**APPLICATION OF 5C PRINCIPLES TO MINIMIZE BAD CREDITS AT PT. BANK PENGKREDITAN RAKYAT PEMBANGUNAN KERINCI**

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**ABSTRACT**

*This study discusses strategies for resolving bad debts guaranteed by mortgage rights at PT. Kerinci Development People's Credit Bank. One method is to make efforts to save credit through a repayment plan (rescheduling) based on Bank Indonesia Circular Letter No.26/4/BPPP dated 29 May 1993. The bank also provides verbal and written warnings to debtors before taking further action. In addition, credit settlement is carried out using a family approach (non-litigation) through a mutual agreement to sell collateral, in accordance with applicable legal provisions.*

***Keywords****: character; capacity; capita; collateral; and condition*

**ABSTRAK**

Studi ini membahas strategi penyelesaian kredit macet yang dijamin dengan Hak Tanggungan di PT. Bank Perkreditan Rakyat Pembangunan Kerinci. Salah satu metode adalah dengan melakukan upaya penyelamatan kredit melalui rencana pembayaran ulang (rescheduling) berdasarkan Surat Edaran Bank Indonesia No.26/4/BPPP tanggal 29 Mei 1993. Pihak bank juga memberikan peringatan lisan dan tertulis kepada debitur sebelum mengambil tindakan lebih lanjut. Selain itu, penyelesaian kredit dilakukan dengan pendekatan kekeluargaan (non litigasi) melalui kesepakatan bersama untuk menjual jaminan, sesuai dengan ketentuan hukum yang berlaku.

**Kata Kunci**: karakter; kapasitas; modal; jaminan; dan kondisi

1. **INTRODUCTION**

Development The implementation of initiatives that can raise the standard of living in the community is important in conjunction with efforts to strengthen the local economy. One of these schemes involves giving the community credit in order to strengthen its capital, which can subsequently raise the community's overall standard of living. According to Law Number 10 of 1998 regarding banking and Articles 3 and 4 of Law Number 7 of 1992, it is stated that the primary role of Indonesian banking is to collect and channel public funds with the aim of assisting in the implementation of national development and enhancing the welfare of the general public (Nuradhawati & Kristian, 2022).

People's Credit Banks are defined as "Banks that carry out business conventionally or based on sharia principles which in their activities do not provide services in payment traffic" in Article 1 Paragraph 4 of Law No. 10 of 1998. BPR's business operations are primarily focused on supporting rural communities and small companies. The legal form of BPR might be a Limited Liability Company, Cooperative or Regional Company, as well as other forms determined by Government Regulation, according to article 21 paragraph (2) of Law No. 10 of 1998. Kerinci Development Rural Bank Limited Liability Company (PT.BPR-Kerinci) is a banking institution owned by the regional government. The scope of operations is limited to the Kerinci Regency and Sungai Full City areas only. PT. BPR-Kerinci provides banking services and provides credit loans to the public.

Giving credit establishes a legal connection with all the legal ramifications that, if fundamental issues are disregarded, could result in losses or dangers for the bank as the creditor. Risk is the possibility of financial loss brought on by a specific event. Loss that arises as a direct or indirect result of a risk occurrence is referred to as risk of loss. The loss may be material or immaterial (Wahyuni, 2017).

In research Djuarni & Ratnasari (Djuarni & Ratnasari, 2022), PT. Kerta Raharja People's Credit Bank is in the process of implementing the 5C principles in providing Multipurpose Credit (Elex Sarmigi et al., 2022), which has been carried out in accordance with the established principles, the development of Non-Performing Loans (NPL) at PT. BPR Kerta Raharja Banjaran Branc, and other research studies regarding the implementation of the 5C principles in determining the feasibility of providing credit to customers. With the implementation of the 5 C principles, PT. Kerta Raharja People's Credit Bank Banjaran Branch is more effective in maintaining and securing credit before providing credit to customers.

Several things that are not implemented in credit analysis give rise to problematic financing, because the purpose of credit analysis is to assess the quality of the credit request submitted, so that it can reduce credit risk (Syarif, 2024). How to apply the 5 C principles in handling problem credit to minimize bad credit because debtors are unable to complete the credit that has been given by the BPR. Based on the description above, PT BPR Pembangunan Kerinci, as a bank that complies with BI regulations in handling credit, pays close attention to these principles. For this reason, the author in this research tries to find out how much the 5 C principles are applied in handling credit. Referring to this, the author is interested in taking the research title "APPLICATION OF 5C PRINCIPLES IN HANDLING PROBLEM CREDIT AT PT BPR DEVELOPMENT KERINCI”.

1. **LITERATURE REVIEW**

Austrian business cycle theory (ABCT) is a thought that emerged from the Austrian school which assumes that money is not neutral and financial flows are only a reflection of what happens in the real economy. The Austrian business cycle theory, or what Austrian economists call the credit cycle, can be divided into four stages, namely expansion, crisis, recession and recovery (Zelmanovitz, 2011).

According to Law No. 10 of 1998, credit is the distribution of money or bills that can serve as its equal and is based on a loan arrangement between a bank and a third party that calls for the borrower to repay the debt with interest after a specific amount of time (Kasmir, 2004). Providing a credit facility involves a default risk. As a result, the credit cannot be used, which causes losses that the bank must pay for. No matter how skillfully a credit analyst analyzes each credit application, there is always a chance that the credit will be poor. Just how to reduce the danger in this instance to the barest minimum. The bank must intervene in cases of bad credit in order to prevent losses. For debts affected by disaster, the rescue is accomplished by offering relief in the form of time or installment payments, or by seizing credits that are willfully used to avoid paying (Kasmir, 2004).

An examination must be completed in order to identify credit risks at the outset and ensure that the credit offered is of the highest caliber. The 5C principles—the bank's trust in qualities of character, capital, capacity, collateral, and economic conditions—are used by banks to evaluate prospective debtors for credit, (Jamilah, 2015) which can be explained as follows:

1. Character, or the bank's evaluation of the potential debtor's character to determine whether the debtor is trustworthy, has good intentions, and won't cause the bank any future problems.
2. Capacity, which refers to the bank's evaluation of a potential debtor's management or technical skills so that it may be certain that the company receiving credit is being managed by qualified individuals.
3. Capital, the bank's evaluation of the potential debtor's overall financial situation, including projected future and past cash flow, in order to determine the debtor's capital capacity to support the financing of the project or business in issue.
4. Collateral, which refers to the bank's evaluation of the potential debtor's own collateral.
5. Economic Condition, the bank's evaluation of domestic and international market circumstances in the past and the future so that prospects can be known.
6. **RESEARCH METHODS**

In the following research, research is used that is classified as field research, namely research in which a researcher is directly involved in the field, using descriptive qualitative research methods, namely research that describes an existing phenomenon in depth and focuses in detail on the research target (Maros et al., 2016). So if implemented in this research, the researcher wants to provide a detailed and focused explanation of how to apply the 5C principles in minimizing bad credit at PT. Kerinci development people's credit bank, researchers also want to know to what extent the bank minimizes bad credit in accordance with the 5C principles. The data sources used in this discussion are primary and secondary data sources obtained through documentation processes and in-depth interviews with research objects at PT. Kerinci development people's credit bank.

1. **RESULTS AND DISCUSSION**

**Results**

In banking practice in Indonesia, granting credit is generally followed by providing collateral by the credit applicant, in this case the collateral that can be used is movable or immovable objects at PT. Kerinci Development People's Credit Bank. Providing credit with mortgage rights as collateral is usually used as business capital for debtors who lack capital. To get credit with mortgage rights at PT. Kerinci Development People's Credit Bank credit applicants must go through several stages as follows:

1. Application, stage At this stage the credit applicant will be given a loan application certificate form to be filled in completely and accompanied by the requirements determined by the PT. Kerinci Development People's Credit Bank. At PT. People's Credit Development Bank Kerinlita credit applications are differentiated between old credit applicants and new credit applicants. For prospective applicants, the bank will look at the condition of the applicant's deposits on previous loans and see whether there are still any arrears on previous deposits. If there are arrears, they must be paid first. Meanwhile, for new prospective applicants, the bank will look at the character, correctness of the credit guarantee and business feasibility of the prospective applicant. The difference between old and new prospective applicants is one of the considerations taken by the bank in providing credit services. "Prospective applicants who have filled out the credit application form along with the requirements determined by the bank are then given to the credit administration officer and the results will be notified to the candidate by telephone, usually 3 days after the application is submitted" (interview with Heru Depriska, SH, Head of Credit Section , April 4, 2022).
2. Analysis stage, the prospective debtor's application file will then be given to the credit committee for re-examination and then given to the head of the credit department. The head of credit appoints 1 person from the sub-division. account officer to carry out credit assessments and evaluations based on the data contained in the credit application form above. The purpose of this credit assessment or analysis is to ensure the correctness of the data and information as well as the correctness and validity of the credit guarantee provided in the credit application. The assessment stage is carried out in 2 (two) stages, namely by conducting a direct inspection and making a report on the results of checking the prospective debtor. At this analysis stage, PT. Kerinci Development People's Credit Bank carried out an analysis using 5C', namely: assessment based on 5C', namely: Character (character), Capital (capital), Capacity (ability), Collateral (guarantee) and Condition of Economy (economic conditions). "Credit assessment is based on 5C', the most important thing is the character of the prospective debtor because the bank can see his honesty, behavior and obedience in paying off his debt. "Determining the character of a prospective debtor is not easy, especially for prospective debtors who are applying for credit for the first time. Apart from that, the bank also looks directly at the guarantee provided by the debtor and looks at the opinions the debtor gets every month," (interview with Anas Seta Pamuji, Credit Analyst , April 05, 2022).
3. Binding stage, credit agreement at PT. The Kerinci Development People's Credit Bank is made by the bank in front of a notary to be legalized and then the Power of Attorney to Charge Mortgage Rights (SKMHT) or Deed of Granting Mortgage Rights (APHT) is submitted to the notary/PPAT. "The binding is made before a notary/PPAT attended by both parties by showing the original KTP along with other loan documents and then an explanation from the bank and prospective debtor to the notary/PPAT. "The signing of the agreement letters, the loan receipt letter and even taking the money must be done by the debtor himself" (interview with Rodi Pelani, A.Md, Head of Credit Section, 05 April 2022).
4. Credit disbursement and credit repayment stages, the loan documents that have been completed are signed by the parties, then submitted to the board of directors to obtain a signature on the loan payment agreement. After obtaining approval from the bank's directors, the loan receipt and other files are submitted and processed in the administration section to be recorded or recorded while the collateral will be kept by the bank. The administration department will provide initials in the column provided in the debtor's loan files. After this process, customer master data and credit master data are created. Next, it is processed at the cash or teller section. The debtor concerned is summoned and asked to sign the signature column for receiving the money. The signature is matched with the relevant signature identification card on the loan receipt and installment card. After everything has passed the check in the cash department, the money can be given after deducting the existing deductions. The cash department will also provide the debtor's original KTP, loan receipt letter, installment card for customers which have been initialed and stamped by the cash department and administration department.

**Factors that cause bad credit with mortgage collateral**

Providing credit with mortgage guarantee at PT. Kerinci Development People's Credit Bank is not always of good quality. Debtors sometimes experience arrears in paying installments that have been determined by the Credit Quality Classification Criteria based on Bank Indonesia Decree No. 30/267/KEP.DIR/1998(Dalam & Keluarga, 1996) among others:

1. Current criteria: no arrears
2. Special attention: < 3 months
3. Substandard (3-6) months
4. Undecided (6-9) months
5. Traffic jam ˃ 9 months

"Instalments are said to be in arrears if they are in arrears for 3 months up to 6 times without paying the installments which are categorized as substandard, and for 1 day of arrears you will be charged interest of 2%" (Heru Depriska S.H Head of Credit, 05 April 2022). In order to prevent credit issues that could be considered negative, the bank has really carried out preventative security by doing an extensive examination of the debtor's business, income, capacity, and collateral worth as well as by continuously monitoring or supervising. Several variables, including both internal and external ones, contribute to bad credit.

Internal factors include:

1. The credit given is not entirely utilized for company
2. The debtor is less capable of running his company.
3. Business competition is getting tougher, causing debtors to lose out on competition .

Meanwhile, external factors that cause bad credit are the current economic conditions which will affect the debtor's income (interview with Heru Depriska S.H, Head of Credit, 05 April 2022) "Usually the cause is that the debtor's business is not running smoothly because of economic conditions, being unable to compete, not being able to regulate opinions and good income” (interview with Heru Depriska S.H Head of Credit, 05 April 2022).

**Settlement of bad credit with collateral from mortgage rights at PT. Kerinci People's Credit Bank**

Settlement of bad credit with mortgage rights at PT. Rural Credit Bank details credit installments so that credit that is classified as problematic can return to current credit. "The bank will give a warning by telephone to contact the debtor and inform the debtor to immediately pay the credit installments. If the debtor cannot be contacted, the party will go directly to the debtor's house so that the debtor can immediately make the payment" (interview with Pamuji, Credit Analyst, 05 April 2022 ). Pamuji, Credit Analyst added that apart from giving a verbal warning, the bank will also give a warning letter to the debtor containing:

1. Notification regarding the due date for payment of interest and/or credit principal.
2. Order to pay the debt in a certain amount according to the bank's request or notification.
3. Time limit for debtors to make payments.

Bank Indonesia Circular Letter No.26/ 4/ BPPP dated 29 May 1993, operationally handling bad credit rescue can be achieved in several ways (BANK INDONESIA, 2004) that is:

1. Rescheduling, or altering the credit terms with relation to the time frame or payment schedule.
2. Reconditioning, or altering all or a portion of the credit terms, including but not limited to adjustments to the time frame for payments and/or other terms, so long as the maximum debt is unaffected.
3. Restructuring, specifically modifications to credit terms entailing: Investment or additional bank funds; conversion of all or a portion of interest arrears into new credit principal; or conversion of all or a portion of credit into investment in the company, together with rescheduling and/or return requirements.

Handling bad credit at PT. Kerinci Development People's Credit Bank, the bank does not immediately take legal action by executing guarantees, as far as possible the bank will resolve bad credit using non-litigation channels or in a friendly manner, because after all the debtor is a very important business partner for PT. Kerinci Development People's Credit Bank, therefore in principle the bank always tries to resolve things amicably, but if this still cannot save the credit, then the next step is to execute an auction or private sale on the basis of mutual agreement as stated in the agreement. Usually underhand sales are preferred if you can get the highest price that benefits both parties.

Debtors prefer amicable settlement to carry out private sales if they can obtain the highest price that benefits both parties, however, if various methods have been used by the bank to save the credit but have not obtained results, the next step is to use an execution auction. The bank will submit an application to the State Property and Auction Services Office (PKNL) to carry out an auction for the execution of the mortgage object in order to collect the debtor's debt from the sale of the mortgage object.

**Discussion**

In providing financing, BPR banks must be sure that the funds will be returned. PT. Kerinci Development People's Credit Bank minimizes financing problems by analyzing potential customers using 5c. In character assessment, PT. Kerinci Development People's Credit Bank is quite good, but because this character assessment is subjective, there are still many errors in assessing customers, because the bank only assesses the customer in question, not the people who interact with the prospective customer. The bank will carry out an assessment of the customer's character by asking neighbors or relatives if they have any doubts when conducting interviews with prospective customers. It is mandatory to find out about the customer's character from people who frequently interact with the prospective customer.

So many customers are stuck and when they come to their house to ask about installments, many of them are not persuasive to the bank. Next is the customer assessment in terms of capacity. Customer assessment in terms of capacity or in terms of abilities of PT customers. Kerinci Development People's Credit Bank is quite good in practice. Because it is assisted by calculations that have been determined by a formula to obtain a figure for the customer's ability to pay installments. It's just that sometimes the error lies with bank employees in calculating or estimating the size of the accounts contained in these components, because in micro businesses it is very rare to find that their financial management is well structured. For example, in calculating this capacity there is a sales account, so the bank will accumulate the amount of the account. This is through interviews or existing sales notes. If an error occurs or there is a large difference between the estimate and reality, it will affect the customer's ability to repay the financing.

In assessing customers in this aspect of capacity, skills and experience are needed by PT bank employees. Kerinci Development People's Credit Bank KCP Metro. In assessing this aspect of capacity, the AOMs will be assisted by UnitHead who has experience in assessing customers. The background of the AOMs, most of whom are not in the economic field, such as those with agricultural degrees and informatics degrees, means that the AOMs lack sufficient skills in these fields. Furthermore, the customer's assessment in terms of capital, PT. Kerinci Development People's Credit Bank only assesses the amount of capital that has developed which can be seen from the amount of capital at the start of the establishment of the business until the continuation of the business until now. The assessment is only limited to the assets owned, such as inventory of merchandise, machines used in production activities.

Even though the capital owned by prospective customers is not only limited to goods, the bank must also pay attention to its human resources, because it does not rule out the possibility that the business will be disrupted due to inadequate human resources. Furthermore, the customer's assessment is in terms of economic conditions, PT. The Kerinci Development People's Credit Bank is already good. Before submitting or receiving a prospective customer's file, PT. The Kerinci Development People's Credit Bank has made restrictions or assigned customers who cannot use this facility for certain reasons, such as businesses that fluctuate in terms of profits. and PT. Kerinci Development People's Credit Bank always updates information to estimate the prospective customer's business development in the next few years, whether it will be shifted by time or not. Assessment of the collateral aspect or guarantee from PT. Raky Credit Bank Kerinci's development is good. This assessment in terms of guarantees involves several members of PT. Kerinci Development People's Credit Bank which is experienced and professional in the field of collateral calculations.

**Factors that cause bad credit with mortgage collateral**

Credit is defined as "a gift of performance made by one party to another party, which performance is to be given back again at a later date along with a counterperformance in the form of interest" (Apsaridewi et al., 2023). Credit in accordance with Law No. 10 of 1998 Concerning Banking's Article 1 Paragraph (11) Credit is the lending of money or bills that are comparable to it, based on a loan arrangement between a bank and another party that compels the borrower to repay the debt with interest after a predetermined amount of time. A person can be trusted to obtain credit in general can be known and determined by "the five of credit" or better known as the 5 C's, among others:

1. Character: The characteristics of the prospective debtor, such as honesty, behavior and obedience, in order to obtain data regarding the debtor's character, the bank can do this by collecting information from other bank references.
2. Capital (capital) Capital is the down payment that the credit applicant has as its own capital while credit is additional.
3. Capacity (ability) Capacity is the ability of the prospective debtor regarding leadership and performance in the company.
4. Collateral (guarantee) Collateral is the ability of the prospective debtor to provide good collateral and has value both legally and economically.
5. Condition of Economy (economic conditions) The economic conditions at a certain time and period during which credit is given to creditors. Economic conditions can affect credit applicants' ability to repay their debts, which is often difficult to predict. Poor economic conditions in a country can affect a credit applicant's business and individual income, which as a result has an impact on the credit applicant's ability to pay off their debts (Widyanti, 2011).

The credit given by the bank does not always run smoothly, this is because the credit given by the bank becomes bad. This bad credit is a burden for banks because it will affect business continuity and the bank's health level. Bad credit is "credit whose principal installments and interest cannot be repaid for more than 2 (two) installment periods plus 21 (twenty one) months, or credit settlement has been referred to the court/BUPLN (State Receivables and Auctions Agency) or has been submitted for compensation to the Credit Insurance Company).

Sinungan states that bad credit is "financial difficulties experienced by debtors". The causes of financial difficulties can be categorized into 2, namely:

1. Internal factors a. Weaknesses in purchasing and selling policies
2. Ineffective control over expenditure costs
3. Policy regarding ineffective receivables policy
4. Excessive placement in fixed assets
5. Insufficient capital

External Factors: Natural Disasters, Wars, Changes in Economic Conditions and Changes in Technology There are several factors that influence the occurrence of bad credit originating from customers, including: (1) Customers Misuse the Credit Obtained. Every credit obtained by a customer has been agreed upon for the purpose of its use so that the customer must use the credit according to its purpose. Deviant use of credit. for example, credit for transportation used for agriculture will cause the customer's business to fail. (2) Customers are less able to manage their business. This can happen because customers lack control over the business sector, because customers are able to convince the bank of the success of their business. As a result, businesses financed with credit cannot run well. (3) Customers have bad intentions. There are some customers who deliberately use all their efforts to obtain credit but after receiving the credit it is for purposes that cannot be accounted for. From the start the customer has no intention of returning the credit even at any risk, usually before the credit matures the customer has run away to avoid responsibility (Kasmir, 2004).

The author draws the conclusion that the cause of bad credit that occurs is due to several internal and external factors in repayment of the credit. Internal factors include, among others, the credit provided by the bank is not fully used for business capital but is used by the debtor for other needs, apart from that, the debtor is sometimes unable to manage his business well so that he is unable to manage expenses and income every day, or other causes are in running his business the debtor is unable to compete because the business he is running does not meet the quality or quantity. The author claims that the analysis using the five C's is not fully completed because one of the assessments regarding the condition of the economy (economic conditions) is challenging for creditors to predict because the economy of a nation frequently changes over a certain period of time, which can have an impact on the business. and the debtor's income, both of which affect the debtor's capacity to repay his debts. Conditions of Economy (economic conditions) are also external factors that can have an impact on the economic cycle in a country which impacts the business activities of entrepreneurs, thus affecting debtor income levels. According to (Abbas Salim, 2016).

Banks in providing credit, apart from applying the 5C' principles, should also apply the 7P' principles, among others:

1. Personality: This entails evaluating clients in light of their personalities, routine behaviors, and histories. A person's attitude, feelings, conduct, and actions in solving a problem are all part of their personality.
2. Party (Parties): The parties are the main factor taken into account when granting credit. In order to grant credit, the bank must be able to trust the debtor's personality, skills, and other attributes.
3. Purpose: This is to determine the customer's reason for obtaining credit, as well as the kind of credit the client desires. This must also be monitored to ensure that the credit is actually being used for the purpose for which it was granted as specified in the credit agreement.
4. Payment: This is a method by which the debtor repays the credit that has been granted in the hopes that the credit granted will be repaid by the relevant debtor. The debtor should have as many sources of debt as possible.
5. Profitability: Assessing the debtor's capacity for profit. Banks must predict if the company's profit will be bigger than the loan interest and whether its revenue will be sufficient to satisfy credit obligations.
6. Protection: How to ensure that contracts and guarantees are protected is the aim. Guarantees for goods, people, or insurance coverage are all forms of protection.
7. Prospect: determining whether or not the debtor's business will be lucrative in the future. This is crucial because, if the credit facility is financed without a prospect, both the bank and the client will suffer losses (Rachmadi Usman, 2003) states that apart from using the 5C' and 7P' principles in providing credit, banks must also apply the 3R principles, consisting of: (1) Returns (Results Obtained): These are the results obtained by the debtor when the credit has been utilized and can be anticipated by potential creditors, meaning that the results obtained are sufficient to repay the credit along with interest, fees, and so on. (2) Repayment (Repayment) Is the ability to repay the debtor. The ability to pay must be in accordance with the repayment schedule of the credit provided. (3) Risk Bearing Ability (Ability to Bear Risk) Is the debtor's ability to bear the risk if something happens that is beyond the anticipation of both parties, especially if it can cause bad credit, therefore consideration must be given to whether collateral or insurance for goods or credit is safe enough to cover the risk.

**Settlement of bad credit with collateral from mortgage rights at PT. Kerinci Development People's Credit Bank**

Settlement of bad credit according to (Raden Subekti, 1989) namely "This case of negligence or default on the part of the Debtor must first be stated officially, namely by warning the Debtor that it wants payment immediately or within a short period of time." Article 1238 of the Civil Code specifies the manner in which a negligent debtor must be warned and requires that the warning be given through a warrant, deed, or similar document. The term "warrant" in this article refers to an official warning from the court bailiff, but the term "similar deed" refers to an informal (not official) writing, letter, or telegraph with the same intent, namely to warn the debtor to complete his obligations. The next step in handling bad credit is by means of the efforts specified in Bank Indonesia Circular Letter No.26/4/ BPPP dated 29 May 1993, through several methods, namely: (1) rescheduling, or altering the credit terms with relation to the time frame or payment schedule. (2) reconditioning, or altering all or a portion of the credit terms, including but not limited to adjustments to the time frame for payments and/or other terms, so long as the maximum debt is unaffected. (3) restructuring, specifically modifications to credit terms entailing: Investment or additional bank funds; conversion of all or a portion of interest arrears into new credit principal; or conversion of all or a portion of credit into investment in the company, together with rescheduling and/or return requirements. PT. Kerinci Development People's Credit Bank in resolving problem loans by making various efforts such as giving verbal warnings to debtors and giving warnings so that debtors carry out credit payment obligations in the form of credit installment payments so that credit that is classified as problematic can return to current credit.

1. **CONCLUSION**

From the results of research and interviews conducted at PT. Kerinci People's Credit Bank, it can be concluded that PT. Kerinci Rural Bank still has shortcomings in implementing the 5C principles, especially in assessing customer character. Marketing needs to better comply with existing SOPs to avoid subjective errors in assessing customer character, and needs to continue to improve experience and improvement. Factors that cause bad credit with mortgage collateral at PT. Kerinci Development People's Credit Bank includes the use of credit that is not in accordance with business objectives, the debtor's lack of ability to manage the business, and intense competition. External factors such as changes in economic conditions also affect the debtor's ability to pay credit. Settlement of bad credit with mortgage guarantee at PT. Kerinci Development People's Credit Bank involves efforts to save credit through credit rescheduling and communication with debtors before legal action. The Bank seeks to resolve these issues through mutual agreement, avoiding legal action whenever possible.

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