

## Implementation of the Write-off of Bad Debts of MSME Actors based on Government Regulation No. 47 of 2024 as an Effort to Recover MSMEs

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### ABSTRACT

This study aims to analyze the implementation of the write-off of bad debts for Micro, Small, and Medium Enterprises (MSMEs) based on Government Regulation Number 47 of 2024 as an effort to restore the MSME sector. MSMEs are a very important sector in the Indonesian economy, but often face problems with bad debts that hinder their growth. The write-off of bad debts is expected to ease the burden on MSMEs and accelerate their economic recovery process. The method used in writing this article is the Normative Juridical research method (Library Research), which is a series of activities related to library data collection methods, reading, recording, and processing research materials. For this reason, the government is present to protect MSMEs as pillars of the country's economy through the ratification of Government Regulation No. 47 of 2024 concerning the Write-off of MSME Bad Debts. The implementation of this policy is one of the real proofs of the government's support for MSMEs as an important part of the country. The impact of this policy is to help MSMEs to be able to re-access credit to banks as capital in running their businesses again.

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## **INTRODUCTION**

A prosperous life is everyone's dream, as an effort to meet daily needs, including clothing, food, and shelter. To achieve this goal, people continue to try in various ways. One strategy that can be taken is to establish micro, small, and medium enterprises (MSMEs). MSMEs play an important role in improving and encouraging the growth of the community's economy. The existence of MSMEs shows extraordinary resilience, especially in facing various challenges. For example, when the monetary crisis hit in 1998, many large companies failed, while MSMEs survived and even continued to increase in number.

The role of MSMEs in the national economy is very important and strategic. The existence of MSMEs in Indonesia is very dominant, as evidenced by the many industries spread across various economic sectors. MSMEs not only have great potential in absorbing labor, but also contribute significantly to the formation of Gross Domestic Product (GDP). With such a large contribution, the existence of MSMEs is expected to have a positive impact on economic development and progress, which is ultimately oriented towards community welfare. Businesses in the MSME sector play a crucial role in absorbing the unemployed workforce, thereby helping to reduce the unemployment rate. The growth of the micro business sector opens up more job opportunities and has a direct impact on increasing community income. The more workers are absorbed by MSMEs, in turn, supporting the government's efforts to reduce poverty rates. The existence of MSMEs increases employment opportunities, and overall this sector has been proven to provide the largest contribution in absorbing labor compared to the large business sector. MSMEs play an important role in producing new innovations that can be applied in the economy. MSMEs have an important role for economic growth both in big cities and economic growth in rural areas. MSMEs can help process natural resources in each region, which contributes greatly to regional income. In addition, MSMEs also offer very attractive market potential for the financial services industry, especially for banks in distributing financing.

Despite making a major contribution to national economic growth, MSMEs in Indonesia still face various challenges. Capital limitations are a problem often faced by MSMEs. Capital is an important need that funds MSME activities. Difficulty in obtaining business capital or capital loans makes it difficult for MSMEs to develop their businesses on a large scale. Many entrepreneurs or MSMEs actors think about how to develop their business, some think that they need additional capital so that their business can grow. Without an injection of funds, they worry that their business will never progress. There are even entrepreneurs among them who are pessimistic that their business will not be able to grow for various reasons. Therefore, the government needs to provide equal opportunities for every individual to try and open a business field, while still paying attention to the limitations faced by vulnerable groups. As a form of compensation and a manifestation of social justice as stated in the 1945 Constitution of the Republic of Indonesia. The government needs to provide priority financing loans to MSMEs in the form of unsecured loans and credit coverage facilities. Therefore, the government needs to understand how to

employ human resources and consider government policies and provide support in various MSME developments.

Credit comes from the Greek word *credere* which means trust. Therefore, the basis of credit is trust. Credit or loans according to Law Number 10 of 1998 are the provision of money or bills that can be equated with it, based on an agreement or agreement between the bank and another party that requires the borrower to pay off his debt after a certain period of time with an amount of interest, compensation or profit sharing. In providing credit for anything, banks are required to use a credit agreement. With the credit agreement, it shows that the bank credit agreement must be in written form. However, banking activities in providing credit will incur risks that must be borne, namely the existence of problematic credit and the resulting impacts can result in the bank experiencing losses.

For example, in July 2020, BRI Syariah KCP Kepanjen stated that the Covid-19 pandemic had a significant impact on the banking sector, especially in terms of financing. Many individuals need funds to meet their daily needs, especially those who have lost income due to layoffs or business interruptions. This situation has caused demand for financing applications to increase rapidly compared to other products. However, on the other hand, there are obstacles in terms of payment or settlement of financing according to the specified time period, especially for customers who run businesses affected by the pandemic. The second example comes from Bank Pengkreditan Rakyat (BPR) Cincin Permata Andalas Padang Branch which was affected by the Covid-19 Pandemic. Before the pandemic, around 5% of customers experienced bad credit in installment payments. However, during the pandemic, there was a significant increase in the number of customers who had problems or were late in paying their installments, reaching 25% of the total customers. This shows that bad credit data increased drastically during the pandemic compared to the previous period.

Non-performing loans in finance are a portion of receivables that can no longer be collected, usually in the form of trade receivables or loans. To overcome the problem of bad debts of MSMEs, the Government has ratified a policy on the elimination of bad debts for MSMEs, especially in the fields of agriculture, plantations, animal husbandry and fisheries and other MSMEs. This policy is stated in Government Regulation (PP) Number 47 of 2024 concerning the Elimination of Bad Debts for MSMEs in the Fields of Agriculture, Plantations, Marine Affairs and other MSMEs. According to the Government, this policy is a form of government support for MSMEs that are important for the country. In this case, the Government has heard the aspirations of farmer groups, fishermen and Banks. It is hoped that this policy can encourage MSMEs to be competitive and have a better economy.

## LITERATURE REVIEW

MSMEs are businesses owned by individuals/private persons and business entities that are not branches of other companies with the criteria of having business capital that meets the benchmarks determined by the law governing MSMEs. According to the Ministry of Cooperatives and SMEs in

Aufar (2014:8) MSMEs is a small business that includes micro businesses are business entities that have a maximum net worth of Rp. 200,000,000, excluding land and buildings for business premises and have annual sales of a maximum of Rp. 1,000,000,000. Meanwhile, medium-sized businesses are business entities owned by Indonesian citizens who have a net worth of more than Rp. 200,000,000 to Rp. 10,000,000 excluding land and buildings.

## **METHODOLOGY**

The method used in writing this article is the Normative Juridical Research method (Library Research), which is a series of activities related to the method of collecting library data, reading, recording, and processing research materials. The data obtained in this study refers to the applicable Laws and Regulations as primary legal materials. Secondary legal materials in this study consist of books, legal journals, opinions of scholars, and legal cases. In addition, as a guide or explanation of primary and secondary legal materials, the author also includes magazines, newspapers, and so on to complete the data and information in the study. Then after the legal materials are obtained, they are analyzed with qualitative data by referring to the legal norms contained in various laws and regulations and linked to legal theory and the practice of implementing positive law in society.

## **RESEARCH RESULTS AND DISCUSSION**

### ***Factors Influencing the Occurrence of Bad Debts in MSMEs***

In addition to collecting funds from the public, providing credit is one way for banks to carry out their main function in channeling funds to those in need. Credit for Micro, Small, and Medium Enterprises (MSMEs) is a form of productive credit that aims to finance or provide funds for these businesses. Financing for MSMEs plays a very important role, especially to meet the needs of working capital and investment required in running a business and increasing capital accumulation. However, on the other hand, this financing is also considered very risky. This is due to the lack of collateral owned by MSMEs and the implementation of management that is still traditional.

Along with its development, not all banks have implemented unsecured credit. When applying for a loan, banks usually ask for a copy of the bank account book and also collateral/security with sufficient value. However, in response to the needs of the community who need loans but do not have collateral, the government has issued a credit program without collateral known as the People's Business Credit (KUR). This KUR program aims to empower micro, small, and medium enterprises (MSMEs), create jobs, and help alleviate poverty.

In early 2020, the world was faced with the Covid-19 pandemic that disrupted the global economic sector. It is undeniable that MSMEs also felt the impact of this situation, which can be seen from the significant decline in their performance. The government's recommendation to implement social distancing has a direct impact on the decline in product absorption from MSMEs. At that time, the government imposed restrictions on various community activities, which resulted in a decline in purchasing power. This was especially felt by MSMEs, who were highly dependent on the movement of goods, services, and

people. However, they actually faced limited conditions that hampered these activities. This of course causes MSMEs to face obstacles in capital. The business capital loans they apply for are often hampered, requiring additional capital injections and support. As a result, MSME performance has declined, and the impact is the occurrence of congestion in credit payments.

Bad credit in MSMEs can occur due to various factors, including the current economic conditions that do not support MSMEs well. MSME entrepreneurs face various difficulties in managing their businesses, which in turn forces them to delay credit payments or bills that must be settled. The banking financing system that uses interest often makes it difficult for MSMEs to obtain financial support for their businesses. The increase in bank interest rates tends to make MSMEs, who already have economic limitations, increasingly difficult to pay off debts to the bank. In addition, the occurrence of natural disasters that cannot be avoided is also a factor causing bad debts for MSMEs.

### *Impact of Implementation of Bad Debt Write-off for MSMEs*

In November 2024, the Government has ratified Government Regulation (PP) Number 47/2024 concerning the Write-off of Bad Debts for Micro, Small, and Medium Enterprises (MSMEs). The write-off of bad debts is given to MSME actors who have bad credit at banks and/or government-owned non-bank financial institutions (BUMN) by means of writing off and writing off bad debt collections. According to Article 1 of PP 47/2024, a write-off is an administrative action by a bank and/or non-bank financial institution to remove bad debts from the bank and/or non-bank financial institution's financial position report in the amount of the debtor's or customer's obligations without removing the right to collect from the debtor or customer. Meanwhile, a write-off is an action to remove the right to collect by a bank and/or non-bank financial institution for a bill to a debtor or customer after the write-off is carried out. In a write-off, the bad credit portfolio is removed from the bank's books, but the bank continues to collect from customers (debtors). On the other hand, in a write-off, the bank no longer collects from customers (debtors). Based on the provisions of the government regulation, the bad debts of MSME actors that can be written off are bad debts in bank financial institutions and non-bank BUMN financial institutions. A bank is a financial institution that collects public funds or accepts savings from the public which are then distributed to the public who need funds in the form of credit or loans, such as conventional banks and Islamic banks. Meanwhile, Non-Bank Financial Institutions are institutions that carry out financial activities like banks in general, but are not banks, for example leasing companies, pawnshops, and so on.

The requirements for implementing this policy as stated in Article 4 of this Government Regulation are bad receivables that have been restructured or have been optimally collected but cannot be collected. One effort to save problematic credit is through Credit Restructuring as regulated in the Financial Services Authority Regulation Number 11/POJK.03/2020. Credit Restructuring is a corrective measure taken by banks to help debtors who are facing difficulties in

meeting their payment obligations. Restructuring aims to provide creditors with the opportunity to request relief in credit payments.

Article 6 paragraph (1) also explains the types of receivables that can be written off, namely: first, credit or financing of MSMEs which is a government program whose funding source is from banks and/or non-bank financial institutions of BUMN, whose program has been completed when this government regulation comes into effect. Second, namely credit or financing of MSMEs outside of government programs whose distribution uses funds from banks and/or non-bank financial institutions of BUMN in question. Third, namely credit or financing of MSMEs due to natural disasters in the form of earthquakes, liquefaction, or other natural disasters. Financing of MSMEs which is a government program as stated in Article 1 number 11 of Law 20/2008 concerning MSMEs is the provision of funds by the government through banks, cooperatives and non-bank financial institutions to develop and strengthen MSME capital.

The criteria for debts of MSME actors that can be written off as regulated in Article 6 paragraph (2) include: the principal value of bad debts is a maximum of IDR 500,000,000.00 (five hundred million rupiah) per debtor or customer; has been written off for at least 5 (five) years at the time this Government Regulation comes into effect; is not a credit or financing guaranteed by insurance or credit or financing guarantee; and there is no credit or financing collateral or there is credit or financing collateral but in a condition that does not allow it to be sold or the collateral has been sold out but cannot pay off the customer's loan/obligation. Credit based on collateral is credit that is supported by collateral, but there is also credit that is not based on collateral.

This policy has helped MSMEs to access capital again and run their businesses again. With government support, these small entrepreneurs can continue to develop their businesses without being burdened by debt. It is hoped that this policy can encourage MSMEs to be competitive and have a better economy. For banking, this policy will also have a positive impact. According to Mahendra Siregar (Chairman of the OJK Board of Commissioners), this MSME debt write-off policy will have a positive impact on banking performance, because if it is not written off, it will continue to be a financial record for banking. In addition, if bad debts in banks increase, it will have an impact on decreasing profits, which will ultimately reduce bank performance.

But on the other hand, this policy will have a negative impact. According to experts, in the long term, people will use this policy inappropriately. This policy has the potential to create a "moral hazard" where debtors/MSMEs whose debts have been cleared and have regained access to bank credit, intentionally do not pay their debts because they are waiting for the government to write them off again. Therefore, strict supervision and clear criteria from the government are needed so that the implementation of this policy is truly given to MSMEs affected by the crisis and have a good payment record before experiencing financial difficulties. With this approach, this policy will be effective in helping those who really need it, while preventing the provision of assistance to business actors who deliberately avoid payment obligations.

## CONCLUSIONS AND RECOMMENDATION

MSMEs are one of the sectors affected by restrictions on community activities during the pandemic which resulted in a lack of purchasing power. This has resulted in MSMEs having difficulty running their businesses, which has resulted in their inability to pay credit to banks. For this reason, the government is present to protect MSMEs as a pillar of the country's economy through the ratification of Government Regulation No. 47 of 2024 concerning the Elimination of MSME Bad Debts. The implementation of this policy is one of the real proofs of the government's support for MSMEs as an important part of the country. The impact of this policy is to help MSMEs to be able to access credit from banks again as capital to run their businesses again. In addition, this policy also has a positive impact on banking performance, because the elimination of bad debts will reduce financial records for banks.

In order for the bad debt write-off policy to be implemented properly, more intensive socialization and education is needed for MSMEs about the benefits, procedures, and requirements that must be met in utilizing this policy. Government institutions, such as the Ministry of Cooperatives and SMEs, as well as financial institutions that have financing programs for MSMEs, can play an active role in this regard.

## ADVANCED RESEARCH

It is recommended that further research be conducted on the impact of the bad debt write-off policy on the MSME sector in the long term. This research can focus on how this policy affects business growth, bankruptcy rates, and MSME competitiveness in the global market.

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