

Risk Management Implementation Strategy And Bank Health Level Assessment In The Framework Of Increasing The Performance Of PT.Bpr Jatim

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Abstract.

PT. BPR JATIM is one of the pilots BPR in the East Java operational area that has good risk management, and has just won the 2nd Best Indonesian Enterprises Risk Management Category: Local Government with assets of over IDR 1 trillion from Economic Review Magazine. This makes PT. BPR JATIM is recognized as one of the best BPRs with good risk management implementation. Therefore, this research was conducted to analyze the quality of risk management implemented by PT. BPR JATIM and to determine the health level of PT. BPR JATIM. Qualitative research with a case study approach is used in this research. Instrumental provisions of Regulation Number 13/POJK.03/2015 and SE OJK No.1/SEOJK.03/2019 concerning Implementation of Risk Management, as well as SK DIR BI No.30/12/KEP/DIR/1997, are used to analyze the implementation of management risks and the bank's ability to improve and maintain its soundness from a financial perspective. The results of this study indicate that PT. It turns out that BPR JATIM has implemented good risk management including credit risk, operational risk, compliance risk, liquidity risk, reputation risk and strategic risk, where all risks have been managed properly. The results of this study also found a link between risk management at PT. BPR JATIM with its financial analysis, where good risk management has also shown a good level of bank soundness as well.

Keywords : Strategy, Risk Management and Health Level.

I. INTRODUCTION

Rural Banks (BPR) are banks that carry out business activities conventionally or based on Sharia Principles which in their activities do not provide services in payment traffic (Kasmir, 2013). When compared to commercial banks, BPRs are more synonymous with small and medium enterprises (SMEs), which are the backbone of the Indonesian economy. BPR has also been encouraged by the government to become a catalyst for economic equity in the regions through the development of the microeconomic sector (Rinofah et al., 2018). Therefore, the function of BPR is not only to extend credit to micro, small and medium entrepreneurs, but also to receive deposits from the public. In extending credit to the community, BPRs are intermediaries between people who have excess funds and people who lack funds, so the main business carried out by banks is in the credit sector, or channeling funds (Mulyadi, 2016). However, BPRs must be careful in providing capital to people who apply for loans. It is possible that BPRs will face various risks that could interfere with the achievement of these objectives, including the risk of liquidation requiring BPRs to stop all of their business activities.

During the period from January 2014 to January 2021, the number of BPRs in Indonesia decreased by 8.83%. This was caused by various problems from the implementation of various new provisions by the financial services authority (OJK) which forced BPR managers to fulfill the minimum capital requirement (KPM). During this period, there were 52 BPRs in Indonesia whose business licenses were revoked, while 93 other BPRs were in the process of merger, consolidation or acquisition. The most liquidated BPRs were in West Java, namely 34 banks (Sidik, 2019), while East Java itself was considered the least, and was included in the stable category. As of December 2020, only seven BPR/S had been liquidated. Bank Indonesia recorded at least six problems that led to the revocation of the business license of a BPR/S with poor performance, including: (1) There was an internal dispute which was expected to cause difficulties within the Bank concerned; (2) There is interference from parties outside the bank in management, including unusual cooperation which results in one or several offices being established independently;

(3) The practice of window dressing in bookkeeping, resulting in erroneous judgments, (4) The practice of a bank within a bank or conducting bank business outside the bank's bookkeeping; (5) Financial difficulties resulting in inability to fulfill its obligations to third parties; and (6) other deviant banking practices that could jeopardize business continuity or reduce bank soundness. Regulation of the Financial Services Authority Number 13/POJK.03/2015 concerning Application of Risk Management for Rural Banks explains that the application of risk management must at least include: (1) Supervision of the board of directors and board of commissioners; (2) Adequacy of policies, procedures and risk limits; (3) adequacy of processes and systems, and (4) a comprehensive internal control system.

The end of the implementation of the risk management implementation process above is a risk profile report which contains final conclusions regarding the level of inherent risk and the level of quality of risk management implementation so that it can describe the level of risk for each type of risk, namely liquidity risk, credit risk, operational risk, compliance risk, reputation risk and strategic risk. Apart from risk management, another thing that needs to be looked at seriously is the analysis of BPR financial reports. At least in its activities, apart from evaluating the realization of business plan targets, financial statement analysis also needs to observe the fairness of developments in financial report items and analyze financial ratios and be able to know from the start about irregularities in its operations as stated in SK DIR BI No.30/12/KEP/DIR/1997 concerning Procedures for Soundness Rating of Rural Banks. Based on these problems, this study aims to analyze the quality of risk management implemented by PT. BPR JATIM and know the development of PT. BPR JATIM.

II. LITERATURE REVIEW

Risk can be interpreted as a state of uncertainty, where if an unwanted condition occurs it can cause a loss (Hanafi, 2006). What is meant by risk management is a structured and systematic process for identifying, measuring, mapping, developing alternative risk treatments, and monitoring and controlling risk treatment (Bramantyo, 2008). As a process, risk management includes several activities such as risk identification, risk measurement, risk monitoring, and risk control (Kasmir, 2014). The risk management function as well as other control functions including finance, compliance and formal legal procedures are made by the company, one of which is to identify the presence of risk ((Dill, 2020). Based on OJK Circular Letter No 1/SEOJK.03/2019 concerning Implementation of Risk Management for Credit Banks The people, the stages of implementing risk management at BPR are adjusted to the core capital owned, so that the stages of implementing risk management are adjusted the minimum for each classification.

No	Klasifikasi BPR	Risiko Kredit	Risiko Operasional	Risiko Kepatuhan	Risiko Likuiditas	Risiko Reputasi	Risiko Strategik
1	Modal inti ≥ Rp 50 M	2018-SM2			2020-SM2		
		•	•	•	○	○	○
2	Modal inti ≥ Rp 15M dan ≤ Rp 50M	2019-SM2		2021-SM2			
		•	•	○	○		
3	Modal inti ± Rp 15 M	2019-SM2	2021-SM2				
		•	○	○			
4	Modal inti ≥ Rp 50 M, total aset ≤ Rp 300 M, dan memiliki < 10 kantor cabang dan tidak sebagai penerbit kartu ATM atau kartu debit	2019-SM2		2021-SM2			
		•	•	○	○		
5	Modal inti ± Rp 50 M, total aset ≥ Rp 300 M, dan memiliki ≥ 10 kantor cabang dan/atau sebagai penerbit kartu ATM atau kartu debit	2018-SM2			2020-SM2		
		•	•	•	○	○	○
<ul style="list-style-type: none"> • : Majemen risiko dasar yang harus dilaporkan pada tahun (t) ○ : Majemen risiko tambahan yang harus dilaporkan pada tahun (t) 							

Table 1. Classification and Scope of BPR/S Risk Management

Source: POJK No. 13/POJK03/2015

Article 22 paragraph (1) POJK No 13/POJK. 03/2015 is required to submit a risk profile report every semester to OJK. The risk profile report contains an assessment of the implementation of risk management by assessing inherent risk, assessing the quality of implementing risk management,

determining the level of risk for each type of risk, determining the risk rating. Furthermore, the six types of risk assessed based on OJK Circular No. 1/SEOJK.03/2019 include: (1) Credit risk, the risk due to failure of debtors and/or other parties to BPRs, with NPL parameters and low quality credit ratios; (2) Operational risk, the risk caused by inadequate and/or non-functioning internal processes, HR errors, system failures, and/or external problems affecting BPR operations, with the parameters of the number of human errors and the core banking system; (3) Compliance risk, i.e. risk due to RB not complying with and/or not implementing laws and regulations and other provisions, including risks resulting from weaknesses in legal aspects; (4) Liquidity risk, the risk of an RB's inability to meet its maturing obligations from cash flow funding sources and/or high-quality liquid assets that can be pledged as collateral, without disrupting the RB's activities and/or financial condition; (5) Reputation risk, which is the risk due to a decrease in the level of stakeholder trust originating from negative perceptions of the BPR, with the parameters of the number of customer complaints and the number of negative reports from parties associated with the BPR; and (6) strategic risk, namely the risk due to BPR inaccuracy in making and/or implementing a strategic decision and the failure of BPR to anticipate changes in the business environment and business plan.

Assessment of bank soundness for BPR based on SK DIR BI No. 30/12/KEP/DIR/1997 includes five dimensions, including: (1) Capital, which includes the CAR/KPMM ratio; (2) Asset quality, which includes KAP and PPAP ratios; (3) Management, including general management and special management; (4) Profitability, which includes ROA and BOPO ratios; and (5) Liquidity, which includes CR and LDR. Based on this policy, RBs are required to maintain the soundness level of the bank in accordance with the provisions of capital adequacy, asset quality, management quality, liquidity, earnings, solvency and other aspects related to the bank's business, and are required to carry out business activities in accordance with the principle of prudence. Governance and Implementation of POJK No. 13/POJK.03/2015 and SE OJK No. 1/SE OJK.03/2019 has an effect on the Bank's Soundness Level to support Bank financial analysis to maintain the bank's soundness level so that it remains healthy. In accordance with SK DIR BI No. 30/12/KEP DIR/1997. In order to increase corporate value (corporate value) and shareholder value (shareholder value) which makes the BPR business more sustainable in the future which is marked by a high return on investment value to entrepreneurs, which is often associated with share prices which are investors' perceptions of company.

III. METHODS

In this study, the approach used was a case study, in which the researcher focused intensively on a particular object studying it as a case (Gunawan, 2014). In accordance with the proposed research objectives, the phenomena (cases) to be examined in this study are the risk management strategies implemented by PT. BPR JATIM in order to improve BPR performance and suitability of risk management implemented by BPR East Java with the provisions of Regulation Number 13/POJK.03/2015 concerning Implementation of Risk Management for BPR. The reason for choosing PT. BPR JATIM because PT. BPR JATIM is a pilot BPR with good risk management. The research was then conducted at PT. BPR JATIM which is located on Jl. Ciliwung No. 11, Darmo, Kec. Wonokromo, City of SBY, East Java. An open interview instrument was used in the research (Ulfatin, 2014), using seven research informants, namely the main director, marketing director, head of the planning and performance division, deputy head of the planning and performance division, head of the compliance division, head of the licensing section and head of sub-information section of East Java Regional 4 Financial Services Authority. Sampling was carried out using a snowball sampling system, in which existing subjects provide referrals to recruit the samples needed for research studies (Sugiyono, 2014). Furthermore, data validity is carried out using credibility test (Moleong, 2012).

IV. DISCUSSION

Shows that the risk profile of banks included in this rating generally have the following characteristics:

1. Taking into account the business activities carried out by PT. East Java BPR, the possibility of loss

faced from Inherent Risk is classified as "Moderate" for a certain period of time in the future.

2. KPMR "Quite Adequate" Even though the requirements are met, there are several weaknesses that require management attention and improvement.

The soundness of a bank is in the interest of all parties, both owners/shareholders, the public, users of bank services and the financial services authority or Bani Indonesia which regulates the procedures for conducting bank soundness assessments as a standard reference. The main sources used to carry out assessment activities on various bank financial components are financial reports submitted by banks to the bank's Financial Services Authority periodically and confidentially as well as attachments for compliance with other provisions LLL (Minimum Limit for Lending), Capital, APU and PPT (Anti-Money Laundering and Combating the Financing of Terrorism) and so on. Furthermore, the summary results of MR calculations can be seen in the table below. The results of the research show that credit risk management at PT. BPR JATIM is in the adequate category. In this condition, the KPMR for credit risk is quite adequate. Even though the minimum requirements are met, there are several weaknesses that require attention such as PT. BPR JATIM has not evaluated and updated the procedures for credit risk management and setting credit risk limits on a regular basis, so that PT. BPR JATIM must consider the business activities carried out by BPR, the possibility of losses faced by BPR from credit risk is classified as moderate for a certain period of time in the future.

Operational risk management at PT. BPR JATIM is in the adequate category. In this condition, the KPMR for operational risk is quite adequate. Even though the minimum requirements are met, there are several weaknesses that require attention such as the inadequate number of human resources and low human resource competency, so that PT. BPR JATIM must consider the business activities carried out by BPR, the possibility of losses faced by BPR from operational risk is classified as moderate for a certain period of time in the future. Compliance risk management at PT. BPR JATIM is in the adequate category. In this condition, the KPMR for compliance risk is sufficient. There are some minor weaknesses that can be resolved in normal business activities. These minor weaknesses include the Board of Directors having developed a compliance risk management policy, implementing it consistently but not updating it periodically, so that PT. BPR JATIM must consider the business activities carried out by BPR, the possibility of losses faced by BPR from compliance risk is relatively low for a certain period of time in the future. Liquidity risk management at PT. BPR JATIM is in the adequate category. In this condition, the KPMR for liquidity risk is adequate. There are some minor weaknesses that can be resolved in normal business activities. This minor weakness is due to the fact that the Board of Directors has the ability to take the necessary actions in order to mitigate liquidity risk, and to communicate liquidity risk management policies to all levels of the BPR organization, but not all levels of the BPR organization are able to understand the applied liquidity risk management policies, so that PT. BPR JATIM must consider the business activities carried out by BPR, the possibility of loss faced by BPR from liquidity risk is relatively low for a certain period of time in the future. Reputation risk management at PT. BPR JATIM is in the adequate category.

In this condition, the KPMR for reputation risk is adequate. Even though there are some minor weaknesses, these weaknesses can be resolved in normal business activities. This minor weakness occurs because the Board of Directors has the ability to take the necessary actions in order to mitigate reputation risk, and communicate reputation risk management policies to all levels of the BPR organization, but not all levels of the BPR organization are able to understand the reputation risk management policies that are implemented, so that PT. BPR JATIM must consider the business activities carried out by BPR, the possibility of loss faced by BPR from reputation risk is relatively low for a certain period of time in the future. Strategic risk management at PT. BPR JATIM is in the adequate category. In this condition, the KPMR for strategic risk is adequate. Even though there are some minor weaknesses, these weaknesses can be resolved in normal business activities. This minor weakness occurs because PT. BPR JATIM does not regularly evaluate and update strategic risk management procedures and determine strategic risk limits, so that PT. BPR JATIM must consider the business activities carried out by BPR, the possibility of loss

faced by BPR from strategic risk is relatively low for a certain period of time in the future. Overall, it can be seen that the risk management of PT. BPR JATIM is in the adequate category. The Risk Profile of BPRs included in this rating generally has the following characteristics:

1. Taking into account the business activities carried out by BPRs, the possibility of losses faced by BPRs from inherent risk is low for a certain period of time in the future.
2. Adequate KPMR. In this case there are minor weaknesses, these weaknesses need to get management attention.

PT. BPR JATIM has a risk management profile in adequate conditions and a sound level in healthy conditions. This illustrates that in 2020 PT. BPR JATIM is able to manage BPR risk management and in the end is able to make the bank's soundness level healthy. In 2015 with a healthy predicate (94.6%), in 2016 with a healthy predicate (94.6%), in 2017 with a healthy predicate (94.6%), in 2018 with a healthy predicate (94.6%), in 2019 with a healthy predicate (91.67%) and 2020 with a healthy predicate (91.08%). Rural Bank Risk Management is carried out to ensure that credit risk, operational risk, compliance risk, liquidity risk, reputation risk and strategic risk faced by the BPR business can be properly managed. Good risk management requires the participation of the Board of Directors and the Board of Commissioners in analyzing and supervising its management, having clear policies and procedures as a reference, having processes and support systems, as well as an internal control system that is implemented thoroughly according to the needs of the bank. OJK regulations require that risk management reports, whether related to action plan reports, plan realization reports, risk profile reports, product issuance realization reports, or other risk profile reports, can be submitted to OJK.

At the time of credit risk management PT. BPR JATIM is in the adequate category, the bank's financial analysis from the components of earning asset quality, Allowance for Earning Assets Losses, Return On Assets (ROA), and BOPO are in the healthy category. This shows that the implementation of good risk management will also have an impact on the soundness of a good bank. Operational risk management that exists at PT. BPR JATIM is related to the bank's financial analysis from the Management component (general management and risk management). At the time of operational risk management PT. BPR JATIM is in the adequate category, the bank's financial analysis from the Management component (general management and risk management) is in the fairly healthy category. This shows that the implementation of good risk management will also have an impact on the soundness of a good bank. Compliance risk management that exists at PT. BPR JATIM is related to the bank's financial analysis from the components of capital adequacy and Risk Weighted Assets (ATMR). The results of the analysis show that there is a relationship between compliance risk management and bank financial analysis. Liquidity risk management that exists at PT. BPR JATIM is related to the bank's financial analysis from the liquidity component (cash ratio). The results of the analysis show that there is a relationship between liquidity risk management and bank financial analysis from the liquidity component (cash ratio). Reputation risk management that exists at PT. BPR JATIM is related to bank financial analysis from the Loan to Deposit Ratio (LDR) component. The results of the analysis also show that there is a relationship between reputation risk management and bank financial analysis from the Loan to Deposit Ratio (LDR) component. healthy.

This illustrates that there is a relationship between various types of risk in risk management with various components in the financial analysis of PT. BPR JATIM which will be very influential in assessing the soundness of the bank. This result was reinforced by the issuance of POJK No. 3/POJK.03/2022 concerning Soundness Rating of Rural Banks and Sharia Rural Banks. This regulation is a refinement of SK DIR BI No.30/12/KEP/DIR April 30, 1997 concerning Procedures for Assessment of BPR Soundness Levels and POJK No.3/POJK.03/2022 concerning System for Assessment of Soundness Levels of BPR and BPRS, which has a background by the issuance of provisions concerning the implementation of risk management and governance for BPRs and BPRS and in line with the change in regulatory paradigm to become principle-based and risk-based supervision of BPR and BPRS, which in its implementation is adapted to the scale, characteristics and complexity of BPR and BPRS. The strategy implemented by management to deal with the risks faced is by optimizing controlling for all employees (internal) and also

optimizing controlling for customers (external). Then the BPR will evaluate the factors that arise that give rise to risks which are usually carried out weekly or monthly and will conduct an internal performance audit by employees led by the Board of Directors and also the supervisory board before proceeding to the top. The way to deal with risks that occur in general is by carrying out stricter supervision of employees and customers and educating customers.

V. CONCLUSION

The conclusions obtained based on the results of this study can be explained as follows:

1. PT. BPR JATIM has implemented risk management including credit risk, operational risk, compliance risk, liquidity risk, reputation risk, and strategic risk and can be managed properly.
2. There is a link between the risk management of PT. BPR JATIM with the soundness level of PT. BPR JATIM. Where when risk management shows a good category, the soundness level will also show a bank in a healthy category.

For future research, apart from calculating risk management and financial analysis as well as the soundness level of a bank, it is hoped that they will also conduct an analysis on corporate governance. This is in accordance with the provisions of POJK No. 3/POJK.03/2022 dated 3 March 2022 concerning Assessment of the Soundness Level of Rural Banks and Sharia Rural Banks where the assessment of the soundness level will be carried out based on four (4) factors, namely: Assessment of risk profile, assessment of governance, assessment of profitability and assessment capital.

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