

# Village-Owned Enterprises' Strategies In Overcoming Problematic Loan Applications ( Bumdesma Sapta Mandiri Sejahtera Mataram Baru

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## **Abstract**

Village-Owned Enterprises (BUMDESMA) are an important instrument in rural economic development, aiming to improve community welfare through productive management of local potential. One of the BUMDESMA Sapta Mandiri Sejahtera business units in Mataram Baru Village, East Lampung, is a savings and loan business that faces the challenge of a high number of problematic loan applications. This study aims to identify the factors causing problematic loan applications, analyze the strategies implemented by BUMDESMA to address these issues, and uncover the obstacles encountered in implementing these strategies. The research method used was qualitative, collecting primary data through interviews and observations, as well as secondary data from BUMDESMA internal documents. The results indicate that the causes of problematic loan applications stem from internal factors, such as the lack of clear SOPs, low human resource competency, and weak business feasibility analysis, as well as external factors such as unstable economic conditions in the community. To address this, BUMDESMA implemented strategies such as field surveys, coordination with community leaders, and loan restructuring. These strategies reflect efforts to improve risk management to maintain business continuity and strengthen BUMDESMA's socio-economic role. The findings of this study can serve as a reference for other BUMDESMA in improving the professionalism of village financing management.

*Keywords* : Bumdesma, Problematic Loan Application, Risk Management.

## **1. Introductio**

One of the key instruments of economic development in rural areas is the Village-Owned Enterprise, which strives to improve community welfare by managing local potential productively and building institutions capable of utilizing every available resource, including human, natural, and financial resources. (Khasanah & Farida, 2024) BUMDESMA functions as a commercial entity whose income can increase the community's original income, as a catalyst for the local economy, and as a way to encourage the acceleration of the process of improving the welfare of rural communities. (Setiawati et al. 2024) As, BUMDESMA is given the freedom to run various types of

businesses, one of which is a savings and loan or financing business for village communities. However, in practice, many Sapta Mandiri Sejahtera Village-Owned Enterprises (BUMDESMA) face challenges in managing financing, particularly related to the high number of problematic loan applications. Problematic loan applications refer to applications that do not meet eligibility requirements, lack collateral, lack of clear standard operating procedures (SOPs), are still characterized by inadequate documentation, and also uncertainty in regulations and internal procedures for granting credit, resulting in the inability of borrowers to repay funds as agreed.

If not properly addressed, this situation can threaten the sustainability of BUMDESMA businesses and even cause losses to the village's finances as a whole. BUMDESMA Sapta Mandiri Sejahtera, operating in Mataram Baru Village, East Lampung, is one of the BUMDESMA actively providing capital loans to the community. As demand for loans from micro-entrepreneurs and the local community increases, this BUMDESMA is also faced with various applications that do not comply with regulations or are at high risk of experiencing problematic loans. Therefore, it is crucial to have an appropriate method for selecting, assessing eligibility, and managing the loan process to avoid negative impacts on the finances and social goals of BUMDESMA. This research is crucial to identify the strategies implemented by BUMDESMA Sapta Mandiri Sejahtera in addressing problematic loan applications and to analyze the effectiveness of the approach used. The findings of this study should serve as a guide for other BUMDESMA in developing financing risk management systems and improving the professionalism of village business management.

## 2. Literature Review

### The Role of Joint Village-Owned Enterprises (BUMDESMA)

Role is an activity carried out by a person or institution/organization. The role that must be carried out by an institution/organization is usually regulated by regulations, which are the duties of the institution. Village-Owned Enterprises or abbreviated as BUMDes are village businesses managed by the Village Government and are legal entities. Village-owned enterprises are village business institutions managed by the community and village government in an effort to strengthen the village economy and are formed based on the needs of village potential.

In its development, village-owned enterprises are said to be more profitable for villages to be more independent. In the regulation of the Minister of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia Number 4 of 2015, village-owned enterprises are business entities whose capital is wholly or mostly owned by the village through direct participation originating from village assets that are separated to manage assets, services and other businesses for the greatest welfare of the community. (Azaria, 2014). As an economic institution operating in rural areas, village-owned enterprises (BUMDes) must be distinct from other economic institutions in general. This is intended to ensure that the existence and performance of village-owned enterprises can significantly contribute to improving the welfare of village residents

### Risk Management

Risk management is an important aspect and is included in a company's annual report. (Santana et al., 2023) In everyday life, people unconsciously implement risk management. Risk management is a process for identifying, assessing, and controlling threats that may occur in the future to a company. Without implementing risk management, a company may fail.

Management is certainly not associated with the management mechanism within an organization, because without management, a company cannot run well, therefore management

can be said to be a fundamental aspect of a company. (ASRAWATI, 2023). Risk management is an organizational process of identifying, assessing, and controlling various threats and challenges to the achievement of objectives. Sources of threats can be caused by things like financial uncertainty, legal obligations, errors in management strategies, accidents, or natural disasters. For digital companies, data protection and threats to information technology security are a primary concern.

Therefore, companies need to adopt a risk management plan so that the basic concepts of risk management can address various threats to information and identify them so that decisive action can be taken. (Garcia et al., n.d.) The importance of international business plays a major role for global organizations and does not take risks related to unexpected events that cause problems with revenue.

#### **Factors Causing Problematic Credit**

There are two factors that cause non-performing loans: (Marbun & Jannah, 2022)

Internal Factors : Inaccurate financing analysis, Weak supervision and monitoring, Increased financing agreements and imperfect collateral, Concentrated financing, both in terms of amount and revenue, Weak Human Resources. External Factors : Members misuse the financing they receive. Members are incapable of managing their businesses. Members act in bad faith, Unfavorable economic conditions that lead to a decline in business income and affect members' ability to repay their obligations, Deregulation of government regulations in certain areas that significantly impact members' businesses, Changes in the business climate that directly impact members' business conditions. Force Majeure circumstances are caused by events/conditions beyond the control of the members.

#### **Strategy for Handling Problematic Credit**

Handling is a step to resolve problem loans through renegotiation between creditors and debtors by easing repayment requirements. This easing of these requirements is expected to improve the debtor's ability to settle the loan. Therefore, this credit rescue stage does not utilize legal institutions because the debtor is still cooperative and the business prospects are still feasible. This credit settlement is called credit restructuring (Collins et al., 2021). According to Lukman, to address the emergence of problem loans, banks can take several rescue measures, as follows:

##### **Rescheduling**

This is a change in credit terms that only concerns the payment schedule and credit terms. Only borrowers who meet certain standards can obtain rescheduling. Principal and interest arrears are added together (capitalized) in this rescheduling procedure, and payments are then rescheduled to create a different rescheduling agreement. Various forms of regional rescheduling are as follows: (Marbun & Jannah, 2022).

##### **Reconditioning**

This involves changing the credit terms, including the amount of the obligation, or administrative requirements, without affecting the maximum credit limit. Forms of reconditioning.

##### **Restrukturisasi**

This may also involve rescheduling or reconditioning. Restructuring measures may be granted to debtors who are still in good faith to pay off their obligations, which based on quantitative evidence is the best alternative.

### **3. Research methods**

Qualitative research methodology is applied. The researcher is the primary tool in qualitative research, which also uses (combined) data collection techniques, inductive data processing, and conclusions that prioritize meaning over universality. The research method used

to investigate the state of natural elements is called qualitative research. In 2021, Pandawangi, S. Primary and secondary data are two categories of data based on their source. Data can be classified as primary or secondary depending on its origin. Primary data comes from first-party sources, such as information obtained through direct conversations with the chairman of BUMDESMA Sapta Mandiri Sejahtera.

Secondary data or information derived from loan application archives, SOPs. The subjects in this study were the chairman of BUMDESMA Sapta Mandiri Sejahtera Mataram Baru, administrative officers and field officers and customers. The objects of this study are strategies, regulations and procedures of BUMDESMA in dealing with problematic loan applications. Data collection techniques include documentation, observation, interviews. Data reduction, data presentation, and drawing conclusions are examples of data analysis operations.

#### 4. Results and Discussion

##### Result

The results of this research were conducted at BUMDESMA Sapta Mandiri Sejahtera, Mataram Baru Village, East Lampung, involving the BUMDESMA chairman, administrative officers, field officers, and several active and passive customers. Based on the results of observations, interviews, and documentation, the following results were obtained: the cause of this problematic loan application is due to two factors: the first is an internal factor and the second is external where internal factors that cause problematic loan applications include: the lack of standard SOPs in verifying and validating prospective borrower data. Where the results of the interviews I conducted with the chairman and administrative staff showed that the verification and validation process for prospective borrower data has not been carried out systematically and documented. BUMDESMA does not yet have a written SOP that regulates: Mandatory criteria for prospective borrower eligibility, steps for checking files, field survey procedures. As a result, the borrower selection process is inconsistent and prone to subjectivity, especially when dealing with applicants who have personal relationships with village administrators. This condition increases the potential for approval of loan applications that are actually ineligible or have a high risk of default. Second, weak business feasibility analysis. Most of the borrowers at BUMDESMA Sapta Mandiri Sejahtera are informal micro-business actors such as street vendors, small stalls, or daily farmers who do not have financial reports or records of business transactions.

The BUMDESMA management team often approves loans based solely on Lisa's confession, the borrower, regarding the condition of her business. Third, Unprofessional Human Resources, it is known that most administrative and field officers at BUMDESMA do not have a background or training in microfinance or credit management. They work based on field experience or verbal instructions from the management, without adequate technical training. The internal factors that occur at Bumdesma Sapta Mandiri Sejahtera are the economic conditions of the Mataram Baru community are less stable, as several customers indicate that the Mataram Baru Village community largely relies on income from the informal sector, namely seasonal businesses and small-scale household trade.

##### **Bumdesma's Strategy in Addressing Problematic Loan Applications**

BUMDESMA Sapta Mandiri Sejahtera has implemented several strategies to handle problematic loan applications and loans, a number of strategies focused on prevention, assistance, and resolution of problematic loans. This strategy demonstrates institutional awareness to

strengthen the risk management process in stages. That before the disbursement process is carried out, BUMDESMA managers now always conduct direct surveys to the prospective borrower's location. This activity aims to ensure the validity of the proposed business, assess the real conditions of the business environment, directly observe the potential, risks, and capabilities of the prospective borrower's business. BUMDESMA coordinates with hamlet heads, RT/RW, and community leaders to check the social background and reputation of prospective borrowers. The results of this collaboration are very helpful in knowing the financial history of applicants in the community. Identifying borrowers with bad characters, for example: often problematic or uncooperative, rescheduling to customers, elimination of late fines. Temporary interest burden relief.

#### **Obstacles in Implementing Strategies at Bumdesma Sapta Mandiri Sejahtera**

Interviews with BUMDESMA administrators revealed that the success of the problem loan management strategy is highly dependent on the BUMDESMA's internal capacity and its supporting systems. Obstacles such as limited human resources, manual recording systems, social pressure, and a weak internal legal framework need to be addressed immediately to ensure the strategy's optimal and sustainable implementation.

#### **Discussion**

The results of the study indicate that problematic loan applications at BUMDESMA Sapta Mandiri Sejahtera are caused by a combination of internal institutional and external community factors. This finding aligns with the theory (Marbun and Jannah 2022) that identifies internal factors (such as weak financial analysis, inadequate human resources) and external factors (such as economic conditions and member behavior) as the main causes of NPL (Non-Performing Loans). The strategies used by BUMDESMA have referred to the principles of risk management and handling of problem loans, such as restructuring and education, as stated by Okka Aviani (2014). However, the implementation of this strategy still faces technical and social obstacles, particularly in aspects of human resource capacity and local culture, which reinforces the need for professional training and a community-based approach. (Savitri 2014).

#### **5. Conclusion**

The analysis above shows that problematic loan applications at BUMDESMA Sapta Mandiri Sejahtera are caused by two main factors: internal and external factors. Internal factors include the lack of standard operating procedures (SOPs) in the borrower verification and validation process, weak business feasibility analysis, and the low competency of human resources managers who lack training in microfinance. External factors include the community's unstable economic conditions, particularly as the majority rely on the informal sector and seasonal businesses. To address these issues, BUMDESMA has begun implementing prevention and response strategies, including pre-disbursement field surveys, coordination with community leaders to evaluate the character of prospective borrowers, and loan restructuring, such as payment rescheduling and penalty waivers. This strategy demonstrates institutional awareness of the importance of risk management in financing management.

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