

Bank's Capital Legal Procedures to UMKM by Banking Laws in Indonesia

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ABSTRACT

The purpose of this paper is to describe the legal procedures that must be met by Micro, Small and Medium Enterprises (MSMEs) and a solution (win solution) so that MSMEs can obtain loan capital from banks even though the requirements are incomplete. This study uses a qualitative method by finding a literature review that is truly appropriate to answer the purpose of the problem in this paper. The findings reveal that there are procedures that must be adhered to by both parties as a form of adherence to Positive Laws and Indonesian Government Regulations. The Bank can provide permodalah access to MSMEs without collateral with a maximum loan limit and certain conditions such as the existence of an MSMEs financing guarantor institution in accordance with a mutual agreement between the MSMEs, the guarantor institution, and the Bank as the creditor. MSMEs can also obtain capital loans provided that these businesses implement good business governance. Like making clear financial statements. This is very important, because based on the search results and findings of researchers, banks provide an assessment of MSMEs based on five criteria, namely Character, Capital, Capacity, Condition, and Colleteral.

Keywords: *Law, Bank, MSMEs.*

JEL Classification: *K29.*

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Highlights of this paper

- The purpose of this paper is to describe the legal procedures that must be met by Micro, Small and Medium Enterprises (MSMEs).
- This study uses a qualitative method by finding a literature review that is truly appropriate to answer the purpose of the problem in this paper.
- The findings reveal that there are procedures that must be adhered to by both parties as a form of adherence to Positive Laws and Indonesian Government Regulations.

1. INTRODUCTION

Based on data from the Central Statistics Agency in 2019, "Nearly 90% of the problems of Micro, Small and Medium Enterprises (MSMEs) in Indonesia are with management, capital, methodology, raw materials, marketing, infrastructure, as well as unclear fees and policies. In addition, more than 90 businesses in Indonesia are MSMEs that have not yet received access to credit from banks or capital assistance; mainly due to the issue of guarantee requirements "(Susilo and Sutarta, 2004; Susilo, 2007). This condition makes MSMEs' ability to develop advanced constrained quite serious." MSMEs cannot optimally carry out productivity and marketing let alone by using technology because of constraints. Startup Capital. After the promulgation of Law No. 1 of 2016 concerning Guarantee, the government encourages MSMEs to use it to obtain capital through loans to banks. This solution is seen as a form of government concern and efforts to realize the mandate of Article 33 Paragraph (4) of the 1945 Constitution concerning strengthening a just national economy for all Indonesian people "(Sasongko, 2019). In this Law also regulates licensing of guarantee institutions, mechanisms and procedures for dispute resolution through alternative institutions. With the Banking Act on Guarantee, the state provides certainty to funding institutions.

In line with the stipulation of the banking regulation, "Some private banks are starting to see significant developments from MSMEs. For example, Bank Negara Indonesia (BNI) with a portion of the company's MSME loans reaching 19.51% in the first quarter of 2019, Bank Bukopin was recorded to have increased by 5% year on year (yoy), and Bank OCBC NISP Tbk mentioned the target MSME loans in 2019 could increase by 10% -15%. By 2019, a number of banks have sought to continue to increase posri of capital allocation for MSMEs. Meanwhile, referring to the Indonesian Banking Statistics (SPI) that has been released by the Financial Services Authority (OJK) as of March 2019 the portion of MSME credit for Commercial Banks reached 18.5% of the total industry credit. In addition, the government through Bank Indonesia (BI) with its regulations seeks to support this to drive the domestic economy in the productive sector such as MSMEs by encouraging a loan portion of at least 20% of total credit "(Carolus, 2019).

However, as the development of the Bank's SME loans in the second quarter actually slowed. So it should be questioned that this phenomenon is not in line with what some parties have previously said to the public media. "It was noted that the distribution of MSME loans in April 2019 amounting to Rp 990.7 trillion, slowing growth from 11.4% year on year (YoY) in March 2019 to 10.9% (YoY). Sitorus (2019) Indeed, basically this might be related to the prudential attitude of banks as lenders if they fail to assess the ability of borrowers to repay that can make the guarantor qualify when the Banking Practice Code is into the loan and guarantee arrangements (Brent, 2016).

"Seeing the phenomena that occur, MSMEs are clearly constrained by business capital. The Assistant Secretary of the Regional Administration and Development of the Yogyakarta Special Region Government revealed that the number of new entrepreneurs (WP) is only around 60,000 people, but only around 10% of those who succeed are caused by a lack of venture capital"(Iswinarno, 2019). Banking as one solution to gaining business capital does not necessarily provide access and a portion of credit to MSMEs. Moreover, they do not have adequate collateral or guarantees. Administrative requirements and constraints make most MSMEs quite difficult to become professional entrepreneurs. This obstacle is ultimately a factor in the number of entrepreneurs in Indonesia that is difficult to

develop optimally. Until now, the number of new entrepreneurs has reached 3.1 percent whereas from 2011 to 2018, the Ministry has distributed grants to 20,382 beginner entrepreneurs (WP) with the aim of increasing productivity and competitiveness "(Iswinarno, 2019).

As various events that occurred after the enactment of the Act. Bank Regulation No.20 of 2016, it is necessary to have the right solution to overcome the problems that arise due to constrained collateral that is required by the Bank as a business capital lender for MSMEs. In fact, there is no modern economy that can run without loans, and the main channels of financing on the market today are banks and financial institutions. Providing loans in the form of money becomes a risky company if in the case of debtor default, there is no fast and 100% reliable system to ensure loan recovery and lack of confidence in the recovery system can have a crippling effect on the economy (Kabir, 2018).

The originality of this research lies in the findings obtained, namely that there is a middle ground that can be taken by banks and MSMEs, when MSMEs do not have collateral, while MSMEs must be considered capital by banks, so MSMEs have banking access. The following impacts of this finding are: 1) the community that is an UMKM employee has prospered, is not threatened to be terminated, 2) the user of UMKM products can obtain goods at an affordable price, 3) the real economic sector can grow significantly, 4) banks get customers with very good prospects, and 5) banks get borrowers with minimal risk, meaning that the chance of default is very small (close to zero%).

2. TEORY

2.1. Improve the Economy through MSMEs

Based on Law No.20 of 2008 concerning UMKM, it consists of; 1) Micro Business is productive business owned by individuals and / or individual business entities that meet the criteria for Micro Business; 2) Small Business is a productive economic business that stands alone, which is carried out by individuals or money business entities that are not subsidiaries or branch companies that are owned, controlled, or become a part of rising directly or indirectly from medium businesses or large businesses that fulfill Small Business criteria; 3) Medium Business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or becomes a part either directly or indirectly with a small business or large business with an amount of wealth net or annual sales results as provided for in this Act. MSME criteria can be seen in the Figure 1.

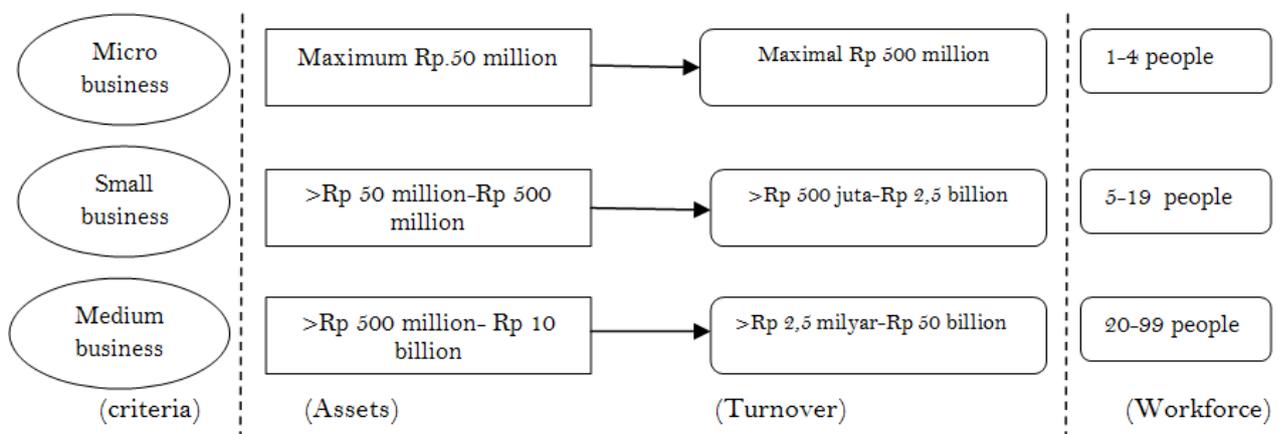


Figure-1. MSMEs criteria in Indonesia.

Source: www.depkop.go.id ; www.bps.go.id.

MSMEs have many advantages including; 1) is a business activity that is able to open up employment opportunities more broadly; 2) providing various economic needs to the community; 3) play a role in the process of equality and improvement of community welfare to rural areas and urban suburbs; 4) encourage economic growth of the country; 5) and realize national economic stability.

Current economic development requires institutional collaboration and banking support to build an innovation system. [Muda and Putra \(2018\)](#) and collaboration is also needed, including in the development of MSMEs going forward.

2.2. The Bank as a Provider of Venture Capital Financing

Business capital loans for MSMEs can be categorized into two types based on the function of the loan applications proposed to banks, namely Working Capital Loans and Investment Loans. Working Capital Loan (KMK) is a loan application to a bank or other financial institution to be used as business capital in running a business. Generally the loan period is 1 year / 12 months, and can be extended according to the needs of the debtor. While the Investment Credit (KI) is intended for micro businesses that have run their businesses and want to develop their businesses to be more advanced. In applying for an investment credit, generally there is a requirement that the business has been running for 1-2 years. The loan period can be adjusted to the amount of funds submitted with a maximum limit of 5 years ([Rosita, 2016](#)).

In general, the functions of banks are: 1) agent of trust both in terms of raising funds and channeling funds; 2) Agent of development is a part of community activities in the monetary sector and the real sector as a channeling and raising funds for these economic activities; and 3) agent of service, which is collecting and distributing funds and offering other services to the public in the form of bank guarantees, settlement of bills, and safekeeping of valuables ([Susilo et al., 2006](#)).

2.3. Loan Guarantee Company

Legislation guarantees in Indonesia to limit citizens who make agreements with other parties, including the provisions of which are 1) not allowed to act on behalf of others in the agreement made. This means that those who bear the obligations and who obtain the rights from the agreement, only the parties that carry out the agreement, as in Article 1315 of the Civil Code; 2) restrictions on behalf of other parties in the agreement are excluded in the case of agreements that have been made to guarantee a third party stating that a third party will do something if a bad credit occurs not due to the borrower's negligence; and 3) consequences that must be faced if a third party refuses to take responsibility as an agreement, the creditor has the right to claim compensation from the third party in accordance with the agreement ([Sidik, 2007](#)).

Collateral plays an important role in debt financing transactions. As a regular commercial practice, guarantees given by companies for third-party debt are often imposed by facility lenders as a form of security. Although guarantees mitigate risk, they do not eliminate it from the realm of securities financing, and even guarantors can default on them ([Kaul, 2015](#)).

According to [Bahsan \(2007\)](#) "A guarantee is something given to a creditor to create confidence that the debtor will fulfill obligations that can be valued with money arising from an engagement." The guarantee consists of two kinds of items in the following table:

Table-1. The difference between material collateral and personal collateral based on the type.

Material guarantee		Personal guarantee	
Element	Example	Element	Example
The absolute right of an object and always follows the object	Pand, mortgage on ships and aircraft, credietverband,	Have a direct relationship with certain individuals	Borg, (other persons who can be billed), responsibility (joint responsibility), and warranty agreements
Having a direct relationship with certain objects and	mortgage and fiduciary security	Can only be defended against certain debtors	
Can be transferred to other parties and maintained against anyone		Includes debtor assets in general	

Source: Sidik (2007).

In general, the types of guarantee institutions in the legal system in Indonesia are grouped based on four categories as follows **Figure 2**:

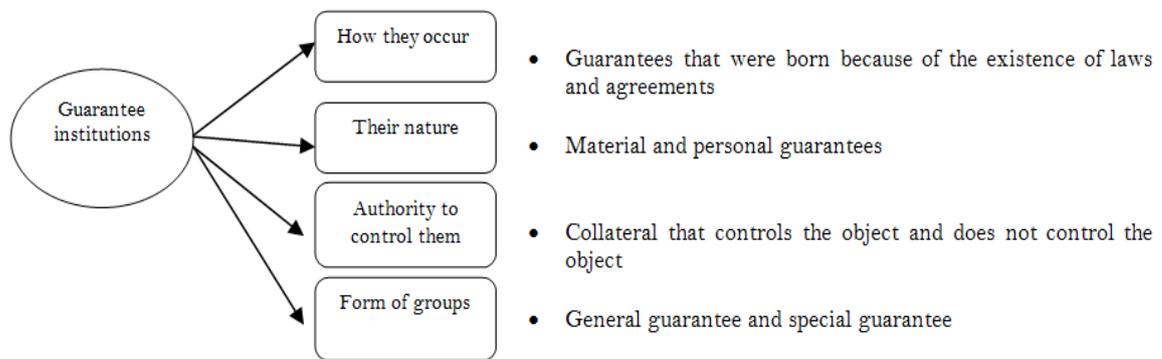


Figure-2. Types of guarantee institutions in Indonesia.

Source: Tutik (2010).

The existence of a guarantee is based on a loan agreement which is an access agreement from the main agreement, namely a credit agreement or debt receivable. Based on Article 1820 of the Civil Code, underwriting is where a third party in the interest of the creditor, binds himself to fulfill his engagement which includes the following elements; 1) debt protection is a form of legal agreement and is regulated in Article 1320 of the Civil Code; 2) debt insurance involves the existence of a debt that previously existed before; 3) debt underwriting only requires the guarantor to fulfill his obligations to the creditor in the event that the debtor has been proven not to fulfill his obligations or achievements; and 4) debt underwriting is made for the benefit of the creditor not the debtor (Widjaja, 2003). To minimize guarantee risk, the guarantee company must provide various criteria for acceptance of guarantee services as stipulated in PJOK No.6 of 2014 concerning Requirements for Providing Guarantee Services in Article 2, namely: "1) an eligibility analysis of guaranteed candidates has been carried out by prospective recipients of guarantees; 2) there is a guarantee application from a guaranteed candidate to the guarantee company; 3) the existence of a letter of confirmation of the guarantee request from the prospective recipient of the guarantee to the guarantee company; 4) the feasibility analysis of the guaranteed candidates carried out by the guarantee company or the company implementing the agreement or the refinancing company; and 5) payment of compensation service guarantees to guarantee companies has been made, as a form of guaranteed performance to guarantors. "Refinement services provided by SMEs constitute the rights granted by the Act to the guarantee institution as in article 43 of Law No.1 Year 2016 concerning Guarantees.

3. METHODOLOGY

This research uses a descriptive approach, by examining various sources of scientific literature sourced from various thoughts of experts in the fields of law, MSME and Perbankan. The location of the study is in Indonesia with the scope of the population being MSMEs throughout Indonesia. The data used by researchers include secondary data which is data obtained from other parties such as the Central Statistics Agency (BPS) and the Department of Cooperatives (DepKop) (Kuncoro, 2009). The data used to analyze a problem is data that is truly valid, with characteristics, released from the official portal of government offices, private sector, non-governmental organizations (NGOs), and other official data all of which are on the internet, and all experts can cross-check the correctness of the data. The analysis was carried out using a descriptive approach to identify the characteristics of the anticipated phenomena and explore the possible relationship of two or more phenomena (Leedy and Ormrod, 2005). The analysis is carried out by looking at various legal procedures that can be carried out by the Bank in conducting validation, synchronization, justification, and observation of the accuracy of data provided by MSMEs, in order to implement the precautionary principle.

4. RESULT AND DISCUSSION

4.1. Development of MSME Debit-Credit and Bank Credit in Indonesia

Based on data from Bank Indonesia released in 2019, "Banking Credits as of September 2018 were recorded at 5,284,636.4 with details of MSMEs Credit totaling 1,037,619.1, Non MSMEs Credits 4,247,017.2, and Total of MSMEs Accounting amounting to 16,394,106." bank credit continues to increase following the data of its development:

Table-2. Development of MSMEs credit debit tray based on 2013-2018 business classification.

Year	Micro business loans	Small business loans	Medium business loans	Total MSMEs
2013	137.797.7	193.060.3	308.613.5	639.471.5
2014	179.748.3	224.348.3	363.481.1	767.577.6
2015	199.123.4	239.194.5	392.338.3	830.656.2
2016	218.511.9	266.618.5	415.259.4	900.389.8
2017	245.118.7	295.643.2	449.615.7	990.377.6
2018	268.453.7	317.381.1	451.784.3	1.037.619.1

Source: Data processed, Bank Indonesia (2019).

In Table 1 it can be seen that the MSME Credit Debit Tray based on business classification continues to increase every year. The last details explain that Micro Enterprises Credit as of September 2018 amounted to 268,453, Small Enterprises Credit 317,381.1, Medium Enterprises Credit 451,784.3, with a total of MSMEs breaking through 1,037,619.1.

Table-3. Development of national MSMEs credit according to project location in the Province.

Year	Total national MSME credit	Total KTIU MSME credit
2013	639.471.5	116.022.8
2014	757.577.6	135.550.3
2015	830.656.2	146.440.4
2016	900.389.8	160.366.5
2017	990.377.6	175.474.3
2018	1.037.619.1	183.420.2

Source: Data processed, Bank Indonesia (2019).

There are around 34 provinces spread throughout Indonesia that receive banking credit funds through MSMEs. And for Eastern Indonesia (KTI) there are 17 provinces. The total national MSME credit is quite high and even tends to increase even though it is not too significant every year. The total national MSME credit as of September 2018 was 1,037,619.1. While the Total of MSME Credits in EIA is relatively stable each year in the range of 183,420.2. This indicates that the development of MSMEs in Indonesia receives the attention of creditors and the government in terms of regulation.

Table-4. Development of MSME credit debit trays by economic sector in 2013-2018.

Debit tray	2013	2014	2015	2016	2017	2018
Agriculture, hunting and forestry	52.420.2	61.997	69.100.0	75.566.5	88.441.2	94.274.7
Fishery	3.842.9	4.685.9	5.274.0	5.715.7	6.762.4	7.737.0
Mining and excavation	4.864.0	6.922.3	5.610.1	5.432.2	6.256.8	5.273.2
Processing industry	60.868.1	73.119.9	80.375.2	88.945.0	98.393.4	100.281.4
Electricity, gas and water	1.791.6	4.137.3	2.650.7	3.295.2	4.274.1	3.752.4
Construction	40.266.6	47.294.0	432.775.3	56.463.8	66.751.0	71.471.0
Wholesale and retail trade	338.581.9	387.627.1	27.831.5	473.654.7	506.336.0	532.134.0
Provision of accommodation and provision of food and drink	18.520.8	22.615.2	30.179.4	33.021.3	35.574.0	36.610.3
Transportation, warehousing and communication	25.460.7	31.538.6	21.090.7	31.010.8	35.137.2	37.479.3
Financial intermediaries	14.046.2	23.408.3	41.600.1	20.116.8	20.992.1	19.847.2
Real estate, rental business and business services	32.241.9	37.705.9	357.1	43.928.8	48.820.3	50.341.0
Government administration, land and compulsory social security	348.9	374.9	5.135.9	337.0	324.3	621.4
Educational services	2.410.9	3.873.2	5.135.9	5.521.7	6.120.9	6.648.1
Health services and community activities	4.345.9	5.912.2	7.195.1	7.888.8	8.924.3	9.423.8
Community services, social culture, entertainment and other individuals	33.879.5	45.608.6	42.590.6	41.222.2	48.734.7	53.372.1
Individual services serving households	2.135.9	3.056.0	3.546.0	3.559.1	3.675.6	3.761.9
International agencies and other extra international agencies	224.8	139.9	386.1	164.8	65.1	10.5
Activities that have no clear boundaries	2.958.7	7.341.1	4.605.3	4.466.8	4.784.9	4.516.7
Not identified	262.0	220.1	1.1	38.7	9.4	63.1
Total	639.471.5	767.577.6	830.656.2	900.389.8	990.377.6	1.037.619.1

Source: Bank Indonesia (2019).

Based on BPS / BPRS reports, MSME Credit Debit Trays according to the Economic Sector as the table above, it can be seen that the highest credit tray recipients from 2013 to 2018 were channeled to the wholesale and retail trade sector at 532,134.0; second from the manufacturing industry sector with a subtotal of 100,281.4; third, in the agriculture, hunting and forestry sectors, namely 94,274.7; fourth from the social, socio-cultural, entertainment and other individual services sectors 53,372.1; and finally, the real estate, leasing and business services sector amounting to 50,341.0. "Since November 2015, MSME Credit Data has included the scope of loans disbursed by Conventional and Sharia Commercial Banks, Rural Banks and Sharia Rural Banks" (Bank Indonesia, 2019).

The development of MSME Credit Debit Tray according to the type of use is classified into the criteria triangle with the total number as of September 2018 totaling 1,037,619.1, namely; 1) MSME Working Capital Credits of 773,759.5; 2) Investment Credits 263,859.6; and unidentified 0.0.

4.2. Legal Protection 'Guarantees' for MSMEs in Indonesia

Banking law is a branch of civil law that tries to dedicate the credibility of the banking business, good governance, customer protection, transparency, and financial security, which are among the top priorities of banking jurisprudence. In modern times, the banking business is a high-risk job because if there is no proper awareness of laws and government regulations, it may not only be a threat but cause penalties to secure public confidence and protect depositors. In addition, efficiency is also needed in managing customer funds (Acharya, 2019).

UMKM has Law No.20 of 2008 concerning UMKM which was passed on July 4, 2008. Law No.20 of 2008 concerning UMKM was promulgated in the State Gazette of the Republic of Indonesia Year 2008 No. 93 and Explanation of the Republic of Indonesia Law No.20 of 2008 concerning MSMEs in the Supplement to the Republic of Indonesia State Gazette No. 4866, by Menkumham on July 4, 2008.

The Government through the Indonesian Credit Guarantee Public Corporation (Jamkrindo) has a credit guarantee business focus on MSMEs. Empowerment of MSMEs is carried out as a form of support to MSMEs that are constrained by collateral to obtain venture capital from the Bank. The scope of business of Perum Jamkrindo includes; 1) providing People's Business Credit (KUR), 2) commercial guarantees, and 3) Refinancing the Warehouse Receipt System (SRG) or warehouse receipt system. Giving KUR guarantees is one of the solutions to help productive and viable MSMEs that do not yet meet the credit requirements / bankable / bankable financing.

If there is a dispute in the agreement, then in civil law can be resolved through litigation and outside the court by negotiating, mediating, and arbitration. This legal protection consists of two types, namely preventive legal protection with the aim to prevent the occurrence of violations of the law and limitations in carrying out obligations and repressive legal protection in the form of sanctions in the event of a dispute or violation of the treaty law (Muchsin, 2003).

The provision of guarantee services is needed to assess the prospect of the feasibility of MSMEs which will be granted a guarantee by a guarantee company. This is done to provide protection to the guarantor company, in line with the MSME business character and the risk faced by the guarantor company, namely the risk of default.

4.3. Strategy to Strengthen the Flow of Banking Credit to the MSME Sector after the Enactment of Law No.20 / 2016 on Guarantees

The MSMEs sector has sufficient potential to grow and continues to contribute positively to the results of industry, exports, and the creation of state jobs, the companies within them. Nearly 40% of the total credit requirements are met through formal institutions. However, they have difficulty in complying with the terms and conditions of loan sanctions. Therefore, it is necessary to review the steps that can be taken by the government and banks (Kaveri, 2017). Whether or not there is a guarantee company, the banks certainly take into account this one problem. MSMEs must comply with the loan provisions so that the bank can provide relief in relation to loan administration as stipulated in Law No. 20 of 2008 concerning banking.

"One of the strategies that can be done by MSMEs in order to obtain loans from banks after the Banking Act No. 1 of 2016 on Guaranty is by making clear financial reports"(Supriyatna and Fauzi, 2019). Based on the results of investigators investigating, banks need financial reports to measuring the ability of MSMEs to repay loans. Even

if there is a guarantor company, if not accompanied by a clear financial report, MSMEs will find it difficult to get a loan. Because in the financial statements there are some important data that explain the soundness of MSMEs business including production, income, and profit / loss obtained. The majority of MSMEs do not yet have an orderly financial statement bookkeeping. Therefore, guarantor companies often hold bookkeeping and marketing training for SMEs.

Another way is to look at the evaluation criteria of the bank which includes five things namely; Character, Capital, Capacity, Condition, and Colleteral.

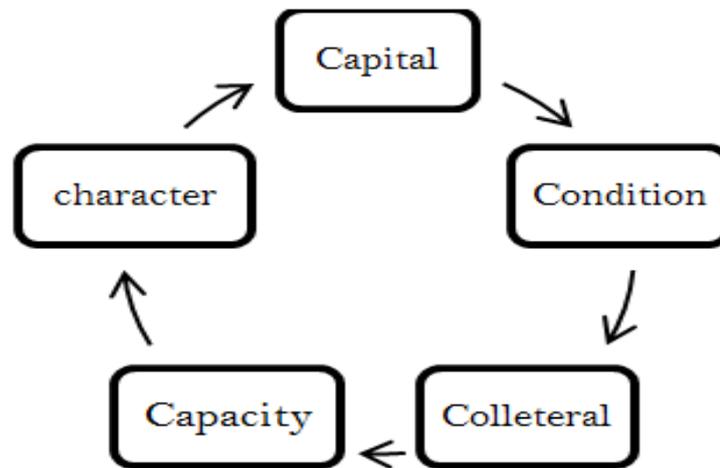


Figure-3. Bank rating criteria for financing access for business capital UMKM. Source: Kompas.com.

"The criteria for granting venture capital loans can be used as a guideline for obtaining venture capital for SMEs who are experiencing collateral or collateral requirements. First, Capital is the amount of personal funds spent, capital structure, and accumulated profits, the composition of capital ownership and capital assets. Second, Character concerns commitment as the party who submitted the request, tranck record, good management style is very much needed in this criterion. Third, the capacity is assessed from the trend of sales results, comparison of costs and income, debt and bills, cash flow projections, and production capacity. Fourth, conditions include business licensing, similar industry conditions, business prospects, competitive situation and selling points of products / services. and the last is Colleteral, guarantee or guarantor company. It is necessary to convince the guarantor company to guarantee that the business can be given a capital loan with a strong commitment and dedication to the business owned "(Kompas, 2009).

Another alternative that can be done is to access capital loans through PNPM Mandiri, an activity that aims to develop a loan and savings business in rural areas, provide access to finance for micro-level businesses, meet basic social capital and strengthen MSME activities, especially women's entrepreneurial activities. PNPM-MPd (National Program for Community Empowerment in Rural-Independent) has a different scheme than the credit provided is a non recourse loan. Because the burden does not require additional collateral or collateral in the form of movable and immovable assets, property rights or other personal guarantees. This is an unsecured loan (this scheme was valid during the SusiloBambangYudhoyono era, but currently this scheme no longer exists in Indonesia).

Usually this type of loan is given to companies that are already developing / developing and entrepreneurs who have good prospects. Therefore, MSMEs are also demanded to be able to provide credibility to creditors with a good record of restitution (Hudiarini, 2015). Whereas for MSMEs that are just starting out in their businesses, it will generally be difficult to obtain capital loans but return to the extent of the prospects their efforts to develop and

progress later. Indeed, it will be quite difficult to guarantee certainty for a newly developing business, but this does not mean there is no way to solve it. The Government through the Banking Act No. 1 of 2016 concerning Guarantees can be used to obtain capital even though it requires a fairly persistent business and is guided by good governance from the MSME itself to convince the guarantor company and the bank.

Based on the results of research conducted in one of the provinces in Indonesia, it is found that the problem that is commonly faced by banks in financing MSMEs is that consumption financing used for productive activities can reach approximately 40% of the total consumption of MSME financing. The figure is obtained by adding the percentage of pure MSME consumer financing use for a number of activities, namely business activities, for personal purposes which are apparently used for business activities, and the use of financing for personal and business use or 'combined' use. Often businesses do not separate personal and business needs. So that banks tend to classify small and micro financing proposals into consumption financing for several reasons as follows; 1) the reason for consumer financing banks is easier in financing analysis and better banks because consumer financing interest rates are relatively higher than for productive financing; 2) reporting, especially in the economic sector, consumer finance is easier to classify, because it will automatically enter the 'other' sector (Zuliansyah, 2019). This suboptimal role is actually an obstacle for MSMEs in implementing strategies in obtaining loans. capital.

So, based on the description above, the legal procedures that must be carried out by MSMEs in an effort to get access to bank credit starting from registration, to getting venture capital funds are as follows Figure 4.

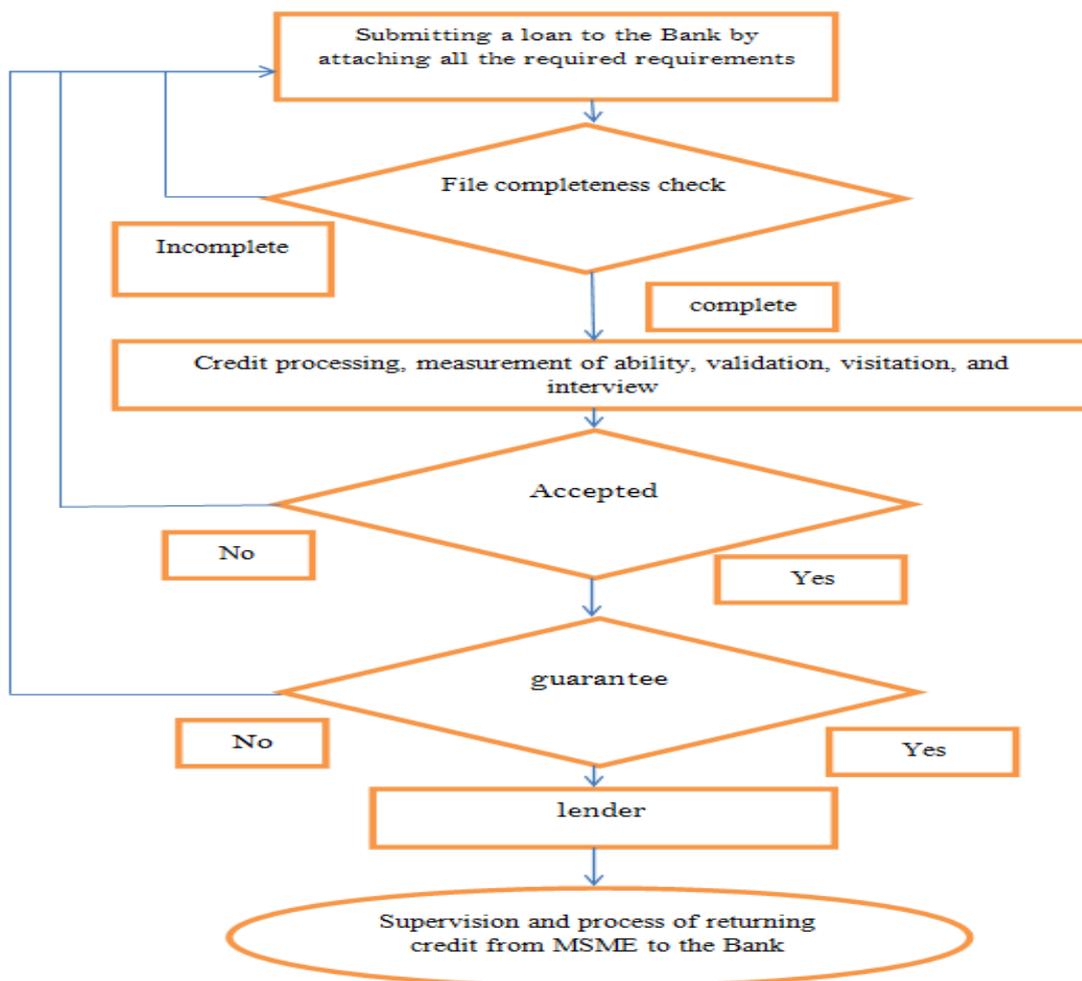


Figure-4. Model flow of MSME legal procedures in applying for banking credit.

Source: Data processed, 2019.

The figure above illustrates that the legal procedures undertaken by MSMEs notwithstanding applying for bank credit, MSMEs must submit applications in writing, complete with all existing requirements such as clear financial statements, business licenses, principal numbers of taxpayers, and so on. File inspection continues. If the file is declared complete then enter the next procedure, but if it is incomplete then return it to the MSMEs applicant. The process is continued with credit processing, starting with file validation by a notary who has been appointed by the bank, measuring the ability of MSMEs to repay loans, visiting the MSMEs location, interviewing the MSMEs chairman. If all of these stages are able to convince the bank, then proceed to the next step, which is approval. If it has been approved, consideration is given to the credit guarantee agency (Insurance), if the insurance agrees, then proceed with the signing of the credit agreement in front of the notary. The next step is disbursement or lending. Finally, observation, and supervision, as well as the process of returning credit from MSMEs to the Bank.

5. CONCLUSION

Applying strict requirements for capital loans is not to blame in this regard. As the principle of prudence because basically banks also have a duty to manage customers' finances as well as possible. But back to the function of banks that banks must support economic progress with the community, therefore banks are also required to provide facilities for access to business capital loans. After the enactment of the Banking Act No. 20 In 2016, joint guarantee companies with banks can jointly provide facilities for SMEs to obtain capital by providing entrepreneurial training and to make good financial reports so that SMEs can be able to develop their business professionally.

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