Contemporary Accounting Case Studies

Vol. 2, No. 2, September 2023 Article 21

EVALUATION OF THE IMPLEMENTATION OF CREDIT RISK MANAGEMENT BY PT BANK CEF, TBK. DUE TO COVID-19

Naura Raihan Putri Masemi
Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia
naura.raihan01@ui.ac.id

Desi Adhariani, Ph.D.
Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia
desi.adhariani@ui.ac.id

Contemporary Accounting Case Studies,
September 2023, Vol. 2, No. 2, pg. 406-423

EVALUATION OF THE IMPLEMENTATION OF CREDIT RISK MANAGEMENT BY PT BANK CEF, TBK. DUE TO COVID-19

Naura Raihan Putri Masemi*[*], *Desi Adhariani
Master of Accounting Program, Faculty of Economics and Business, Universitas Indonesia

ABSTRACT

This study aims to evaluate the implementation of credit risk management by PT Bank CEF, Tbk., during Covid-19 based on the credit risk management framework and related policy, Financial Services Authority Policy (FSAP) 48/ FSAP.03/2020, and the effect on the bank's financial performance in 2021. One of the biggest impacts of Covid-19 on the banking sector is the increasing number of loans that went default, which also affects the overall performance of a bank. Credit risk management is an important part that must be involved in the daily activities of an organization. By implementing it, an organization is expected to be aware of the risks that they may face and build a comprehensive mitigation plan to manage the risks to keep their abilities to fulfill their objectives. The method of this study is using qualitative research through interviews and is supported by the organization's documents such as Internal Policy Document, Annual Report, Financial Statement, and others. The study shows that PT Bank CEF, Tbk. has implemented credit risk management for the consumers that were affected due to Covid-19 based on the framework and related policy. They also embedded it in their internal policy to minimize the potential of credit risk. It also shows that the implementation has affected their financial performance in 2021.

Keywords: Bank Financial Performance, Credit Risk Management, Financial Services Authority Policy, FSAP 48/2020, Risk Management

[*] Corresponding Author's Email: naura.raihan01@ui.ac.id

1. INTRODUCTION

On March 11, 2020, Tedros Adhanom G., The General Director of the World Health Organization (WHO) announced that there was an increasing number of cases of Covid-19 outside Wuhan, China, and considered a pandemic. The increasing number of cases made many countries give restrictions in terms of daily activities and a lockdown. The whole pandemic has created uncertainties, especially for businesses, which also affects their abilities to fulfill their objectives. The uncertainties also created difficulties for an organization to meet their obligations, such as the payment of installments and interest to the bank, which increases the number of defaults faced by the bank.

The Indonesian Banking Industry itself faced some difficulties during Covid-19 and was categorized into three such as business issues, operational and technological issues, and accounting and financial issues (PwC, 2020). A business issue is one thing that should be maintained properly since it has a direct impact on the continuity of the business. Some examples of business issues that they may face are the increasing number of Non-Performing loans (NPL) and Days Past Due (DPD), decreasing number of collections from customers. As a result, those will affect the credit risk faced by the bank which also may affect the overall performance of the bank if it is not maintained properly.

The banking industry in Indonesia must implement risk management based on the regulations by Financial Services Authority (FSA) or known as OJK. The objective of risk management is for the bank to recognize its risks and manages them properly to enhance its performance. Also, risk management helps to protect the customers' interest since according to UU No.10 Tahun 1998: Perbankan, a bank is an intermediary who collects the funds from customers and gives them back to the customers in terms of credit or loans. To maintain the public trust, risk management is required so it can give a reasonable assurance that the fund is managed and used properly.

An earlier study has shown that bad management can increase credit risk since it lacks monitoring of the fund management, which also increases the cost incurred. On the other side, if the bank manages the fund properly it can increase the efficiency of the cost incurred. (Berger and DeYoung, 1997) It is shown that risk management has a critical role. A recent study by Siddique, Khan, and Khan (2020) also showed that effective risk management, especially for managing the credit risk, implemented by banks in South Asia can give a positive result in their financial performance. Also, the more incorporated the risk management is in the whole enterprise then the more enhance their overall performance. (Florio and Leoni, 2017)

To boost the current economic condition in Indonesia, the government through Financial Services Authority (FSA) has released a policy, FSAP 48/ FSAP.03/2020 in March 2020. The policy itself is intended to give stimulus to whom are impacted by Covid-19. But FSA also emphasized for the Bank that gives the stimulus facility should implement adequate credit risk management. The policy about credit risk management is stated in Article 2 (4) and emphasized that Bank should always be aware.

From the explanations above, it can be concluded that credit risk management is important to be implemented by the bank in any situations. The credit risk management itself should be embedded in their daily process, for example in giving out the stimulus facility to the customers. If the bank doesn’t apply adequate credit risk management, then it can increase the credit risk. Moreover, according to KPMG (2020), credit risks due to Covid-19 are on a higher level.

This study aims to evaluate the implementation of credit risk management of PT Bank CEF, Tbk. during Covid-19 in giving out the stimulus facility as regulated by FSA. The emphasis is on the implementation of credit risk management because it can prevent or minimize the possibility of credit risk. Since the implementation of FSAP 48/FSAP.03/2020 considered as a new implementation then this study also aims to see whether the implementation of credit risk management related to the Covid-19 stimulus facility has any obstacles and impacts on the Bank’s financial performance in 2021. Usually, in implementing a new policy, there will be some obstacles that may come from the resources, fundings, governance, and else (Phulkerd et al.,2017).

This study uses qualitative research through interviews and supporting documents such as Annual Report, Financial Statement, internal documents, and others to answer the research questions.

This study aims to give contributions to the organization itself and the regulators. For the organization, this study case will enable them to find out the weaknesses in their credit risk management implementation so they will be able to do improvements and enhance their performance for the upcoming year. For the regulators, this study will enable to help create more detailed, enhanced, and concrete regulations in risk management for banks, especially during special conditions such as Covid-19. In the end, it also expects to enhance the ability of both organizations to be able to adapt quickly to the current situation.

2. LITERATURE REVIEW

2.1 Risk Management

According to ISO 31000:2018, risk management is coordinated activities to direct and control the organization regarding the risk. Since all the activities within the enterprise are coordinated to direct and control the risk, then it can be interpreted that the end goal of risk management is to ensure that the objectives of the organization can be achieved.

Meanwhile, according to FSAP 18 / FSAP.03 / 2016 about Risk Management Implementation for Bank, risk management is a series of methodologies and procedures to identify, measure, monitor, and control the risk that occurs from the business activities of the bank. It shows that the bank in Indonesia is mandated to implement risk management since they are the intermediary to collect and distribute funds in terms of credit or loan to customers and may face more complex risks in doing their business.

In FSAP 18 / FSAP.03 / 2016, there are at least risk management activities that should be implemented by the Bank, such as:

a) Active monitoring by Board of Directors and Commissioner
b) Adequate risk management policy and procedures, including the limit of risk
c) Adequacy of risk identification, measurement, monitoring, control, and risk management information system
d) Internal Control

In Article 3, it is also stated that the risk management should be implemented according to the objectives, policy, size and complexity also the ability of the Bank.

2.2 Credit Risk Management

According to Brown & Moles (2014), credit risk management is a series of activities done by the organization to control the credit risk that came from their business activities. The process involved in credit risk management included credit risk identification, evaluation of the identified credit risks, and how planning to manage the risks that can also affect the decision-making process.

Richard *et al.* (2008) defined credit risk management as a system that consists of a credit risk policy and credit risk management process. To implement credit risk management, first, a Bank should have a credit risk policy. Then, the process of credit risk management can be derived from the policy. Here are some examples of credit risk management processes, such:

a) Risk Identification: Credit risk can be identified from previous experience and historical records.
b) Risk Measurement: In this process, the bank will estimate the consequences of the risks that have been identified.
c) Risk Assessment: The assessment can be done through some models such as 5C's assessment process, and the credit scoring model.
d) Risk Monitoring: Monitoring is a crucial activity. The monitoring can be done through communication with customers, follow-up customers' account, on-site visit, and else.
e) Risk Controlling: Credit risk also can be controlled by using tools such as collateral, covenants, and else.

There is some supporting resource in implementing credit risk management such as human resource and technology such as information system. But a capable human resource is a critical resource that is needed to implement good credit risk management.

2.3 Financial Services Authority Policy (FSAP) 48 / FSAP.03 / 2020 about The Stimulus for National Economy as the Countercyclical Regulations due to Covid-19

Within the current pandemic situation, Financial Services Authority (FSA) released a new regulation that aims to stimulate the economic condition in Indonesia. The regulation itself gives a stimulus for those who were affected by the Covid-19 situation. It is FSAP 48 / FSAP.03 / 2020 about The Stimulus for National Economy as the Countercyclical Regulations due to Covid-19, which is the main framework for the evaluation in this study and the renewal for the previous FSAP that regulated the stimulus.

According to Article 2 (1) the stimulus facility can be implemented to:

a) the debtors affected by Covid-19 including SMEs; and
b) *Bank Umum Konvensional* (BUK), *Bank Umum Syariah* (BUS), and *Unit Usaha Syariah* (UUS) due to Covid-19.

   Article 2 (2) stated that the stimulus facility given to the debtors affected by Covid-19 including SMEs should include:

a. Asset Quality
b. Credit Restructuring or Financing

FSAP 48 / FSAP.03 / 2020 Article 2 (3) stated that the bank must maintain to implement risk management according to the related FSAP. Article 2 (4) stated that at least the implementation of risk management shall include:

a. Guidance to determine the debtors affected by Covid-19 which at least include:
    1. Criteria for the debtors that can be determined affected by Covid-19; and
    2. Sectors that affected by Covid-19
b. Assessment of the debtors that can sustain after being affected by Covid-19 and still have business prospects that can be given the restructuring or financing facility according to this policy;
c. Create allowance for debtors who may not survive after given the restructuring or financing facility according to the assessment of the Bank;
d. Consider the capital adequacy and calculate additional allowance to anticipate the possibility of decreasing credit quality or restructured financing when the Bank is going to pay dividend or *tantiem*; and
e. Do a continuous assessment for the possibility of decreasing credit quality or restructured financing and the impacts on the liquidity and capital of the bank.

The requirements above show that the restructuring or financing facility by the bank should be given with some consideration to avoid the possibility of credit risk which is also stated in Article 5 (5).

The implementation of risk management for the restructuring or financing facility should be documented and might be embedded in a new Standard Operating Procedures (SOP) or any other internal regulations. The documentation is useful for evaluating the implementation of risk management that enables the bank to do more improvements. Aside from documentation, Article 8 (2) also requires the bank that gives restructuring or financing facility to create a monthly and yearly report consisting of:

a) Credit Stimulus or Restructured Financing Report; and
b) Recapitulation of Credit Stimulus or Restructured Financing Report.

The reporting itself is a part of risk management that enables the bank to monitor the performance and assets quality of the debtors that have been given the restructuring or financing facility and to assess whether they have implemented adequate risk management to minimize the credit risk exposure.

2.4 The Role of Internal Audit in Credit Risk Management

According to IPPF, Internal Audit is an independent activity that has an objective to give adequate assurance and advice to give additional value and improvements for organizations. In 2020, IIA published an additional guidance for internal auditors in auditing related to credit risk management.

The role of Internal Audit is to assess the adequacy and effectiveness of credit risk management policy, procedures, and process that has been implemented by the organization. The activities that carried out by Internal Audit related to credit risk management are audited the existing policies, new credit policy, review the credit process carried out by the Bank, and else.

In accordance with FSAP 48/FSAP.03/2020, the role of Internal Audit is to give assurance that implementation of Covid-19 stimulus facility has been implemented according to the related policies and the Bank has also implemented adequate credit risk management.

2.5 Research Framework

To evaluate the implementation of credit risk management by PT Bank CEF, Tbk., this study uses a credit risk management framework. Richard et al. (2008), through his study shown that the credit risk management framework consists of credit risk policy and credit risk management process, which can be seen on Figure 1 below. The framework itself has been modified in terms of credit risk management policies since the implementation of the credit risk management by PT Bank CEF, Tbk. during Covid-19 are based on FSAP 48/FSAP.03/2020 and internal policy.

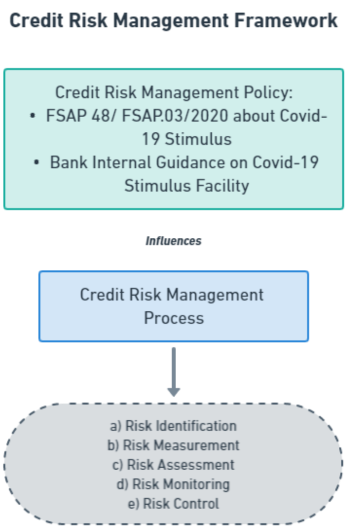

Figure 1. Credit Risk Management Framework (modified)

Meanwhile, to see the impact on the financial performance of PT Bank CEF, Tbk. in 2021, there are two financial ratios that are directly affected within the implementation of Covid-19 stimulus facility, such as Non – Performing

Loan (NPL) Ratio and Capital Adequacy Ratio (CAR). Hamza (2017) mentioned that NPL Ratio can be an insight to indicate the level of credit risk, meanwhile CAR has a significant impact on the overall bank's profitability. If the Bank didn't implement adequate credit risk management, it will increase the credit risk and affect the capital adequacy, vice versa.

3 RESEARCH METHODS

3.1 Research Data

The method of this study is using qualitative research through interviews and is supported by the analysis of documents such as Internal Policy Document, Annual Report, and Financial Statement. The main purpose of the interview is to get information about the implementation of credit risk management by PT Bank CEF, Tbk., especially for their consumers that are divided into two categories, which is the Corporate and Consumer Segment, based on FSAP 8/FSAP.03/2020. The interview is a structured interview, which consists of a list of questions that have been prepared and derived from FSAP since the policy also regulated the minimum requirement of credit risk management that needed to be implemented by the bank.

Besides the interview, this study also uses primary data, which is mainly from the bank's internal document, and secondary data, which has been published through the bank's website. There are two purposes of using analysis of these documents. First, the analysis of the internal document can give the exact information on whether the bank has implemented as instructed by Financial Services Authority or not. Second, the secondary data, can help to interpret whether the credit risk management that has been done by the bank has an impact on the financial performance of the bank in 2021 or not. The components that may be effected through the implementation of credit risk management such as the ratio of Non – Performing Loan and Capital Adequacy Ratio.

3.2 Analysis Technique

Content analysis is used in this study. The content analysis is not limited to the information generated from the interview, but also the information generated from the secondary data. This technique helps to filter information that may be related and non-related to the research questions, especially from the interview. It can also help to identify whether there is any correlation between the implementation of credit risk management and the financial performance of the bank in 2021. The correlation can be seen from the interpretation of financial ratios used such as Non – Performing Loan (NPL) Ratio and Capital Adequacy Ratio (CAR). By then, all the information can be formed into a structured one to answer the research questions.

4 ORGANIZATION PROFILE

The object of this study case is a conventional bank that operates in almost all cities in Indonesia. The key role of PT Bank CEF, Tbk. is also as an intermediary, who collects and gives funds to those in need. The bank collects the fund in terms of savings, deposits, and else meanwhile the funds are also distributed by giving out personal loans, corporate loans, and other loans. Besides that, PT Bank CEF, Tbk. also enables their customers to pay their bills easily such as through mobile and internet banking, and else. Since the bank is included in Financial Sectors and acts as an intermediary, then they must keep the public trust, so that they are highly regulated and monitored closely by Financial Services Authority (FSA) as the regulator.

PT Bank CEF, Tbk. itself has two types of customer segmentation, which is the Retail and Non – Retail. The segmentation also differentiates the types of services that the Bank gives to their customer.

The Retail segment mainly consists of personal consumers and the type of services that the bank offers such as personal loans, saving accounts, deposits, *Kredit Perumahan Rakyat* (KPR), and else. Meanwhile, in Non – Retail segment, there are two types of customers: Commercial and Corporate. The commercial is usually a company that has a medium scale of business but is not as big as the corporate. Meanwhile, the corporate customer usually consists of big companies that usually have been listed on the stock market. The bank also gives similar facilities such as loans, deposits, and saving accounts but the variation is more diverse such as in loans which also have a working capital loan, investment financing, supply chain financing, and else.

The segmentation of the Bank's customers is mainly from the Consumer segment which is almost 50 percent. Followed by the Corporate segment around 35 percent, the Commercial segment at around 10 percent, and others for the rest.

5 RESULT AND DISCUSSION

5.1 Evaluation of The Implementation of Covid-19 Stimulus and Credit Risk Management by PT Bank CEF, Tbk.

The analysis of the implementation of credit risk management in giving out stimulus Covid-19 is evaluated by using the credit risk management framework, which consists of credit risk management policy and credit risk management process such as risk identification, measurement, assessment, monitoring, and controlling. (Richard *et al.*,2008). The credit risk management policy itself is based on the requirements of Article 2 (4) FSAP 48/2020 since it stated the minimum requirements that should be implemented by the Bank. Here is the analysis of each component of Article 2 (4) and the related credit risk management process involved:

- Bank has guidance to determine the debtors affected by Covid-19

  Each segment in PT Bank CEF, Tbk. has different criteria in determining the debtors whose business or else are affected by Covid-19. The criteria can also help the bank to assess the eligibility of the debtors.

  In the Corporate segment, there are mandatory criteria that must be fulfilled by the debtors who are applying to get the stimulus facility, such as the business segment, sectors and area affected directly and indirectly by Covid-19, and type of debtors such as debtors who has viable capability and performance, and else as stated by SOP Head – Corporate during the interview below:

  "Before we give restructuring facility, then we have to see whether they have fulfilled the criteria or not…."

  "We only give the facility to the debtors who are eligible – for example from their segment, area of industry…."

  Meanwhile, for Consumer Segment, the criteria are not too complex since the customers are mostly personal customers. The criteria themselves are currently not under the regular restructuring facility, have the willingness and ability to pay, and the Days Past Due (DPD) is no more than 90 days. The willingness and ability to pay is the main thing that became the consideration by the bank to give the restructuring Covid-19 facility as stated by Consumer Policy Head – Credit Card and Personal Loan below.

  "The point from restructuring is that we should see whether they still have the willingness and ability to pay or not. If yes, then we can proceed to give them the restructuring facility…"

Determining the criteria for the debtors can also help the Bank to identify the potential risk. For example, in the Customer segment, the willingness and ability to pay is one of the criteria. By that, the Bank also understands that there can be a potential risk where the debtors can no longer fulfill their obligation to pay.

- Bank assesses the debtors who can survive Covid-19 and are eligible to get the Covid-19 stimulus facility

Bank has additional procedures to assess the eligibility of the debtors. For example, in the Corporate Segment, will do a SLIK Checking that is intended to know the historical payment of the debtors as stated by SOP Head – Corporate below.

"*The debtors have to submit the written proposal to the business unit before the deadline or else the restructuring will be considered as a usual restructuring…"*

"We also do a SLIK or BI Checking to know their historical payment such as their debts and else…"

Besides that, the bank will also check debtors' financial statements, going concern, and business prospects. There is also the case where the debtor doesn't have any business prospects, but they still maintain to do the payment since they are supported by their parent company so it can be the consideration for the bank to give the stimulus facility.

In Consumer Segment, the assessment is based on some supporting documents such as bank statements, salary receipts, or any form of documents that can show that the debtor has an income. The supporting documents are needed as proof that debtors still can pay after the bank give them the Covid-19 stimulus facility later. This is also aligned with the statement of both interviewees from the Consumer segment below.

"To apply for restructuring facility, there are some supporting documents that should be submitted, including the reason they're applying for the restructuring…"

"The supporting documents can be bank statements, and salary receipts. Or usually, for the self-employed debtors, they will submit a report that shows that they have an income…"

The assessment of the eligibility of the debtors can be considered as the risk assessment process because through the assessment then the bank can estimate the impact that may happen from approving the debtors to get the Covid-19 stimulus facility such as by checking their payment quality through SLIK checking for debtors in Corporate Segment.

- The bank must make allowance for debtors who couldn't survive Covid-19 even after being given the restructuring facility according to Bank's assessment

The bank does continuous monitoring through its watchlist and monthly progress report. Those reports are mainly to monitor the debtors' performance, especially the cash flow since the companies mainly operate from their cash flow. If there's a problem with their cash flow, then most probably the company can't operate normally and of course, it is going to affect their ability to pay out the debts. If that happens, then the bank needs to create an allowance just as SOP Head-Corporate mentioned.

"*After the debtors are approved to get Covid-19 restructuring facility, they will be put into our watchlist…"*

"We also have monthly progress reports that mainly monitor their performance, especially cash flow. Without cash flow, the company can't operate…"

"If we find out that there's a problem with their cash flow, it can be a sign with their ability to pay the debt then we have to make allowance…"

Meanwhile, Consumer Segment doesn't have any watchlist to monitor the debtors' performance. Usually, they will investigate their payment records to check whether the debtors still do the payment for their principal and interest or not as said by Consumer Policy Head – Credit Card & Personal Loan below.

"In Consumer Segment, we don't have that kind of Watchlist so that we will only take a look into their payment records…"

"If the debtors haven't made any payments yet, it can be inferred that the debtors have difficulties within their financial…"

The allowance in Consumer Segment is made based on the Monthly Loss Forecast from their Days Past Due. The forecast is also intended to predict which debtors may have gone bad with their performance and it is also aligned with the forward-looking information that is needed by the bank to predict the possibilities that may happen in the upcoming future.

There are some credit risk management processes involved in this activity such as the monitoring process. The monitoring process by the Corporate Segment is needed not only to monitor the debtors' financial performance but also to help to make allowances. Besides that, the allowance itself can be considered as the measurement of risk since the bank can estimate the amount of credit that won't be recovered and considered a loss. It is also can be considered as the risk controlling process since the bank has already made allowance in the first place in estimating the probable loss that will occur.

- The bank must consider the capital adequacy and create additional allowance to anticipate the possibility of decreasing credit quality or restructured financing when the Bank is going to pay dividends or *tantiem*;

According to PT Bank CEF, Tbk.'s Annual Report in 2021, the bank has done a stress test. The test procedure is intended to make sure that the bank has adequate capital if there is any loss incurred later considering the possibility of decreasing credit quality and, in this case, that the bank has the plan to pay dividends or *tantiem.* It is very important to make sure that the Bank has adequate capital to maintain its liquidity so that it also can fulfill its other obligations.

The process of maintaining capital adequacy can be considered as a risk monitoring process because it enables the bank to know its capital's condition and whether they have met the minimum capital if there is any loss incurred due to the decreasing credit quality.

- The bank must do a continuous assessment for the possibility of decreasing credit quality and the impacts on the liquidity and capital of the bank.

The continuous assessment by the bank can be done in several ways. For example, in the Corporate Segment, the assessment is mainly done through the monitoring process such as from the Watchlist and Monthly Progress Report. Through the monitoring, it can also help the bank to create allowance considering the possibility of decreasing credit quality. Besides that, they also required the debtors to at least do the payment for principal or interest once so if there's a decrease in their performance, they won't be directly classified as an NPL account which is also stated by SOP Head – Corporate below.

"In the Corporate segment, we required the debtors to do the payment of principal or interest at least once…"

"The payment is intended for at least when we found out that there has been a decrease in their performance, we won't classify them directly as an NPL account."

In the Consumer segment, the continuous assessment to maintain the liquidity and capital of the bank is done in several ways too such as collateral is required for debtors in the Mortgage section. Meanwhile, in Credit Card & Personal Loan section, if the days past due are more than 150 days, then the bank will write off their account since the success rate for the debtors will do the payment is extremely low. They also have a cap or limit in giving out the stimulus Covid-19 facility, especially the payment holiday facility, only around 40 percent for the industries outside tourism, aviation, and hospitality.

Bank also has done the stress test as it is required by the regulator for the bank to know whether they have adequate capital or not. It is important, moreover during this pandemic situation, that the bank must have adequate capital that will enable them to operate effectively and fulfill their obligations.

In this step, there are also some credit management processes involved such as monitoring that has been done for example by the Corporate Segment and the stress test procedure is one of the monitoring activities to ensure that the bank has adequate capital if there is any loss incurred. Besides that, the cap, write-off for the account that has DPD for more than 150 days, and collateral required by the bank are considered risk controlling processes since they enable the bank to minimize the amount of loss incurred.

5.1.1. The Conclusion of Evalution of the Implementation

From the analysis above, it can be shown that the Bank has implemented the required credit risk management policy and process that is also aligned with the credit risk management framework. The implementation of Covid-19 stimulus facility is based on FSAP 48/2020 and internal policy. The implementation itself has implemented the required credit risk management process as required by FSAP such as guidance to determine the debtors affected by Covid-19, assessment of the debtors that are eligible to receive the stimulus facility, create allowance for the debtors who wouldn’t survive after given the stimulus, and do a continuous assessment to anticipate decreasing credit quality; and to make sure that the Bank has adequate capital to operate.

Meanwhile, for the risk management process also have been implemented by PT Bank CEF, Tbk. For example, the risk identification process can be found by determining the criteria of debtors affected by Covid-19; also, the risk measurement process can be seen from the allocation made by the Bank based on the assessment of debtors.

5.2 The Impact of the Credit Risk Management Implementation on Bank's Financial Performance in 2021

It can also be seen that the implementation of credit risk management also affected the bank's financial performance, which is also aligned with the previous studies. The impact itself can be seen from the financial ratios below, such as:

a) Non-Performing Loan (NPL) Ratio → It shows that there is a decrease of around 0.2 percent in the NPL Ratio in 2021. Even though the decrease is not too significant, it still can be a sign that there has been a good risk management process, including the credit risk management process.
b) Capital Adequacy Ratio (CAR) → In 2021, the CAR of the Bank has increased by around 2 percent. The increasing CAR can also show that the bank has implemented adequate credit risk management policy and process, especially in giving out the Covid-19 stimulus facility so that they also can ensure that they still have adequate capital if there's any loss incurred during the pandemic and can still manage to fulfill their obligations.

Besides, both ratios that PT Bank CEF, Tbk. has are considered in a good level since the NPL ratio is below 5 percent and the CAR exceeded the requirement as regulated by the Central Bank of Indonesia.

5.3 Obstacles in the Implementation of Covid-19 Stimulus Facility in PT Bank CEF, Tbk.

In the implementation, there is also a problem faced by the bank. The problem is that there is a few Covid-19 Restructuring Facility that was given to the debtors that are not matched with the criteria. It also caused a loss for the bank since the debtors can pay the principal and interest normally. It is also mentioned by the interviewee.

"*Usually, the internal audit will do an audit. We took random samples…"*

"From there, we found out that there may be a few debtors who didn't meet the criteria but were given the Covid-19 Restructuring Facility…."

This condition shows that Internal Audit also plays a significant role in credit risk management activities. As an independent party in the company, they can give assurance through the annual audit that all activities related to credit risk management are aligned with the framework and related policy. They also ensure that the credit risk management process has been applied so they also can give assurance that the bank has an effort to minimize the potential of credit risk. It is also aligned with the concept of the Three Line Models, which

emphasizes that every party in the company has its role as it is also mentioned by the interviewee below.
"*In implementing the Covid-19 Restructuring Facility, we also applied the Three Line Concept..."*
"First, the unit business will check the proposal given by the debtors and the management risk team will also check whether they fulfilled the mandatory criteria or not…"
"Through the annual audit, the Internal Audit team will also check whether the approval and else done by the business unit and risk management is aligned with the policy…"

6 CONCLUSION AND RECOMMENDATION

6.1. Conclusion

According to the analysis above, it can be concluded that PT Bank CEF, Tbk. has implemented credit risk management according to the framework and related policy. Besides that, the Bank also gives more details in implementing the related policy since FSA only gave the big picture of the policy and give flexibility to the banks in implementing it. From the implementation, there is still obstacles found such as that few debtors the criteria but got approval for the Covid-19 Restructuring Facility, the reliability of the supporting documents for the application of stimulus facility, etc.
There is also a positive relationship between the good implementation of credit risk management and the bank's financial performance in 2021 that can be seen from financial ratios such as Non – Performing Loan (NPL) Ratio and CAR. Both ratios are the main problem faced by most banks in Indonesia due to Covid-19 (PwC, 2020). But PT Bank CEF, Tbk. managed to lower their NPL Ratio and maintained their CAR, which also exceeded the requirement by Central Bank of Indonesia.

6.2. Recommendations

Throughout the analysis, it can be shown that there were obstacles found in the implementation of credit risk management by PT Bank CEF, Tbk. in giving out the Covid-19 stimulus facility. In the short-term, it is highly advised for the Bank to improve the implementation of credit risk management in giving out the Covid-19 stimulus to the debtors, implement interim audit for the debtors who received the stimulus facility, mandatory written form for the application of the stimulus facility, and increase the monitoring to check the reliability of the supporting documents.

Meanwhile, for a longer period, it is highly advised for the Financial Services Authority to also regulate the required documents and other supporting data for the application of Covid-19 stimulus facility to minimize manipulation on the data.

6.3. Limitation and Recommendation for Further Research

Since this study is qualitative research which the analysis is based on the information given through interviews and supporting documents so it is probable that the study might consist of subjectivity. Beside there was a limited time and sources to get the whole information about the implementation of credit risk management by PT Bank CEF, Tbk. so that the analysis was mainly focus on the comparison from the Bank's internal policy and the requirements in FSAP 48/2020.

It is highly suggested for further research to find out more information about the implementation of Covid-19 stimulus facility by direct observation, whether it is the implementation of the internal policy or FSAP itself. By then, it will enrich the analysis and can give the big picture of the real implementation of Covid-19 stimulus facility for the readers.

REFERENCES

Badan Standardisasi Nasional. (2018). Manajemen Risiko Berbasis SNI IS0 31000.

Berger, A., & DeYoung, R. (1997). Problem Loans and Cost Efficiency in Commercial Banks. *Journal of Banking and Finance*, 4, 13-15.

Brown, K., & Moles, P. (2008). Credit Risk Management.

Florio, C. L. (2017). Enterprise Risk Management and Firm Performance: The Italian Case. *The British Accounting Review*.

Otoritas Jasa Keuangan (OJK). (2016, Maret 16). POJK No. 18 / POJK.03 / 2016 tentang Penerapan Manajemen Risiko bagi Bank Umum .

Otoritas Jasa Keuangan (OJK). (2020, Desember 1). POJK No. 48 / POJK.03 / 2020: Stimulus Perekonomian Nasional sebagai Kebijakan Countercyclical Dampak Penyebaran Coronavirus Disease 2019.

Phulkerd, S. e. (2017). Barriers and Potential Facilitators to The Implementation of Government Policies on Front-of-pack Food Labeling and Restriction on Unhealthy Food Advertising in Thailand. *Science Direct - Elsevier*, 103-106.

PwC. (2020). Covid-19 and the Indonesian Banking Industry: Issues and Actions to Consider.

Richard, E. a. (2008). Credit Risk Management System of a Commercial Bank in Tanzania. *International Journal of Emerging Markets*, 326-329.

Siddique, A., Khan, M., & Khan, Z. (2020). The Effect of Credit Risk Management and Bank-Specific Factors on the Financial Performance of the South Asian Commercial Banks. *Asian Journal of Accounting Research*, 10-11.

World Health Organization. (2020, March 11). *WHO Director General: Speeches - Detail*. Retrieved from World Health Organization: https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020