14th ISCA 2024

Analysis of The Influence of The 5c Principle on The Decision And Effectiveness of People's Business Credit (KUR) for The Agribusiness Sector at BRI KC Purwokerto

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ABSTRACT

This study aims to determine and analyze the effect of the 5C principle on the decision and effectiveness of the distribution of People's Business Credit (KUR) for the agribusiness sector at BRI KC Purwokerto. The 5C lending principles are Character, Capacity, Capital, Condition of Economy, Collateral. This research was conducted from June-July 2024 at BRI KC Purwokerto. The data was collected by conducting interviews with People's Business Credit (KUR) initiators who have customers in the agribusiness sector using questionnaires and secondary data was obtained from written data documentation by BRI KC Purwokerto. The sampling method uses purposive sampling method or sampling by certain considerations. The number of respondents in this study were 100 credit initiators at BRI KC Purwokerto. The statistical method used was Structural Equation Modeling (SEM) analysis and measurement using a Likert scale to analyze the influence of the 5C principle on the decision and effectiveness of the distribution of People's Business Credit (KUR) for the agribusiness sector at BRI KC Purwokerto. The results showed that the Character variable had a significant positive influence on the KUR distribution decision in the agribusiness sector and on the effectiveness of KUR distribution in the agribusiness sector; and the Capacity variable had a significant positive influence on the effectiveness of KUR distribution in the agribusiness sector. Meanwhile, other independent variables do not have a significant influence on the dependent variable.

Keywords: 5C Principles, People's Business Credit (KUR), Agribusiness Sector, BRI KC Purwokerto

1. Introduction

Credit analysis aims to assess the ability and availability of prospective debtors to repay debt and interest by the agreed credit agreement (Yuldashevna; 2022). The decision to disburse credit is the result of an analysis conducted by financial institutions on credit applications submitted by borrowers. The credit disbursement decision becomes a process of analyzing all related information that interacts simultaneously (Rivai, 2014).

The effectiveness of credit disbursement involves the success or failure of an individual or organization in achieving a goal in credit distribution, the development and growth experienced by an individual when credit is provided, and a significant positive difference between what was expected and what actually occurred (before or after) in the credit distribution process. The People's Business Credit (KUR) disbursed by BRI Unit Blahkiuh is expected to address the problems faced by small and medium enterprises (SMEs) in Abiansem District (Anugrah, 2013).

The agribusiness sector has long been relied upon as it contributes significantly to both the social and economic aspects of society. The role of the agribusiness sector can also be seen in its contribution to food supply. Food commodities are highly strategic for society, and any shortage of food supplies in the market tends to cause social problems. Success in meeting food commodity demands certainly requires collaboration between various parties to give farmers the opportunity to continue contributing to food supply (Zinky, 2018).

Based on the above description, the problems addressed in this study can be formulated as follows:

- How does the analysis of the 5C principles influence the decision to disburse People's Business Credit (KUR) for the agribusiness sector at BRI KC Purwokerto?
- How does the analysis of the 5C principles influence the effectiveness of People's Business Credit (KUR) disbursement for the agribusiness sector at BRI KC Purwokerto?

In line with the research problems mentioned above, the research objectives can be outlined as:

- To analyze the influence of the 5C principles on the decision to disburse People's Business Credit (KUR) for the agribusiness sector at BRI KC Purwokerto.
- To analyze the influence of the 5C principles on the effectiveness of People's Business Credit (KUR) disbursement for the agribusiness sector at BRI KC Purwokerto.

2. Literature Review

According to Kasmir (2014), the principles in credit decision-making and credit disbursement effectiveness are known as the 5C concept. The explanation of the 5C concept is as follows:

- **Character** refers to the belief that the character and nature of the individuals receiving credit can be trusted. This can be observed through the customer's background, including both professional and personal aspects, such as their lifestyle, family situation, hobbies, and social conditions.
- **Capacity** is used to assess the customer's capability in business, linked to their educational background and business skills. This includes their understanding of government regulations and their ability to manage their business effectively.
- **Capital** evaluates whether the use of capital is efficient, which is determined through financial reports (balance sheet and profit-loss statements) by measuring liquidity, solvency, profitability, and other financial indicators.

- **Collateral** refers to the guarantees provided by the prospective customer, which can be physical or non-physical assets. The collateral offered must exceed the value of the credit to be received and must be thoroughly examined for its validity.
- **Condition of Economy** considers the current and future economic and political conditions in relation to the specific sector and the business prospects within that sector. The assessment of the business field being financed must have genuinely good prospects to minimize the likelihood of problematic credit.

Various studies on the application of the 5C principles have been conducted previously. One such study by Monulandi, et al. (2016) stated that the application of the 5C principles by banks is well perceived by customers. However, a study conducted by Cahyaningtyas and Darmawan (2019) found that character, capacity, capital, collateral, and condition of economy do not have a partial effect on credit provision. Additionally, research on the evaluation of the 5C principles and their influence on credit disbursement effectiveness has also been carried out by previous researchers, such as Amalia (2019), who found that the 5C principles have a partially significant effect on credit disbursement effectiveness.

Financial performance and business growth indicators used as measurement parameters for the capacity aspect within the 5C principles. According to the literature, particularly in terms of business profitability, good financial performance provides a positive perception to banks. Therefore, business growth becomes a crucial aspect for debtors. Companies with negative growth tend to face difficulties in repaying credit. Banks also consider the loan amount requested (Erdogan, 2019).

3. Research Methodology

This research was conducted at Bank Rakyat Indonesia (BRI), Purwokerto Branch. The study will take place from June to July 2024. The research's target or subject is the initiators (account officers) of People's Business Credit (KUR) at BRI Purwokerto Branch who have clients in the agribusiness sector. The sampling design used is non-probability sampling. Non-probability sampling is a sampling technique that does not provide equal opportunities for the population being studied to become part of the sample (Sugiyono, 2018). The sampling technique used is purposive sampling, or sampling based on specific considerations.

Putri *et al*. (2019) determined the sample size in their study using the SEM method by multiplying the number of variables to be regressed by 10. Based on the above literature, the sample size in this study is determined by calculating the number of variables, which include 2 endogenous variables and 5 exogenous variables. Therefore, the formula can be written as follows:

Minimum Sample = Number of variables x 10 = 7 x 10 = 70.

Statistically, it is stated that a larger sample size is expected to provide better results. With a larger sample, the mean and standard deviation obtained have a higher probability of resembling the population mean and standard deviation. This is because the sample size is related to statistical hypothesis testing (Hajar, 1996). Based on the calculations, the minimum sample size required is 70; however, since a larger sample size yields better results, the sample size used in this study is 100 respondents.

This study uses the Structural Equation Modeling method with Partial Least Square (SEM-PLS). Structural Equation Modeling (SEM) is a multivariate data analysis technique used to test relationships between latent variables (Marliana, 2019). The software used to process data with the SEM-PLS method is SmartPLS 4.0.

3.1 Structural Equation Model (Inner Model)

$Y1 = \gamma_1X_1 + \gamma_2X_2 + \gamma_3X_3 + \gamma_4X_4 + \gamma_5X_5 + e$

$Y2 = \gamma_1X_1 + \gamma_2X_2 + \gamma_3X_3 + \gamma_4X_4 + \gamma_5X_5 + e$

Notes:

Y1 = Decision to Disburse KUR

Y2= Effectiveness of KUR Disbursement

X_1 = Character

X_2 = Capital

X_3= Capacity

X_4 = Condition of Economy

X_5 = Collateral

γ_1 = Character variable coefficient

γ_2 = Capital variable coefficient

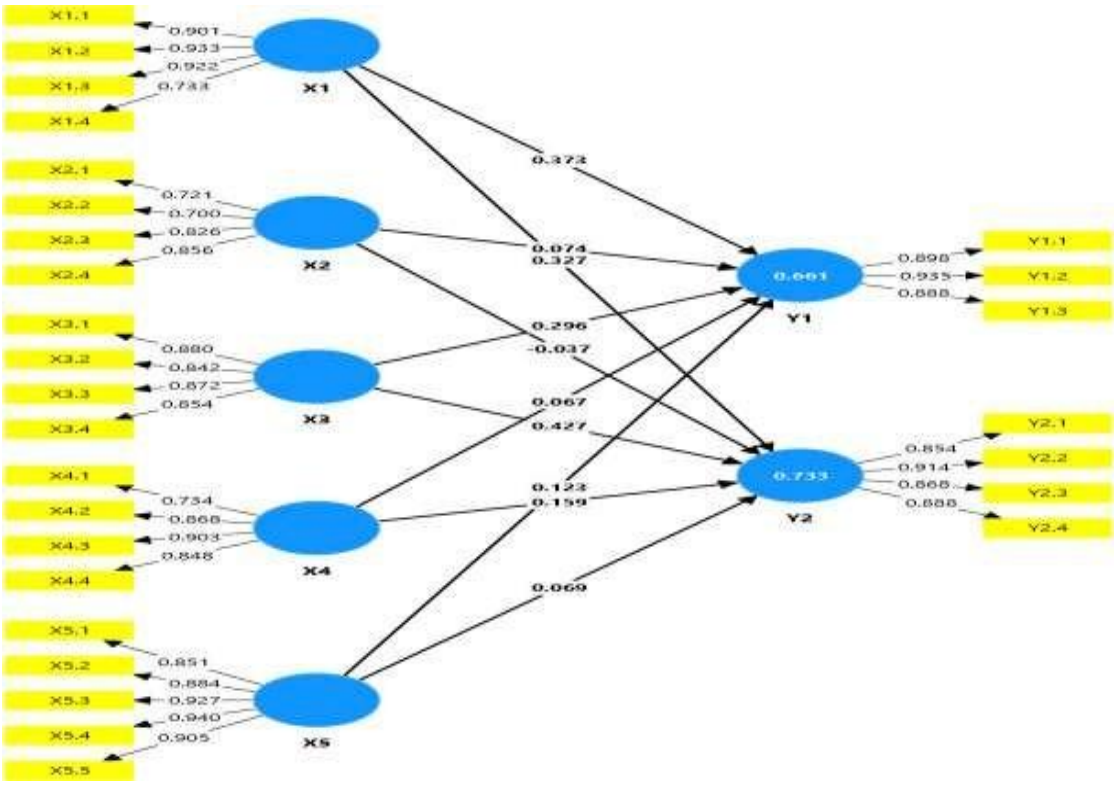
γ_3 = Capacity variable coefficient

γ_4 = Condition of Economy variable coefficient

γ_5 = Collateral variable coefficient

4. Results

4.1 *Research Mode Design*



4.2 Validity & Reliability Test

a. Validity test

1) Variant Discriminant

The outer loading value must exceed 0.6 to be considered valid (Ghozali, 2014). The PLS Algorithm test resulted in the following Convergent Validity:

Table 1. Outer Loading Values from SEM Model

	X1	X2	X3	X4	X5	Y1	Y2
1	0.901	0.721	0.880	0.734	0.851	0.898	0.854
2	0.933	0.700	0.842	0.868	0.884	0.935	0.914
3	0.922	0.826	0.872	0.903	0.927	0.888	0.868
4	0.733	0.856	0.854	0.848	0.940		0.888
5					0.905		

Source: Primary data analysis, 2024

All the values in the data processing results above are greater than 0.6, indicating that the indicators are valid and can proceed to the next test.

Table 2. Average Variance Extracted (AVE) Values

	Average Variance Extracted (AVE)
X1 (*Character*)	0.767
X2 (*Capital*)	0.606
X3 (*Capacity*)	0.743
X4 (*Condition of Economy*)	0.707
X5 (*Collateral*)	0.814
Y1 (Decision)	0.823
Y2 (Effectiveness)	0.776

Source: Primary data analysis, 2024

The Average Variance Extracted (AVE) value must exceed 0.5 to be considered valid (Ghozali, 2014). The AVE values for all variables show numbers greater than 0.5 (Table 3), thus they are considered valid as they meet the rule of thumb.

2) Cross Loading

The validity of the model requires a cross loading value greater than 0.6 (Ghozali, 2014). The PLS Algorithm test produced the following Convergent Validity values:

Table 3. Model SEM Cross Loading Values

	X1	X2	X3	X4	X5	Y1	Y2
X1.1	**0.901**	0.492	0.627	0.497	0.243	0.626	0.634
X1.2	**0.933**	0.561	0.673	0.590	0.422	0.745	0.736
X1.3	**0.922**	0.590	0.742	0.667	0.387	0.710	0.737
X1.4	**0.733**	0.555	0.671	0.568	0.441	0.495	0.565

	X1	X2	X3	X4	X5	Y1	Y2
X2.1	0.344	**0.721**	0.406	0.436	0.368	0.400	0.372
X2.2	0.444	**0.700**	0.404	0.415	0.343	0.382	0.396
X2.3	0.526	**0.826**	0.639	0.622	0.447	0.575	0.558
X2.4	0.591	**0.856**	0.711	0.640	0.642	0.586	0.576
X3.1	0.681	0.684	**0.880**	0.731	0.470	0.738	0.724
X3.2	0.681	0.612	**0.842**	0.694	0.441	0.663	0.726
X3.3	0.674	0.574	**0.872**	0.682	0.504	0.616	0.718
X3.4	0.623	0.601	**0.854**	0.732	0.541	0.598	0.665
X4.1	0.436	0.473	0.597	**0.734**	0.401	0.395	0.539
X4.2	0.547	0.495	0.695	**0.868**	0.509	0.499	0.599
X4.3	0.616	0.668	0.731	**0.903**	0.507	0.658	0.669
X4.4	0.604	0.666	0.730	**0.848**	0.538	0.684	0.670
X5.1	0.373	0.552	0.454	0.448	**0.851**	0.461	0.414
X5.2	0.428	0.572	0.566	0.584	**0.884**	0.548	0.546
X5.3	0.379	0.512	0.521	0.548	**0.927**	0.479	0.466
X5.4	0.365	0.529	0.502	0.528	**0.940**	0.458	0.470
X5.5	0.352	0.509	0.490	0.517	**0.905**	0.432	0.427
Y1.1	0.667	0.545	0.653	0.582	0.464	**0.898**	0.773
Y1.2	0.702	0.586	0.709	0.654	0.468	**0.935**	0.903
Y1.3	0.655	0.607	0.708	0.614	0.514	**0.888**	0.771
Y2.1	0.650	0.629	0.720	0.650	0.391	0.786	**0.854**
Y2.2	0.728	0.479	0.752	0.638	0.445	0.849	**0.914**
Y2.3	0.630	0.577	0.721	0.667	0.521	0.720	**0.868**
Y2.4	0.695	0.527	0.706	0.660	0.474	0.816	**0.888**

Source: Primary data analysis, 2024

All cross loading values from each indicator are greater than 0.6, indicating that all indicators are valid and the next test can proceed.

b. Reliability test

The reliability of the SEM-PLS model can be determined through the values of Cronbach's alpha and composite reliability. The requirement for model reliability is that Cronbach's alpha and composite reliability should be greater than 0.6 (Ghozali, 2014). The following is the data from the analysis results:

Table 4. Reliability test

Variable	*Cronbach's Alpha*	*Composite Reliability*
X1 (*Character*)	0.896	0.916
X2 (*Capital*)	0.786	0.815
X3 (*Capacity*)	0.885	0.887
X4 (*Condition of Economy*)	0.861	0.880
X5 (*Collateral*)	0.943	0.948
Y1 (Decision)	0.892	0.893
Y2 (Effectiveness)	0.904	0.905

Source: Primary data analysis, 2024

Both the Cronbach's alpha values and composite reliability values for each variable are greater than 0.6 (Table 24), indicating that the data meets the reliability criteria. The rule

ofthumb for validity and reliability tests has been fulfilled, so the model does not require revision.

5. Discussion

1. Inner Model

The inner model (structural model) is a test used to determine the suitability of the proposed model. The inner model proposed in this research includes R-Square (R^2), Q-Square (Q^2), Goodness of Fit (GoF), Multicolinearity Test, and Model Fit Index.

a. R-Square (R^2)

The R-Square test explains the extent to which endogenous variables can be explained by exogenous variables (Widarjono, 2017). The R-Square (R^2) value is obtained by running the data in the PLS Algorithm. The following is the processed data:

Tabel 6. *R-Square*

	R Square
Y1 (Keputusan)	0.661
Y2 (Efektivitas)	0.733

Source: Primary data analysis, 2024

The R-Square (R^2) values for each exogenous variable are as follows: for the exogenous variable of the decision to disburse KUR (Y1), it is 0.661, and for the effectiveness of KUR disbursement (Y2), it is 0.733. This means that the 5C exogenous variables can explain the decision to disburse KUR (Y1) by 66.1% and the effectiveness of KUR disbursement (Y2) by 73.3%, while the remainder is influenced by other factors outside of this study.

2. Hypothesis test

Hypothesis testing is conducted by evaluating the p-values and path coefficients. The hypothesis is determined by examining the direct partial effects of each exogenous variable on the endogenous variables. The probability p-value with a significance level of 5% is < 0.05. The indirect effects of the exogenous variables on the endogenous variables are assessed through the p-values of specific indirect effects. The hypotheses used in this study are as follows:

H_0 **is accepted if** *p values* > α (0,05)
H_0 rejected if *p values* < α (0,05)

a. First Hypothesis

The first hypothesis in this study tests whether there is a direct effect of the exogenous variables character, capacity, capital, condition of economy, and collateral on the decision to disburse KUR. The proposed hypotheses are as follows:

H_0: There is no direct effect of the 5C variables on the decision to disburse KUR
H_a: There is a direct effect of the 5C variables on the decision to disburse KUR

The following is the data from the analysis regarding the direct effects on the decision to disburse KUR:

Tabel 7. *Path Coefficient*

Variable ➔ Y1 (Decision)	*Path Coefficient*	*T Statistics*	*P Values*	Result
X1 (*Character*)	0.373	2.671	0.008	Significant
X2 (*Capital*)	0.074	0.560	0.576	Not significant
X3 (*Capacity*)	0.296	1.558	0.119	Not significant
X4 (*Condition of Economy*)	0.067	0.530	0.596	Not significant
X5 (*Collateral*)	0.123	1.305	0.192	Not significant

Source: Primary data analysis, 2024

Only variable X1 (Character) has a p-value < 0.005, indicating that only variable X1 is considered to have a significant effect on the decision to disburse KUR. Variable X1 has a positive path coefficient, meaning that variable X1 has a positive influence on the decision to disburse KUR (Table 7).

b. Second Hypothesis

The second hypothesis in this study tests whether there is a direct effect of the exogenous variables character, capacity, capital, condition of economy, and collateral on the effectiveness of KUR disbursement. The proposed hypotheses are as follows:

H_0: There is no direct effect of the 5C variables on the effectiveness of KUR disbursement H_a: There is a direct effect of the 5C variables on the effectiveness of KUR disbursement

The following is the data from the analysis regarding the direct effects on the effectiveness of KUR disbursement:

Tabel 8. *Path Coefficient*

Variable ➔ Result (Effectiveness)	Y2*Path Coefficient*	*T Statistics*	*P Values*	
X1 (*Character*)	0.327	2.753	0.006	Significant
X2 (*Capital*)	-0.037	0.435	0.664	Not significant
X3 (*Capacity*)	0.427	2.891	0.004	Significant
X4 (*Condition of Economy*)	0.159	1.507	0.132	Not significant
X5 (*Collateral*)	0.071	0.867	0.386	Not significant

Effectiveness is a concept related to a policy that provides an overview of an organization's success in achieving its goals. The data analysis results show that variables X1 (Character) and X3 (Capacity) have p-values < 0.005, indicating that only variables X1 and X3 are considered to have a significant effect on the effectiveness of KUR disbursement. Variables X1 and X3 have positive path coefficients, meaning that variable X1 positively influences the decision to disburse KUR (Table 8).

Based on the results of the Structural Equation Model analysis, it was found that the Character variable has a significant positive effect on the decision to disburse People

Business Credit (KUR) for the agribusiness sector at BRI KC Purwokerto, with a value of 0.373. The character and Capacity variables have significant positive effects on the effectiveness of KUR disbursement for the agribusiness sector at BRI KC Purwokerto, with values of 0.327 and 0.427, respectively.

6. Conclusion

Based on the results of the Structural Equation Model analysis, it was found that the Character variable has a significant positive effect on the decision to disburse People Business Credit (KUR) for the agribusiness sector at BRI KC Purwokerto. The Character and Capacity variables have significant positive effects on the effectiveness of KUR disbursement for the agribusiness sector at BRI KC Purwokerto. Considering that Character greatly influences the decision and effectiveness of KUR disbursement, agribusiness actors should maintain a good track record, including financial behavior, business ethics, and integrity in their operations. A good credibility will enhance the chances of obtaining credit more easily and quickly.

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