

TRAINING OF CREDIT PURCHASE INTERNAL CONTROL SYSTEM RELATED TO THE EFFECTIVENESS OF CREDIT PURCHASES IN KURNIA ABADI VILLAGE BUSINESS ENTITIES (BUMDES) IN TONJONG VILLAGE

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Abstract

An internal control system is needed by an organization in order to achieve organizational goals. The better the internal control system, the better the organization is running. Lending requires a good internal control system to avoid things that are not desirable. The objectives of this study is to analyze the internal control system for granting credit in relation to the 5c principle, the provision of credit to BUMDes Kurnia Abadi in Tonjong Village has been going well.

The type of research used in descriptive research using primary data. The sampling method used in this research is the saturated sampling method. There were 10 people taken as the sample, which were all members whose names were written in the organizational structure of the BUMDes Kurnia Abadi management. The method of analysis of this research uses interview techniques, questionnaires and observations. The analytical tool used in this research is descriptive statistical analysis with the help of SPSS version 25 and a Likert scale. Several tests were carried out, namely descriptive statistical analysis, and data quality testing (validity and reliability tests).

The results showed that the internal control system for granting credit was related to the 5c principle of providing credit to BUMDes Kurnia Abadi in Tonjong Village. However, in its operation, problems were still found, namely the existence of multiple positions carried out by members of the management.

Keywords: Internal Control System; 5C Principles of Credit; and BUMDes

I. INTRODUCTION

The presence of BUMDes for sustainability development in the village, is currently being focus Government Bogor Regency. This is because the potentials that exist in the region should managed by village apparatus. Bogor District Government, Iwan Setiawan explained, the prospect of BUMDes on Bumi Tegar Beriman has great potential. Besides being able to become a tourist site manager, the budget received by BUMDes has no limit and can go up at any time. They have also collaborated with the Universitas Pakuan to provide training to these BUMDes how to regulate their work rhythm. So that for village development, it will reduce the burden of the Regional Revenue and Expenditure Budget (APBD).

The development of BUMDes in Bogor Regency is still quite massive, there are only 334 BUMDes out of a total of 416 villages in Bogor Regency. Of this total, BUMDes in Bogor Regency are divided into three categories, 322 BUMDes in the basic category, 11 BUMDes in the developing category and 2 in the advanced category. However, Bogor Regent, Ade Yasin added her statement that Bogor District Government

(PEMKAB) need to improve the quality of Human Resources (HR), considering the large potential of BUMDes in Bogor Regency. Improving the quality of human resources for BUMDes managers is needed to maximize the potential of BUMDes in Bogor Regency. So, the management is right on target. Besides human resource development, according to her there are several other factors that become challenges in managing BUMDes, namely the amount of budget allocated is insufficient, determining the type of business chosen without going through a feasibility test, and changing village heads so that they often visit BUMD and have to return from the beginning [1].

BUMDes Kurnia Abadi which is located in the village of Tonjong Subdistrict Tajurhalang Bogor Regency was established on basis of existence potential to improve the economy of rural communitie. BUMDes Kurnia Abadi is relatively new, chaired by Mr. Slamet Kuniadi in the chairman election held at the end of 2018 based on the results of consensus deliberation in which the administrators were chosen from, by, and for the benefit of the community. During almost one period running, BUMDes Kurnia Abadi has made several business unit concepts. The businesses that have been

realized are savings and loan businesses, internet (tower-ed), and food distributors. From the savings and loan business unit itself, the head of BUMDes stated that the people of Tonjong Village experienced quite a significant income.

According to Law No. 10 of 1998 concerning Changes Constitution Number 7 of 1992 Article 1 Number 11, Credit is the provision of money or equivalent claims, based on an agreement or loan agreement between a bank and another party that requires the borrower to repay the debt after a certain period of time with interest. In running this savings and loan business, BUMDes Kurnia Abadi sets certain criteria for granting credit. One of the activities in the implementation of granting credit, the BUMDes Kurnia Abadi management will check directly to the place of business to confirm that the prospective customer is actually doing business and requires additional capital.

Prospective customers who can get credit distribution are only natives of the local village in order to reduce the poverty level in the village. The chairman of BUMDes Kurnia Abadi, Mr. Slamet Kurniadi, stated that the risk of granting credit with certain criteria could minimize the loss of loan repayments. This bad credit will later affect the success or failure of BUMDes Kurnia Abadi in running their business in the future. For granting credit, BUMDes Kurnia Abadi uses the 5C principle in setting standards for their credit. Where the 5C principle consists of: Character, Capacity, Capital, Collateral, and Condition. According to the chairman of BUMDes, Kurnia Abadi, applying the 5C principle in its business standards can make it easier to assess potential customers.

However, so far, it turns out that the internal control system for providing credit for BUMDes Kurnia Abadi has not been implemented properly, starting from the recording of poor reports to the existence of concurrent management positions carried out by the BUMDes Kurnia Abadi management. In carrying out lending, of course, an internal control system is needed. The better the internal control system, the better the lending. The internal control system is used as a reference to avoid the occurrence of things that can hinder the development of the BUMDes business. The control system also guarantees credit repayment by customers either by checking related documents in order to maintain wealth and encourage effectiveness in complying with the policies that have been made. The internal control system is also important to reveal if suspicious things occur such as fraud and deviations from the mandate in the BUMDes.

Regulation Government (PP) No. 60 of 2008 concerning the Government's Internal Control System explains that the internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of

financial reporting, observation of state assets, and compliance with laws and regulations

BUMDes Kurnia Abadi is not only looking for profit but also looking for social value from this business, so that people in the village can trust BUMDes Kurnia Abadi as a financial institution to store and distribute their funds. Because in 2014 Tonjong Village had already established BUMDes which was managed by the local village government but due to lack of knowledge about village budget management, there was an abuse of these funds so that people lost their trust in business entities managed by the village government to keep their assets. Therefore, BUMDes Kurnia Abadi does not only focus on making profits but also wants to restore the community's sense of trust in the local village government.

Based on the description above, the purpose of this study is to find out "Analysis of the Internal Control System for Loans in Relation to the 5c Principle of Lending in Village Owned Enterprises (Bumdes) Kurnia Abadi in Tonjong Village". This research is different from previous research because it uses BUMDes research object in Tonjong Village, Tajurhalang District, Bogor Regency.

II. LITERATURE REVIEW

Internal Control System

As in [2] explains that the internal control system includes an organizational structure, coordinated methods and measures to maintain organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies. Government Regulation (PP) No. 60 of 2008 concerning the Government's Internal Control System explains that the internal control system is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, observation state assets, and compliance with laws and regulations.

According to [3] is a system that includes an organizational structure along with all the mechanisms and measures that are adhered to together to safeguard all organizational assets from various directions. It can be concluded that the internal control system is a supervision that aims to achieve the goals of the organization, both in managing and maintaining all organizational assets efficiently and effectively by carrying out and properly implementing policies that have been made by an organization, whether carried out by humans or by a system.

Internal Control System Components

The internal control framework used by most companies is issued by the Committee of Sponsoring Organizations (COSO). COSO's internal control components in [4] include:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Accounting Information and Communication
5. Monitoring Activities

Purpose of Internal Control System

COSO's control objectives relate to the effectiveness and efficiency of operations covering the organization as a whole and intend to relate to the entity's basic mission the fundamental reason it exists. Control objectives according to Standard 300 in [5] are included in COSO:

1. Information integrity reliability
2. Compliance with organizational policies, plans and procedures
3. Securing assets, economical and efficient use of resources, achieving the goals and objectives set.

Credit

According to [6], credit is funds from the owner of the funds to those who need funds. The distribution of these funds is based on the principle of trust given by the owner of the fund to the user of the fund. Meanwhile, the Banking Law No. 10 of 1998 defines credit differently, namely as a provider of money or equivalent claims based on an agreement or loan agreement between the bank and other parties which requires the borrower to repay the debt after a certain period of time with interest giving.

According to [7] credit can be in the form of money or bills whose value is measured in money. Then there is an agreement between the bank (creditor) and the credit recipient customer (debtor), that they agree in accordance with the agreement that has been made. The credit agreement includes the rights and obligations of each party, including the time period and interest that are mutually determined. Likewise with the issue of sanctions if the debtor breaks his promise to the agreement that has been made.

It can be concluded that credit is a distribution of funds to parties in need with the submission of agreed terms. The receiving party must comply with the agreement and be able to accept the risk if something untoward happens. The giver has an obligation to carry out procedures for both collection and sanctions when the recipient is unable to pay.

Principle 5C of Lending

In the process of granting credit, financial institutions or banks must pay attention to the principles of proper lending, namely before giving credit, the bank must first be sure that the credit given will actually return. This confidence is obtained through a credit assessment, a credit assessment by a bank can be carried out using various principles to gain confidence about its customers. There are several principles of credit assessment that are often carried out, namely the 5C analysis. The provision of credit using 5C is as follows [7]:

1. Character

2. Capacity
3. Capital
4. Collateral
5. Condition

Purpose of Granting Credit

According to [7] the purpose of granting credit is as follows:

1. Looking for Profit
2. Helping Customers' Business
3. Help the government

Credit Granting Procedure

According to Kamir [7] the procedure for granting credit in general can be distinguished between individual loans and loans by a legal entity, then it can also be viewed in terms of whether the purpose is consumptive or productive. In general, the procedure for granting credit will be explained as follows:

1. File Submission
2. Loan File Investigation
3. Interview I
4. On the Spot
5. Interview II
6. Credit Decision
7. Signing of Credit Agreements or other Agreements
8. Credit Realization
9. Distribution and Withdrawal of Funds

BUMDes

Regulation of the Minister of Villages (Permendesa), Disadvantaged Regions and Transmigration Number 4 of 2015 Article 1 concerning the Establishment, Management and Management, and Dissolution of Village-Owned Enterprises (BUMDes) states that BUMDes are business entities originating from village assets which are separated to manage assets, services, and other businesses for the greatest welfare of the village community. As in [8] stated several definitions of Village Owned Enterprises (BUMDes), including:

1. BUMDes is one of the policy strategies to present state institutions (Ministry of Villages for Development of Disadvantaged Regions and Transmigration) in community and state life in villages (hereinafter referred to as Village Traditions).
2. BUMDes is one of the policy strategies to develop Indonesia from the periphery through the development of collective village economic enterprises.
3. BUMDes is one of the policy strategies to develop Indonesia from the periphery through the development of collective village economic enterprises.
4. BUMDes is a form of village economic independence by moving strategic business units for the village's collective economic efforts.

From the explanation above, it can be concluded that BUMDes is a form of government strategy to develop village life by utilizing the potential of each village to establish their businesses that aim to improve and prosper the economy of their village.

III. METHODOLOGY

The type of research used in this research is descriptive. The object of research in this research is the parts that are related to the internal control system, the 5c principle of lending and the problems faced in implementing the internal control system of lending related to the 5C principle of lending to BUMDes Kunia Abadi. The types of data studied in this study are quantitative and qualitative data from primary data obtained through observation, interviews, and questionnaires. The method used is a Likert scale and SPSS Version 25. The sample used is saturated sampling. The unit of analysis used in this study is the organization under study is an organization, so that the data studied is about a particular organization, namely the structural members of the Kunia Abadi BUMDes organizational management which totals 10 people. The location in this research is BUMDes Kunia Abadi which is located on Jl. H. Nunung M. Sai RT 002 RW 001, Tojong Village, Tajurhalang District, Bogor Regency 16320, West Java Province.

TABLE I
Independent Variable (X)
Internal Control System

Sub Variable	Indicator
1. Control Environment	Adequacy of the control environment to support successful control
2. Risk Assessment	Implementation of risk assessment by management
3. Control Activities	Carry out procedures and comply with policies
4. Accounting information and communication	The establishment of good communication between parties and the availability of adequate information
5. Monitoring Activities	Identification of problems, evaluation of results, achievement of goals

TABLE II
Dependent Variable (Y)
Principle 5C Lending

Sub Variable	Indicator
1. Character	The nature or character of a person
2. Ca	Experience problems, knowledge, skills of prospective debtors
3. Capital	Problems with the ability, capital management, and assets of prospective debtors
4. Collateral	Guarantees given by prospective debtors
5. Condition	Assessment of current and future economic, social and political conditions

IV. RESULTS AND DISCUSSION

Validity Test

TABLE III
Principle 5C Lending Validity Test

Statement	R-count value	R-table value	Criteria
PIP 1	0,909	0,632	Valid
PIP 2	0,641	0,632	Valid
PIP 3	0,818	0,632	Valid
PIP 4	0,721	0,632	Valid
PIP 5	0,779	0,632	Valid

Source: Processed data, 2020

TABLE IV
Internal Control System Validity Test

Statement	R-count value	R-table value	Criteria
PIP 1	0,739	0,632	Valid
PIP 2	0,906	0,632	Valid
PIP 3	0,906	0,632	Valid
PIP 4	0,717	0,632	Valid
PIP 5	0,818	0,632	Valid

Source: Processed data, 2020

Based on the data obtained from the results of the validity of the internal control system instrument, the Corrected Item Total Correlation (r-count) value is between 0.641-0.909 or r-count > r-table 0.632. Which means that each statement item from the internal control system variable used in this study is valid.

The results of the validity test of the principle 5C instrument for providing credit obtained the Corrected Item Total Correlation (r count) between 0.717-0.906 or r-count > r-table 0.632. Which means that each question item from the principle variable 5C of lending used in this study is valid.

Realibility Test

TABLE V
Internal Control System Reliability Test
Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,814	0,805	5

Source: Processed data, 2020

TABLE VI
Principle 5C Lending Reliability Test
Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,932	0,947	5

Source: Processed data, 2020

Lending Internal Control System

Based on the results of the research, the internal control system applied in the process of granting credit has fulfilled most of the elements of internal control as follows:

1. Control Environment

Delegation and responsibilities that are quite clear from superiors to other members of the management as well as the separation of the functions of the management of BUMDes Kurnia Abadi arranged in the organizational structure. This is evidenced by the BUMDes Kurnia Abadi that has formed a management organizational structure.

2. Risk Assessment

Every decision to grant credit in the BUMDes Kurnia Abadi savings and loan business has been approved by the competent authority and has passed a risk assessment and proof of transaction has been verified. This is evidenced by the submission of loan funds which are submitted directly by the chairman to prospective customers on the condition that the prospective borrower has met the applicable requirements.

3. Control Activity

The recording of cash and debt in the BUMDes Kurnia Abadi savings and loan business has been authorized. This is evidenced by the fact that the documents related to the savings and loan business are serially numbered in order to facilitate the search for documents.

4. Information and communication

Carrying out inspections on every proof of transaction and every document in the BUMDes Kurnia Abadi savings and loan business has been approved by the authorities. This is evidenced by routinely checking documents.

5. Monitoring Activities

Each section always checks and evaluates every process and the existence of transaction evidence. This is evidenced by the chairman regularly holding meetings with other management.

BUMDes Kurnia Abadi has an adequate internal control system and is in accordance with existing theories. As in [2] which explains that the internal control system includes an organizational structure, methods and measures that are coordinated to maintain organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with management policies so that a business entity continues to run and is directed to achieve destination.

However, in its operation, there are still problems faced, namely the existence of concurrent positions carried out by members of the management which resulted in BUMDes Kurnia Abadi only being run by Mr. Slamet Kurniadi as Chairman of BUMDes Kurnia Abadi. This arises because BUMDes Kurnia Abadi has not implemented a salary system for management members, resulting in the lack of maximum motivation for the management to work and the lack of knowledge

to prepare financial reports. This also resulted in the completion of reporting tasks both for BUMDes Kurnia Abadi itself to the government. The employee salary system has not been implemented because BUMDes Kurnia Abadi has just started a business so it is very small to get profit in the same year. Part of this profit will be used as salaries for management members and the rest will be replayed to enlarge other businesses in BUMDes Kurnia Abadi. This can have a negative impact in the future in running BUMDes Kurnia Abadi if there are still concurrent positions.

Principle 5C of Lending

The provision of credit in the savings and loan business of BUMDes Kurnia Abadi uses the 5C principle and has been running well and in accordance with applicable theories, as follows:

1. Character

In providing credit, BUMDes Kurnia Abadi considers the good behavior of prospective debtors to obtain loan funds to run a business. With good behavior, it is hoped that prospective debtors will be able to make payments on time.

2. Ability

BUMDes Kurnia Abadi already has standard operating procedures that regulate low loan interest in order to ease prospective debtors in making payments that have been carried out properly. The interest on the loan is 2%.

3. Capital

BUMDes management member Kurnia Abadi will do a direct look at the prospective debtor's place of business and check what kind of business the prospective debtor has done well. This is done to ensure that the prospective debtor is really doing business and is in need of an injection of funds.

4. Collateral

There is a guarantee given by the prospective debtor according to the agreement made to BUMDes Kurnia Abadi and the prospective debtor is willing to accept the risk has been done well. The guarantee in question is the business being carried out by the prospective debtor.

5. Condition

BUMDes management member Kurnia Abadi conducts periodic checks on the condition of prospective debtors and goes out in the field to remind customers to pay the installments that have been carried out properly.

V. CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the results of data analysis and discussions that have been carried out regarding the influence of Liquidity, Profitability, Solvency and Activity on Financial Distress in retail trading sub-sector companies listed on the IDX for the 2015-2018 period. Here are some conclusions that the author can draw from the results of this study:

1. The implementation of the internal control system at BUMDes Kurnia Abadi in Tonjong Village has been

implemented well, it can be seen from the implementation of every component element of the internal control system.

2. The application of the principle of providing credit applied by BUMDes Kurnia Abadi in Tonjong Village has been going well where BUMDes Kurnia Abadi has understood the 5C principles to be applied in lending.
3. The internal control system in relation to the 5c principle of granting credit to BUMDes Kurnia Abadi in Tonjong Village is quite good, it can be seen that BUMDes Kurnia Abadi has understood and implemented the components in the internal control system and the provision of credit using the 5c principle. However, in its operation, problems are still found, namely the existence of multiple positions carried out by members of the management.

Suggestions

1. For further research, further research needs to be studied more deeply about other variables related to the analysis of the internal control system in relation to the 5C principle of lending, such as internal control system variables and other variables, further researchers are expected to be able to present higher quality research results by expanding the object of research to see whether the internal control system in relation to the 5c principle of lending has been running optimally in BUMDes.
2. For BUMDes Kurnia Abadi, based on the conclusions of the research above, it is hoped that for the coming year there will be a salary system so that management members are motivated to be even more active in working to manage BUMDes Kurnia Abadi. Then BUMDes Kurnia Abadi must provide facilities and infrastructure to train the skills of its employees both through training held by the government and private parties so that the quality of its human resources is further improved in managing BUMDes Kurnia Abadi.

VI. REFERENCES