The Analysis of Risk Level Effect on Credit Decision Making

Nurul Ilmi Hairullah[1*], Muhammad Sobarsyah[2], Andi Aswan[3]
[1]PPS Pasca Sarjana Fakultas Ekonomi Dan Bisnis Universitas Hasanuddin
[2,3]Magister Manajemen Fakultas Ekonomi Universitas Hasanuddin
[1]Email: nurulilmihairullah@gmail.com; [2]Email: msobarsyah@gmail.com ; [3]Email: andiaswanp@yahoo.com
Corresponding Author*

Abstrack. The study aims to determine the risk level of credit decision making. The research is descriptive qualitative. The research is conducted in PT. Bank Rakyat Indonesia (Persero) Tbk. Makassar. Methods of collecting data uses library research method and field research method. The research data uses qualitative data obtained from the results of literature study. In addition to qualitative data, it is also used financial reports for three years. The results of this research indicated that to anticipate non-performing loans, the specifications of prospective debtors were carried out in each credit-granting process. In granting credit, the specifications for the prospective debtor must be carried out.

Keywords: *influence; levels of risk; credit grant*

INTRODUCTION

Banking institutions are some of the institutions that play an important role in the economy. This can be seen from the improvement, growth and development of development in all aspects of life, especially the improvement in the economic sector. The business function of the bank is growing with the increasing demand for financial services and consulting for the effective use of public funds. Banks do not only function as a means of providing funds, but also function as liquidity for other business groups.

The role of banks in Indonesia's national development is something that is understood to be able to determine the position of banks within the scope of society. Therefore, the situation in which a bank carries out activities and develops itself needs to be specifically understood. Banks are born, grow and develop from, by, and for the community.

The public needs to protect the continuity of the bank based on the laws and regulations. The credit sector is one of the most important instruments in the banking operational system considering that credit is the main source of income for banks. As an instrument that greatly determines the progress of a bank, the sector that is considered vital, this has always been the centre of concentration for banking management in determining all strategic steps to maintain volume growth, smoothness and achieving optimal productivity levels from loans while taking into account the existing risk level.

The main source of revenue from banks comes from lending. Each credit facility has a possible level of realization of payment of benefits or interest from the principal of the loan by the customer based on the product assets. Based on the fact that not all loans can be returned perfectly and on time by customers who use bank services. This means that there is a risk known as credit risk where credit risk can occur in every bank.

All banks will face various risks so banks are required to implement effective risk management. If risk is not detected and managed properly, it will cause a contraction in bank activity, a decrease in output, and the imposition of large costs for the smooth running of the economy in a country (Joseph et al., 2012).

Credit risk can occur due to the customer's inability to pay his obligations within the period specified in the loan agreement by the Bank to the customer. Such as payment of loan principal, interest payments and others that are not following a predetermined time, if not managed properly it will result in non-performing loans. non-performing loan) which is getting bigger so that it will have an impact on banking conditions which in the end can also affect the profitability assessment of the bank (Heru Saptono: 2008).

Apart from the customer's inability to pay the agreed instalments and interest based on the bank's provisions in the credit agreement, it is also due to the level of the prudence of the lender in extending credit. Therefore, an adequate analysis is needed in providing credit to customers in channelling credit.

The possible risks that will be faced by banks are stated in the regulation issued by Bank Indonesia No.15/2/PBI/2013 that one of the criteria of a bank that has the potential for difficulties that can endanger its business continuity is a bank with a ratio of credit. Credit risk is the most serious risk in banking. If banks are not careful and thorough in distributing credit to debtors. (Mahendra & Mahardika, 2019).

World banking identical with credit, where the bank is a financial institution business where to borrow money, in addition to its function as a place to store funds. Credit distribution is the heart of the bank with a fairly high risk, especially facing non-performing loans and bad loans. Under such complex conditions, banks are required to have sharp analytical skills and must be able to quickly identify the problems faced by their customers.

Therefore, the selection of really qualified customers in lending to the public will greatly support the smooth functioning of the business of both parties.has an impact on decreasing credit distribution because the high number of non-performing loans causes banks to be reluctant to increase the amount of credit to be channelled Ok.taviantari & Wiagustini (2013).

Giving credit is inseparable from credit risk. The party providing credit, in this case, the bank, is inseparable from the risk that must be borne in providing credit so that required existence policy broad credit line to maintain the position of funds and liquidity. From the description above, banking management is required to be careful by considering the security of credit facilities that must be given to creditors. The credit given must be truly guaranteed so that the expected goal, in this case, is to obtain profits that can be achieved optimally with a minimal level of risk.

Non-performing loans for banks are not a foreign thing because it is a risk that has been calculated previously by banks. However, this becomes a problem for banks if the number of bad loans has exceeded the limits of healthy lending. Some of the bank losses experienced when the bank has bad credit include: (Nugroho, 2018). Banks do not receive interest on loans that have been disbursed, on the other hand, banks still have to pay interest to the public who deposit their funds at the bank concerned; 2). Bank need to form a backup of the deletion that large enough; 3). Loss of opportunity to rotate funds to other debtors.

With the provision of credit by the bank, the bank will market the products and services in the bank. The products and services at BRI are savings, time deposits, certificates of deposit, transfers, bank guarantees, letters of credit, and so forth. The types of products that banks provide to creditors are based on risk analysis and considerations.

Credit analysis or credit assessment is a process intended to analyze or assess a credit application submitted by a prospective credit debtor to provide confidence to the bank that the project to be financed with bank credit is adequate.

Credit analysis can be prevented early the possibility of occurrence default by prospective debtors. Default is the failure of the customer to fulfil his obligations to pay off the credit he received (principal instalments) along with the interest that has been agreed upon and has been mutually agreed upon (for example, a credit contract made before a notary public).

RESEARCH METHODS

This type of research uses descriptive qualitative research. This research was conducted by PT. Bank Rakyat Indonesia (Persero) Tbk. Makassar Branch. Data collection methods use library research methods and field research methods (Sugiono 2017). The data used in this study uses qualitative data obtained from the results of a literature study. In addition to qualitative data, it also uses quantitative data, namely data in the form of reports financial statements for three years, namely 2008 to 2009.

Sources of data used in this study use primary data, namely data obtained from direct interviews with the management of PT. Bank Rakyat Indonesia (Persero) Tbk Makassar Branch. Secondary data is data obtained from written information and documentation about the state of the company. The analytical method used is descriptive qualitative. This analysis aims to systematically explain the level of risk to BRI lending decision making.

RESULTS AND DISCUSSION

The results of this study are described as follows.

1. Services at PT Bank Rakyat Indonesia (Persero) Tbk. Makassar Branch

As is known, as with other financial intermediaries, banks whose existence is recognized by the government function to channel credit and provide service products to people who need them. A bank whose function is to channel credit which is one of the facilities to obtain a loan of money that must be paid later according to the conditions stipulated in a form of a credit agreement. However, the bank as the lender is not easy to lend money to a prospective debtor without being supported by objects that can be used as collateral to pay off debtors' debts in the future.

The products/services available at PT Bank Rakyat Indonesia (Persero) Tbk Ahmad Yani Makassar Branch are one of the activities carried out / managed by the bank which is the bank's efforts to collect funds from the public then the bank distributes it back to the community in the form of loans (credit). carried out in a systematic and targeted manner.

The marketing system of banking services is carried out by PT Bank Rakyat Indonesia (Persero) Tbk. Makassar branch, which goes through Customer Service to be known by the people of Makassar in particular, can be divided into three, among others:) 1. Funding / Savings Products (Funding Products), 2. Savings, and 3. Deposits.

The funding products consist of BRI Rupiah demand deposits, which are third party deposits denominated in rupiah which can be withdrawn at any time by using chet/billet giro or other withdrawal orders. BRI Foreign Currency Current Accounts are deposits denominated in foreign currencies by third parties to BRI which can be withdrawn at any time by the account holder in question following applicable regulations. For withdrawals, BRI Foreign Exchange Account holders are not given a chequebook or billet giro for withdrawal.

Savings consisting of britama is a type of savings carried out at BRI Kanca using a deposit receipt or proof of withdrawal that has been made by BRI as long as the balance is sufficient, simpedes is savings account for rural communities at BRI units that are included in the savings group, where withdrawals and deposits are not limited in number or amount. frequency as long as the balance is sufficient. BRI ONH Savings is a savings account that is intended for from a third party in the form of land and building tax which will be deposited into the State

individuals to prepare for the Hajj Organizing Costs (BPIH). For savers who have sufficient balances, they can be registered to get a seat number through SISKOHAT according to the desired year of departure

Time deposits consist of, Rupiah depots, which are time deposits denominated in rupiah issued by BRI, where withdrawals can only be made within a certain agreed period. Depobri administration is at BRI.Forex is a time deposit in the form of foreign currency issued by BRI, where withdrawals can only be made within a certain time that has been agreed upon. DOC (Deposit On-Call) is a deposit in the name of a Bank (or a non-bank third party) whose withdrawal can only be carried out on condition.

Financing /Loan Products (Lending Products) consist of Investment loans, which are medium/long term loans to expand rehabilitation, modernization, expansion, and establishment of projects for the debtor concerned other than central government debtors. Furthermore, working capital credit is a loan provided for the working capital needs of the debtor concerned other than the debtor of the central government.

Small investment loans are loans given by banks to types of small businesses that have been running to expand their business. Credit with the Type of Deposit is a loan that is given by a bank to a customer holding a deposit slip after the acceptance or credit limit has been approved and signed, the balance of the customer's deposit will be debited or over drafted up to the maximum amount of the credit limit.

Service Products (Fee-Based Products) consists service products at BRI at the Makassar branch consisting of transfers or remittances are orders from customers to banks to pay and or send a sum of money to a person or company in another city. Inka is a banking service to expedite and streamline the collection of customer debt in the form of demand deposits received from other cities. SaveDeposit Box is a place to store to pay the cost of storing the securities.

The Deposit Box consists of, clearing which is the calculation or settlement of accounts payable and exchanges the scripts clearing fellow members carried out by the clearinghouse or BRI. State Revenue (tax) is a deposit received by the bank to third parties in the form of tax, the non-tax which will be deposited into the State Treasury Account whose administration is at BRI. PBB revenue is a deposit received by a bank Treasury Account whose administration is at BRI.

Reception payment bill a telephone is a form of cooperation between BRI and PT. TELKOM in receiving payments for telecommunication services in all BRI offices throughout Indonesia. The receipt of electricity bill payments is a form of cooperation between BRI and PLN in terms of paying monthly electricity bills and other bills at all BRI offices throughout Indonesia. Receipt of ONH deposits made by people who have the intention to carry out the pilgrimage and deposits are carried out at the same time according to the ONH rates set by the government and prospective Hajj candidates are legally registered if they have received a deposit number at the Ministry of Religion.

With the service of products/services carried out by PT Bank Rakyat Indonesia (Persero) Tbk. Ahmad Yani Makassar Branch it is clear that the bank functions as a Financial Intermediary Institution and to be able to carry out this function, the bank needs and must mobilize funds from the public. Fund mobilization back activities or businesses in the context of collecting funds from the public and channelling them back to the community. In the mobilization of funds, PT Bank Rakyat Indonesia (Persero) Tbk. The Ahmad Yani Makassar branch has the following types of activities: Current Accounts, On-Call Deposits, Time Deposits and Savings.

2. Credit Distribution at PT Bank Rakyat Indonesia (Persero) Tbk. Makassar Branch.

PT Bank Rakyat Indonesia (Persero) Tbk. The Makassar branch has won the trust of the government to channel credit, especially for the lower-middle-income community. As a consequence of this automatic loan disbursement, it is hoped that maximum profit can be obtained. Giving credit is a belief that the debtor will be able torepay credit on time. So that the provision of credit does not become problematic, then credit must be given to truly qualified debtors.

Correct distribution of credit, namely the risk of the possibility of not being able to return, so that credit distribution can be profitable requires a strategy with a strategy to minimize this risk. One of the factors that are considered in granting credit is to whom the credit will be given, meaning which prospective debtors are eligible for credit so that the ownership of the right prospective debtors is expected to reduce the possibility of credit becoming problematic.

Various ways are taken by PT Bank Rakyat Indonesia (Persero) Makassar Branch Ahmad Yani in analyzing risk the nature of credit is large, where the credit given to prospective debtors is rather high compared to program credit. In connection with the foregoing, the strategy for providing credit at PT Bank Rakyat Indonesia (Persero) Tbk. The Makassar branch has carried out an analysis that can be directly or indirectly identified, analyzing the bank's credit in terms of Willingness, Ability, and Reliability of Collateral, but still cannot be separated from the principles of 5 c and 7 p. To find out more about the development of lending and equity participation of PT Bank Rakyat Indonesia (Persero) Tbk. For the Ahmad Yani Makassar branch, the following data is presented for 3 years of credit, which is reflected in table l.

Table 1: Percentage of Credit Composition of Bank Rakyat Indonesia (Persero) Tbk. Ahmad Yani . Branch Makassar

No	Descri	Year		
		2007	2008	2009
1	Credit served At the branch office	56.5 %	58.76 %	57.92 %
2	Credit served at the Unit Office	43,5 %	41,24 %	42,08 %
Sum		100 %	100 %	100 %

Source: Primary Data

From the table above, it can be explained that in 2016 the number of credit customers served by branch offices was 56.5%, while loans served by unit offices

were 43.5%. The calculation is against the number of customers at PT Bank Rakyat Indonesia (Persero) Tbk. Makassar Branch. In the second year, loans served by branch offices were 58.76% while those served by unit offices were 41.24%.

The first year the number of credit customers served by branch offices was 57.92% while those served by unit offices were 42.08%. From this description, it can be seen that the average unit role in lending, especially the number of customers is quite large, namely, the average for the last 3 (three) years is 42%.

Table 2 Credit Composition of the People's Bank of Indonesia (BRI) Makassar Branch

No	Year	Total Credit (Rp)		Change			
		Branch office	Unit Office	Branch office		Unit Office	
				Rp.	%	Rp.	%
1.	3	29,322,409,656	22,634,942,000	-	-	-	-
2.	2	40,310,806,718	28,289,744,000	10,988,397,062	37	5,654,802,000	24
3.	1	48,662,441,448	35,348,853,000	8,351,634,730	21	7,059,109,000	25

Source: Primary Data

Based on the table above it seems clear that credit funds to Bank Rakyat Indonesia (Persero) Tbk. Ahmad Yani Makassar branch experienced a fairly good percentage increase from year to year. It is seen that in the third year the number of credit customers served by branch offices amounted to 29,322,409,656 rupiah and the number of credit customers served by unit offices amounted to 22,634,942,000 rupiah, while in the second year the number of credit customers served by branch offices amounted to 40,310,806,718 rupiah and unit offices as much as 28,289,744,000 rupiah.

Based on the comparison of the number of credit customers at branch offices from the third year and the second year experienced an increase / change in the number of credit customers by 10,988,397,062 rupiah or about 37% while credit customers in unit offices experienced changes of 5,654,802,000 rupiah or about 24%. Then in the first year the number of credit customers served by branch offices amounted to 48,662,441,448 rupiah and at unit offices amounted to 35,348,853,000 rupiah. Thus, the number of credit customers served by branch offices increased slightly smaller than in the previous year, which amounted to 8,351,634,730 rupiah or about 21% while in unit offices increased by 7,059,109,000 rupiah or about 25%.

However, to avoid risks that may occur, it is necessary to note that credit distributors still show the sources of funds and where the funds are channeled. With the development of credit, it can be concluded that the distribution of greater credit at branch offices needs to be reviewed again, based on the observation of unit offices scattered in various regions so that it is closer to the lower middle economic class that is targeted by credit funds. It requires better discretion to give confidence to the unit office and channel better credit compared to the amount the head office currently provides. Thus, bri's main goal is to improve the economy of the community with credit assistance more easily achieved and touch the lower middle class..

DISCUSSION

Based on the data that has been described on services at BRI, it can be seen that with the services or products provided by BRI Makassar Branch, it has placed its function as a financial intermediary institution. Banks have mobilized funds from the public.Fund mobilization is the activities or efforts of banks in the context of collecting funds from the public and channelling them back to the public. In mobilizing BRI funds, it has several types of activities, including Current Accounts, On-Call Deposits, Time Deposits and Savings.

From the field study that has been carried out based on table 1.1 that in 2007 the number of credit customers served by the Makassar branch office reached 56.5% while the credit served by the unit office was 43.5%. The data was obtained from the number of customers at PT Bank Rakyat Indonesia (Persero) Tbk. Makassar Branch. In 2008 loans served by branch offices were 58.76% while those served by unit offices were 41.24%, then in 2009, the number of credit customers served by branch offices was 57.92% while those served by unit offices were 42.08 %. From this description, it can be seen that the average unit

role in lending, especially the number of customers is quite large, namely, the average for the last 3 (three) years is 42%. the five's of credit that the stages of disbursed credit have taken into account the level of risk in making credit decisions by applying the 5 C principles, namely, character, capital, capacity, collateral, condition of the economy.

The composition of the loans provided means that not all of the targeted loans are distributed considering that there is a credit analysis process carried out to minimize the level of risk given.

In the process of granting credit, PT Bank Rakyat Indonesia (Persero) Tbk. The Makassar branch has several main stages that must be carried out before a credit application is approved. According to Firdaus and Ariyanti (2008) said that in everyday practice micro-feasibility studies are usually called credit analysis or assessment, where credit analysis itself is one of the stages in the other stages in the bank lending process.

The credit preparation stage(Credit Preparation), is the initial stage to know each other basic information between prospective debtors and banks, especially prospective debtors who are applying for credit for the first time at the bank concerned, This is usually done through interviews or other means where the information provided by the bank includes procedures for taking credit, the amount of interest, risks and others.

Credit analysis or assessment stage (Credit Analysis/Credit Appraisal), In this stage, an in-depth assessment of the state of the credit applicant's business or project is held. The assessment covers various aspects, in general, including; management and organization aspects, marketing aspects, technical aspects, financial aspects, juridical/legal aspects, socio-economic aspects.

At the credit decision stage (Credit Decisions) in the report on the results of the credit analysis, the bank through the credit breaker, either in the form of an appointed official or the head of the bank or in the form of a committee with members of more than one official following certain provisions in the Bank's Credit Policy (KPB) each can decide whether the credit applicant is eligible for credit or not. If not, then the application must be immediately rejected where the rejection letter is usually written accompanied by several diplomatic but quite clear reasons.

If the application is eligible to be granted, it will immediately be included in a credit decision letter, usually accompanied by certain conditions. A credit breaker is a bank officer or committee specifically authorized for the task. The authority to decide a person is not necessarily the same as another, depending on the level of position, position and rank. For credit that relative major credit decisions are usually made by the Management or Board of Directors of the bank, it may even be decided by more than one decision-maker who is a decision committee/committee, including the possibility of involving members of the Board of Commissioners of the bank.

At the implementation stage (Credit Realization), prospective borrowers study and agree to the contents of the credit decision and the bank has received and researched all credit terms from prospective borrowers, especially the original letter of guarantee, photocopy business license and place of business, photocopy of Taxpayer Identification Number (NPWP) and proof of last year's tax payment (for credits exceeding 50 million rupiahs) and so on, then both parties sign a credit agreement and the general conditions for granting credit along with its attachments.

Credit Supervision and Debtor Guidance Stage(Credit Supervision and Follow-up) Credit supervision/supervision/controlling and debtor coaching are efforts to secure credit provided by the bank by continuously monitoring and following the course of the company (directly or indirectly), as well as providing advice/ advice and consultation so that the company/debtor runs well. according to the plan, so that credit repayment will go well too.

Credit can run well, so suggestions, opinions, and collective action are needed in the context of coaching. As it is understood that credit supervision and debtor guidance is the last stage of the credit cycle and at the same time is the most critical and difficult stage, especially if the debtor's business conditions are not encouraging.

CONCLUSIONS

Based on the results study and From the discussion, it can be concluded that loan disbursement made to BRI after being following the principle of lending, in granting credit, the prospective debtor's specifications must be carried out. In addition, only borrowers who have a low-risk level can allow the request accepted.

The decision-making for granting credit is following the provisions of the principle of granting credit.

The suggestion from this research is that the decision making of lending by banks must be followed by monitoring activities on the use of credit by customers so that deviations that occur can be detected early. and juridical credit guarantee.

REFERENCE

Adinugroho, Tjipto R. (2007). *Perbankan, Masalah Perkreditan.* Jakarta:, Yagrat.

Fahmi, Irham. (2010). *Manajemen Risiko.* Bandung: Alfabeta

Hanafi, Mamduh. (2012). *Manajemen Risiko, Edisi Kedua.*Yogyakarta:UPP STIM YKPN.

Hasibuan, S.P , Malayu. (2006). *Dasar-dasar Perbankan,* Cetakan Keenam, Bumi Aksara: Jakarta.

Herman, Darmawi. (2014), Manajemen Risiko. Jakarta: PT Bumi Aksara.

Joseph, Mabvure Tendai, dkk. (2012). Non Performing loans in Commercial Banks: A case of CBZ Bank Limited In Zimbabwe. *Interdisciplinary Journal of Conteporary Research in Business*, Vol 4, No 7.

Kaslan, A, Tohir. (2000). *Pengantar Ekonomi Tentang Uang Kredit Bank.* Jakarta: PT Gunung Agung.

Kasmir. (2018). *Bank dan Lembaga keuangan Lainnya Cetakan 19.* Jakarta: PT Raja Grafindo Persada.

Muljono,Teguh Pudjo. (2007). *Manajemen Prekreditan (Bagi Bank Komersil).* Jakarta: BPFE.

Mahendra, R. S., & Mahardika, D. P. K. (2019). Analisis pengaruh karakteristik bank dan makro ekonomi terhadap tingkat risiko kredit bermasalah. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, & Akuntansi)*, *3*(3), 150–156. https://doi.org/10.31955/mea.vol4.iss1.pp150-156

Nugroho, L. (2018). Analisa Faktor-Faktor yang Mempengaruhi Kualitas Audit (Studi Eempiris Pada Perusahaan Manufaktur Industri Sektor Barang Konsumsi yang Terdaftar Di Bursa Efek Indonesia tahun 2014-2016). *JURNAL MANEKSI*, *7*(1), 55. https://doi.org/10.31959/jm.v7i1.89.

Oktaviantari , L. P. E., & Wiagustini, N. L. P. (2013). Pengaruh Tingkat Risiko Perbankan Terhadap Profitabilitas Pada BPR di Kabupaten Badung (Doctoral dissertation, Udayana University).

Rahmat F.H dan Ariyanti, M. (2008) *Manajemen Perkreditan Bank Umum.*   Bandung: Alfabeta.

Saptono, Heru. (2008). *Pengaruh Risiko Kredit Terhadap Profitabilitas (ReturnOn Assets) Pada PT. Bank Negara Indonesia (Persero)*. Bandung. Skripsi. Program Studi Akuntansi, Universitas Komputer Indonesia Bandung.

Simorangkir, O P. (2000). *Dasar-dasar Mekanisme Perbankan,* Jakarta: Yagrat.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta, CV.

Tampubulon, Robert. (2004). *Manajemen Risiko (Pendekatan Kualitatif Untuk Bank Komersil)*. Yogyakarta: PT Elex Media Komputindo.

Tjiptodinugroho, R . (2000). *Perbankan dan Masalah Perkreditan.* Jakarta: Pradnya Paramita

Undang-Undang Perbankan No. 10 tahun. (1998). *Tentang Pokok Perbankan.* Cetakan Pertama. Jakarta: Sinar Grafika Offset

Undang-Undang Perbankan No. 13 Tahun. (1968) *Tentang Bank Sentral*.