future business prospects.

According on the findings of the research described above, researchers have the following suggestions for BSI KCP Buah Batu 2 Bandung:

1. Be extra cautious when using the 5C principles to micro KUR finance and other types of funding, especially when it comes to the character component, which might have an impact on other aspects and is challenging to research. To lessen the likelihood of bad finance in the upcoming year, this must be done.
2. In the future, it is hoped that technical approaches, such as checking production equipment, will be carried out correctly and significantly more thoroughly so as to not impede businesses financed by banks and late installment payments do not occur in order to be more thorough in analyzing the capacity aspect.

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