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Analysis of the Implementation of Credit Risk Management at PT BPR X

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ABSTRACT
This study aims to analyze the implementation of credit risk management in a banking company, PT BPR X. The background of this research was because PT BPR X faced high non-performing loans caused by the Covid-19 pandemic and the implementation of credit risk management was not optimal. The data used in this study were obtained from interviews and documentation studies and will be described using descriptive analysis techniques. The results of this study indicate that the implementation of credit risk management at PT BPR X refers to POJK No. 13/POJK.03/2015 has not been implemented optimally. This is because each stage of the credit risk management process carried out by the Company has not fully followed what is regulated in POJK No. 13/POJK.03/2015. In addition, the Company has not set a risk appetite and risk tolerance in measuring and assessing risk. The company also has not followed up on risks that have a significant impact.

Keywords: *Risk Management, Non-Performing Loan, Credit Risk.*

1. INTRODUCTION

Almost all economic sectors have been affected by the Covid-19 pandemic, including the banking sector [14]. The economic downturn due to the Covid-19 pandemic has increased the risk of bank credit [8]. The Rural Bank (BPR) industry is currently facing a high ratio of non-performing loans (NPL). Based on data from Indonesian Banking Statistics Vol. 19 No. 10 September 2021, the average ratio of non-performing loans to rural banks nationally is 7.63% [11]. Where based on the Surat Edaran Otoritas Jasa Keuangan Nomor 1/SEOJK.03/2019 regarding the Implementation of Risk Management for Rural Banks, the ratio of non-performing loans is set at 5% [10].

Credit risk is one of the risks faced by BPR related to the problem of high non-performing loans. According to POJK No. 13/POJK.03/2015, credit risk is the risk that occurs because the debtor and/or other parties fail to fulfill their obligations to the BPR [9]. The purpose of implementing risk management on credit risk is to ensure that BPR fund procurement activities are not reflected in credit risk that can cause losses to BPR [10]. Risk management is one of the efforts made by the company to manage the risks it faces. Risk management in BPR is a series of procedures that are applied to identify, measure, monitor, and manage risks that occur from the overall BPR business activities [9].

Adequate credit risk management in financial institutions is essential for the survival and growth of financial institutions. The implementation of credit risk management has become a major need and concern for BPR in managing credit risk. In line with the regulations of the Otoritas Jasa Keuangan (OJK), it also pays attention to situations and conditions where BPR credit risk is getting higher. According to the Peraturan Otoritas Jasa Keuangan Nomor 13/POJK.03/2015 regarding the Implementation of Risk Management for Rural Banks, it is explained that the risks that must be managed in the application of risk management include credit risk, operational risk, compliance risk, liquidity risk, reputational risk, and strategic risk. In the Covid-19 pandemic situation, banks face three major risks, namely bad credit, market risk, and liquidity risk [18]. Credit risk is still the main risk due to the increase in the ratio of non-performing loans experienced by almost all banks during the Covid-19 pandemic due to many debtors whose business was disrupted [15]. The implementation of credit risk management is expected to have a positive impact on BPR internals, to ensure that BPRs always have resilience in various situations. Credit risk management is an effective and efficient structure to regulate and supervise the organization as well as achieve a strategy to create synergies in risk management activities [13].

PT BPR X is currently facing high non-performing loans during the Covid-19 pandemic where during the Covid-19 pandemic many debtors had difficulty fulfilling their obligations. Based on data from the financial statements of PT BPR X, the percentage of PT BPR X's NPL in 2020 is 6.97%. When compared to before the Covid-19 pandemic, in 2019, there was an increase in the percentage of NPL by 1.61% where in 2019 the percentage of PT BPR X's NPL was 5.36% [12]. The NPL ratio of PT BPR X also exceeds the maximum limit set by SE OJK Number 1/SEOJK.03/2019 regarding the Application of Risk Management for Rural Banks, which is a maximum of 5%. According to the management of PT BPR X, credit risk is the most prioritized risk in the company's risk management. This is because the high number of non-performing loans is a credit risk that must be managed. High non-performing loans can have an impact on the company's performance which will cause a decrease in bank profits or even cause losses for the bank itself. In implementing risk management, PT BPR X refers to the POJK No. 13/POJK.03/2015 regarding the Implementation of Risk Management for Rural Banks. The company management also realizes that the application of credit risk management at PT BPR X is still not carried out optimally, because PT BPR X does not yet have an adequate risk management information system to support the implementation of risk management, so this is also a factor in the high number of non-performing loans because the company has not able to manage credit risk well. Therefore, the research question in this study is how to analyze the implementation of credit risk management at PT BPR X.

2. LITERATURE REVIEW

2.1. Non-Performing Loan

A non-performing loan (NPL) is a loan in which the borrower is in default and they have not made payments of both principal and interest according to a set schedule for a certain period. In banking, commercial loans are considered non-performing if the debtor does not make interest or principal payments within 90 days or due in 90 days. For consumer loans, the term is 180 days. If it is past due, it is classified as non-performing [16].

Banks must pay attention to the principle of providing credit to prevent non-performing loans. These principles are known as the 5C and 7P Principles. According to Segal & Johnson [17], the 5C Principles in credit are used as a system by lenders to measure the creditworthiness of prospective debtors. The system measures five characteristics of the debtor and the condition of the loan, attempting to estimate the probability of default and, consequently, the risk of financial loss for the lender. 5C in credit consists of character, capacity, capital, collateral, and conditions. Meanwhile, the 7P principles are substantially the same, both aim to ensure the decision to grant credit to prospective debtors who apply for credit. These 7Ps include personality, party, purpose, prospect, payment, profitability, and protection [6].

2.2. Risk

COSO views risk as an event that may occur and have a negative impact on the achievement of organizational goals. Risk according to [2] is a consideration in many strategy-setting processes. However, risk is often evaluated primarily in relation to the potential impact of a defined strategy. According to [7] risk is uncertainty that has an impact on organizational goals. Based on the three definitions of risk above, it can be concluded that risk is the possibility that an event will occur and affect the achievement of an organization's strategy and goals.

Risk in the banking context is a potential event, both predictable and unpredictable, which has a negative impact on the bank's income and capital. The estimated risk or expected loss has been calculated as part of the costs of running a business [5]. The Company realizes that in carrying out its business activities, it will face business risks that can arise at any time as a result of internal or external factors that can ultimately affect the Company's revenue. However, so that the risk does not interfere with the sustainability of the organization or company, the risk must be managed by being identified, measured, monitored, and controlled. The point is to be able to minimize threats and achieve the company's goals, namely to become a healthy BPR that is able to generate profits and make credit facilities productive by maintaining NPL at a maximum ratio of 5% [12].

2.3. Credit Risk Management

Risk management is a series of activities to identify and measure risks that affect the value of the company as well as the formulation and implementation of corporate strategies in maximizing company value. In the application of risk management, there is a standard commonly known and used as a reference, namely COSO Enterprise Risk Management. COSO defines Enterprise Risk Management (ERM) as a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives [1].

[3] explains that COSO ERM – Integrating with Strategy and Performance 2017 presents five fundamental components to be fulfilled by every organization that wants to manage its risks, strategies, and performance results. The five components are: (1) Governance and organizational culture that can support the implementation of organizational strategy and efforts to achieve its performance; (2) Formulation and determination of organizational strategy and objectives that link ERM with the organization's business strategies and objectives in the strategic planning process; (3) Performance that considers risk before executing business strategy. This means that there must be a risk assessment (identification, assessment, and risk management) so that the business objectives and performance to be achieved can be more trusted. Risk management related to this strategy and performance must be comprehensive and with the right risk portfolio and risk appetite; (4) Review and revision of ERM to ensure whether ERM is connected and able to provide value in the planning cycle to the achievement of organizational strategies and goals; (5) Effective information and communication and reporting to all levels and levels of the organization in accordance with the level of information needed by each quickly, accurately, and completely.

2.4. Risk Management according to POJK No. 13/POJK.03/2015

In terms of implementing risk management, PT BPR X refers to the POJK No. 13/POJK.03/2015 regarding the Implementation of Risk Management for Rural Banks. The risk management process regulated in POJK is actually in line with what is stated in COSO ERM. The credit risk management process based on the POJK No. 13/POJK.03/2015 consists of identifying credit risk, measuring credit risk, monitoring credit risk, controlling credit risk, and a risk management information system.

2.4.1. Credit Risk Identification

BPR must identify the inherent credit risk in all products and activities. The credit risk identification is the result of a study of the credit risk characteristics inherent in certain functional activities such as lending and placements with other banks. Credit risk assessment must pay attention to the debtor's financial condition, ability to pay on time, and the guarantee or collateral provided. In identifying credit risk, it is necessary to consider factors that may affect the level of credit risk in the future, such as possible changes in economic conditions, including changes due to natural disasters and government policies. In identifying credit risk, it is also necessary to consider the results of the credit quality assessment based on an analysis of the accuracy of payments, the sustainability of debtor payments, and the debtor's compliance with credit agreements [10].

2.4.2. Credit Risk Measurement

In measuring credit risk, companies must be able to determine the risk exposure of competitors, both banks and non-banks. The different categories of credit risk levels are assessed using a combination of qualitative and quantitative aspects of data and the selection of certain criteria. In measuring credit risk, companies can use credit scoring tools which are one of the statistical or probabilistic methodologies for measuring risk. If the risk exposure is large or the transactions that occur are relatively complex, the credit risk transaction decision-making process is not only based on the system but must also be supported by other credit risk measurement tools [10].

2.4.3. Credit Risk Monitoring

Information systems and procedures need to be developed and implemented comprehensively by the company to monitor the composition and condition of competitors for the entire company's credit portfolio. The procedures carried out in monitoring must be able to identify problematic assets and other transactions that ensure that the problematic assets are a concern and rescue actions for these troubled assets. The credit risk monitoring system is carried out to ensure that the company knows the competitors' latest financial conditions, monitors compliance with the requirements in the credit agreement, evaluates the feasibility of collateral, identifies inaccuracies in payments by debtors, classifies non-performing loans in a timely manner, performs prompt handling of non-performing loans, and identify the level of credit risk comprehensively [10].

2.4.4. Credit Risk Control

Credit risk control can be implemented through risk mitigation, determining the level of authority in the approval process for the provision of funds, and analyzing credit concentration on a regular basis. Companies need to ensure that employees who handle credit and other employees who carry out transactions that are affected by credit risk have carried out their functions adequately and maintain credit risk exposure so that they remain consistent with the established limits and comply with the precautionary principle. The company's system must be effective in detecting non-performing loans so that they can be followed up immediately. The company must also perform a segregation of duties for employees who handle the settlement of non-performing loans with employees who handle the credit breaker function. BPR with core capital above Rp80,000,000,000.00 (eighty billion rupiahs) must separate the function of resolving non-performing loans from the function of credit severing. The results of handling non-performing loans are administered and then used as input for the benefit of the work unit that functions to distribute or restructure credit [10].

2.4.5. Risk Management Information System

The company must have a risk management information system that provides accurate, complete, and up-to-date reports and data to support the Board of Directors and other officials in making decisions. This is done in order to improve the effectiveness of the credit risk measurement process. The risk management information system must produce reports or information that can be used to monitor the actual exposure to the specified limit and the exceeded risk limit exposure that needs to be a concern for the Board of Directors. The risk management information system must also provide accurate and timely data regarding the total number of competitors' credit exposures, credit portfolios, as well as credit risk limit exception reports. Companies must have a risk management information system that allows the Board of Directors to identify the concentration of risk in the credit portfolio [10].

3. RESEARCH METHODOLOGY

This study uses a single unit analysis conducted in one of the banking companies, namely PT BPR X. PT BPR X was chosen because it can help to answer the research question regarding the implementation of credit risk management. This research uses a case study approach. The case studies analyzed are regarding the implementation of corporate credit risk management to minimize non-performing loans and efforts to improve company performance during the Covid-19 pandemic.

In this study, the data were obtained through interviews and documentation studies. In practice, the interview technique used is a semi-structured interview. Semi-structured interviews are used because they are very suitable for qualitative research where researchers can explore a particular topic or phenomenon that concern [4]. The data sources used in this paper are primary data and secondary data. The primary data used is the result of interviews from the resource persons of PT BPR X. The technique of selecting the sources is by purposive sampling, namely based on certain considerations, where that the informants are considered to be the most knowledgeable about the problems being studied. The respondents for PT BPR X who will be interviewed are the Director of Compliance and the Head of the Credit Division. These respondents were selected in order to provide information to be able to answer the formulation of the problems in this research and are expected to provide accurate data for analysis related to the implementation of the Company's credit risk management.

The secondary data used in this study are the Risk Profile Report of PT BPR X, the Financial Statements and Annual Reports, also the SOP for the Lending Process. This secondary data is used as supporting data in data analysis. The study will conduct an in-depth descriptive analysis to understand the phenomena that occur in the process of implementing credit risk management at PT BPR X. The analysis is carried out by referring to POJK No. 13/POJK.03/2015 because PT BPR X in implementing its risk management refers to POJK No. 13/POJK.03/2015.

4. RESULT

4.1. Interview

Interviews in this study used a semi-structured interview technique conducted to two respondents of PT BPR X, namely the Director of Compliance as Respondent 1 and Head of Credit Division as Respondent 2. Respondent 1 and Respondent 2 explained that the high number of non-performing loans being faced by PT BPR X most likely caused by external factors, namely the Covid-19 pandemic which has an impact on almost all economic sectors. The decline in economic activity can increase the NPL ratio. However, the Company still recorded a positive performance during the Covid-19 pandemic. This is reflected in the Company's credit growth. Efforts made by the Company, namely the company carried out a pick-up strategy, although there were limitations during the COVID-19 pandemic, namely limitations in social interaction, the Company still intensely came to the house of one of the groups of prospective customers. Respondent 2 said that to minimize the emergence of non-performing loans, credit analysis was carried out in credit analysis based on the 5C principles, namely Character, Capability, Capital, Condition, and Collateral. Respondent 2 said that during the COVID-19 pandemic situation, PT BPR X was very careful in distributing credit to maintain its liquidity. From the 5C principle, the respondent also said that the condition and character principles are often an indication of the emergence of non-performing loans. Non-performing loans can be caused if the 5C analysis is weak. Respondent 2 also said that PT BPR X did not apply the 7P analysis because PT BPR X was not familiar with credit analysis using 7P.

High non-performing loans are a concern for the Company to be followed up by performing credit risk management. Respondent 1 explained that PT BPR X has implemented risk management. In its implementation, PT BPR X refers to POJK No. 13/POJK.03/2015 regarding the Implementation of Risk Management for Rural Banks. PT BPR X has only submitted a risk profile report to OJK regarding credit risk because the core capital owned by PT BPR X is less than Rp. 15,000,000,000.00 (fifteen billion rupiah), while for other risks such as operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk have not yet been assessed by PT BPR X. Respondent 1 said that the actual implementation of credit risk management at PT BPR X is still not optimal. In addition, Respondent 1 also stated that PT BPR X has not set risk limits for risk appetite and risk tolerance. In the credit risk management process of PT BPR X, credit risk identification is carried out by analyzing customer credit applications. Then the measurement of credit risk using the main indicators that show the quality of the debtor's credit such as the ratio of non-performing loans (NPL). Furthermore, credit risk control can be carried out by risk mitigation, namely by conducting a 5C analysis in the customer's credit approval application. Then the monitoring of credit risk is carried out periodically by taking into account the movement of NPLs.

4.2. Documentation

The second method used in this research is documentation. Documentation is data collection by viewing or analyzing documents to obtain data or information related to the problems studied in this paper, namely the implementation of risk management. The documents obtained are the Risk Profile Report of PT BPR X, Financial Statements and Annual Reports, as well as SOPs for the Lending Process.

Table 1. PT BPR X's NPL Percentage

Year	Total NPL (in IDR)	Total Credit (in IDR)	NPL (%)
2019	801,321,635	14,941,631,693	5.36%
2020	1,087,112,600	15,603,670,475	6.97%

Based on the documentation results, the findings obtained are an increase in the NPL ratio seen from the financial statements of BPR X which are described in Table 1. The percentage of NPLs is also above the maximum limit set by the OJK, which is five percent.

5. DISCUSSION

5.1. Credit Risk Management Process Performed by PT BPR X refers to POJK No. 13/POJK.03/2015

The credit risk management process carried out by PT BPR X refers to the [9]. The following is an assessment of whether the credit risk management process implemented is in accordance with POJK No. 13/POJK.03/2015.

5.1.1. Credit Risk Identification

According to POJK No. 13/POJK.03/2015, credit identification needs to consider factors that can affect the level of credit risk in the future, such as the possibility of changes in economic conditions, including changes due to natural disasters and government policies. In addition, the identification of credit risk also needs to consider the results of the credit quality assessment based on an analysis of the accuracy of payments, the sustainability of debtor payments, and the debtor's compliance with credit agreements.

In the implementation at PT BPR X, the Company has identified the biggest factors that affect credit risk. These factors include the debtor's deteriorating financial condition, bad customer character, and customer disasters. The company has also analyzed credit quality based on the NPL ratio analysis. Therefore, it can be concluded that PT BPR X is in accordance with POJK No. 13/POJK.03/2015 in identifying credit risk.

5.1.2. Credit Risk Measurement

According to POJK No. 13/POJK.03/2015, the credit risk measurement system at least considers:

1) Characteristics of each type of transaction that is affected by credit risk.
2) The financial condition of the counterparty (bank and non-bank) as well as the terms in the credit agreement such as the interest rate.
3) The term of credit is related to the potential changes that occur in the market.
4) Aspects of collateral and/or collateral.
5) Potential for default.
6) BPR's ability to absorb potential failures.

In using the system to measure credit risk, BPR periodically evaluates the accuracy of the models and assumptions used to project failures and adjusts assumptions to changes in internal and external conditions.

In the implementation at PT BPR X, the credit risk measurement model used is by measuring the ratio of productive assets to total assets, the NPL ratio, the ratio of the 25 largest debtors, the ratio of foreclosed collateral to total loans, and the measurement of credit terms. The credit risk measurement used by PT BPR X is not in accordance with the credit measurement system regulated in POJK No. 13/POJK.03/2015. And PT BPR X also does not periodically evaluate the accuracy of the credit risk measurement model.

5.1.3. Credit Risk Monitoring

According to POJK No. 13/POJK.03/2015, BPR must monitor credit risk exposure compared to the credit risk limit that has been set. Monitoring of credit risk exposure must be carried out on an ongoing basis by comparing the actual credit risk with the established credit risk limit. SKMR or PEMR prepare reports on the development of credit risk on a regular basis including the causal factors which are submitted to the members of the Board of Directors in charge of the Risk Management function and the Risk Management Committee if any.

In the implementation at PT BPR X, risk monitoring is only done by analyzing the movement of the NPL ratio. PT BPR X has not set a limit on credit risk. Therefore, it can be concluded that the credit risk monitoring process carried out by PT BPR X is not in accordance with POJK No. 13/POJK.03/2015.

5.1.4. Credit Risk Control

According to POJK No. 13/POJK.03/2015, in controlling credit risk, BPR ensures that the work unit or employees who handle credit and other work units that carry out transactions that are affected by credit risk have functioned adequately and credit risk exposure is kept consistent with the established limits and comply with the precautionary principle. BPR has an effective system to detect non-performing loans so that they can be followed up immediately. Credit risk control can be carried out through risk mitigation and analysis of credit concentration on a regular basis.

In the implementation at PT BPR X, credit risk control is carried out by mitigating credit risk, namely by conducting a 5C analysis on the credit application approval process by customers. However, the Company does not yet have an effective system to detect non-performing loans for follow-up. Therefore, it can be concluded that the credit risk control process carried out by PT BPR X is not in accordance with POJK No. 13/POJK.03/2015.

5.1.5. Risk Management Information System

According to POJK No. 13/POJK.03/2015, in order to improve the effectiveness of the credit risk measurement process, BPR must have a risk management information system that provides complete, accurate, current and complete reports and data to support decision making by the Board of Directors and other officials. The risk management information system must produce reports or information in the context of monitoring the actual exposure to the specified limit and exceeding the risk limit exposure that needs the attention of the Board of Directors. The risk management information system must provide accurate and timely data regarding the total credit exposure of counterparties (banks and non-banks), credit portfolios, as well as reports on exceptions to credit risk limits. BPR must have a risk management information system that allows the Board of Directors to identify the concentration of risk in the credit portfolio.

PT BPR X does not yet have an adequate risk management information system. So that the Company has not been able to provide complete, accurate, current, and complete data and information. This is a weakness for PT BPR X in implementing the risk management process.

5.2. Analysis of Risk Management Implementation according to POJK No. 13/POJK.03/2015

1. The Board of Directors has not developed the established risk management framework and the Board of Commissioners has not actively supervised the implementation of risk management and risk mitigation, as well as developing a risk management culture in BPR. The risk management framework that has not been prepared by the Board of Directors and the lack of supervision over the implementation of risk management by the Board of Commissioners will have an impact on the quality of the implementation of risk management by the Company. The Board of Directors needs to develop policies and guidelines for implementing risk management including a written risk management framework, ensuring that significant risk impacts have been followed up, and developing a risk management culture at all levels of the organization regarding risk management principles, including developing a risk-aware culture and the importance of effective internal control. Meanwhile, the Board of Commissioners must evaluate the accountability of the Board of Directors for the implementation of Risk Management policies.

2. The organizational structure at PT BPR X is adequate, and the Company has also assigned duties and responsibilities to each unit, but the quality of human resources is still lacking in supporting the implementation of effective risk management. The low quality of human resources will increase the Company's risk. The Board of Directors needs to establish clear HR qualifications for each level of position related to the implementation of risk management, ensure the improvement of the competence and integrity of the leadership and personal of the business work unit, SKMR or PEMR, and the Internal Audit Unit (SKAI) or Executive Officer who handles the internal audit function. , taking into account factors such as adequate knowledge, experience, and ability in the field of risk management through continuous education and training programs to ensure the effectiveness of the risk management process.

3. The risk disclosure culture in the Company is still weak and has not been properly internalized at all levels of the organization. Weak risk disclosure in the Company will result in risks not being identified quickly and cannot be immediately mitigated. Companies need to improve the effectiveness of the risk disclosure culture in the overall BPR organization to identify risks quickly and mitigate them appropriately.

4. Risk awareness culture and commitment in managing risk have not yet been developed. Not developing a risk-aware culture will have an impact on poor risk management. The Board of Directors and the Board of Commissioners must be committed to implementing a risk culture to maintain commitment and ensure that the risk culture policy is understood and implemented by all management and employees of the company, the strategy for implementing the risk culture must be in line with the strategy for implementing the company's risk management. The company can also set a risk culture implementation roadmap annually according to the maturity level to be achieved, monitor the risk culture implementation by measuring the risk culture maturity level.

5. The quantity of the Company's HR is very limited due to the small scope of the Company and the quality of HR related to the implementation of risk management is still low. The low quality of human resources will increase the Company's risk. The Board of Directors needs to develop an employee recruitment, development and training system including a managerial succession plan and adequate remuneration to ensure the availability of competent employees in the field of risk management.

6. Implementation of the Company's risk management is still not in accordance with business characteristics, complexity of business activities, and risk profile. New companies only report their risk profile on credit risk. Insufficient implementation of risk management can result in not being identified and not mitigating other inherent risks. The Board of Commissioners needs to supervise the implementation of risk management, and the Board of Directors must be able to identify and manage the Company's other risks, such as operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk in accordance with business characteristics and business complexity.

7. The company has not determined risk appetite and risk tolerance in the implementation of risk management. The absence of a risk appetite and risk tolerance setting will result in an inappropriate risk assessment. The company must immediately determine the risk appetite to find out how much risk limit must be taken and risk tolerance to find out what level of risk the company does not want to exceed in order to achieve organizational goals.

8. The company has not evaluated its risk management strategies. Strategies that are not evaluated will have an impact on not achieving the Company's mission and vision. Inappropriate strategies can increase the risk to stakeholders by affecting the value of the organization and its reputation. Companies need to evaluate strategies so that they can be adjusted to the company's vision, mission, and core values.

9. The company has not considered the strategy and business objectives in taking risks, because the company has not set a risk limit. Business objectives that are not aligned with the strategy will not support the achievement of the mission and vision and may pose unnecessary risks to the Company's risk profile. Companies need to align business goals with strategies to support the Company in achieving its vision and mission.

10. The company only identifies credit risk, while other inherent risks such as operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk have not been identified. Other inherent risks that are not identified will increase these risks because no mitigation is carried out. Companies need to identify all inherent risks. The risk identification process must be carried out periodically. The implementation of the risk identification process is carried out through an analysis of all sources of risk.

11. The company has a risk measurement model in measuring risk, but no adjustments have been made to the risk measurement process. Risk measurement that is not adjusted will have an impact on an inappropriate risk assessment. Companies need to evaluate related to the preparation and/or determination in the context of risk measurement in accordance with business developments, internal and external conditions of the BPR which can directly affect the condition of the BPR.

12. The company has not determined the risk limit that is used as the threshold to determine the prioritized risk. Risk limits that have not been set will result in high-risk exposure of the Company. The company also cannot determine exactly which risks are prioritized. BPR must set a risk limit that is in accordance with the level of risk to be taken, risk tolerance, and the BPR's business strategy by taking into account the ability of the BPR's capital to be able to absorb the risk exposure or losses that arise.

13. The company has not determined the risk limit used as risk mitigation and risk response. Risk limits that have not been set will result in high-risk exposure of the Company. BPR must set a risk limit that is in accordance with the level of risk to be taken, risk tolerance, and the BPR business strategy by taking into account the ability of the BPR's capital to be able to absorb the risk exposure or losses that arise, so that the

prioritized risks can be mitigated and responded properly.

14. The company has compiled and submitted a risk profile report (only for credit risk) to OJK every six months. The absence of a portfolio of other risks other than credit risk allows Management to be unable to consider the type and severity of risk. Companies need to compile a portfolio for and report a risk profile on other inherent risks such as operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk.

15. The company has not conducted regular evaluations of the risk management policy in the event of a change that significantly affects the business activities of the RB. Risk management policies that are not evaluated regularly in the event that there are changes that affect the BPR's business activities will have an impact on not achieving the Company's objectives. Companies need to evaluate and consider how changes can affect the company's risk management and the achievement of business strategies and objectives.

16. In implementing risk management, the Company only identifies external factors that can increase credit risk, such as deteriorating debtor financial conditions, bad customer character, and customer disasters. Internal factors that are not identified will result in risks that cannot be properly mitigated and will affect the Company's performance. Companies need to identify factors that can increase risk in addition to external factors and can detect the root causes of BPR problems early and take preventive and corrective steps effectively and efficiently to improve performance.

17. The Board of Commissioners has not conducted regular evaluations of the implementation of risk management policies. Implementation of risk management policies that are not evaluated regularly will have an impact on the poor quality of the Company's risk management implementation. The Board of Commissioners needs to conduct regular evaluations and Management needs to pursue continuous improvement across all entities (functions, operating units, divisions) to improve the efficiency and usefulness of corporate risk management at all levels.

18. The Company does not yet have an adequate management information system to support the implementation of the Company's risk management. The absence of an adequate management information system will have an impact on management decision making because the information obtained does not provide complete, accurate, current, and complete information. Companies must immediately develop adequate technology and information systems in order to implement effective Risk Management. The Risk Management information system is used to support the implementation of risk identification, measurement, monitoring and control processes.

19. Management has communicated and submitted reports to the Board of Commissioners regarding risks but this has not been done regularly. Reports related to risk that are not communicated and submitted regularly will result in not conducting periodic evaluations. Effective communication is very important for the Company to achieve business strategies and objectives. Management needs to communicate risks on a regular basis so that they can be followed up immediately.

20. The company submits a risk profile report on credit risk to OJK every semester. However, because the Company does not yet have a risk management information system, so that the information submitted is not fully complete and accurate. Companies need to submit risk profile reports or other inherent risks to OJK and must have an adequate risk management information system for reporting purposes so that they can be communicated to interested parties for decision making.

6. CONCLUSION

This study aims to analyze the implementation of credit risk management at PT Bank Perkreditan Rakyat X. This research was conducted due to problems related to high non-performing loans faced by the company. This research uses interview instruments and documentation studies to investigate these problems.

The high number of non-performing loans currently faced by PT BPR X is due to the Covid-19 pandemic situation which has an impact on almost all economic sectors. Where this has an impact on the debtor's business, so that debtors find it difficult to fulfill their obligations to PT BPR X. Apart from being caused by the Covid-19 pandemic, it is also caused by the implementation of PT BPR X's credit risk management that has not been maximized, so the Company has not been able to manage credit risk properly in order to minimize the high number of non-performing loans and to improve performance.

PT BPR X's credit risk management process is carried out in four stages, namely credit risk identification, credit risk measurement, credit risk control, and credit risk monitoring. Meanwhile, according to POJK No. 13/POJK.03/2015, the credit risk management process is carried out in five stages, namely credit risk identification, credit risk measurement, credit risk monitoring, credit risk control, and a risk management information system. PT BPR X has not carried out risk management on the information system, because the Company does not yet have a risk management information system.

The results of this study indicate that the implementation of credit risk management at PT BPR X refers to POJK No. 13/POJK.03/2015 has not been implemented optimally. This is because each stage of the credit risk management process carried out by the Company has not fully complied with the POJK No. 13/POJK.03/2015. From the five stages of the risk management process regulated by OJK, only the risk identification process is in accordance with POJK No. 13/POJK.03/2015, while the other four stages, namely risk measurement, risk control, risk monitoring, and risk management information systems have not been carried out in accordance with POJK No. 13/POJK.03/2015. 13/POJK.03/2015. The company also has not set a risk appetite and risk tolerance in measuring and assessing risk. The company also has not followed up on risks that have a significant impact. Then the Company also has not developed a management information system which is important for the effectiveness of the credit risk measurement process. The company must have a risk management information system that provides complete, accurate, current, and complete reports and data to support decision making by the Board of Directors and other officials.

The limitation of this study is that this study is only limited to discussing credit risk management, because the company has only implemented credit risk management, while in the POJK No. 13/POJK.03/2015 regarding the Implementation of Risk Management for Rural Banks, it is explained that the risks involved must be managed in the application of Risk Management including credit risk, operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk.

Further research should also examine other risks such as operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk that have not been studied in this study, so that it can provide a maximum research results related to risk management at Rural Banks thoroughly in accordance with POJK No. 13/POJK.03/2015. Further research is expected to be able to analyze risk management through other banking standards, namely the Basel Standard in order to be able to analyze more broadly related to the process of implementing corporate risk management in banking.

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