

# Policy Evaluation of Determining Asset Quality on Credit Quality at PT. XYZ (National Economic Stimulus Program)

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## Abstract

Banks in implementing policies that support economic growth stimulus still pay attention to the application of risk management as stipulated in the Financial Services Authority regulations regarding the application of bank risk management. PT. XYZ is a state-owned company engaged in conventional general banking services. One part that directly impacts this pandemic is the Credit Unit. The impact of PPKM so far has significantly affected business decline. Therefore verification and cleansing of newspaper accounts as well as performing a more thorough analysis of the debtor's finances. So far it hasn't arrived downgrade and is still well guarded even with the restructuring lane. The business prospects and debtor's repayment capacity tend to decrease and the repayment capacity has limited the policy for determining the quality of fixed assets is the same as before, at least 110% of the maximum credit that has been set. For the general trading business sector, it can still be considered prospective, supported by marketability and strategic assets so that debtors are considered capable of carrying out their responsibilities towards their obligations to the bank.

*Keywords:* Policy Evaluation, Determination of Asset Quality, Credit Quality.

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## 1. Introduction

The spread of the coronavirus disease 2019 (COVID-19) globally has had an impact on increasing bank credit risk due to a decrease in debtor performance and capacity to meet obligations to pay credit or finance. An increase in credit risk has the potential to disrupt banking performance and financial system stability, which can affect economic growth countercyclical (OJK, 2020). Therefore, banks are expected to be proactive in identifying their debtors who have been affected by the spread of Covid-19 and immediately implement the intended stimulus POJK.

Through this stimulus policy, banks also have a wider movement so that bad loans can be more controlled and make it easier to provide new credit to their debtors. This stimulus is also expected to be countercyclical to the impact of the spread of the Covid-19 virus so that it can encourage optimization of banking performance, especially the intermediation function, maintain financial system stability, and support economic growth (Heru Kristiyana, Chief Executive of OJK Banking Supervision).

Banks in implementing policies that support economic growth stimulus continue to pay attention implementation of risk management as stipulated in the regulations of the Financial Services Authority regarding the performance of bank risk management. In the case of a Bank implementing policies that support economic growth stimulus, the Bank must have guidelines for determining debtors affected by the spread of coronavirus disease 2019 (COVID-19) including micro, small, and medium business debtors (OJK, 2020). PT. XYZ is a state-owned company engaged in conventional general banking services. One part that directly impacts this pandemic is the Credit Unit.

As a party acting as a creditor, it is fitting for banks to have criteria and collectibility for the quality of the credit they issue. This is intended to simplify the process of classification and handling of problems that may arise in a credit agreement that has been made. The collectibility of credit quality carried out by banks aims to calculate reserves for potential losses which will certainly affect the bank's portfolio and is one of the indicators for assessing the soundness of a bank conducted by Bank Indonesia (BI) and the Financial Services Authority (OJK).

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The quality of restructured credit/financing can be determined as current if it is given to debtors affected by the distribution covid-19 and restructuring was carried out after the debtor was affected by the spread of Covid-19. The period for this restructuring varies greatly depending on the bank's assessment of its debtors with a maximum period of 1 (one) year (OJK, 2020). Research conducted by (Lestari, Dwiatmanto, & Azizah, 2016) with the title Policy Analysis on Working Capital Loans to Increase Bank Profitability (Study on PD. Tugu Artha Malang People's Credit Bank Period 2012-2014).

The results of research conducted on KMK PD. BPR Tugu Artha shows that 1) The KMK policy as a whole is said to be effective according to policy criteria credit namely Bankable, investment policies, risk policies determined through quantitative and qualitative mechanisms on business conditions, distribution of credit, and determination of interest rates. 2) The KMK policy was able to increase lending, but its implementation needed to be better controlled, so that problem loans were still encountered. 3) If the KMK policy is implemented properly, it can increase bank profitability, as long as the bank maintains its operational cost efficiency.

Research conducted by (Mulyaningrum & Zahroh, 2016) with the title Banking Risk Management Analysis in Minimizing Problem Credit in the Field of Working Capital Loans (Study at PT Bank Rakyat Indonesia (Persero) Tbk. Jombang Branch). The results showed that PT Bank Rakyat Indonesia (Persero) Tbk. Jombang has implemented banking risk management properly. This includes active oversight by the board of commissioners and directors, policies, procedures and setting limits, processes for identifying, monitoring, and credit risk management information systems, and controlling credit risk.

Research conducted by (Lihani & Hamidi, 2013) with the title Credit Management Analysis to Minimize Credit Risk (Study on PDBPR BKK Tasikmadu Karanganyar). The strategy used is a single fixed strategy that is focusing on one problem. The results of this study are: 1) The application of credit management at PD BPR BKK Tasikmadu has not been implemented optimally. The lack of optimal implementation of credit management, among others, in terms of insufficient credit analysis maximum, the lack of adherence to the prudential principle of the credit breaker, and from the point of view of the supervision applied has not been effective. 2) efforts to rescue non-performing loans are adjusted to the problematic credit conditions, the causes of the non-performing loans, and the good faith of the customer. 3) Settlement of bad loans that are carried out in connection with the disbursement of guarantees for loan repayments, write-offs, and legal remedies. From the studies conducted, it can be concluded that investors do not always behave rationally and do not deviate, and are able to be modeled quantitatively. So behavioral finance is a science that studies how humans take action in the investment decision-making process in response to the information they obtain.

The goal to be achieved in this study is to describe the evaluation of the policy of determining asset quality on credit quality at PT. XYZ. To determine the impact of the asset quality determination policy on credit quality at PT. XYZ.

## **2. Literature Review**

### *2.1. Policy Evaluation Theory*

Evaluation has two aspects each other relate; the use of a variety of methods to monitor the results of policies, programs, and the application of value sets to determine the usefulness of these results to some people, groups, or society as a whole. Note that these interconnected aspects show the presence of facts and value premises in each evaluative claim. However, many of the activities described as "evaluative" in policy analysis are inherently non-evaluative in nature, that is, activities are primarily focused on producing designative demands rather than evaluative demands. So it takes an approach of "evaluation research". In this context, evaluation is very influential which is based on the mission contained in the program and identified the main results of the program to be achieved and the results that were not achieved, this model was developed to evaluate human resource development, namely: a) Monitoring to determine the efficiency of a program; b) Evaluation of temporary success or failure of a program; c) Evaluation that examines the program's long-term goals (Jayanti, 2019).

### *2.2. Assets Quality*

Asset quality or the quality of earning assets uses two ratio indicators, namely the ratio of earning assets classified to assets earning ratio and allowance for possible losses on classified earning assets. Assets can be interpreted as wealth or resource assets owned by business entities and can be clearly measured using units of money and the ordering system is based on how quickly changes are converted into units of cash. The quality of assets in the company is described by showing the company's ability to maintain and return invested funds (Sefti Nur Cahya Putri, 2020).

Based on Government Regulation Number 24 of 2005 concerning Government Accounting Standards (SAP), has established a clear definition of assets in the Governmental Accounting Conceptual Framework, which clearly describes the definition of assets. namely that: " Assets are economic resources controlled and/or owned by the government as a result of past events and from which future economic and/or social benefits are expected to be obtained. both by the government and society. And can be measured in units of money. including non-financial resources required for the provision of services to the general public and resources maintained for historical and cultural reasons".

Thus it can be concluded that an asset is an item or resource that has economic value, exchange value owned by an individual as well as an agency that has the potential to achieve organizational goals. The general understanding of the assets above is something that has value. The two elements of this definition, namely value and useful life, are important if a department or organization identifies and records all assets. Meanwhile, the evaluation of the determination of asset quality is an assessment of the condition of Bank or UUS assets and the adequacy of financing risk management. The ratios used in this aspect include the ratio of the bank's Earning Asset Quality (KAP), the risk concentration of channeling funds to core debtors (KRDI), and others.

### 2.3. Credit Quality

According to the Banking Act No. 10 of 1998, credit is the provision of money or bills, based on a loan agreement or agreement between a bank and another party that requires the borrower to repay the debt after a certain period of time with interest. If the credit channel experiences congestion, then the steps taken are to save the credit. If it can still be helped, then the right action is to increase the amount of credit or by extending the time period. And if it cannot be saved again, then the final action for the bank is to confiscate the guarantee that has been guaranteed by the customer.

### 2.4. Theory of Behavioral Finance

Financial behavior explains how someone treats, manages, and uses the financial resources they have. Someone who has responsibility for his financial behavior will use money effectively by budgeting, saving money and controlling expenses, investing, and paying debts on time (Suryanto, 2017). Behavioral finance theory (the theory of financial attitudes) for Nofsinger is "studying how humans actually behave in a financial setting (a financial setting)". Notsinger also explained that "behavioral finance theory also studies psychological aspects that want to influence financial decision-making, financial markets, and industry"(Wiryaningtyas, 2016).

On the other hand, Bodie, Kane, and Marcus also commented on "behavioral finance theory which is a financial market model that emphasizes the ability of psychological implications that affect investor behavior". Types of irrationality are broken down into 2, namely investors who do not process data correctly so that they formulate the wrong probability distribution about future returns and investors in making decisions that are not changeable or systematic (Afriani & Halmawati, 2019)

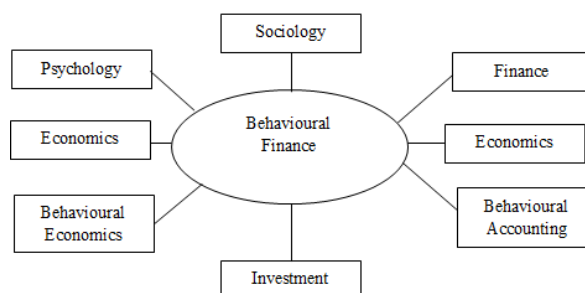
In decision-making, expected utility currently dominates in the economics sector, because in the economics sector, it appears very clearly in the reviews of decision-making in times of uncertainty in the literature on management accounting, managerial economics, and financial management. The expected utility was introduced by Neuman & Morgenstern who reported that this theory is a theory of a person's attitude that underlies it to carry out rational actions. This theory is also called the normative attitude theory because it aims to provide clear or explicit assumptions that form the basis for making rational decisions (Ramadhani Anendy Putri & Isbanah, 2020).

A rational investor in trying to get the maximum return or profit and the smallest risk or risk, of course, in making decisions will always be based on reliable data because he has a good level of financial literacy so that he gains knowledge or data, trust, and expertise. in analyzing the opportunities and consequences of investing. However, financial attitudes report that investors are not compatible with the expected utility theory, so a new thought is born, namely the prospect theory.

Prospect theory is a theory that explains how a person makes decisions in uncertain circumstances so that the decision-making process is contrary to the usual price fixing in economics. This theory was first put forward by Kahneman & Tversky by mixing 2 disciplines of economics with psychology which reported that humans making decisions are not always rational so they are considered strange and contradictory (Pradhana, 2018).

In prospect theory, explaining the biases that influence making an investment decision are the variables of risk tolerance, risk perception, return perception, herding, the illusion of control, and overconfidence so that it is justified that an investor does not always play a rational role according to financial data and investment knowledge but there are psychological aspects. which makes decisions irrational (Pradikasari & Isbanah, 2018). Prospect Theory was made

to criticize the theory of expected utility and this theory is a new development for behavioral finance theory so as to provide a new alternative.



**Figure 1.** Behavioral Finance

Based on the picture above, it can be said behavioral finance theory is a theory that studies how investors make investment decisions based on the information they have obtained both rationally and irrationally because investors are influenced by investment factors, economic behavior, finance, economics, and accounting so that investors think rationally. Meanwhile, when investors think irrationally they are influenced by psychological and sociological factors (Sukandani, Istikhoroh, & Waryanto, 2019).

### 3. Research Method

Methodologically, this research is included in the scope of field research with a qualitative approach. Study field research namely research conducted by way of the researcher going directly to the research arena or where the phenomenon occurs. According to John W. Creswell in the book *Research Design*, qualitative research is a method for describing, understanding, and developing meaning by several individuals or groups whose sources are social or humanitarian problems. Qualitative research efforts in the process involve efforts such as asking questions and procedures, collecting data from specific participants, themes from specific to general which is analyzed inductively, and interpreting the meaning of the data. This research has a flexible structure or framework in the final report. Participants in this study must apply an inductive perspective, focus on individual meanings and translate the complexity of a problem.” (Creswell, 2018).

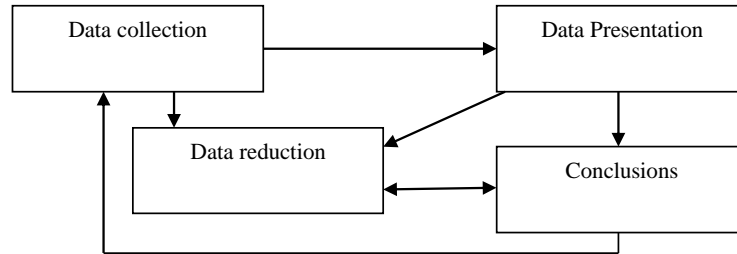
While the approach taken in this study is to use a descriptive approach technique, descriptive techniques prioritize observations and natural conditions (natural setting). Researchers review the area and act as investigators. He sparked several groups, namely personality categories, examined phenomena, and wrote them into research books (observation guidelines were the instrument). Researchers do not attempt to manipulate variables. By using qualitative research in this study, the authors will find and describe the application of policies, events, and cases or activities that are closely related to the policy of determining asset quality on credit quality.

While the subject of this research is a person or thing that is used by researchers to obtain information about the situation and conditions of the research background where he has a lot of experience about the research background. In this case, 10 (ten) people were the subjects of the study, consisting of RM / BCM Unit, Relationship Manager, AMGR, and Supervisor RM SBE Melawai. The object of this research is the speed of information retrieval at PT. XYZ.

While data collection is the most important step in research because the main goal of the research is to get data. Without knowing data collection techniques, researchers will not get data that meets the established standards. In this qualitative research, data collection was carried out in natural settings (natural conditions), primary data sources, and data collection techniques were more on participatory observation (participation observation), deep interview (in dept interview), and documentation.

In analyzing the data, researchers used a sociological approach that underlies the policy of determining asset quality on credit quality at PT. XYZ. In this study, data analysis uses data in the form of words or sentences and is separated according to clear and detailed categories. Meanwhile, data analysis in qualitative research was carried out before

entering the field, while in the field, and after being in the field. However, in qualitative research, data analysis focuses more on the process in the field. Data analysis was carried out using an interactive model, as follows:



**Figure 2.** Data Analysis Technical Cycle According to Miles and Huberman

Data has characteristics on the basis of truth and error on the reports provided, therefore an inspection technique is needed, in this study the authors used a credibility test, including extending observations, increasing persistence, triangulation, and member check is the process of checking the data obtained by the researcher on the data giver.

#### 4. Results and Discussions

##### 4.1. Result

The existence of Covid-19, it was enough to affect all aspects of life, especially economic problems which were problems in various countries, including Indonesia. This is also supported by data on the condition of receivables, investments, and non-current assets which can be tabulated as follows:

**Table 1.** Condition of Customer's Assets and Receivables

Customers	Current assets			Non-Current Assets			Total Assets		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
1	8.473	10.394	13.743	768	563	1.493	9.241	10.957	15.236
2	575	2.016	20.181	3.248	3.261	3.800	3.823	5.277	23.981
3	6.266	7.956	11.069	13.099	12.439	12.297	19.365	20.395	23.366
4	14.479.84	17.485.37	15.918.08	45.687.27	44.381.18	45.862.69	60.167.11	61.866.55	61.780.78
5	7.363	19.079	17.519	9.199	7.135	7.203	16.562	26.215	24.722
6	5.908	13.110	14.952	8.332	8.035	7.738	14.240	21.145	22.690
7	5.956.12	5.965.25	5.577.52	17.854.16	17.105.50	17.024.17	23.810.28	23.070.75	22.601.69
8	21.597	36.508	22.457	5.110	5.207	5.093	26.707	41.715	27.550
9	42.940	35.273	34.819	42.433	40.878	40.489	85.373	76.151	75.307

Customers	Current Debt			Non-Current Debt			Total Debt		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
1	-	312	1.591	601	-	757	601	312	2.348
2	231	1.078	10.872	3.250	3.250	7.423	3.481	4.328	18.295
3	2.990	3.970	6.829	4.617	3.791	3.436	7.607	7.761	10.265
4	12.885.27	13.146.96	8.867.97	6.296.60	5.200.28	5.735.17	19.181.87	18.347.23	14.603.14
5	8.287	13.067	9.038	959	1.352	2.352	9.247	14.419	11.390
6	126	4.758	5.266	-	-	-	126	4.758	5.266
7	5.849.45	5.938.19	5.594.73	4.753.12	3.634.19	3.634.19	10.602.57	9.572.39	9.228.92
8	7.054	72.447	50.359	7.879	-	-	14.933	72.447	50.359
9	26.139	15.867	13.742	-	-	-	26.139	15.867	13.742

In efforts to encourage the optimization of banking performance, especially the intermediary function to maintain the financial system stability and support economic growth, therefore the OJK (Financial Services Authority) has provided a stimulus for Indonesian banks amid the brunt of the Covid-19 virus. The stimulus given is in the form of

easing credit quality assessment and credit restructuring in the banking industry, namely special rules to regulate restructuring for bank debtors in order to get bank installment relief, this stimulus is aimed at debtors who have been affected by the spread of the coronavirus including MSMEs which have an impact on credit quality.

**Table 2.** Status of Customer Financial Statements 1

Status	2018	2019	2020
Current assets	8.473	10.394	13.743
Non-Current Assets	768	563	1.493
Total Assets	9.241	10.957	15.236
Current Debt	-	312	1.591
Non Current Debt	601	-	757
Total Debt	601	312	2.348

This can be explained that the provision of stimulus contained in OJK Regulation No. 11/POJK.03/SD2020 regarding the stimulus of the National Economy as a policy Countercyclical. Deployment Impact Coronavirus Disease which took effect from 13 March 2020 to the present and banks can be proactive in identifying debtors who have been affected by the spread of Covid-19 and immediately implement the intended stimulus POJK. This policy can be carried out by the government if it has sufficient finances to increase economic output and improve people's welfare.

Then the stimulus can be done in the form of easing monetary policy by reducing interest rates and purchasing securities. The stimulus came because of Covid-19, the stimulus was there to help provide relief for delaying payments, but only those who met the requirements were affected by Covid-19. So the stimulus can help to provide a legal umbrella that people affected by Covid-19 can delay.

**Table 3.** Status of Customer Financial Statements 2

Status	2018	2019	2020
Current assets	575	2.016	20.181
Non-Current Assets	3.248	3.261	3.800
Total Assets	3.823	5.277	23.981
Current Debt	231	1.078	10.872
Non-Current Debt	3.250	3.250	7.423
Total Debt	3.481	4.328	18.295

The ability of financial services regarding this OJK Regulation needs to pay attention to caution and estimate risk management so that financial service institutions must pay attention to their ability to provide restructuring so as to avoid financial problems occurring in the financial service institutions themselves and not causing cashflow and bankrupt companies with the authority of each financial institution for each financial institution to make their own guidelines, it is possible that the procedures, criteria for affected debtors and credit restructuring schemes in each financial service institution will vary in practice.

There are several terms and conditions as stated in the Financial Services Authority regulation Number 11/POJK.03/2020 concerning the National Economic Stimulus as a policy Countercyclical Impact of the Deployment of Coronavirus Disease 2019. Debtors who receive special treatment in this POJK are MSME debtors, especially those who experience difficulties in fulfilling their obligations in the bank because the debtor or the debtor's business is affected by the impact of the Covid-19 outbreak, both directly and indirectly in the economy, tourism, processing, and other sectors.

**Table 4.** Status of Customer Financial Statements 3

Status	2018	2019	2020
Current assets	6.266	7.956	11.069
Non-Current Assets	13.099	12.439	12.297
Total Assets	19.365	20.395	23.366
Current Debt	2.990	3.970	6.829
Non-Current Debt	4.617	3.791	3.436
Total Debt	7.607	7.761	10.265

Furthermore, one of the efforts to save credit was carried out by PT. XYZ during the Covid-19 pandemic was by restructuring. Restructuring is a change in the terms of credit/financing involving actions to increase bank funds and/or, the convention of part or all of the interest arrears to become a new credit principal and/or convention of all or part of the credit to become participants in a company which can be accompanied by rescheduling restructuring. This effort is to make it easier for customers to continue paying their obligations during the Covid-19 pandemic when credit quality tends to decline.

Whereas the strategy of minimizing potential losses from troubled debtors, banks can carry out credit restructuring for debtors who still have business prospects and the ability to pay. The terms of credit restructuring in POJK No. 40/POJK.03/2020 states that banks can only carry out credit restructuring for debtors who meet the criteria, namely debtors who have experienced difficulties in paying principal and/or interest on loans and the debtor has good business prospects, and is able to fulfill obligations.

**Table 5.** Status of Customer Financial Statements 4

<b>Status</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Current assets	14.479.84	17.485.37	15.918.08
Non-Current Assets	45.687.27	44.381.18	45.862.69
Total Assets	60.167.11	61.866.55	61.780.78
Current Debt	12.885.27	13.146.96	8.867.97
Non-Current Debt	6.296.60	5.200.28	5.735.17
Total Debt	19.181.87	18.347.23	14.603.14

So far, PPKM has had a huge impact on the business sector, which has had a disrupted ability to meet credit obligations. The inability to fulfill credit obligations will have an impact on the NPL value which increases significantly and will potentially worsen economic conditions.

**Table 6.** Status of Customer Financial Statements 5

<b>Status</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Current assets	7.363	19.079	17.519
Non-Current Assets	9.199	7.135	7.203
Total Assets	16.562	26.215	24.722
Current Debt	8.287	13.067	9.038
Non-Current Debt	959	1.352	2.352
Total Debt	9.247	14.419	11.390

This can be explained that the OJK Regulations No 11/POJK.03/2020 which was carried out in the banking world regarding National Economic Stimulus as a Countercyclical policy. securities by Bank Indonesia. Besides that, the restructuring policy is also not imposed on every financial service institution but still pays attention to the condition of the financial institution.

**Table 7.** Status of Customer Financial Statements 6

<b>Status</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Current assets	5.908	13.110	14.952
Non-Current Assets	8.332	8.035	7.738
Total Assets	14.240	21.145	22.690
Current Debt	126	4.758	5.266
Non-Current Debt	-	-	-
Total Debt	126	4.758	5.266

The practice of the business world is inseparable from the role of financial institutions as providers of financial services to meet funding needs. Banking is a financial institution that has an important position as an intermediary institution with respect to funding in the form of credit loans. The needs of the community are very large, making banks have to provide facilities that can help the community to help meet their needs. Communities need a lot of

funds to buy personal items and want to have the capital for the business they run. This is one of the ways for the community to fulfill everything by using credit facilities at banks which during the PPKM period had a very big influence on the business sector.

**Table 8.** Status of Customer Financial Statements 7

Status	2018	2019	2020
Current assets	5.956.12	5.965.25	5.577.52
Non-Current Assets	17.854.16	17.105.50	17.024.17
Total Assets	23.810.28	23.070.75	22.601.69
Current Debt	5.849.45	5.938.19	5.594.73
Non-Current Debt	4.753.12	3.634.19	3.634.19
Total Debt	10.602.57	9.572.39	9.228.92

Providing credit is a bank activity in improving the standard of living of the common people by prioritizing service to economic activities that increase competitiveness and business progress. Credit has many functions that are quite important for credit users. Credit serves to increase people's purchasing power. Communities can meet their needs, even though they do not have enough money to meet their needs and credit is one of the alternatives chosen by the community. Communities can fulfill the desired goods with installments on credit, the public can repay installments along with the interest that has been agreed upon by both parties. The problem is the covid period which had a broad impact on the economic sector and resulted in a decrease in turnover and the ability to pay debtors.

**Table 9.** Status of Customer Financial Statements 8

Status	2018	2019	2020
Current assets	21.597	36.508	22.457
Non-Current Assets	5.110	5.207	5.093
Total Assets	26.707	41.715	27.550
Current Debt	7.054	72.447	50.359
Non-Current Debt	7.879	-	-
Total Debt	14.933	72.447	50.359

One of the important steps in credit assessment is to ensure that credit granting procedures have been carried out effectively and have implemented aspects of caution in assessing the feasibility of a credit application. In other words, the bank needs to carry out control and support the effectiveness of the procedure granting credit. The internal control system includes the organizational structure, methods, and measures that are coordinated to safeguard organizational assets, check the accuracy and reliability of accounting data, encourage efficiency, and encourage compliance with management policies. With the implementation of an internal control system in the credit sector, especially in the procedure for granting credit, banks can keep the credit channeled safe and evaluate whether the procedures for granting credit have been going well or still need improvement. So it is necessary to evaluate credit quality policies, especially for debtors affected by Covid-19.

**Table 10.** Status of Customer Financial Statements 9

Status	2018	2019	2020
Current assets	42.940	35.273	34.819
Non-Current Assets	42.433	40.878	40.489
Total Assets	85.373	76.151	75.307
Current Debt	26.139	15.867	13.742
Non-Current Debt	-	-	-
Total Debt	26.139	15.867	13.742

This can be explained that in providing credit loans to debtors, banks have a large risk, therefore the debtor is required to provide guarantees to the bank as a form of bank trust in the debtor. Collateral is a guarantee given by the debtor and/or a third party to the creditor to guarantee his obligations in an engagement. Before agreeing to enter into a credit agreement with the debtor, the bank will first analyze the ability of the debtor. This analysis was carried out with the hope that debtors who are given credit will not experience problems in paying off their credit.

Based on SE No.5/22/DPNP, the implementation of an adequate internal control system in the credit sector means showing prudence in the bank. An effective internal control system can help bank management maintain bank assets, ensure the availability of reliable financial and managerial reporting, increase bank compliance with applicable laws and regulations, and reduce the risk of losses, deviations, and breaches of prudential aspects.

The real effort in the early stages taken by the bank to overcome these problems is to implement a policy of determining asset quality and credit quality by providing restructuring of debtor credit facilities. Restructuring is expected to help debtors with all their strengths and limitations, to be able to immediately return to using the funds provided by the bank as working capital and the main means of reviving their business.

Not all debtor's credit that is in trouble must always be saved, for debtor's credit that can no longer be saved, the final effort is "the last action that must be implemented or taken by the bank is to make credit settlement efforts, either through informal settlement through "the informal work out (TIWO)" in the form of negotiation efforts or through "collecting agency" In this case using services debt collector. Efforts to settle formal credit can be pursued by billing through litigation, namely by filing a default claim against the debtor and or guarantor to pay the debt or by submitting a request for execution. deed grossed credit collateral belonging to the debtor and/or guarantor to pay off the debtor's debts and obligations to the bank. The last action The steps taken by the bank do not always run smoothly, therefore mature and careful thought is needed.

Basically, the purpose of the policy for determining asset quality and credit quality is to assess the quality of credit requests submitted by prospective debtors and assess the debtor's ability to repay the loan and interest. This can be explained that so far the debtor's low ability to pay credit has been caused by various factors, such as the lack of internal control over credit granting, as seen from the lack of identification and assessment of credit risk, the division of authority and responsibility for parts of credit that are not running as should, as well as a lack of commitment in carrying out the procedures in implementation granting credit and violation of applicable policies.

In addition, employees pay very little attention to credit principles in the process of granting credit, such as violations of the credit analysis section which concludes whether or not the debtor is worthy of obtaining credit, collusion so that the analysis is carried out subjectively, and also employees who only want to achieve the credit granting target without taking into account repayment by the debtor and guarantees provided by the debtor.

#### 4.2. Discussion

Referring to the results of research on the problems that have been formulated in Chapter I which were obtained through in-depth interview techniques directly to research subjects and observation as a form of direct search and documentation in the field as a way to complement the data that has been found. So this study focuses on evaluating the policy of determining asset quality on credit quality at PT. XYZ, which includes the criteria for debtors who are determined to be affected by a coronavirus, business prospects, capacity to pay debtors, and policy constraints on determining asset quality on credit quality.

Based on the evaluation results so far, the quality of credit during the Covid-19 pandemic has decreased considerably, this was caused by the business of the debtor being affected by Covid with a decreased turnover. Such as a decrease in turnover of 30-80%, payment of receivables too late, and hampered business activities that often occur in EO businesses, developers, media, and cloth trading. The impact of PPKM so far has greatly affected a significant reduction in business, therefore a verification and cleansing of the newspaper account well as performing an analysis of the debtor's finances.

Refers to the theory of financial behavior, that investors in making investments do not only use estimates of the prospects of investment instruments, but psychological factors have taken part in determining the investment. In fact, various parties stated that the psychological factor of this investor has the biggest role in investing. One interesting example is the presence of bound rational (bounded rationality) in investing. On the other hand, it also happens that investors sell their shares as soon as possible if they are already profitable and hold on to their shares for a very long time when the stock price drops.

The relevance to the results of this study is that PT. XYZ continues to make efforts to provide relaxation in accordance with the ability of the debtor because indeed many have been affected by a significant decrease in turnover after analysis. The debtor has difficulty paying obligations even though there is an intention to continue to pay actively, but until now it has not arrived downgrade and is still well guarded even with the restructuring lane. This is due to Covid-19, which so far has had a significant impact on the debtor's ability to pay monthly obligations on the credit facility owned.

However, there are still debtors who maintain their credit quality, supported by good financial management, and also depend on the character of the debtor. Debtors who are still in current collectibility can be given credit relaxation as long as their business has a significant impact due to the pandemic, as evidenced by financial reports and other sales data which have decreased significantly. The existence of these psychological factors affects investing and the results to be achieved. Therefore, investment analysis that uses psychology and financial science is known as financial behavior or behavior.

PT. XYZ continues to help debtors fulfill their obligations until the debtor's business turnover begins to improve so that it has an impact on good credit quality, such as transportation, tourism, contractor, and other sectors. In the process of distributing and providing credit funds to the public, there are always obstacles that hinder the credit distribution process, such as debtors who cannot fulfill their obligations according to the agreed time or what is known as default. Debtors who are unable to carry out their obligations without reasons that can be accepted by law are considered to have experienced a failure to fulfill promises that have been mutually agreed upon in the agreement. If this default occurs, the creditor can demand compensation and also cancel. In the Civil Code, Article 1239 contains provisions in compensation, the contents of which are: "The debtor is obliged to provide compensation for costs, losses, and interest to the creditor if he finds himself unable to deliver the item or does not take care of it as well as possible to save it." "

The facts show that credit quality during the Covid-19 experienced a decline in credit quality due to the large number of loans that are under the supervision and many also have decreased collectability. A drop in turnover of more than 50% and also debtors stopped working due to the PPKM policy. Therefore, verification of customers and suppliers is required as a consideration in maintaining the quality of credit given to debtors. Behavioral finance is a study that examines psychological phenomena affecting financial behavior. PT. XYZ in determining the quality of the debtor's assets continues to run the same as before the Covid-19 period, perhaps by providing restructuring to make it easier for debtors to pay creditors. The general trading business sector can still be considered prospective. Nevertheless, the determination of asset quality is required to provide assets worth 110% of the credit facility provided. Behavioral finance tries to explain and increase understanding of the patterns of investors' reasons including emotional aspects and the degree to of these aspects in influencing the decision-making process. More specifically behavioral finance tries to find answers to what, why, and how finance and investment from a human point of view.

The results of the evaluation carried out that by looking at business prospects that will improve in the future, such as trading it can be identified that the debtor's business is still running so that it can fulfill its obligations in paying. This is supported by marketability and strategic assets so that debtors are considered capable of carrying out their responsibilities towards their obligations to the bank. Three groups of individuals who have an interest in either directly/indirectly behavioral finance, namely individual, group, and organization, for example, financial institution, non-profit organization-universities.

A sense of security must be felt by creditors in providing loans to customers. So it is very necessary to guarantee this security so that loan repayment can be carried out. So a security device for creditors is needed. In addition to the capabilities of a debtor, one of the basic things in securing credit is the object of collateral. The collateral object is given to the creditor during the credit process, in order to guarantee that the funds that have been lent by the creditor can be repaid by the debtor. This can be seen in the facts on the ground, where many debtors proposed additional restructuring and extension of restructuring. From the results of evaluating the policy of determining asset quality on credit quality, as long as the collateralized asset is in the form of a private house, the debtor's credit quality is of good quality.

Usually, in the process of granting credit by the bank, the customer submits a collateral object with a higher value than the total value of the credit he receives. This aims to guard against the possibility of a decrease in the value of the collateral, and if later it is difficult to find a buyer who is willing to buy the object of collateral or collateral at market prices, which will then be sold if the debtor cannot fulfill his obligations to pay his debts to the bank.

## 5. Conclusion

Credit quality during the Covid-19 period declined, this was caused by the business of the debtor affected by Covid with decreased turnover, where the average turnover decreased by >50%, such as the tourism, transportation, trade, hotel, and construction sectors. The impact of PPKM so far has significantly affected business decline. Therefore verification and cleansing of newspaper accounts as well as performing a more thorough analysis of the debtor's finances. So far it hasn't arrived downgrade and is still guarded even with the restructuring route.

The business prospects and debtor's repayment capacity tend to decrease and the repayment capacity is limited and the fixed asset quality determination policy is the same as before, at least 110% of the maximum credit that has been set. For the general trading business sector, it can still be considered prospective, supported by marketability and strategic assets so that debtors are considered capable of carrying out their responsibilities towards their obligations to the bank.

The policy constraint on determining asset quality on credit quality is that it is difficult for debtors/banks to sell assets in this uncertain pandemic condition, even though there is no legal dispute over asset quality, the owner of the guarantee is clearly according to predetermined criteria. Another obstacle is that the debtor does not have fixed assets and people's purchasing power decreases and the collateralized assets also decrease or cannot be sold according to the nominal amount lent. It is necessary to carry out cross-transactions or through KJPP and be seen from the marketability and strategic guarantees and the location of the collateral.

The impact of the policy on determining asset quality on credit quality when the debtor's credit quality declines in terms of fixed assets are still safe apart from having an impact on banks that remain in a safe position where the minimum guarantee is 110% of the maximum credit, besides that legal disputes can be resolved properly. For that, it is still necessary to choose a guarantee that is marketable and strategic so that it can be sold quickly and cover all credit ceilings.

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