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Abstract

Bank Maybank Indonesia is an Indonesia-based company primarily engaged in the banking sector. The Company's business activities are divided into three business segments: Global Banking which includes corporate banking, transaction services and global markets; Community Financial Services (CFS) which is an integration of retail and business banking functions that include third party funds, business loans, micro small and medium business loans, home ownership loans and others, as well as Islamic Banking services. In the Banking Industry, Good Corporate Governance is an important factor in maintaining the trust and confidence of shareholders and customers. The application of the principles of good corporate governance in the bank management system is very important in increasing the success of a company engaged in banking. This study aims to identify and analyze non-performing loans in Micro, Small and Medium Enterprises at banks and to determine the efforts made in dealing with the occurrence of Non-performing Loans in Micro, Small and Medium Enterprises at banks. This type of research will be carried out using descriptive research methods with a quantitative approach. The results of this study will show that the application of credit risk management which includes active supervision of the board of commissioners and directors, policies, procedures and limit setting, identification, measurement, monitoring, and credit risk management information systems, as well as an internal control system for non-performing loans at PT. Maybank Indonesia. Based on this research, banks can maintain the independence of credit staff and improve the credit monitoring process.

Keywords
non-performing loans in micro; small and medium enterprises; risk management; GCG

I. Introduction

The implementation of *Good Corporate Governance* has become an obligation for all commercial banks operating in Indonesia. The obligation to implement *Good Corporate Governance* in Commercial Banks is stipulated through PBI No. 8/4/PBI/2006 concerning Implementation of *Good Corporate Governance* for Commercial Banks, which was later amended by PBI No. 8/14/PBI/2006 concerning Amendments to PBI No. 8/4/PBI/2006 concerning the Implementation of *Good Corporate Governance*. For Commercial Banks. The banking industry has relatively tighter regulations (*highly regulated*) compared to other industries. There are six main considerations that are explicitly stated as the basis for issuing PBI related to the implementation of *Good Corporate Governance*, namely: (1) the increasing risk faced by banks creates the need for *Good Corporate Governance*, (2) Implementation *Good Corporate Governance* is needed in order to improve bank performance, protect the interests of *stakeholders*, as well as improve compliance with laws and regulations and ethical values generally accepted in the banking industry;

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(3) Improving the quality of the implementation of *Good Corporate Governance* is one of the efforts to strengthen the internal conditions of the national banking system according to the Indonesian Banking Architecture (API); (4) quantified or not, which has the potential to affect the bank's financial position with characteristics determined by internal and external factors, including business strategy, business characteristics, product complexity and bank activities, banking industry business activities, and macroeconomic conditions. With the increasingly complex risks faced by banks, the implementation of *Good Corporate Governance* has become a necessity.

Based on the Circular Letter of the Financial Services Authority Regulation NUMBER 4 /POJK.03/2016 concerning the assessment of the soundness of banks in which Banks are required to assess the soundness of banks individually by using a risk approach (*Risk-based Bank Rating*) with a scope of assessment of the following factors: a . risk profile (*risk profile*), b. *Good Corporate Governance* (GCG), c. profitability (*earnings*), and d. capital (*capital)* and assessment of risk profile factors is an assessment of the *inherent* and quality of risk management implementation in Bank operations that must be carried out on 8 (eight) risks, namely: a. credit risk, b. market risk, c. liquidity risk, d. operational risk, e. legal risk, f. strategic risk, g. compliance risk, and h. reputation risk. The obligation to assess the GCG factor as referred to is an assessment of the Bank's management on the implementation of GCG principles.

So it is very appropriate if governance is applied in banking to build a healthy banking industry. In addition, the implementation of corporate governance is an important part of dealing with risk. These risks can affect the viability of the banking itself. If banking corporate governance can run well, then risk management will also run effectively, because in BI Circular No. 15/15/DPNP in 2013 explained that the implementation of risk management is included in the assessment factor for the implementation of corporate governance.

Corporate governance is the structure, system and process used by corporate organs in an effort to provide added value to the company on an ongoing basis in the long term while taking into account the interests of stakeholders based on norms and ethics (CGPI, 2012:14).

1.1 Self-Assessment of Corporate Governance in Banking

According to SE BI No. 15/15/DPNP dated April 29, 2013, in order to ensure the implementation of 5 (five) basic principles of corporate governance, Banks must conduct periodic self-assessments covering 11 (eleven) assessment factors, including: (1) implementation of duties and responsibilities responsibilities of the Board of Commissioners, (2) the implementation of the duties and responsibilities of the Board of Directors, (3) the completeness and implementation of the duties of the Committee, (4) handling conflicts of interest, (5) implementing the compliance function, (6) implementing the internal audit function, (7) implementing the function external audit, (8) implementation of risk management including internal control system, (9) provision of funds to related parties and provision of large funds, (10) transparency of bank financial and non-financial conditions, reports on the implementation of corporate governance and internal reporting, and (11) the bank's strategic plan.

1.2 Banking Credit

The definition of "credit" according to Law 10/1998 concerning Banking, Article 1 number 11, is "the provision of money or an equivalent claim, based on an agreement or loan agreement between a bank and another party which requires the borrowing party to repay the debt. after a certain period of time with interest.

In a broad sense, credit is defined as trust. Likewise, in Latin credit means to believe. The meaning of trust for the lender is that he believes in the recipient of the credit that the credit he has disbursed will definitely be returned according to the agreement. As for the recipient of the credit, it is an acceptance of trust so that it has an obligation to pay according to the time period (Kasmir, 2008: 97).

Before credit is given, to convince the bank that the customer can really be trusted, the bank first conducts a credit analysis. Credit analysis includes the background of the customer or company, business prospects, guarantees provided and other factors. The purpose of this analysis is for banks to believe that the loans provided are truly safe (Kasmir, 2008:97). Giving credit without being analyzed first will be very dangerous for the bank. Customers in this case easily provide fictitious data so that the credit is actually not feasible to be given. As a result, if the analysis is wrong, then the credit disbursed will be difficult to collect, aka bad. However, this incorrect analysis factor is not the main cause of bad loans even though the majority of bad loans are caused by errors in conducting the analysis. Other causes may be caused by natural disasters that are unavoidable by customers. For example floods, earthquakes, or errors in management (Kasmir, 2008:98). Banks in carrying out banking activities as financial institutions are never separated from monetary policy, especially policies regarding the increase in deposits and decrease in deposits. Banks have an important role as financial institutions that have the main task of collecting funds from the public in the form of savings, current accounts and deposits, then channeling them back in the form of credit to the public. In order to improve people's living standards, many economic activities in a field require the role of a bank. In carrying out its role, banks are required to be able to collect public funds as much as possible.

Supporting the sustainability of the wheels of financing companies, both Bank and non-Bank, namely from the receipt of interest income obtained from the distribution of funds in the form of credit, both consumer credit and productive credit. Problems that often occur when channeling funds in the form of credit, customers often neglect their responsibilities to fulfill their obligations/pay credit due to intentional factors or conditions beyond the ability of the customer. This problem is what every financing company is very worried about, because it will disrupt the company's financial condition and can even result in the cessation of the company's business activities, because from the interest paid by customers, the company gets a profit to finance the company's operational activities. The existence of bad credit problems that affect the company's revenue receipts, which also has an impact on the increase in the value of NPL (*Non Performing Loan*) which means that it has a negative impact on the company's performance assessment in dealing with bad credit problems. Because of the value of NPL (*Non-Performing Loan*) an indicator of the company's performance assessment in channeling funds in the form of credit. Non-performing loans / NPLs reflect credit risk, the higher the NPL level, the greater the credit risk borne by the bank (Ali, 2004). Due to the high NPL, banks must provide larger reserves, so that in the end the bank's capital will also be eroded.

1.3 Performing

a. Loans in Micro, Small and Medium Enterprises in Banks

b. in Micro, Small and Medium Enterprises in Banks that affect the company's revenue receipts, which also has an impact on increasing the value of NPL (*Net Performing Loan*) which means that it has a negative impact on company income in dealing with credit problems. problem with the bank.

II. Review of Literature

2.1 Credit Risk

According to BI circular no. 13/24/DPNP, Credit risk is the risk due to the failure of the debtor and/or other parties to fulfill their obligations to the bank. Credit risk generally exists in all Bank activities whose performance depends on the performance of the counterparty, issuer, or the performance of the borrower. Credit risk can also be caused by concentrated provision of funds to debtors, geographic areas, products, types of financing, or certain business fields. This risk is commonly called credit concentration risk and must also be taken into account in the assessment of inherent risk.

2.2 Problem Loans

According to Hariyani (2010:35), non-performing loans are loans that are classified as substandard loans, doubtful loans, and bad loans. This ratio shows the ability of bank management in managing non-performing loans provided by banks. So that the higher this ratio, the worse the quality of bank credit, which causes the number of non-performing loans to be greater, the greater the possibility of a bank in troubled conditions. The ratio of non-performing loans can be formulated as follows (according to SE BI No.3/30/DPNP dated December 14, 2001):

$$\text{Non-performing loans} = \text{NPL}$$

$$\frac{\textbf{Total Kredit Bermasalah}}{\textbf{Total Kredit}}\ x\ 100\%$$

Credit risk proxied by non-performing loans is measured by the percentage of total non-performing loans of all bank loans.

Non-performing loans are loans that are classified as substandard loans, doubtful loans, and bad loans (Hariyani, 2010:35).

a. Corporate Governance and Credit Risk

Berger et al (2005) in their research suggest that the implementation of corporate governance has an effect on reducing non-performing loans. Corporate governance is the structure, system and process used by corporate organs in an effort to provide added value to the company on an ongoing basis in the long term while taking into account the interests of stakeholders based on applicable norms, ethics, culture and rules (CGPI, 2012:14).

b. Good Corporate Governance

Basic Implementation of Governance at PT. MBI continuously strives to improve the implementation of *Good Corporate Governance* (GCG) practices at all levels of the organization. The Bank realizes that Good Corporate Governance is one of the main components that are important in order to improve the Bank's performance, protect the interests of Stakeholders, and improve compliance with laws and regulations and generally accepted ethical values in the banking industry. The bank, which has been operating for more than 50 years, applies the principles of GCG / Corporate Governance in every business activity. The Principles of *Good Corporate Governance*/ Corporate Governance: In its application to implement GCG in a company, principles are needed so that GCG can be implemented properly., the principles of GCG are:

c. Definition of Good *Corporate Governance*

As quoted by Susilo and Karlen Simarmata (2007) the definition of *corporate governance* was first issued by *Cadbury Committee* in 1992 stating that, "*corporate governance* is a system to direct and control the company". *The International Chamber of Commerce* quoted by Susilo and Simarmata (2007) provides a definition that, "*Corporate governance* is a system of relations between company management, directors, investors, the public and other institutions that invest their money in the company and expect a return for their investment. *Corporate governance* must also ensure that the board of directors is responsible and accountable for achieving the company's goals and ensuring that the company is carried out in accordance with the applicable laws and regulations". *The Organization for Economic Cooperation and Development* (OECD) quoted from Susilo dan Simarmata (2007) states that "*corporate* governance is a set of relationships between company management, directors, commissioners, shareholders, shareholders and other stakeholders". Donaldson and Davis (2000) as quoted by Arafat et al., 2008 define *corporate governance* as "*the structure whereby managers at the organizational apex are controlled through the board of directors, its associated structures, executive incentives and other schemes of monitoring and bonding*.". *Forum for Corporate Governance in Indonesia* (FCGI) as quoted Warsono (2007) defines *corporate governance* as a set of rules that determine relationships between stakeholders, management, creditors, government, employees and shareholders.

d. Corporate Governance Guidelines and Policies

Bank has a *Good Corporate Governance* (GCG) Manual which refers to the following rules and regulations: • Financial Services Authority Regulation (POJK) No. 55/ POJK.03/2016 dated 7 December 2016 concerning the Implementation of Good Corporate Governance for Commercial Banks; • Financial Services Authority Circular Letter (SE OJK) No.13/ SEOJK.03/2017 dated March 17, 2017 concerning the Implementation of Good Corporate Governance for Commercial Banks • POJK No. 29/POJK.04/2016 dated 29 July 2016 concerning the Annual Report of Issuers or Public Companies; • Indonesia's Corporate Governance Roadmap Towards Better Governance of Issuers and Public Companies issued by OJK dated 4 February 2014 • POJK No.21/POJK.04/2015 dated 16 November 2015 concerning Implementation of Public Company Governance Guidelines; • Circular Letter of the Financial Services Authority (SEOJK) No.32/ SEOJK.04/2015 dated 17 November 2015 concerning Guidelines for the Governance of Public Companies; • SEOJK No.30/SEOJK.04/2016 dated 3 August 2016 concerning the Form and Content of the Annual Report of Issuers or Public Companies; • ASEAN Corporate Governance (CG) Scorecard; • Bank's Articles of Association and GMS Resolutions; • Decisions of the Board of Commissioners and/or the Board of Directors; and • Bank's internal regulations (Board Manual, Code of Ethics and Code of Conduct).

Periodically PT. MBI reviews and evaluates the completeness and updating of internal provisions related to GCG, this is to ensure that internal regulations are relevant and in accordance with organizational conditions, the Bank's strategy and applicable regulations.

The implementation of GCG principles includes Transparency, Accountability, Accountability, Independence, and Fairness (TARIF), with the following implementations:

1. Disclosure of the AGMS Agenda along with an explanation of each agenda and candidate profiles for the Board of Commissioners and the Board of Directors.
2. Disclosure of the resolutions of the AGMS is made on the same day after the completion of the AGMS.
3. Completion of the GCG Manual as outlined in the Company's Basic Policy which is the main reference for all other Bank policies.
4. The Bank holds Analyst Meetings in physical form or conference calls by distributing press releases to the media as well as holding press conferences which are held every quarter as a means of delivering information to stakeholders.
5. Conducting performance appraisals of the Board of Commissioners, Committees at the Board of Commissioners level, Directors and Committees at the Board of Directors level at the end of the year.
6. The Bank discloses information including Financial Statements, Annual Reports, realization of the use of proceeds from public offerings, reports related to bonds and others in accordance with applicable OJK and Stock Exchange regulations.

The Company's commitment to good corporate governance is stated in the vision, mission,*core values*, code of ethics, core company policies and *best practices* corporate governance, work charters and guidelines to the*Whistleblowing System*. This commitment is communicated to all elements and levels within the Bank's organization.

***(PT Bank Maybank Indonesia Tbk • Annual Report 2017)**

If associated with External factors are Customers/Communities, while with Internal factors are all levels of the organization, including the implementation of the duties and responsibilities of the Board of Commissioners and the Board of Directors, Completeness and Implementation of Duties of the Committees of the Board of Commissioners which carries out the function of supervising the effectiveness of GCG implementation, implementation of compliance and risk management functions, corporate strategic plans, as well as various information disclosures that measure the Bank's activities and finances.

The Banking Business Model is to collect and manage unused public funds, by channeling them to other communities through credit so that the community's economy moves and improves the people's standard of living thus the nation's economy moves.

The Bank's Business Model is as shown in the image below:

PT. MBI is one of the Private Commercial Banks, choosing to become a Retail Banking where banks can transact with consumers directly, with banking services such as transactional account services, business credit loans, deposits, savings, credit cards, debit cards, and so on. This is in line with the **Vision** and **Mission** of the company.

2.3 Risk Management

Risk Management System implemented by the Bank.

The risk management process starts from risk identification to determine the types of risks that have the potential to occur in bank activities, followed by risk measurement to determine the magnitude of the risks faced. Then, the bank conducts an assessment of the quality of control of the existing risks. If deemed necessary, the bank will improve the quality of control in the form of a risk mitigation process. Furthermore, the bank monitors and reports on risk control efforts.

2.4 Risk Identification

The purpose of risk identification is to identify all types of risks inherent in each functional activity that has the potential to harm the bank.

Things that need to be considered in implementing risk identification include:

a. Being proactive (*anticipative*) and not reactive;
b. Covers all functional activities (operational activities);
c. Combine and analyze risk information from all available information sources;
d. Analyzing the probability of occurrence of risks and their consequences.

2.5 Risk Measurement

Risk measurement is carried out to measure the bank's risk profile, and then used to obtain an overview of risk management implementation activities.

All risks inherent in all banking transactions and products can be integrated into the bank management information system. The risk measurement process can use both quantitative and qualitative data.

2.6 Risk Monitoring and Limit

Limits are determined by taking into account the prevailing Bank Indonesia regulations, including the provisions concerning the minimum capital adequacy requirement (KPMM), the maximum lending limit (BMPK) and the net foreign exchange position (PDN).

Any exceeding of the limit must be identified and immediately followed up. Exceeding the limit can be done if it gets authority from the Board of Directors or an authorized official in accordance with the bank's internal provisions and procedures.

2.7 Risk Control

Risk control is carried out by banks to manage certain risks, especially those that can endanger the continuity of the bank's business.

Risk control can be carried out by banks, among others by means of hedging or *hedging,* and other risk mitigation methods such as closing insurance, purchasing guarantees, securitizing assets and using *credit derivatives instruments,* as well as increasing bank capital to absorb potential losses.

2.8 Banking Rules Related to Risk Management

The Basel Committee sets the minimum capital that banks must maintain to protect the interests of the public who deposit their funds in the bank. The first time the provisions regarding the minimum capital adequacy were set in 1988 called Basel I. Then in line with the occurrence of various large-scale crises, the *Basel Committee* made improvements successively referred to as Basel 1.5 in 1996, Basel II in 2004, Basel 2.5 in 2010 and Basel III of 2011.

a. Bank Indonesia Regulation – Commercial Bank Risk Management

The banking industry is an industry related to the public interest. Public trust to save funds in banks is a factor that determines the growth of the banking industry. The banking industry is the industry most regulated by various regulations, such as various regulations from Bank Indonesia and the Basel Committee.

b. Bank Indonesia Regulation – KPMM

1. Bank Indonesia Regulation No. 11/25/PBI/2009 dated July 1, 2009 regarding amendments to PBI No.5/8/PBI/2003 concerning the implementation of risk management for commercial banks.
2. Bank Indonesia Circular Letter No. 5/21/DPNP concerning the implementation of risk management for the public is enhanced by Circular Letter of Bank Indonesia No. 13/23/DPNP dated October 25, 2011.

If the implementation of good corporate governance can be implemented properly, banks can minimize credit risk caused by non-performing loans. The implementation of good corporate governance is able to reduce non-performing loans because the principles of implementing corporate governance developed by BI are very careful with the principle of prudence.

III. Research Method

3.1 Data Collection Methods

Identifying unwanted events:

performing Loans for Micro, Small and Medium Enterprises at Banks.

Table 1. Probability of Event Risk

Score	Event of Default / Bad Credit	Frequency (Year)	Probability of Occurrence (%)
1	Rarely	1 -2	In year 1-2 the loan goes smoothly , turnover increases by 20%
2	likely	happen 3 – 4	In year 3 4 Interest payments are smooth but not on time, there is a 10% decrease in turnover

3	Possibly Ongoing	5 – 6	In the 5th – 6th year, loan payments start to fail, the business is still running, customer payments are delayed causing payments to the bank to be late, the business is still running but experiencing slowdown, AR is getting longer
4	Most likely to	happen 7 – 8	In year 7-8 banks doubted loan payments, there was a decrease in orders, many projects had not been billed so that it disrupted the company's cash flow, there was 1 M that had not been collected
5	Almost (Probability of Occurring Very High)	Occurred 8	In year 8 the customer defaulted on the loan.

Table 2. Impact of Unexpected Events

Score Impact	Financial	Impact Impact of Interest Income	Impact of Handling
Score 1 (Not Significant)	Very small financial loss	Arrears 1 – 15 days	Notification via SMS or telephone
Score 2 (Small) Minor	financial losses	Arrears 16 – 30 days	SP 1, SP 2, SP 3
Score 3 (Currently)	Medium financial loss	Arrears 61 - 90 days	Review of credit agreement documents and collateral agreements
Score 4 (Big)	Big financial loss	Arrears 91 - 120 days	Visits to debtors for a consensus/negotiation settlement
Score 5 (Very large)	Huge financial loss	Arrears 121 – 180 days	• Lawyer subpoena • Negotiations for cash payments • Delivery of collateral (assets settlements)

Heat Map Image 1

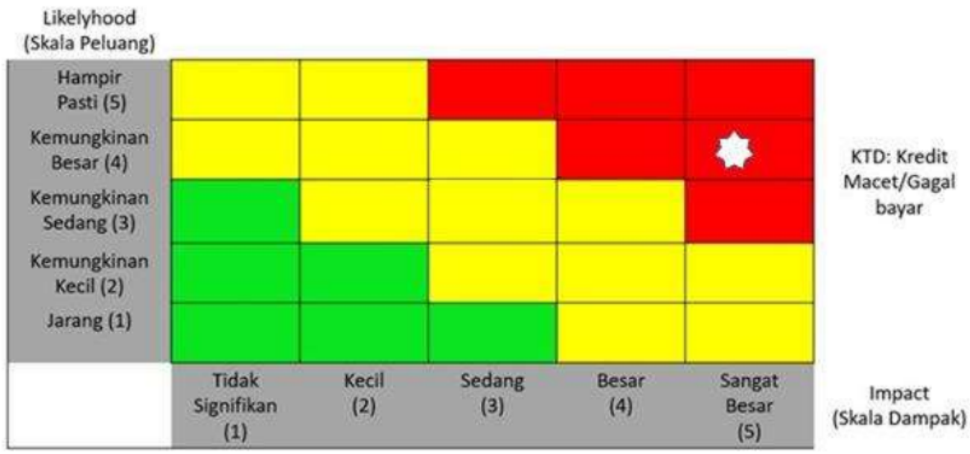
From the size of the frequency and impact of losses, it shows the level of risk, and whether the risk can be accepted or must be handled further by the bank. In the example below in the analysis of non-performing loans in micro, small and medium enterprises there is congestion or arrears in payment of principal and interest on loans given to companies by banks. The frequency of occurrence is 4 (most likely), with an impact scale of 5 (very large).

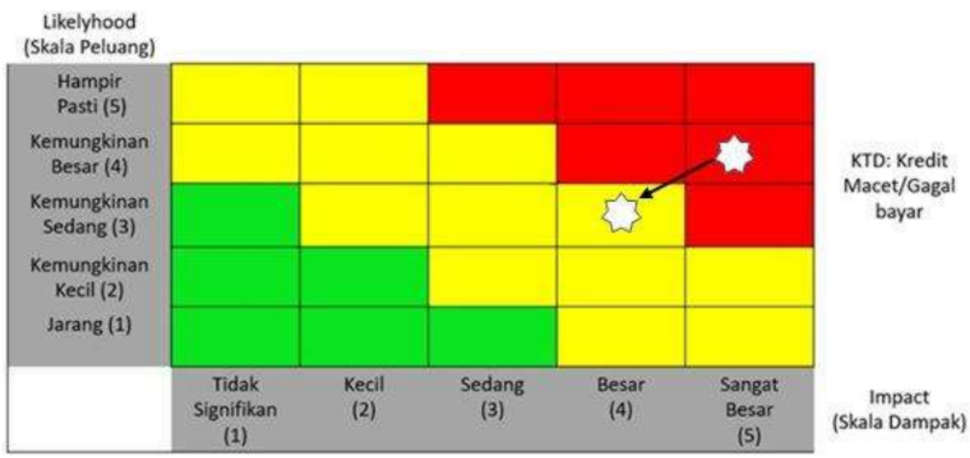
Image of Heat Map 2

Process Improvement controls and visits to debtors for resolution by consensus/negotiation reduce the frequency of incidents, thus moving the position to the yellow area.

Image of Heat Map 3

The process of handling non-performing loans by carrying out various credit collection and settlement strategies such as reviewing credit agreement documents and collateral agreements, as well as conducting credit restructuring for debtors with NPL collectibility will be carried out by the Asset Quality Management Work Unit using the authority according to the delegated provisions. Thus, the risk position moves to the yellow area, which reduces the chances and impacts of non-performing loans with NPL collectibility.


Likelyhood (Skala Peluang)
Hampir Pasti (5)
Kemungkinan Besar (4)
Kemungkinan Sedang (3)
Kemungkinan Kecil (2)
Jarang (1)
Tidak Signifikan (1)
Kecil (2)
Sedang (3)
Besar (4)
Sangat Besar (5)
Impact (Skala Dampak)
KTD: Kredit Macet/Gagal bayar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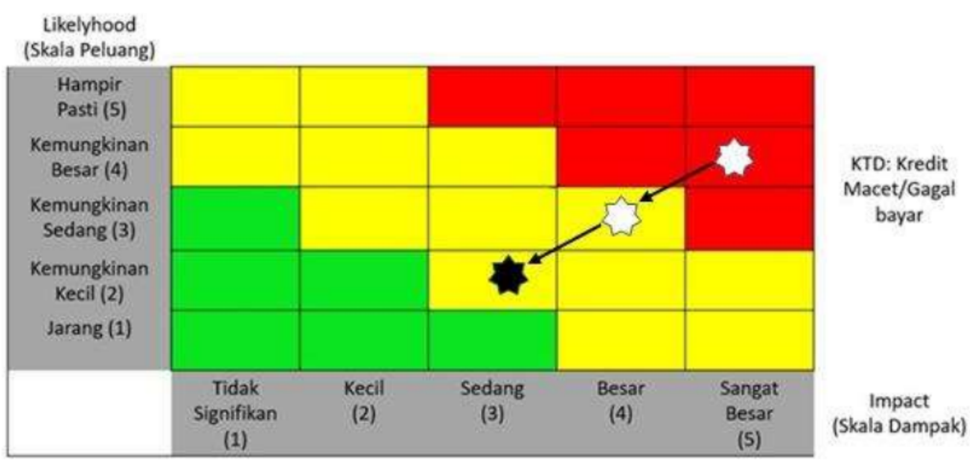
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Sedang (3)
Besar (4)
Sangat Besar (5)
Impact (Skala Dampak)
KTD: Kredit Macet/Gagal bayar

Mitigation:

1. Non-performing loans, especially bad loans, arise due to internal and external factors. The internal factors of the bank are due to weak credit supervision and the bank's inaccuracy in conducting credit analysis before credit is given to debtors. Meanwhile, the external factor of the debtor is the debtor's own intention to deviate from the credit.
2. In the prevention and settlement of non-performing loans, especially bad loans at PT. MBI implemented *Good Corporate Governance* in its settlement efforts, especially in the early prevention of lending to debtors, in which PT. MBI in conducting credit supervision by bank officers is always with the knowledge of the debtor where this implements the principle of ***Transparency***, the credit supervisory officer of PT. MBI has a background or area of expertise that is in accordance with his duties, this implements the principle of ***Accountability***, the credit supervisory officer carries out his duties and obligations in accordance with the Maybank Indonesia credit supervision guidelines, this implements the principle ***of Responsibility***, the credit supervisory officer of PT. MBI does not have a familial relationship with the debtor so that it does not affect his work responsibilities, this implements the principle of ***Independence,*** equal treatment without subjectivity to certain debtors, this implements the principle of ***Equality.*** And in the process of completion of PT. MBI also complies with laws and regulations and applies the principle ***of prudence*** in lending. The resolution of non-performing loans through legal channels is prioritized on the non-litigation route rather than the litigation route. The non-litigation path is considered to be faster and saves settlement time compared to the litigation path, which process also costs money. In the settlement on the non-litigation path, maximum results can be obtained. The main reason why choose the non-litigation path is if there is good faith and the ability to pay customers for the settlement of non-performing loans through credit restructuring at PT. MBI. PT. MBI needs to see how important it is to have a proper credit analysis process before credit is granted. In this process it should be emphasized and refocused, so that after the credit is given there are no problems that arise that cause the credit to become problematic. This can be done by looking at several factors, such as character, ability to pay installments, the debtor's income, the debtor's financial condition, credit guarantees, and predictions about obstacles.
3. It is necessary to monitor the use of credit funds, such as seeing the debtor's business and economic development directly.
4. Settlement through non-litigation is the best way for both parties, because in it both parties have the best settlement and if a loss occurs in the process, it can be minimized as much as possible.

3.2 Data Analysis Techniques

Determine the opportunities and impacts of unexpected events, as well as measure the opportunities and impacts of these events by identifying:

a. Unwanted events
b. Opportunities for occurrence of events
c. Causes of events
d. Impact

IV. Results and Discussion

4.1 Analysis of Risk Management Implementation Credit

1. Active supervision Board of commissioners and directors
   a. External Supervision Board of Directors PT. MBI has carried out good supervision by supporting healthy lending standards and has been realized in the form of Retail Business Credit Implementation Guidelines (PPK). Meanwhile, the Board of Commissioners supervises by directing, monitoring, and evaluating the implementation of strategic policies, evaluating and deciding on applications for proposals from the Board of Directors related to bank operational activities.
   b. Internal Supervision of Branch Managers of PT. MBI has carried out good supervision by conducting credit supervision at the time the loan is applied for, the loan is realized, and after the loan has been realized.
2. Policies, procedures, and limit setting of PT. MBI has provided sound credit through a process starting from receiving credit applications, credit analysis processes, and credit realization processes. PT. MBI has also separated the functions and authorities at several stages/processes of the credit distribution. The application process is served and the credit analysis is carried out by the *Account Officer* (AO), the credit decision section is carried out by the *Committee Loan* and at the credit realization stage it is carried out by the Credit Administration (ADK). All of these functions have been carried out well, but there are still dual tasks in the credit supervision and handling of non-performing loans. Credit supervision and handling of non-performing loans.
3. Process of Identification, Measurement, Monitoring, Credit Control, and credit risk management information system.
   a. Credit Risk Identification of
   PT. MBI identifies credit risk by analyzing the debtor's financial statements. The identification of credit risk is carried out with the aim of assessing the ability of customers to return their obligations and interest to the bank.
   b. Credit risk
   Credit risk measurement at PT. MBI is done by assessing prospective debtors/ customers through 2 aspects, namely qualitative aspects and quantitative aspects.
   c. Credit Risk Monitoring Credit
   Risk monitoring is carried out by the *Account Officer* (AO) by conducting direct or *On the Spot* to the business locations of prospective debtors.
   d. Credit Risk Management Information System
   PT. MBI has a credit risk management information system, namely the *Loan Approval System*, which can provide various information needed by management.
4. PT MBI has carried out internal control by auditing, reviewing or evaluating loans given to debtors which is divided into several stages of the credit process, namely the credit application stage, credit analysis stage, credit realization stage, and credit repayment stage. Non-performing loans are loans classified into collectibility 3 (substandard), collectibility 4 (doubtful), and collectibility 5 (loss).

4.2 Analysis of Non-performing Loans for Micro, Small and Medium Enterprises at Banks

Banks carry out several credit rescue actions as an effort to overcome the occurrence of arrears in credit payments or non-performing loans, in the form of:

1. *Restructuring* or restructuring, by adding the amount of credit or adding capital to the debtor's business but on condition that as follows:
   a. The debtor's business still exists and has good prospects in the future.
   b. Debtors have good faith in paying their obligations to the bank.
2. *Reconditioning*, or requirements for return, namely by:
   a. Decrease in interest rates. Maximum limit of interest rate reduction provided by the Bank.
   b. Postponement of payment of credit interest fines or *penalties*
3. *Rescheduling* or rescheduling
   The Bank provides relief to debtors who are in arrears in payments, namely by providing an extension of the period for payment of the debtor's credit. The relief is given by the bank on the condition that an agreement and negotiation be made between the debtor and the bank and witnessed by a notary.
4. Combination, namely the bank provides steps to rescue non-performing loans to debtors by combining restructuring *with* reconditioning *or* rescheduling *with* restructuring.
5. Settlement of Non-performing Loans
   a. Peacefully, the debtor immediately pays off the principal of the credit because the debtor is unable to pay the interest charged.
   b. Through legal channels, the bank has the right to conduct an auction for the guarantee provided by the debtor when applying for credit.
   c. The bank cooperates with insurance companies with the aim of making it easier for the bank to handle non-performing loans because all costs and the value of the guarantee have been calculated by the insurance company so as to minimize losses suffered by the bank.

V. Conclusion

It is necessary to increase the application of credit risk management in banks so that the percentage of NPL does not increase every year or even the percentage of NPL becomes 0%. It is recommended that monitoring of the debtor's business condition needs to be carried out regularly in order to find out early on the problems that occur on the debtor's side. With the implementation of the principles of *Good Corporate Governance*, the wider community believes in the banking company, the public will entrust their money storage in the form of savings, current accounts and deposits in the bank, so that it will increase Third Party Funds which in turn increases banking performance (Riyadi and Raffii, 2018).

Considering that banks face various risks that can have an impact on their performance, it is important for management to reduce risks by carrying out effective risk management. Managers can apply comprehensive risk management principles in each type of risk such as credit risk, market risk and operational risk, because each risk plays a role in bank performance.

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