

Factors Affecting Account Officers' Perception of the Decrease in Non-Performing Loan (NPL) Risk of the Mekaar Program at PT Permodalan Nasional Madani (PNM) Bekasi Branch

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ABSTRACT

This study examines the effects of internal control, financing Standard Operating Procedure (SOP) compliance, and financing monitoring on Account Officers' (AOs) perceptions of non-performing loan (NPL) risk reduction in the Mekaar Program of PT Permodalan Nasional Madani (PNM) Bekasi Branch. The study employed a quantitative explanatory design using cross-sectional data. The population consisted of 695 Account Officers, with a sample of 158 respondents determined using Slovin's formula at a 7% error rate and proportionally allocated across the study areas. Data were collected through a 1–5 Likert-scale questionnaire and analyzed using multiple linear regression. The findings show that internal control has a positive and significant effect on AOs' perceptions of NPL risk reduction ($B=0.525$; $t=3.129$; $p=0.002$; $\beta=0.553$). Financing SOP compliance does not have a significant partial effect ($B=-0.281$; $t=-1.567$; $p=0.119$; $\beta=-0.296$). Financing monitoring has a positive and significant effect ($B=0.386$; $t=2.861$; $p=0.005$; $\beta=0.398$). Simultaneously, the three variables significantly explain the dependent variable ($F=37.297$; $p<0.001$). The coefficient of determination is 0.421, indicating that 42.1% of the variation in AOs' perceptions is explained by the model. Internal control is the dominant factor based on the standardized beta coefficient. The findings highlight the importance of strengthening internal controls and monitoring while evaluating the gap between formal SOP compliance and implementation effectiveness.

INTRODUCTION

Microfinance programs play a crucial role in expanding access to financing for communities that are not yet fully served by formal financial institutions. In the ultra-micro segment, limited information, limited collateral, and dynamic business conditions increase the complexity of financing risk management. PT Permodalan Nasional Madani (PNM) through the Program for Nurturing Prosperous Family Economy (Mekaar) implements group-based financing with a joint liability mechanism. These characteristics provide a risk mitigation mechanism that differs from individual financing, but still require a good financing process, internal control, procedural compliance, and effective monitoring.

The phenomenon of financing quality at PNM Bekasi Branch shows that the NPL risk of the Mekaar Program fluctuated during 2023–2025. Outstanding NPL increased from Rp3.03 billion or 0.70% in 2023 to Rp8.48 billion or 1.82% in 2024. In 2025, the NPL ratio decreased to 1.63% with outstanding NPL of Rp7.59 billion, but it was still higher compared to 2023. The data is used as a business phenomenon, not as a dependent variable in the research. The dependent variable in the research is the AO's perception of the reduction in NPL risk.

Theoretically, Agency Theory views control, procedures, and monitoring as mechanisms that can reduce information asymmetry and the likelihood of deviations in delegated activities. Microfinance literature also shows that monitoring and group mechanisms are related to repayment performance, although their effectiveness may vary according to the design of monitoring and the institutional context (Cason et al., 2012; Berns et al., 2021; Uddin et al., 2022; Ba-Tri et al., 2024). Studies on internal control also show its relevance to the management of problematic loans (Megaputri & Astawa, 2023; Hidayat et al., 2024).

The research gap in this study lies in the limited number of studies that simultaneously examine internal control, compliance with financing SOPs, and financing monitoring as internal mechanisms within the context of the Mekaar PNM Program, particularly with Account Officers as the unit of analysis and AO perception as the dependent variable. Therefore, this study aims to examine the influence of these three mechanisms both partially and simultaneously and to identify the most dominant factor.

LITERATURE REVIEW

The conceptual framework of the research is derived from Agency Theory, the COSO Internal Control Framework, and the principles of credit risk management. Internal control is expected to enhance the organization's ability to prevent errors and deviations. SOP compliance is expected to ensure that the financing stages are carried out consistently and documented. Monitoring financing is expected to accelerate the identification and follow-up of potential arrears. Because variable Y is measured as the perception of AO, a positive relationship indicates that the better the internal mechanisms, the stronger the AO's perception that the NPL risk can be suppressed. The hypotheses being tested are: H1 internal control has a positive and significant effect on Y; H2 SOP compliance has a positive and significant effect on Y; H3 financing monitoring

has a positive and significant effect on Y; and H4 all three variables simultaneously have a significant effect on Y.

H1. Internal control → perception of reduced NPL risk

Internal control is expected to have a positive effect because control activities, risk assessment, information-communication, and monitoring can reduce errors and deviations in the financing process.

H2. SOP compliance in financing → perception of reduced NPL risk

SOP compliance is expected to have a positive effect because formal procedures guide the implementation of financing to be consistent and documented. However, the effectiveness of the procedures still needs to be empirically tested.

H3. Financing monitoring → perception of reduced NPL risk

Monitoring is expected to have a positive impact because it allows for early identification of changes in customer conditions, financing usage, and payment delays.

H4. Simultaneous influence

Internal control, SOP compliance, and monitoring are expected to complement each other in managing financing risk, thereby collectively influencing the perception of AO.

METHODOLOGY

The research uses a quantitative approach with an explanatory design and cross-sectional data collection. The unit of analysis is the individual Account Officer of the Mekaar Program at the Bekasi Branch of PNM. The population consists of 695 Account Officers. The sample was calculated using the Slovin formula at a 7% error level, resulting in 157.75, which was rounded to 158 respondents. The sample was proportionally allocated to the Karawang Areas 1-5 with a distribution of 30, 35, 30, 27, and 36 respondents. The research instrument consists of 48 statements: 15 items for X1, 12 items for X2, 12 items for X3, and 9 items for Y, using a 1-5 Likert scale. The analysis includes descriptive statistics, validity, reliability, assumption tests, multiple linear regression, t-test, F-test, coefficient of determination, and standardized beta. The model equation is $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$.

Table 1. Research Variables, Indicators, And Measurement Scale

Variable	Indicators / Items	Scale
X1 Internal Control	15 items; control environment, risk assessment, control activities, information and communication, monitoring	Likert 1-5
X2 Financing SOP Compliance	12 items; SOP socialization, due diligence, verification, approval, disbursement, meeting/validation	Likert 1-5
X3 Financing Monitoring	12 items; payment monitoring, borrower/business condition, risk identification, follow-up	Likert 1-5
Y Perceived NPL Risk Reduction	9 items; payment smoothness, delays/arrears, financing quality	Likert 1-5

RESEARCH RESULT

Characteristics and Descriptive Statistics

A total of 158 AOs participated as respondents in the study. The distribution of respondents is as follows: Karawang Area 1 with 30 people (19.0%), Karawang Area 2 with 35 people (22.2%), Karawang Area 3 with 30 people (19.0%), Karawang Area 4 with 27 people (17.1%), and Karawang Area 5 with 36 people (22.8%).

Table 2. Descriptive Statistics of Research Variables

Variable	Items	Mean	Category
X1 Internal Control	15	3.929	High
X2 SOP Compliance	12	3.966	High
X3 Monitoring	12	3.821	High
Y Perceived NPL Risk Reduction	9	3.534	High

The average internal control (X1) is 3.929; compliance with financing SOP (X2) is 3.966; financing monitoring (X3) is 3.821; and the perception of reduced NPL risk (Y) is 3.534. All constructs are in the high category based on the interval 3.41–4.20. Reliability is also high, with Cronbach's Alpha X1=0.974, X2=0.982, X3=0.970, and Y=0.960.

Validity, Reliability, and Model Assumptions

All items are declared to meet the validity check based on the corrected item-total correlation. The construct reliability shows very high Cronbach's Alpha: X1=0.974; X2=0.982; X3=0.970; and Y=0.960, all above the criterion of 0.70.

Assumption testing shows that the residuals do not fully meet formal normality based on Shapiro-Wilk ($W \approx 0.950$; $p \approx 0.00002$), although the histogram and P-P plot indicate a pattern that is relatively close to normal, with a residual skewness of -0.616 and excess kurtosis of -0.056. Multicollinearity needs to be considered because VIF X1=8.305, X2=9.508, and X3=5.149. The correlation between independent variables is also high: X1-X2=0.933, X1-X3=0.873, and X2-X3=0.890. Breusch-Pagan produced LM=7.033 with $p=0.071$, indicating no evidence of heteroscedasticity at the 5% level. The Durbin-Watson statistic of 1.980 is reported as additional information because the data is cross-sectional.

Regression Results and Hypothesis Testing

The results of the multiple linear regression show the equation: $= 1.111 + 0.525X1 - 0.281X2 + 0.386X3 + e$.

Table 3. Multiple Linear Regression Results

Variable	B	SE	t	Sig.	Beta
Constant	1.111	0.713	1.558	0.121	—
X1 Internal Control	0.525	0.168	3.129	0.002	0.553
X2 SOP	-0.281	0.179	-1.567	0.119	-0.296

Compliance					
X3 Financing Monitoring	0.386	0.135	2.861	0.005	0.398

The coefficient of determination R^2 is 0.421 and the Adjusted R^2 is 0.410. The simultaneous test resulted in $F=37.297$ with $p<0.001$. Thus, the model as a whole is significant.

Table 4. Hypothesis Testing Results

Hypothesis	Relationship	Results	Decision
H1	$X1 \rightarrow Y$	$t=3.129$; $p=0.002$	Supported
H2	$X2 \rightarrow Y$	$t=-1.567$; $p=0.119$	Not supported
H3	$X3 \rightarrow Y$	$t=2.861$; $p=0.005$	Supported
H4	$X1, X2, X3 \rightarrow Y$	$F=37.297$; $p<0.001$	Supported

DISCUSSION

Internal control over the perception of NPL risk reduction

Internal control has a positive and significant effect on AO's perception of NPL risk reduction ($B=0.525$; $t=3.129$; $p=0.002$; $\beta=0.553$). This finding indicates that the better the internal control perceived by AO, the stronger the perception that NPL risk can be mitigated. The results are consistent with Agency Theory and the COSO framework, and align with Hidayat et al. (2024) and Megaputri and Astawa (2023).

Compliance with financing SOP toward the perception of reduced NPL risk

Compliance with financing SOP does not have a significant partial effect ($B=-0.281$; $t=-1.567$; $p=0.119$; $\beta=-0.296$). The negative coefficient is not interpreted as evidence that SOP compliance increases NPL risk. In the simultaneous model, X2 has the highest VIF of 9.508 and is highly correlated with X1 (0.933) and X3 (0.890). Additionally, the high mean of X2 (3.966) indicates a limited possibility of perception variation. These findings also open up the possibility of a gap between formal compliance with SOPs and the effectiveness of implementation in the field. Therefore, the evaluation of SOP should not stop at administrative compliance, but also assess the quality of its implementation.

Monitoring financing against the perception of NPL risk reduction

Monitoring financing has a positive and significant effect ($B=0.386$; $t=2.861$; $p=0.005$; $\beta=0.398$). These results indicate that monitoring payments, customer/business conditions, risk identification or early warning, and follow-up are related to the AO's perception of the reduction in NPL risk. These findings are in line with Wafula et al. (2023), Berns et al. (2021), and Uddin et al. (2022). Ba-Tri et al. (2024) show that the effectiveness of monitoring can differ between delegated monitoring and peer monitoring, so the quality of monitoring design is important to consider.

Simultaneous influence and dominant factors

Simultaneously, X1, X2, and X3 have a significant effect on Y ($F=37.297$; $p<0.001$). $R^2=0.421$ and Adjusted $R^2=0.410$ indicate that 42.1% of the variation in AO's perception of the reduction in NPL risk can be explained by the model, while 57.9% is outside the model. Based on the standardized beta, X1 has the highest value ($\beta=0.553$), followed by X3 ($\beta=0.398$) and X2 ($\beta=-0.296$), making internal control the most dominant factor in the model. This dominance is a relative contribution in the model and not evidence that X1 is the sole cause of changes in actual NPL.

CONCLUSIONS AND RECOMMENDATIONS

This research shows four main findings. First, internal control has a positive and significant effect on AO's perception of the reduction in NPL risk. Second, compliance with financing SOPs does not have a significant partial effect. Third, financing monitoring has a positive and significant effect. Fourth, the three variables simultaneously have a significant effect with a model explanatory power of 42.1%. Internal control is the most dominant factor based on a standardized beta of 0.553. The practical implication is that PNM needs to strengthen control points, verification and authorization, early warning-based monitoring, and the evaluation of SOP implementation quality. Managerial implications: (1) strengthening verification, authorization, reconciliation, and control points in the financing process; (2) weekly monitoring of delays, arrears, high-risk groups, and early warning follow-ups; (3) auditing the gap between written SOPs and their implementation; and (4) utilizing monitoring results for AO coaching and risk-based supervision prioritization.

FUTURE RESEARCH

The research uses AO perception as the dependent variable, so it has not yet measured the actual NPL outcome at the area level. The cross-sectional design limits the explanation of changes over time. The correlation between independent variables is relatively high, so the interpretation of partial coefficients needs to be cautious, especially for X2. Residuals also show deviations from formal normality. Future research is recommended to combine actual NPL data per area with AO perceptions and consider variables such as AO capacity and group characteristics as mediators or moderators, as well as using SEM-PLS or multilevel analysis if the data structure supports it.

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