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ANALYSIS OF THE USE OF LPIP IN IMPROVING THE EFFECTIVENESS OF CREDIT DISBURSEMENT PROCEDURES AT PT. BANK PERMATA

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Abstract: *The study aims to determine the implementation of credit distribution procedures and the improvement on the effectiveness of the procedures through Credit Information Management Agency (LPIP) on PT. Permata Bank. This study employs qualitative descriptive approach, involving primary data collected from interviews with Lending Business Support employees of PT. Permata Bank of Bintaro, and secondary data of books, literatures, regulations, and websites of institutions related to credit procedures. The results of the interactive model analysis exhibit that to address the lack of credit information and to implement the prudential banking principles, PT. Bank Permata utilizes LPIP services as a debtor information provider for credit analysis materials in distributing the credit. The study reveals the effectiveness of LPIP over the Financial Information Services System (SLIK) on the procedure of credit distribution in PT. Permata Bank, proven by the comparison of flow process, service time, and service information.*

Keywords: *Credit, Effectiveness, Procedure, Credit Information Management Agency*

INTRODUCTION

As one of the monetary systems in Indonesia, one of the functions of banks is the collection and distribution of public funds (financial intermediary). (Sakdiyah, 2018) According to him, banking functions as a financial intermediary that collects funds from the public in the form of third-party deposits and redistributes them in the form of credit. According to (Kasmir & Lainnya, 2014) Credit comes from the word trust (credere) which means all parties must trust each other. The bank must trust the debtor that the distributed product will be returned according to the agreement, and vice versa from the debtor. To gain confidence about its customers, banks can conduct credit assessments. In addition, to reduce the possibility of non-performing loans and provide information about the eligibility of prospective debtors, the role of credit analysis is very important (Fauzi, 2018). This is also intended to minimize the possibility that can have a negative impact on the bank, such as losses (Amiruddin, 2018). The criteria for credit assessment carried out by banks are the 5C principle (character, capacity, capital, collateral, and condition of economy). In addition to the use of the 5C principle, an information system is needed that can provide information that prospective debtors and their creditworthiness are correct and trustworthy so as not to pose a risk to the bank in the future. One of them is to use a credit reporting system. This infrastructure is used to exchange individual credit information between banks and other financial institutions to expedite the process of providing funds and expand access to credit.

As a manifestation of Bank Indonesia's authority contained in article 32 of Law of the Republic of Indonesia Number 23 of 1999, Bank Indonesia establishes a database system on debtor information or also known as the Debtor Information System (SID) to assist banks in minimizing bad or non-performing loans. SID is a system that can be used by banks as a medium in exchanging debtor information before the bank decides to provide credit or other financing facilities to customers. On Thursday, April 27, 2017, OJK launched a system called the Financial Information Service System (SLIK) which is an expansion and will replace the role of SID. The use of SLIK will help in analyzing debtor credit applications so that losses such as bad loans can be minimized, so that OJK is more optimal in supervising banks and other financial institutions. However, in its development, SLIK was seen as less able to accommodate banking needs. Research conducted (Hapsoro & Hafidh, 2018) stated that SLIK is considered less able to accommodate banking needs, due to lack of access to credit information so that banks must re-analyze the proposed loans so that the loans can be approved. Furthermore, this system cannot provide debtor scoring because it has the potential to cause conflicts of interest between regulators and banks. Because of these things, it can be said that the information available in SLIK is still lacking in meeting the needs of the banking sector, additional time in providing credit approval and the threat of risk in the future. The Financial Services Authority (OJK) presents an independent credit information management and collection institution. OJK issues business licenses to credit bureaus as Credit Information Management Institutions (LPIP) in the context of developing credit information. The credit information produced is diverse, comprehensive and has other information that can be used to assess the ability of debtors or customers. With the presence of LPIP, it is expected to improve the existence of SLIK so that it can support credit distribution activities and minimize errors in distribution that can cause bad loans.

Proper and accurate analysis of credit applications can reduce the risk of bad loans that will arise at the bank in the future. Similarly, Bank Permata as one of the commercial banks whose main activity is to collect funds from the public in the form of deposits and distribute funds to the public in the form of loans. As one of the banks that has a large number of customers, namely more than 4.2 million customers spread across 62 cities in Indonesia, Bank Permata continues to maintain the improvement of digital-based banking products and services for businesses and individuals in Indonesia. One of them is to present a credit approval process and disbursement of funds 'not using long'. To support the provision of fast and accurate credit facilities so that the credit disbursed is right on target, Bank Permata uses supporting information with the help of SLIK. With the enactment of OJK regulations regarding LPIP, Bank Permata uses LPIP services that provide supporting information in analyzing prospective debtors' credit applications. In addition to the faster loan disbursement process, another thing felt by Bank Permata is the decrease in bad loans as seen from the decrease in the net Non-Performing Loan ratio. On research (Rosalina et al., 2019) shows that an increase in NPLs will be followed by a decrease in credit disbursement, potentially causing losses for banks and vice versa. From the information in Bank Permata's annual report, it is explained that there was a decrease in the Non-Performing Loan (NPL) ratio during the period 2018 to 2022. It is known that in 2018 Bank Permata's NPL ratio was 1.7%, then in 2019 it decreased to 1.3% until in 2022 it decreased by 0.4%.

This research is useful in increasing understanding related to the implementation of credit disbursement procedures and the role of Credit Information Management Institutions (LPIP) in improving the effectiveness of credit disbursement procedures at PT. Gem Bank. This research is also useful as learning material for academics, as reference material for student literature. Through this research, it can be an input and improvement material for PT. Bank Permata in providing effective services when disbursing funds using LPIP, increasing the number of credit customers for the overall development of the bank and assisting banks in identifying whether LPIP implementation has been effective or not. From the government's point of view, this research is intended to be input and evaluation material in improving the quality of credit disbursement process services in the Financial Information Service System (SLIK). This research was conducted with the aim to describe and understand the implementation of credit disbursement procedures using LPIP and describe and analyze the role of LPIP in improving the effectiveness of lending procedures at PT. Gem Bank.

MATERIALS AND METHODS

This research uses qualitative methods with a descriptive approach. The use of this method is because this study wants to describe and provide a systematic explanation of the information and data obtained in the form of credit distribution procedures and the role of LPIP in increasing the effectiveness of credit distribution at PT. Gem Bank. The research location set by the researcher is PT. Bank Permata Bintaro Branch Office Sector VII. This study uses two kinds of data sources, namely primary data obtained from direct interviews, namely the Head of CCPL Lending Business Support and secondary data obtained from literature (such as laws and regulations, previous research results, institutional websites related to credit distribution procedures, and official documents contained in PT. Bank Permata Bintaro) related to this research. This study used data collection methods in the form of semi-structured interviews with an open ended approach conducted with related informants, direct / participatory observations, and documentation carried out by collecting data in the form of guidelines for lending procedures and attachments to LPIP results at Bank Permata.

The data analysis method carried out in this study was carried out in four lines of activity, namely

Data Collection, Data Reduction, Data Presentation, and Conclusion Making. Collection is done by searching, collecting and recording data obtained from interviews, observations, and documentation and then developed for the next stage. After the data is collected, the next step is to reduce the data. From the data obtained through interviews, observations, and documentation with informants will be grouped based on the subject and object studied. The presentation of data in this study is in the form of writing/words, images, graphs, and tables related to the flow of the lending process, credit analysis carried out by the object of research and the output of LPIP which makes credit analysis at Bank Permata effective. The final step is drawing conclusions and verifying data. Testing the validity of the data in this study uses data triangulation techniques in the form of triangulation techniques. Triangulation techniques are used to test the credibility of data by examining data at the same source with different techniques. Triangulation of the researchers' technique was carried out by examining and comparing data between the interview results of Bank Permata's Lending Business Support section with literature studies such as banking regulations and LPIP documents.

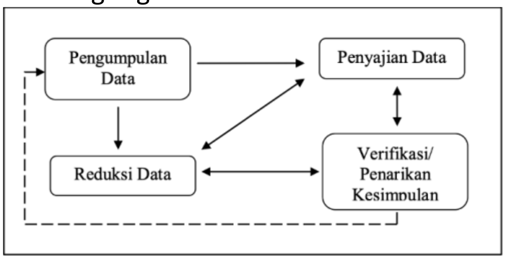

Figure 1. Interactive Data Analysis Model (Miles & Huberman, 2005)
Source: (Sugiyono, 2017)

RESULTS AND DISCUSSION

Overview of the Research Object

Bank Permata was formed in 2002 as a result of the merger of five banks under the supervision of the Indonesian Bank Restructuring Agency (IBRA), namely PT. Bank Bali Tbk, PT. Bank Universal Tbk, PT. Bank Prima Express, PT. Bank Artamedia and PT. Patriot Bank. In May 2020, Bangkok Bank acquired Bank Permata after taking over 89.12% of shares owned by Standard Chartered Bank and Astra International. Bank Permata is currently one of the leading banks in Indonesia, carrying the motto "Making Life More Valuable". Permata Bank is committed to serving its customers in achieving universal goals of achieving prosperity and stability by presenting quality and convenient banking products and services. With 276 branches (including sub-branches, cash offices and sharia branches), 234 sharia channeling offices, supported by 549 ATMs in 55 cities throughout Indonesia, Permata Bank is confident that it will be able to increase its commitment to provide innovative solutions that can answer the financial needs of Permata Bank customers.

Implementing Prudent Lending Procedures

This interview was conducted by researchers with Mr. AA as Head of CCPL Business Support Bank Permata. The researcher asked several questions, the first question related to the process and procedure of providing credit before the customer was declared to have received and received a credit facility, then obtained the following answers:

Mr. AA: "Before credit is distributed to customers, there are several processes that are passed. The credit distribution procedure broadly starts from data input, underwriting process, to disbursement. There are 3 (three) data inputs, from customers such as personal and work data, data in the bank such as total assets, liabilities, and fraud anti-money laundering or commonly called AML checking, and finally from third parties, namely SLIK and credit bureaus or LPIP"

The second question related to the application of the precautionary principle in carrying out credit assessment, then obtained the following answer:

Mr. AA: "... This is so that credit is channeled to the right customers. To see whether the customer is said to be eligible for credit, it can be done using aspects contained in the 5C principle, namely: Condition, Character, Capacity."

The third question related to the application of the precautionary principle in Bank Permata, then obtained the following answer:

Mr. AA: "We see from 3 aspects of principles. For Condition we can see from the third data information, data from customers for example his job, age, location. Data from banks and data from third parties. Information used from third parties is seen from the payment status of all debts, payment history and total customer obligations. There are 5 collectibility, there is collectibility 1 is smooth, collectibility 2 is in special attention, collectibility 3 is substandard, collectibility 4 is doubtful, collectibility 5 is stuck. So if it is seen that the collectibility does not match Permata's credit criteria, then most likely the application will be rejected. So if the capacity is to see how much debt there is, then from here it can be estimated. Usually use DBR calculations. Debt Burden Ratio is calculated from the total debt installments each month divided by monthly income. Or if you look at the Gem system, it's easy to just look at the debit balance divided by the ceiling. If the character is the source of the data, it can be said to be 10% from customer data, 20% data from banks, and the largest is from 70% third-party data. Third-party data related to credit scoring. The results of these variables are put together with logic or criteria and the results can be credit scoring. From the results of checking this credit scoring, you can see all customer loan track records in any bank and fintech and see the payment status. If the credit scoring result from the bureau is lower than the criteria in our system, then reject it, and vice versa if the result is more than the criteria, it is likely to continue. For status, there are low, medium, high, very high, and underscore statuses. Those who meet that if he scores low, medium, or high, the rest are likely to be rejected.".

DATA	Analysis			Decision
	Condition	Capacity	Character	
	Status	**DBR**	**Score**	
Data 1	Lancar	pass	Low	**Approve**
Data 2	Dalam Perhatian Khusus	not pass	Medium	Reject
Data 3	Kurang Lancar	not pass	High	Reject
Data 4	Diragukan	pass	Very High	Reject
Data 5	Lancar	not pass	Medium	Reject
Data 6	Lancar	pass	High	**Approve**
Data 7	Dalam Perhatian Khusus	pass	High	Reject
Data 8	Macet	not pass	Under Score	Reject

(Source: PT. Permata Bank, 2023)

Based on the results of the interview above, in carrying out the feasibility assessment of prospective debtors, Bank Permata prioritizes only 3 (three) aspects of Condition of Economy, Character, and Capacity. This is because these three aspects are sufficient for Bank Permata in supporting the assessment process. In assessing the Condition of Economy aspect, it can be seen from the classification of customer collectibility status. The purpose of looking at customer collectibility is to find out their credit quality from previous loan credit payment information. Furthermore, in the aspect of Capacity, sourced from the Debt Burden Ratio (DBR). In practice, DBR calculation is used by banks to determine the amount of liabilities of prospective debtors. This calculation is one of the applications of the precautionary principle in preventing bad loans. The last aspect to assess the eligibility of a prospective debtor is Character. This aspect can be sourced from customer data, bank data, and third-party data. The source that can be seen to assess the character of prospective debtors is to look at the credit scoring provided by third parties.

Implementation of Credit Disbursement Procedures with LPIP at PT. Bank Permata

In Indonesia itself, in expanding credit information, there is already a system called SLIK managed by the Financial Services Authority, but the debtor information attached is still in the form of standard information because it only displays the outline. With the issuance of POJK 42 / POJK.03 / 2019 concerning LPIP, banks are expected to avoid an increase in the risk of bad loans with value-added and accurate information related to prospective debtors. The main source of LPIP credit data comes from SLIK. In addition to SLIK, other LPIP data sources are as follows:

1. Financial institutions for credit data and/or
2. Financial Institutions and/or non-Financial Institutions for other data.

Wawancara ini dilakukan oleh peneliti dengan Bapak AA selaku Head CCPL Business Support Bank Permata. Peneliti menanyakan pertanyaan terkait sumber data LPIP, lalu diperoleh jawaban sebagai berikut:

Mr. AA: "The data in LPIP is a database from SLIK, customer information, loan information at banks and added with information from other institutions such as PLN, fintech for example kredivo, aku laku saya, etc."

LPIP provides additional information that has been processed, so the analysis process does not need to be done because LPIP has provided more complete credit information such as credit scoring, fraud alert, customer profiling, monitoring and evaluation. In practice, Bank Permata only uses credit scoring services. Scoring is a mechanism where LPIP will assess a debtor based on data analysis that has been owned by LPIP, the results will show the eligibility of prospective debtors to get credit facilities. Scoring information is usually displayed in the form of numbers. The higher the score obtained by prospective debtors, the smaller the risk of non-performing loans in the future, and vice versa. In the end, with additional information about prospective debtors provided by LPIP, banks as creditors can more quickly and accurately provide credit decisions in the process of providing credit to prospective debtors, in addition to this complete information allows banks to reduce loan interest rates because credit risk is known at the beginning.

Figure 3. LPIP Credit Scoring Results
(Source: PT. Permata Bank, 2023)

The Role of LPIP in Improving the Effectiveness of Credit Disbursement Procedures

In principle, the presence of information provided by LPIP is focused as an effort to improve the quality of credit information and improve the effectiveness of credit disbursement procedures at PT. Gem Bank. Credit disbursement procedures carried out by PT. Bank Permata Bintaro Branch which is supported by processed information data from LPIP is the process of achieving predetermined targets. In achieving the predetermined credit disbursement target, the credit facility disbursement carried out by the bank must pass a series of procedures. Not only basic information such as debtor information and credit facility history, the debtor information output provided by the Credit Information Management Agency (LPIP) will also display value-added information, one of which is credit scoring.

This interview was conducted by researchers with Mr. AA as Head of CCPL Business Support Bank Permata. Researchers asked questions related to the difference between SLIK and LPIP, then obtained the following answers:

Mr. AA: "... So the difference between SLIK and credit bureaus can be seen from the resources if SLIK is still based on human assistance, it is still manual, if these credit bureaus are all by automated systems. From his working hours, SLIK can be accessed work hour / day is different from LPIP, if LPIP he can be accessed at any time. From the TAT SLIK takes five to ten minutes it is beyond the error, LPIP can be said to be fast only thirty seconds we can get a return output. For SLIK this is still free but for LPIP itself there are costs incurred. Finally, from the information provided, in SLIK the information is only from the IMF Bank, if the LPIP database is from SLIK and added fintech and he issued scoring and grading. And it's very useful for minimizing the credit process." The indicators that distinguish between SLIK and LPIP can be described as follows:

	SLIK	LPIP
Resource	Human	System
Method	Manual	Automatic
Working days	Work hour/day	24/7
TAT	5 - 10 minutes	30 seconds
Cost	Free	Cost per hit
Information	Bank / IMF	Bank / IMF / Fintech / Scoring

(Source: PT. Permata Bank, 2023)

1. Improvement from the Method Side

The procedure for providing credit with SLIK still requires checking operators in analyzing and providing scoring to prospective debtors to determine whether the debtor is eligible for credit facilities or not. Differences in lending procedures using SLIK and LPIP at PT. Bank Permata can be seen from the flow process as follows:

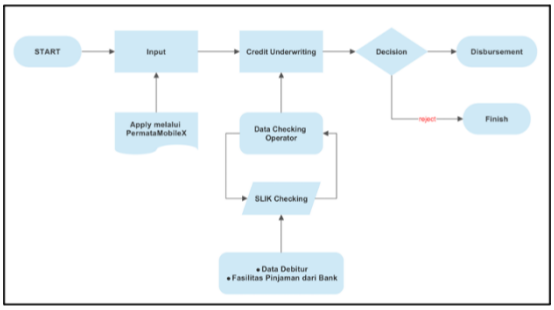

Figure 5. Flow Process of Lending Using SLIK at PT. Bank Permata
Source: PT. Permata Bank, 2023)

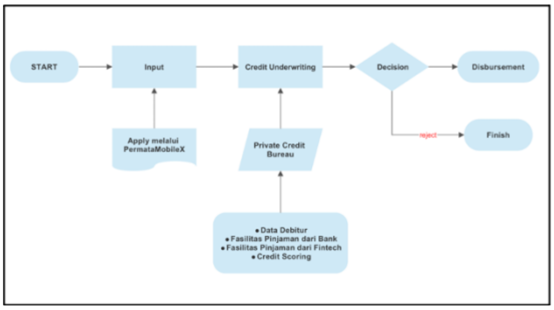

Figure 6. Flow Process of Lending Using LPIP at PT. Bank Permata
Source: PT. Permata Bank, 2023)

2. Improvement in Time Side

In research (Rohmatilah Hakim, 2021) The submission process until the output is generated, the SLIK service takes approximately 15 minutes. Unlike the case with services provided by the Credit Information Management Agency (LPIP), LPIP services only take less than 30 seconds. With a short time, the use of LPIP can increase effectiveness in the process of lending to debtors.

Data calculated as of end of April

Average Time Process	Time
Average Time Process LPIP	27 seconds per application
Average Time Process SLIK	35 seconds per application

Figure 6. Average Time Process SLIK and LPIP
(Source: PT. Permata Bank, 2023)

3. Improvement in Information Side

With accurate credit information, banks can determine whether prospective debtors are eligible for credit facilities or not. For this reason, added value in credit information becomes something needed by banks. If the bank uses the services of LPIP, LPIP will provide additional information about the debtor, and the analysis process does not need to be done because LPIP has provided more complete and accurate credit information. In addition, LPIP contains not only basic information contained in SLIK such as debtor information, a list of fund provider facilities received by debtors including owners or administrators of business entities, summaries and details of facilities received by debtors, collateral guaranteed by debtors and value-added information in credit analysis. One of the value-added information provided by the Credit Information Management Agency (LPIP) such as credit scoring will help banks in the process of fast and accurate credit analysis so as to increase the effectiveness of credit distribution procedures.

CONCLUSION

Credit disbursement procedures are steps that involve several parties for the continuity of credit to customers. Credit disbursement procedure at PT. Bank Permata is implemented with prudential banking principles. In implementing prudential banking principles, PT. Bank Permata uses the services of the Credit Information Management Institution (LPIP) as a provider of information on prospective debtors that is useful in analyzing credit according to the Financial Services Authority Circular Letter (SEOJK). The results of the debtor information are issued in the form of documents that are adjusted to the internal system of PT. Gem Bank. Credit disbursement procedure using LPIP role at PT. Bank Permata takes place in accordance with the provisions of the Credit SOP. In carrying out its role, the Credit Information Management Agency (LPIP) is tasked with supporting the creation of effective credit distribution. The results of the analysis show that judging from the effectiveness of the services provided by LPIP in supporting the effectiveness of lending procedures at PT. Bank Permata has been effective. This is shown by the credit disbursement process, further automated credit analysis processes, faster time used in credit analysis, and information provided by LPIP helping PT. Bank Permata in analyzing the credit of prospective debtors is more accurate because of the availability of credit scoring.

Based on the results and conclusions of the research above, suggestions and recommendations can be put forward for researchers to further analyze the role of the Credit Information Management Institution (LPIP) with a different approach, this is in order to provide input to the company so that it can be careful in providing credit facilities to prospective debtors and can become a better company in the future. Based on the results and conclusions of the research above, suggestions and recommendations can be put forward for researchers to further analyze the role of the Credit Information Management Institution (LPIP) with a different approach, this is in order to provide input to the company so that it can be careful in providing credit facilities to prospective debtors and can become a better company in the future.

For the government and Bank Permata, the results of this study are intended as evaluation material in the lending procedure using the Credit Information Management Agency (LPIP). Banks must observe the prudential principle in lending procedures using the 5C principle. From the results of this study, researchers also see that the use of LPIP has an impact on increasing the effectiveness of lending to PT. Gem Bank. The increase in the effectiveness of lending can be seen from the flow process of lending to Bank Permata has been automated, the processing process is relatively fast, and the information provided by LPIP helps banks in the credit analysis process with credit scoring. The limitation of this study is the limited research data, because there has been no research that reviews the procedure for granting credit using the Credit Information Management Institute (LPIP) and the data is confidential. The lack of research sources that can be used as references results in researchers who can only rely on data obtained from interviews and documents from literature studies.

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