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THE ROLE OF CREDIT ANALYSIS IN IMPLEMENTING RISK MANAGEMENT TO MITIGATE NPF IN FINANCING COMPANIES

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Abstract. Finance companies are financial services companies that are full of risks. Implementation of risk management for non-bank financial services institutions is regulated in POJK no. 44 of 2020, and SEOJK No. 7 of 2021. As a finance company, PT. KB Finansia Multi Finance also implements risk management which covers all ongoing business activities. The implementation of risk management at the branch level is carried out by credit analysts under the supervision of the Branch Manager and Area Credit Manager. This research was conducted at the Bekasi branch using a qualitative descriptive approach, and collecting data by interviewing 5 related respondents. Research results show that credit analysts are the leading filter in implementing credit risk management, by performing 1. 5C + 1P analysis, 2. KYC, 3. CDD, the NPF of the Bekasi Branch in the last year was an average of 1.18% with the highest NPF of 2.67%. For risk mitigation, credit analysts carry out analysis based on the principle of prudence, conduct debtor visits, coordinate with the head collection to propose credit restructuring, as well as efforts to settle credit internally.

Keywords: credit risk, credit analyst, non-performance financing, risk mitigation

I. INTRODUCTION

Indonesia's current economic growth cannot be separated from the role of the Non-Bank Financial Industry. The Non-Bank Financial Industry is a financial services company whose activities are channeling funds in the form of credit to the public. Based on the statistical reports of the Financial Services Authority or OJK, the Non-Bank Financial Industry in Indonesia has increased every year, this can be seen from the number of assets of financial institutions which continue to increase every year. According to Hermanto (2006), a country belonging to a developing country really needs credit to boost the country's economic growth. Financing companies are part of the Non-Bank Financial Industry whose activities provide credit or cash loans to the public with collateral for the owner's book of motorized vehicles, both two-wheeled and four-wheeled or more. In this case, every community member who borrows funds, the debtor is required to provide his collateral as collateral to the creditor or lender for a certain period of time according to the tenor agreed by both parties. Multifinance or multifinance companies are companies where the business is run full of risks, which in this paper is focused on discussing credit risk. Every credit that is disbursed certainly has a risk, this is what is then called Risk Credit. Based on the research results of Ahir et al., (2018) has put forward the latest uncertainty measurement method, namely the World Uncertainty Index, and the results of the study found that developed countries have a smaller level of uncertainty compared to other developing countries. As a regulatory agency, the Financial Services Authority has issued several regulations requiring finance companies or multi-finance companies to implement risk management. Implementation of risk management for non-bank financial services institutions has been regulated in POJK no. 44 of 2020, and the implementation of risk management for finance companies is regulated according to SEOJK No. 7 of 2021. In order to keep the company healthy and responsible, risk management really needs to be implemented. This risk management aims to identify every potential risk that may occur so as to minimize company losses which of course have an impact on the company's sustainability both financially and non-financially. The risk management process is an important part of risk management because it forms the foundation for risk management in a company.

In accordance with POJK No. 28 of 2020 and SEOJK No. 11 of 2020 concerning Assessment of the soundness level for finance companies, the role of credit analysts in implementing risk management for the possibility of credit risk is urgently needed, because credit analysts are the first filter that will screen and assess all credit applications submitted by the public. The low integrity of a Credit Analyst will result in low credit quality, which will have an impact on increasing the amount of Non-Performing Financing (NPF) thereby affecting the soundness rating of the Company. According to Darmawi (2014) Non Performing Financing (NPF) is credit in which the debtor cannot fulfill the terms of the credit agreement he has signed, this can be analyzed when applying for credit. Credit analysts at finance companies are known as credit analysts (CA) who have the responsibility of analyzing credit worthiness and quality to determine initial approval or rejection

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of prospective debtor credit applications, as well as calculating and analyzing potential credit risks that may arise in the process of receivables. According to Kasmir (2012) the principles of financing use the 5C principles in the analysis of financing feasibility including: character, capacity, capital, collateral, condition. In addition to the ability to think analytically so that the results of the analysis are precise and accurate so as not to cause losses, the integrity of a credit analyst is also very necessary, especially if this matter is closely related to finance.

This research uses a qualitative descriptive approach with the aim of knowing how the role of Credit Analyst is in the application of risk management in financing companies, this is because the position of credit analysts in financial services companies is very important because they are the forefront of defense that interact directly with debtors. Efforts made by branch credit analysts to maintain credit quality are part of credit risk management that may occur during credit. According to the expert's opinion, the principles of financing use the 5C principles in the analysis of financing feasibility including: character, capacity, capital, collateral, condition (Kasmir, 2012) and this is in accordance with the credit responsibility of the analyst which is of course accompanied by other methods. And efforts what credit analysts do to mitigate non - performance financing credit from credit that has been approved , is the goal of this discussion by conducting case studies at the financing company PT. KB Finansia Multi Finance.

II. RESEARCH METHODS

The method used in this research is using a qualitative descriptive approach . According to Sugiyono (2008) there are four techniques in data collection, consisting of observation, interviews, documentation, and triangulation or combined techniques . The data used in this study are primary data, namely company financial report data and secondary data (interviews) according to the research object , thus the researcher gets a clear picture of the object being studied. After the desired data is collected, an analysis is then carried out regarding the role of Credit Analyst in the application of risk management and the methods used to mitigate non-performing financing (NPF) at PT. KB Finansia Multi Finance which in this study was conducted at the Bekasi Branch Office. The choice of the Bekasi Branch is because it is the 3rd largest branch in the West Java region.

III. RESULTS AND DISCUSSION

Based on the Company's financial statements for the last 6 years (2017 – 2022), the amount of overdue financing is as table 1. The Non-Performance Financing above is the total number of non-performing financing loans in that year, where these loans become part of the financing for the reporting year and previous years which are accumulated in the reporting year for company conditions or annual financial reports.

Table 1. the amount of overdue financing

Financing	2019	2018	2017
Channeled	1,346,047,131,653	1,313,503,287,654	1,190,646,742,957
Overdues 1 - 30	73,924,644,750	69,384,793,330	65,545,411,848
Overdues 31 - 90	70,624,406,330	61,199,152,841	54,808,489,959
Overdues 91 - 120	12,411,130,834	11,309,375,118	11,595,587,587
Overdues 121 - 150	8,338,997,077	4,634,489,771	6,417,572,147
Overdues 151 - 180	3,381,880,336	487,754,363	1,980,911,637

Financing	2022	2021	2020
Channeled	2,055,185,087,948	1,646,796,976,076	1,174,482,218,167
Overdues 1 - 30	137,900,825,489	86,967,897,589	73,487,497,668
Overdues 31 - 90	135,224,896,481	94,762,618,609	79,664,542,390
Overdues 91 - 120	37,687,855,183	26,392,064,836	11,877,087,232
Overdues 121 - 150	24,501,960,877	17,972,190,149	7,155,008,523
Overdues 151 - 180	15,070,873,287	13,331,506,688	5,794,027,806

Based on the policy overview in the financial statements, the company realizes that risk is an integral part of the Company's operations and these risks can be managed practically and effectively every day, with 4 (four) main types of risk:

1. Credit risk is the risk that arises if the consumer is unable to fulfill his obligations in accordance with the agreement that has been agreed between the consumer and the Company.
2. Market risk includes risks that are mainly related to changes in interest rates, currency exchange rates which will cause a reduction in revenue, or an increase in the Company's cost of capital .
3. Liquidity risk is a risk related to the ability of the Company's sources of funds to meet its maturing obligations .
4. Operational risk is the risk that has the potential to cause operational losses due to intentional or unintentional employee errors, failure of operational systems and processes and malfunction of the internal control system in the Company's daily operations.

Risk management in the Company covers the entire scope of business activities in the Company, based on the need for a balance between business operational functions and risk management. The risk management framework is set forth in policies, procedures , transaction limits, authorities and other provisions as well as various risk management tools, which apply in all business scope activities. These policies are contained in Standard Operating Procedures, General Provisions and Decrees of the Board of Directors, and disseminated to all relevant employees. The company also implements policies regarding limits on approval or authorization for credit transactions and non-credit transactions. The Company has also implemented the Company's existing operating system into a centralized system known as CONFINS. The Company's credit risk Credit risk is the main risk because the Company is engaged in financing activities, where the Company offers credit services to people who want to own a motorized vehicle. Directly, the Company faces a risk if consumers are unable to fulfill their obligations in paying off

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loans in accordance with the agreements that have been agreed between consumers and the Company. Risk management that has been implemented by the Company for credit risk includes:

1. Handling problematic contracts that are carried out in a disciplined and proactive manner.
2. Periodic analysis of portfolio quality and preventive measures and sanctions for branches whose portfolio quality is not on target.

Based on point 2 above, Credit Analysts (CA) have an important role in maintaining the quality of the loan application portfolio. In an effort to apply prudence or credit risk management, credit analysts at PT. KB Finansia Multi Finance is required to always prioritize integrity and quality portfolio analysis. A credit analyst is also expected to be able to think broadly, especially regarding the risk of debtor default that may occur in the future for each approved credit application. The purpose of conducting a financing analysis at PT. KB Finansia Multi Finance namely for a. Assessing the feasibility of financing applications submitted by debtors to the Company, b. Obtain information whether the debtor has the will and ability to fulfill his obligations in the future, and c. Ensuring that providing financing will provide benefits to the company by taking into account the risks inherent in financing and mitigating risks during the financing process.

Implementation of Risk Management

Results of interviews with Corporate Analyst Managers, Area Credit Risk Managers, Branch Managers and Senior & Junior Credit Analysts, Bekasi Branch is the 3rd largest branch for the West Java region with a target of 5.2 billion per month and in this case the role of credit analysts in the Implementation of Credit Risk Management In order to maintain credit quality it is very important, in addition to integrity & analytical thinking when conducting a credit application feasibility analysis, a credit analyst must conduct an analysis which consists of 3 parts, namely:

1. 5C + 1P analysis

a. character

The first 5C is the character and/or background of the prospective debtor who submits a credit application. Credit Analysts will know the character of the prospective debtor through SLIK checking so that the collectibility conditions of the prospective debtor are known for the last 2 years, the amount of ongoing debt and monthly installments, and whether the prospective debtor has ever done a restructuring or not. Then the Credit Analyst conducts a Credit Check to find out in more detail the condition of the prospective debtor so that information is obtained about the credit conditions at other companies as well as the job or business conditions of the prospective debtor. Next, a trade check is carried out whether you have ever had a criminal record or bad financial habits, such as not paying off a loan.

b. capacity

The second 5C is the capacity or ability of the prospective debtor to pay off his credit. The credit analyst must analyze how the customer runs his business or how much income he receives each month. The capacity of the prospective debtor can be seen from the condition of the bank statement for the last 3 months so that the source of funds comes from which company, the frequency of credit transfers and the average balance that settles every month. However, for Business Entity consumers, an analysis of the financial statements is carried out to find out the development of the prospective debtor's business income and whether the business being carried out generates profits according to the prospective debtor's business income report.

c. Capital

The third 5C is Capital owned by prospective borrowers, which specifically applies to customers who borrow for their business or business. By knowing the capital or assets owned by the prospective debtor, it can be seen that the source of financing is owned, assets can be in the form of vehicles or the proportion of loans paid off with ongoing loans. In addition, for prospective credit business entity debtors, analysts analyze the financial statements of the business being run as a reference whether it is appropriate to give credit or not, with financial reports you can see the total assets that show the business capacity of the prospective debtor, business capital and a ratio of debt to own capital.

d. Collaterals

The fourth 5C is collateral or collateral provided by prospective borrowers when applying for credit. As the name implies, this guarantee will be a guarantor or protector for the creditor, if later the customer cannot repay the loan taken. Therefore, the credit analyst will assess the condition of the unit to be financed, whether the unit is commonly used or if there is a change in the car body and what is the ideal amount of physical or non-physical collateral for the credit provided, and the credit analyst must also consider in the event of default. what is the guarantee that withdrawals can be made.

e. Condition

The last 5C is the condition of the prospective debtor when applying for credit, such as place of work and line of business where the prospective debtor is and his position. For prospective business entity debtors, they must consider the economy, both general and specific in the field of business run by the prospective debtor, length of business of the debtor, business prospects, competitors of the prospective debtor and the method of payment of the bouwheer to the debtor. If indeed the economic conditions are not good or the customer's business sector is not promising, then the credit analyst will suggest that the prospective borrower's submission be reconsidered. As well as,

f. Porpuse

This 1P is used to determine the purpose of using funds by prospective debtors, whether for consumption, investment and business capital or working capital or something else. Thus the credit analyst can find out how it is used and the rate of return by the debtor to the creditor , and it is not used for activities that are not in accordance with its designation.

2. KYC (Know Your Customer)

Get to know your customer or KYC is a tool used and applied by credit analysts in branches to find out more about the background of prospective debtors , KYC implementation is usually used for consumers who apply for a loan of 150

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million or more. By implementing know your customer, credit analysts can assess whether the background of the prospective debtor is in accordance with the credit application being submitted. Checks can be in the form of social media, Google or other means that allow credit analysts to dig up information on prospective debtors.

3. CDD (Customer Due Diligence)

Customer due diligence is a customer due diligence where this activity is in the form of identification, verification carried out by credit analysts to ensure transactions are in accordance with the profile, characteristics and/or transaction pattern of the prospective debtor. This CDD is a continuation of KYC which aims to find information or new facts about prospective borrowers for submissions of 500 million or more, especially regarding credit applications that are unreasonable or do not match the profile of prospective debtors or credit applications with indications of money laundering or terrorist financing. This will be done if it is indicated that the prospective debtor is part of a government official's family, or a driver of a government official who is likely to commit money laundering.

Mitigation of Non-Performance Financing

In the context of implementing and implementing credit risk management, as well as the NPF mitigation stage, a credit analyst must do the three things above in order to anticipate or prevent an increase in funding that is not on target or does not match the profile of the prospective debtor, causing or resulting in an increase in the number of bad or non-performing loans. company financing. According to information compiled from the Credit Analyst Manager (ACRM) area, the most important thing for a credit analyst is integrity, credit quality will be maintained if a credit analyst maintains integrity and is not easily tempted by offers from marketing or consumers who promise a reward if a request is made. credit is approved. A credit analyst will always evaluate or review his credit performance based on credit approval at the beginning of each month. Where for non-performing loan financing that has been approved for the first 6 months installments may not be more than 5%. And from the database attached, the average non-performing financing for the Bekasi branch over the past year was 1.18% with the highest non-performing financing at 2.67%. For details as table 2.

Table 2. the average non-performing financing

NPF	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Branch	1.50	0.00	2.67	1.16	0.58	1,13
National	*5,71*	*5.88*	*6,24*	*5,25*	4.95	4.99

NPF	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Branch	0.00	1.16	1.79	1.20	1.32	0.71
National	4.72	4.74	4.37	4.66	*5,34*	*5,22*

The purpose of conducting a credit performance review that has been approved by credit analysts is to determine the failure rate of installment payments by debtors during the first 6 months since the grant of credit financing was approved by the credit analyst. As for the results that were concluded from interviews with Branch Managers, Corporate Analyst Managers and Area Credit Risk Managers, the thing that contributed most to the increase in non-performance financing was the lack of integrity of branch analyst credit when acquiring credit applications. Where the integrity in question is not conducting a credit application feasibility analysis correctly according to the SOP that applies in the company, and tends to be negligent in carrying out KYC and CDD on consumers who submit credit applications that do not match the consumer's profile.

And for credit risk mitigation, together with the mitigation that has been determined by the management, the branch too take steps to prevent or mitigate the impact of the Company's business by : a. Credit analyst in credit distribution , conduct selective analysis based on the precautionary principle. 2. Conduct visits to debtors' homes to obtain payment promises and provide warnings if payment promises are not made. 3. Credit analysts and head collections submit requests for credit restructuring for debtors affected by Covid -19 in accordance with applicable regulations and SOPs . 4 . Increasing efforts to collect and settle non-performing loans internally.

Based on the explanation above, it can be concluded that credit analysts play an active role in the implementation of credit risk management. This can be seen from the level of non-performance financing of the branch which is classified as healthy, including in carrying out the implementation of credit risk management during the acquisition process or feasibility analysis as well as mitigation or handling. to non-performing loans is also quite good. This is evidenced by the Branch Grading which has always been A for the last 1 year.

IV. CONCLUSION

Based on the regulations regulated by POJK No. 44 of 2020, and SEOJK No. 7 of 2021 , Company PT . KB Finansia Multi Finance has carried out risk management, especially credit risk . In the framework of implementing Risk Management , KB Finansia Multi Finance through credit analysts mitigates credit risk by screening credit applications submitted by the public . In this case, credit analysts carry out 5C + 1P analysis to measure Character , Capacity , Capital , Collateral , Condition and Purpose or the purpose of using funds by prospective borrowers. Know Your Customer to find out more about the background of the prospective debtor as well as Customer Due Diligence in the form of identification, verification to ensure transactions are in accordance with the profile, characteristics and/or transaction pattern of the prospective debtor. Steps to prevent or mitigate credit risk are carried out by : a. Do selective analysis based on the precautionary principle. 2. Conducting visits to the debtor's house and warning if the payment promise is not fulfilled, 3. Submitting a restructuring request for debtors affected by Covid -19. 4 . Settlement of problem loans internally. The result is that the average non-performing financing for the Bekasi branch over the past was 1.18% with the highest non-performance financing at 2.67% and the Branch Grading has always been A for the last 1 year, thus it is concluded that credit

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analysts at the Bekasi branch play an active role in implementing risk management, especially credit risk and mitigation during the credit application acquisition process as well as during the credit process.

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