Research Paper

Analysis of Internal Control System in Preventing Non Performing Loans at Kpri Unm in Makassar

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ABSTRACT: *This study aims to determine the internal control system in preventing non-performing loans at KPRI UNM in Makassar. The variables to be studied are Internal Control System (X) and Non Performing Loan (Y). The population in this study were all financial reports on KPRI-UNM in the city of Makassar. The sample in this study is the KPRI-UNM financial report from 2017 to 2019. The data collecting techniques used are documentation and questionnaires which contain statements that must be answered by respondents related to the research. The results showed that the internal control system implemented at KPRI UNM was not able to prevent or reduce non-performing loans effectively but was still in the healthy category or it could be said that it was not problematic because the NPL percentage value was <5%. This is indicated by the internal control system implemented which in an increase in the NPL value in 2018 but decreased in 2019.*
KEYWORDS: *Internal Control System, Non Performing Loan, KPRI UNM*

I. INTRODUCTION

Savings and loan cooperatives are cooperatives whose capital is obtained from principal savings and mandatory savings of cooperative members. The capital that has been collected is distributed to members and sometimes also lent to other people who are not members who need a loan of money, both for consumptive purposes and for working capital. The existence of savings and loan cooperatives will be guaranteed if the business performance shown by significant business growth is strongly supported by the existence of good rules or policies and healthy practices in order to increase the economic capacity and income of members. Referring to this, savings and loan cooperatives always provide the best service to the community in lending. This is in accordance with the definition of savings and loan cooperatives, namely collecting funds from members or the public in the form of savings and distributing them to members or the public in the form of lending. Credit distribution is the provision of money or bills based on an agreement or loan agreement between a savings and loan cooperative and the borrower, namely a member of the cooperative that requires the borrower to pay off his obligations after a certain period of time.

With this provision, credit is a source of income for banks and non-bank financial institutions, including cooperatives. The occurrence of non-performing loans, among others, is caused by two factors, namely external factors and internal factors. The condition in which the loans that have been distributed to the public are not repaid by the debtor on time in accordance with the previous agreement consisting of principal and interest which are classified as Non Performing Loans (NPL).

According to Hasibuan (2015: 105), "Internal credit control is absolutely necessary to avoid the occurrence of bad loans and the settlement of bad loans. Credit internal control is an effort to keep loans extended smoothly, productively, and not bad. Smooth and productive means that the credit can be withdrawn with interest in accordance with the agreement that has been agreed by both parties. In this case, when there is bad credit, it will result in losses for the bank concerned. Therefore, greater attention is needed by the bank to carry out internal control in the credit sector.

II.   RESEARCH METHODS

This research was conducted at KPRI-UNM Makassar. This study aims to determine the internal control system in preventing the occurrence of bad loans at KPRI UNM in Makassar. The variables to be studied are: Internal Control System with the symbol

(X) and the dependent variable, namely Bad Credit with the symbol (Y). In conducting research at KPRI UNM, it is carried out in two ways, namely by conducting library research and field research. In the literature review, there are several theories that support the internal control system and bad loans, while the field research uses data collection techniques in two ways, namely documentation and questionnaires. This research uses quantitative descriptive data analysis methods. The purpose of quantitative descriptive research is to systematically describe the facts and characteristics of objects and subjects that are studied appropriately.

The population in this study is the entire financial report at KPRI-UNM in the city of Makassar. The sampling technique used in this research is purposive sampling. This technique is carried out on the basis of the author's consideration that in sampling directly choose the object or data that is the theme in this paper. As for the sample in this research is financial statements KPRI-UNM during the last three years from 2017 until the year 2019.

The data collection technique used in this research is documentation, namely data collection in the form of credit data reports sourced from KPRI UNM, and the questionnaire is a form that contains statements that must be answered by respondents related to research.

III.   RESULTS AND DISCUSSION

A. Data Presentation

1.   Internal Control System

The internal control system consists of five elements, namely: control environment, risk assessment, control activities, information and communication and monitoring. Data from the calculation of the internal control questionnaire in preventing bad loans from 2017 to 2019 with 15 respondents from KPRI UNM employees.

Table 1. Recapitulation of Respondents' answers to the Internal Control System at KPRI UNM in 2017

No	Dimensions/ Aspect	Yes	No	%
1	Control Environment	57	3	95
2	Risk Assessment	41	4	91.11
3	Control Activities	45	0	100
4	Information and Communication	45	0	100
5	Monitoring	45	0	100
	Total	**233**	**7**	**97.08**

Source: Results of data processing

Based on Table 1 in 2017, the effectiveness value was 97.08% who answered Yes and 2.91% who answered No. Based on the criteria for assessing the effectiveness value proposed by Champion (1990:302) that if it is in the range of 0.76-1.00 (76%-100%) this means that internal control is very effective in preventing bad loans at KPRI UNM.

Table 2. Recapitulation of Respondents' answers to the Internal Control System at KPRI UNM in 2018

No	Dimensions/ Aspect	Yes	No	%
1	Control Environment	60	0	100
2	Risk Assessment	45	0	100
3	Control Activities	45	0	100
4	Information andCommunication	45	0	100
5	Monitoring	45	0	100
	Total	**240**	**0**	**100**

Source: Results of data processing

Based on Table 2 in 2018, an effectiveness   value   of   100%   was obtained. Based on the criteria for assessing the effectiveness value proposed by Champion (1990:302) that if it is in the range of 0.76-1.00 (76%-100%) which means that internal control is very effective in preventing bad loans at KPRI UNM.

Table 3. Recapitulation of Respondents' answers to the Internal Control System at KPRI UNM in 2019

No	Dimensions/ Aspect	Yes	No	%
1	Control Environment	60	0	100
2	Risk Assessment	45	0	100
3	Control Activities	45	0	100
4	Information and Communication	45	0	100
5	Monitoring	45	0	100
	Total	**240**	**0**	**100**

Source: Results of data processing

Based on Table 3 in 2019, an effectiveness value of 100% was obtained. Based on the criteria for assessing the effectiveness value proposed by Champion (1990:302) that if it is in the range of 0.76-1.00 (76%-100%) which means that internal control is very effective in preventing bad loans at KPRI UNM.

2. Bad Credit Growth

Table 4. Total Loans and Non-performing Loans for UNM KPRI Period 2017-2019

Year	Total Loan	NPL Rp)	NPL (%)
2017	33.115.650.000	104,429,395	0.31
2018	29.581.700.000	269,023,445	0.91
2019	23,891,745,000	131,367,717	0.55

Source: KPRI UNM financial data

Based on Table 4, it can be seen that in 2018 the percentage of NPL increased by 0.60% due to a decrease in the total loan amount of IDR 3,533,950,000. While the number of NPLs increased by Rp. 164,594,050, then in 2019 the percentage of NPLs decreased by 0.36% due toa decrease in the total number of loans by Rp. 5,689,955,000, and the number of NPLs decreased by Rp. 137,655,728. It can be said that the credit provided by KPRI UNM is still in the healthy category because the Npl percentage is < 5%. As has been stated by Malayu Hasibuan, it is imperative that internal credit control is implemented to avoid the occurrence of bad loans and settlement of bad loans.

B. Discussion of Research Results

1. Internal Control System

Internal control applied in the company aims to protect the company's assets from all fraud and errors committed by employees and management that can cause losses to the company. In order for companies to implement effective credit internal control, it is necessary to implement elements of internal control, namely the control environment, control risk, control activities, information and communication, as well as monitoring and applying them in operational activities.

The following is an explanation of the implementation of the elements of the Internal Control System at KPRI UNM to prevent bad loans, namely:

a) Control Environment

The control environment is an atmosphere where management and employees carry out their activities and carry out their responsibilities to control the organization. An effective environment is an environment where there are competent people. The organizational structure applied to KPRI UNM has been clearly and systematically arranged. which can lead to deviations. The organizational structure describes a clear job description regarding authority, responsibility, function and organizational relations, so that it can be seen that there is a fairly good separation of duties and functions that facilitates a person's work and responsibilities in the context of achieving organizational goals.

b) Risk assessment

The risk assessment includes special consideration of the risks arising from changes in circumstances in this regard, especially those relating to credit extended to customers and the impact on the cooperative concerned. The risk assessment at KPRI UNM related to credit is the presence of non-performing loans or bad loans where it is possible that some customers cannot pay off their credits due to various reasons such as customers who died, debit failures, customers who changed addresses without notification or being known by the parties. cooperatives, and pensions. In addition, there is a risk where changes in economic conditions can affect the smoothness of credit provided by KPRI UNM. To anticipate/avoid bad loans in the future, KPRI UNM takes steps aimed at debtors, as follows:

- The debtor must be a member of KPRI UNM,
- Seeing the amount of salary, performance allowance and certification of debtor lecturers and seeing 5 C's periodically,
- KPRI UNM performs continuous billing,
- Execution of debtor's collateral selectively.

In the steps taken by KPRI UNM to anticipate/avoid bad or non-performing loans, it is good because to approve applications for prospective debtors is carried out selectively, after granting credit, KPRI UNM conducts an assessment or investigation of the debtor in terms of character, capacity, capital, collection, and condition of economic (5C) are conducted periodically to see developments/increases or declines in the debtor's economy. In addition, KPRI UNM also assesses credit guarantees from several things, namely having economic value in general and freely, the guarantee must be greater than the amount of credit given, the collateral has economic benefits in a relatively longer period of time than the loan term to be granted. guaranteed. if KPRI UNM apparently found their debtors in arrears then KPRI UNM will do the billing is kept constant in order to avoid bad credit and if the debtor is indeed defunct or no longer able to repay the loan and interest on the loan then KPRI UNM finish by executing or confiscated credit collateral and take over debtor's collateral to be auctioned or sold so that KPRI UNM gets cash for credit operational activities in order to achieve company goals.

c) Control Activities
Control activities are policies and procedures designed to provide assurance that the instructions made by management are implemented. These policies and procedures provide assurance that the necessary actions have been taken to reduce risks in achieving cooperative goals. The policies and procedures for control activities in KPRI UNM include:
- There is an adequate/clear separation of functions in the lending procedure
- Physical control over property and records

In order for this control activity to run well, the KPRI UNM has also made an organizational structure, especially in the field of credit, it can be seen that there is an appropriate division of authority and responsibility for each employee in the company, so that each part clearly knows what their duties are and to each other. ready they have to take responsibility. This is done both to improve work efficiency and effectiveness in carrying out the company's operational activities. In order to maintain the accuracy of the required information, reports from prospective debtors are examined by competent and independent parties. credit analyst (mantri) in the assessment of the guarantee. The validity of the guarantee has been confirmed by law, the amount of credit granted is not based on the guarantee, but is adjusted to the financing needs and the value of the collateral held.

d) Information and Communication
Information includes an accounting system created to identify, classify, analyze, record, and report transactions of a business, as well as hold accountability for its assets and business debts. The main focus of control policies and procedures related to the accounting system is that transactions have been carried out to prevent misstatements in the financial statements. This accounting system starts from recording credit at the time of granting credit, making deposits, and paying interest to repayment of credit. Therefore, KPRI UNM sets a maximum limit for lending, which is a maximum of 60% of the guaranteed debtor's salary, along with the interest rate according to the credit segment. KPRI UNM sets a credit limit or maximum credit limit because this is done to avoid the debtor's inability to pay the loan and the interest, previously the credit limit or maximum credit limit must be determined and approved by both parties (KPRI UNM and the debtor) before credit is granted. This credit ceiling is determined objectively based on the analysis of the 5C principles (character, capacity, capital, collection, and condition of economics) by credit analysts (mantri).

e) Monitoring
Monitoring is the process of assessing the internal control structure over time. Monitoring of the internal control structure, especially in the field of credit, KPRI UNM is carried out by the credit analysis section. Credit analysts carry out monitoring which is carried out once a month based on debtor/member salaries. done by credit analysts is on the salary of the debtor/member each month.

C. UNM KPRI Policy in the Rescue and Settlement of Bad Loans

Credit restructuring is an improvement effort carried out by KPRI UNM in credit activities for debtors who have difficulty fulfilling their obligations. Credit restructuring aims to rescue debtor/member credit. This credit restructuring is carried out for debtors who have difficulty paying credit principal or interest but the debtor still has the ability to repay after the credit is restructured. The credit restructuring carried out included:

1. **Changes in loan interest rates**

   Changes in loan interest rates are for changes/decreases in interest rates to be smaller than the current interest rate.

2. **Reduction of interest arrears and or fines**

   The granting of relief in arrears of interest and or a maximum fine of arrears of interest and or fines that have not been paid by the debtor. Restructuring by reducing arrears of interest and or penalties is only for debtors who have doubtful collectibility and are in loss. This relief of arrears of interest and or penalties is given by agreement between the debtor and creditor. There is no limit to the reduction of arrears of interest and or penalty penalties, the amount is adjusted to the ability of the debtor.

3. **Reduction of loan principal arrears**

   Namely, the granting of relief on principal arrears of credit to the extent of arrears of credit. Reductions in relief of principal arrears are given to the debtor upon an agreement between the debtor and the creditor.

4. **Credit term extension/rescheduling**

   This is done by providing additional credit terms, including changes to the schedule and the amount of installments for principal or interest/fine payments. The definition of term extension in this case is in the context of saving credit. There is no time limit on extending the credit period, the credit period is adjusted to the ability/cashflow of the debtor.

5. **Collateral sale**

   Is the sale of debtor assets or collateral which is carried out under the hands, which is handed over to the bank in the context of rescue.

6. **Combination of types of restructuring**

   Is a combination of various alternative restructuring/rescuing non-performing loans from a to e.

IV. CONCLUSION

Based on the results of data analysis and discussion, it can be concluded that the internal control system applied to KPRI UNM has not been able to prevent or reduce bad loans effectively but is still classified as healthy or can be said to be not problematic because the NPL percentage value is <5%. This is shown by the internal control system implemented which resulted in an increase in the Npl value in 2018 but decreased in 2019.

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