

## **Depth In Providing Banking Credit In Support Improving Village Creative Industries In Langkat District**

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### *Abstract*

*The national development carried out so far is a development effort sustainability in order to create a just and prosperous society based on Pancasila and the 1945 Constitution. In order to achieve this goal, implementation development must always pay attention to harmony, harmony and balance various elements of development, including in the banking sector. This research aims to deepen the provision of banking credit to support industrial improvement creative village in Langkat Regency. The population used in this research is employees at PT. BRI (Persero) in Langkat Regency. Sampling technique with using saturated samples. The sample size was 30 people. Types of data in this research are primary and secondary data. Data collection techniques use questionnaires, interviews, and documentation studies with data analysis techniques using approaches quantitative with statistical tools of multiple linear regression analysis. The research results show: 1) Internal control has a partially insignificant effect on effectiveness granting credit, 2) Internal audit has a partially significant effect on effectiveness granting credit, 3) Internal control and internal audit have a significant effect simultaneously on the effectiveness of providing credit, namely 83.3%.*

**Keywords :** *Providing Credit, Banking, Creative Industries.*

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## **INTRODUCTION**

National development carried out so far is an effort sustainable development in order to realize a just society and prosperity based on Pancasila and the 1945 Constitution. In order to achieve these objectives, the implementation of development must always pay attention to harmony, harmony and balance of various elements of development, including in the economic sector and finance (Alqudah, Amran, et al., 2023). The national goals of the Indonesian nation are reflected in the Constitution 1945 article 33 paragraph 1 states that: "The economy is structured as a joint effort based on the principle of kinship".

Banking is a financial institution that has an important role in economy of a country. Basically a bank is a business entity collecting funds from the community in the form of savings, and channeling them back to the community in the form of loans (Alqudah, Lutfi, et al., 2023). General activities of banks as intermediaries Financial basically means managing funds from the community for further distribution to individuals or institutions who need funds in the form of loans or credit (Jamil et al., 2022).

In this way, effective and efficient credit distribution procedures can be achieved Minimize the risk of credit failure and meet customer needs good (Nordin, 2023). From the credit risk statement in question, namely the risk that arises in credit agreement, where there has been an agreement by the debtor to fulfill its obligations in paying installments of principal or interest as appropriate which has been agreed. To minimize the risks that occur in an agreement credit, the banking sector is increasingly developing and complicating its activities credit business in every stage of banking operations. So that credit can be given channeled

optimally, one way to ensure that credit distribution remains safe, smooth and productive is for banks to carry out internal controls credit (Ramadhan & Nasution, 2020).

According to Bank Indonesia reports in general, credit growth in Indonesia relatively large compared to other Asian countries. Business activities Credit tends to involve a lot of risks, so companies can pay attention and consider the conditions of the business so that it is managed well the level of risk can be controlled. Basel Committee on Banking Supervision (BCBS) states that credit is defined as the potential for loan failure (counterpart) to fulfill its obligations in accordance with existing provisions agreed (Silva et al., 2023). According to Financial Services Authority Regulation no. 18/POJK.03/2016 dated 22 March 2016 stated that "Credit risk is the risk resulting from failure of another party in fulfilling obligations to the Bank, including credit risk due to debtor failure, credit concentration risk, counterparty credit risk and settlement risk" (Nst et al., 2021).

Credit is an important activity carried out by financial institutions because has the largest assets including an outstanding credit portfolio which is also a source income to support the continuity of financial institution activities. The higher it is The credit that is distributed, the greater the opportunity for profits to be obtained, however the greater the credit risk faced (Arnita & Nasution, 2019).

To avoid a lot of fraud among credit customers, the company carry out monitoring strategies. Supervision carried out by the company on customers namely by credit analysis before providing loans to prospective customers (Kai et al., 2022). The company also applies the precautionary principle by seeking background information customer background and business as accurately as possible. Apart from that, there is also this precautionary principle analyze more sharply at the start and carry out objective analysis according to the regulations applicable (Supraja, 2024).

Internal control and internal audit are one mechanism continuous supervision established by management in the organization ((Lucan) et al., 2015). By implementing adequate credit effectiveness, it means that principles are reflected prudence of a company. Internal control and audit systems are expected internal will have a good influence on the effectiveness of providing credit (Nasution et al., 2021). With So supervision is also more effective and efficient carried out by companies in particular banking.

Internal control is the processes and procedures that are implemented to provide reasonable assurance that control objectives are met (Korabayev et al., 2023). Effective internal control can help company management in securing assets, managing records in detail, providing accurate and reliable information, efficiency operations and compliance with predetermined managerial policies. Control Internal assurance provides adequate, comprehensive assurance that is difficult to achieve and too expensive. In addition, internal control systems have inherent limitations, such as: weakness for simple mistakes and mistakes, judgment and making wrong decisions, management override, and collusion (Nasution et al., 2019).

Internal audit is an examination of the accounting information system to assess compliance with internal control policies and procedures as well as internal effectiveness asset security. Such audits typically evaluate system inputs and outputs, processing controls, backup and recovery plans, system security, and facilities computers (Nasution, 2020).

The effectiveness of providing credit really needs to be done by means of assessment in deciding whether to grant credit to prospective customers. So that credit activities and the assessment can run well and in accordance with the expected procedural system, then the

assessment is carried out using the applicable credit Standard Operating Procedures (SOP). at PT BRI (Persero) Tbk Langkat Unit. Elements of an internal control system good will influence the running of a good credit granting system as well. The internal control system also needs to set certain criteria to achieve purpose of granting credit. Internal control and internal audit can be said to be effective if the loan can be returned within the time specified specified amount of interest.

According to information reported by Nasution et al (2023) stated that banking profits in the half the second in 2023 is predicted to fall. In the midst of the COVID-19 pandemic, performance has been hit semester I 2020 banking in Indonesia. All major banks experienced declines net profit gain due to the decline in net interest margin (Net Interest Margin/NIM). NIM is increasingly being eroded amidst banks' focus on saving their debtors so that they can be biased survive the pandemic. The credit restructuring program carried out by the bank for helping the debtor resulted in not receiving interest income this year. Four state-owned banks compactly recorded a decline in PT Bank Negara's Net Profit Indonesia Tbk (BBNI) recorded the deepest slowdown, namely 41%, followed by PT Bank Tabungan Negara Tbk (BBTN) with a decline of 40%, then BRI fell 36.9% and Bank Mandiri corrected 23.9%. Even though there is relaxation of credit restructuring from the regulator, however banks will continue to be wary of future risks amidst the shadows economic uncertainty. Therefore, some banks project profits at This second half will still be slower than the first semester. BRI Bank for example The profit target by the end of the year will not be double the achievement in the first half First. Haru Koesmahargyo, BRI Finance Director said, logically if it were profitable the company in the first semester reached Rp. 10.2 trillion then by the end of the year it should be possible reached double. However, BRI will not record all of its income received in the second half becomes profit to anticipate existing uncertainties. Although credit restructuring for debtors was relaxed so that it was recorded immediately in the current category, but the ratio of non-performing loans (NPL) BRI on a consolidated basis as of June 2022 was recorded to have increased to 3.13% from 2.52% in the period the same one last year. The main contributor to NPL is the non-BUMN corporate segment and the main sector is manufacturing, one of which has been recorded as NPL since September 2011. Sunarso, Main Director of BRI said, it would be done reserves are large enough to anticipate future risks. In the first half, The Bank's Coverage Ratio reached 200.3%, up from 194.6% in the first semester of 2021. BRI really see that there is still a need for credit, especially from the MSME segment The company's core business and credit distribution will continue to be carried out to help players businesses are bouncing back but remaining selective and careful.

Table 1. Recapitulation of KUR Loan Reports

	Amount of Credit Given	Number of Bad Credits	NPL Ratio
2020	6.283.000.000	141.282.614	2,09%
2021	6.714.000.000	152.017.016	2,19%
2022	13.921.000.000	254.967.375	3,56%

Based on Table 1. above, it explains that the number of KUR bad loans (Credit People's Enterprise) at PT. BRI (Persero) in Langkat Regency experienced a significant increase quite significant, from 2020 it was IDR 141,282,614, in 2021 it was IDR 152,017,016, and will increase to IDR 254,967,375 in 2022. With reference to Bank Indonesia Regulation Number 15/2/PBI/2013 which states that banks are assessed has the potential for difficulties that

endanger the continuity of its business if the credit ratio non-performing loans (Non-Performing Loans) on a net basis are more than 5% of total credit. Whereas OJK regulations stipulate that it has the potential to endanger continuity business if the net NPL is greater than 3% of total credit. But with phenomenon that occurs at PT. BRI (Persero) in Langkat Regency in 2022 depicts an NPL of 3.56% so this could be a serious problem in the future.

## RESEARCH METHODS

To provide a clear picture and facilitate the implementation of this research, So it is necessary to provide research material that will be studied as a basis for compiling through interviews, research questionnaires, and also documentation of the material to be discussed in this research is related to deepening the provision of internal banking credit supporting the improvement of village creative industries in Langkat Regency.

To collect the necessary data and information, the researcher using the documentation study method: In this method stage it is an activity related to collecting and searching for related supporting data with research object data obtained by distributing questionnaires to employees and staff totaling 30 people at PT. BRI (Persero) Tbk Langkat Regency. Data was obtained using a structured list of questions listed in in a questionnaire with the aim of collecting information from employees and staff at PT. BRI (Persero) Tbk Langkat Regency as a respondent in the research.

Research parameters are values or conditions that are used as benchmarks in finding something to fill an existing void or deficiency, digging deeper into what already exists, developing and expanding, and testing the truth from what already exists but its truth is still in doubt. The parameters observed in This research is an in-depth study of bank credit provision to support improvement village creative industry in Langkat Regency.

The type of research used in this research is associative research and Quantitative Research (Habu & Henderson, 2023). There are 2 (two) variables, namely the dependent variable and the independent variable. The independent variables in this research are Internal Control and Internal Audit. Variable Involved in this research is the Effectiveness of Credit Provision. The data collection technique in this research used a questionnaire (Díaz & Cano, 2022). Population in research These are employees and staff totaling 30 people at PT. BRI (Persero) Tbk Regency The step is then withdrawn with the saturated sample.

The analytical method in this research uses multiple linear regression analysis to determine the effect of the independent variable on the dependent variable (McDermott, 2023). Previously carry out hypothesis testing first, test the quality of data analysis with validity tests and reliability then classical assumption tests consisting of normality tests, heteroscedasticity tests, and multicollinearity test.

## RESULTS AND DISCUSSION

The questionnaire distributed to respondents, a total of 30 questionnaires were returned 30 100% questionnaires for data processing. This means that the sample has been it was determined that all of them had answered and returned the questionnaire given. The testing in this research has passed data quality tests through validity tests and reliability tests, both of

which were declared valid and reliable. This research has also passed the classical assumption test and was declared to have passed the classical assumption test.

From the results of calculations and data processing using the Statistical Program, a Coefficients table was obtained as shown in Table 2 below below. From this table several conclusions can be drawn, one of which is: multiple linear regression equation.

Table 2. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	4.134	3,642	1,135	,266
Internal Control	,054	,085	,632	,533
Internal Audit	,828	,074	11,253	,000

The constant is 4.134, which means that the Internal Control and Audit variables Internal is considered zero, so the Credit Provision Effectiveness variable is only equal to 4,134. The regression coefficient for the Internal Control variable obtained a value of 0.054 which means if the Internal Control variable experiences a temporary increase in the variable Internal Audit is assumed to remain constant, so will the effectiveness of lending experienced an increase of 0.054. The regression coefficient for the Internal Audit variable obtained a value of 0.828, which means that if the Internal Audit variable experiences an increase while the Internal Control variable is assumed to remain constant, the Effectiveness of Lending will also increase by 0.054.

Hypothesis testing is a procedure that will produce a decision accept or reject the hypothesis. Hypothesis testing is carried out to determine the effect independent variable to the dependent variable. Hypothesis testing in this research uses t-test (partial), F-test (simultaneous) and coefficient of determination test (R<sup>2</sup>). This t test aims to see the effect of the independent variable on the variable dependent partially or individually. So in this research we will look at how does Internal Control influence the Effectiveness of Credit Provision and The influence of Internal Audit on the Effectiveness of Credit Provision at PT. BRI (Persero) Tbk Langkat Unit. The t test results of this research can be seen in Table 4.43 above namely by looking at the t value and the sig.

Table 3. Partially Significant Test Results (t-Test)

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	4.134	3,642	1,135	,266
Internal Control	,054	,085	,632	,533
Internal Audit	,828	,074	11,253	,000

The Internal Control variable produces t-count = 0.632 and t-sig = 0.533. Acceptance of the hypothesis if t-count > t-table and t-sig < 0.05, then the results obtained are t count (0.632) < t-table (2.052) and t-sig (0.533) > 0.05. So that's it that H1 is rejected, namely Internal Control has no significant effect on Effectiveness of Credit Provision at PT. BRI (Persero) Tbk Langkat Unit. The Internal Audit variable produces t-count = 11.253 and t-sig = 0.000. Acceptance of the hypothesis if t-count > t-table and t-sig < 0.05, then the results obtained are t count (11.253) > t-table (2.052) and t-sig (0.000) < 0.05. So that's it that H2 is accepted,

namely that Internal Audit has a positive and significant effect on Effectiveness of Credit Provision at PT. BRI (Persero) Tbk Langkat Unit.

The F test, also known as the Simultaneous Test, aims to see how big it is the influence of all independent variables in this case Internal Control and Audit Internal together with the dependent variable. As for the F Test results in this research can be seen in the Anova Table below:

Table 4. Simultaneous Test Results (F-Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	852,302	2	426,151	67,524	,000b
Residual	170,398	27	6,311		
Total	1022,700	29			

The table above shows that the calculated F-values are processed using SPSS is 67.524. Meanwhile, the F-table values are seen in the values table for the F distribution is 3.35. Thus, it can be said that the F-count value =  $67.524 > F\text{-table} = 3.35$ . This means that the independent variable consists of Internal Control and Internal Audit have a significant effect on Effectiveness Providing Credit at PT. BRI (Persero) Tbk Langkat Unit. Based on table 4.44 above, It can be seen that the significance value (Sig.) of the Internal Control (X1) and Audit variables Internal (X2) is  $0.000 < 0.05$ , so it can be concluded that Internal Control and Internal Audit simultaneously has a significant effect on the Effectiveness of Credit Provision. After the independent variable is declared to have an effect on the effectiveness of giving Credit at PT. BRI (Persero) Tbk Langkat Unit, then to see how big it is the effect can be seen in the Model Summary Table, as shown below.

Table 5. Coefficient of Determination Test Results (R2)  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913 <sup>a</sup>	.833	.821	2,51218

The table above shows that the Adjusted R Square value is 0.821 or 82.1%. This means that the independent variables are Internal Control and Internal Audit together influence the dependent variable Effectiveness of Credit Provision at PT. BRI (Persero) Tbk Langkat Unit amounted to 82.1% while the remaining 17.9% was influenced by other variables not included in this study. Based on table 4.15 above, It can be seen that the R Square value is 0.833, which means the influence of control Internal (X1) and Internal Audit (X2) simultaneously on the Effectiveness variable Credit Provision (Y) was 83.3%.

## CONCLUSIONS

Internal control has a partially insignificant effect on effectiveness of providing credit at PT. BRI (Persero) Tbk Langkat Unit, test results hypothesis proves that the hypothesis is rejected. This is shown by the objectives and the benefits of internal control in providing credit are not yet maximized and optimal carried out by the company. Internal Audit has a partially significant effect on the effectiveness of giving credit at PT. BRI (Persero) Tbk Unit Langkat,

hypothesis test results prove that the hypothesis is accepted. This is demonstrated by the performance of internal audit implementation of credit provision and handling of problematic credit risks. Internal control and internal audit have a significant effect simultaneously on the effectiveness of credit provision PT. BRI (Persero) Tbk Langkat Unit, test results hypothesis proves that the hypothesis is accepted. The better the control internal and internal audit will influence the level of effectiveness granting credit to the company.

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