DESCRIPTIVE OF QUANTITATIVE DATA | ARTICLE RESEARCH

Analysis of the Implementation of Risk Management to Minimize the Risk of Bad Credit at the Nias Rural Development Savings and Loans Cooperative (KSP3) Gunungsitoli Branch

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Abstract: This study aims to determine the application of risk management carried out by the Nias Rural Development Savings and Loan Cooperative (KSP3) Gunungsitoli Branch in minimizing the risk of bad loans. In this study, the type of research used is a descriptive type with a qualitative approach. Data collection techniques are used through observation, interviews and documentation. To obtain information, the researcher conducted direct interviews with 6 informants, namely branch heads, 2 employees and 3 members of the Nias Rural Development Savings and Loan Cooperative (KSP3) Gunungsitoli Branch. The data analysis techniques used in qualitative research include transcripts of interview results, data reduction, data presentation and conclusion drawn. The results of the study show that the implementation of risk management carried out by the Nias Rural Development Savings and Loan Cooperative (KSP3) Gunungsitoli Branch is carried out through a series of stages, namely risk identification, risk measurement, risk monitoring and risk control. The implementation of risk management to minimize the risk of bad loans has been effectively implemented by KSP3 Nias Gunungsitoli Branch as evidenced by the NPL (Non-Performing Loan) rate from 2020-2022 which is still below 5%.

Keywords: Risk Management, Nias Rural Development Savings and Loan Cooperative (KSP3), Qualitative Research, Non-Performing Loan (NPL)

1. INTRODUCTION

Cooperatives are financial institutions that play a crucial role in achieving economic development goals and serve as a solution to economic problems, particularly in specific areas. Various efforts have been made by individuals to address their economic challenges, one of which is through cooperatives. A cooperative is a business entity consisting of a group of people who voluntarily collaborate to meet their economic needs based on the principle of mutual cooperation. By maximizing and optimizing the use of cooperatives, it is hoped that the national economy will improve, household incomes will increase, and poverty levels in society will decrease (Ichsan, et al., 2021). One type of cooperative is a credit union. Credit unions primarily function as providers of savings services and lenders to cooperative members, offering more efficient and faster loan disbursement processes compared to other financial institutions. This efficiency makes it easier for members and the community to save and borrow funds. In carrying out its activities, a credit union must be prepared to face and manage various types of risks that may arise, to minimize the negative impacts of these risks and prevent the cooperative from incurring losses. To minimize risks, credit unions can implement risk management to manage potential risks that arise in their operational activities, particularly in the process of lending.

Risk management is a process that includes the identification, assessment, and control of risks that emerge from lending activities. An effective risk management strategy will help the cooperative manage potential risks more effectively, thereby maintaining financial stability and ensuring the sustainability of its operations.

One of the common risks faced by credit unions is the risk of non-performing loans. This risk arises when borrowers fail to meet their loan repayment obligations as agreed, potentially causing financial losses for the cooperative. This issue is a major concern that affects the financial and operational stability of the cooperative. Non-performing loans not only result in financial losses but can also threaten the sustainability of the services provided to its members. At the Rural Development Credit Union (KSP3) Nias Gunungsitoli Branch, the risk of non-performing loans is a major concern because it can impact the financial health of the cooperative and the services provided to the community. This risk is influenced by several factors, both internal and external. According to Kusuma (2022), internal factors contributing to non-performing loans include human resources (employees), the cooperative's weak credit analysis capabilities, interference in credit decisions, limited loan terms, and poor management. On the other hand, external factors include challenges or issues faced by the borrower's business, loans taken out without the family's knowledge, misuse of credit by borrowers, and natural conditions or disasters. To minimize the risk of non-performing loans, implementing effective risk management is crucial. Risk management involves the identification, measurement, monitoring, and control of credit risk. A strong strategy includes comprehensive creditworthiness assessments, regular monitoring of the credit portfolio, and the implementation of appropriate risk prevention and mitigation measures. Effective risk management can assist KSP3 Nias Gunungsitoli Branch in managing and minimizing the occurrence of non-performing loans, maintaining financial health, and ensuring the cooperative's operational sustainability. The following is the credit collectability data for KSP3 Nias Gunungsitoli Branch from 2020 to 2022.

Table 1. Credit Collectibility Data of KSP3 Nias Gunung Sitoli Branch (in Rupiah)

Year	Current credit	Less mooth	Doubt	Bad	NPL
2020	8.043.313.000	327.800.000	369.000.000	1.973.292.000	0.24 %
2021	8.087.625.000	185.093.000	252.730.000	1.378.322.000	0.18 %
2022	8.105.212.000	445.383.000	544.850.000	2.814.175.000	0.31 %

Source: Credit Collectability Data of KSP3 Nias Gunungsitoli Branch, 2020-2022.

Based on the credit collectability data of KSP3 Nias Gunungsitoli Branch, it is evident that the Non-Performing Loan (NPL) rate fluctuated during the period from 2020 to 2022. This fluctuation is influenced by various factors, such as an unstable economic environment, the limited ability of borrowers to repay loans, and the insufficient collateral owned by borrowers. Therefore, the implementation of effective risk management is crucial to addressing non-performing loans effectively. The importance of risk management in financial institutions to minimize the risk of non-performing loans is supported by previous research findings. A study conducted by Murni Sri, et al. (2016) on the Implementation of Risk Management to Minimize Non-Performing Loan Risk at PT. Bank Sulut Go found that risk management was well-executed, as evidenced by an NPL ratio that did not exceed Bank Indonesia's regulation of 5%. Conversely, a study by Desda & Yurasti (2019) revealed that although credit risk management procedures were followed, their implementation was not sufficiently effective, as the NPL rate continued to rise from 2013 to 2018, eventually surpassing the maximum NPL limit of 5%.

These studies demonstrate that effective risk management can minimize the risk of non-performing loans. Conversely, ineffective risk management can lead to an increase in non-performing loans, which adversely impacts the health of the credit portfolio. Based on the aforementioned

background, the researcher formulates the problem statement for this study as follows: How is risk management implemented at the Nias Branch of the Rural Development Savings and Loan Cooperative (KSP3) to minimize the risk of loan defaults?

The objective of this study is to examine the implementation of risk management by the Rural Development Credit Union (KSP3) Nias Gunungsitoli Branch in minimizing the risk of non-performing loans. Theoretical Benefits (1) This research is expected to broaden understanding and knowledge of the importance of risk management implementation, while also providing deeper insights into non-performing loans within the environment of KSP3 Nias, Gunungsitoli Branch (2) The findings of this research are anticipated to contribute to the advancement of knowledge and provide valuable information on non-performing loans, as well as strategies to mitigate them through the appropriate application of risk management. Practical Benefits (1) For KSP3 Nias, Gunungsitoli Branch, this research can contribute by offering solutions to minimize the risk of non-performing loans through the application of risk management (2) For Nias University, the findings of this research can contribute to the expansion of knowledge, particularly in the area of risk management for minimizing non-performing loans, and serve as a reference material in the university's library (3) This research also benefits the researcher in fulfilling one of the requirements to complete the undergraduate program in Management at the Faculty of Economics, Nias University (4) The results of this research can serve as a reference for future researchers.

2. RESEARCH DESIGN AND METHOD

This research falls under the descriptive category with a qualitative approach. According to Dewi (2023), qualitative research initially has a general and flexible design, but it evolves throughout the research process. The aim of qualitative research is to depict complex realities in a naturalistic manner, allowing for a deeper understanding of the meaning behind the subject being studied. Qualitative research requires in-depth knowledge from the researcher, as the researcher will conduct direct interviews with the research subjects (Sahir, 2021).

2.1. Research Variables

Research variables refer to the elements used to collect, analyze, and present data. These variables can encompass phenomena, characteristics, or conditions that are intended to be observed and analyzed in the research to answer the research questions or achieve the research objectives. According to Sahir (2021), research variables are components predetermined by the researcher to be studied with the aim of obtaining answers formulated as the conclusions of the research. Variables are the primary components in a study. Therefore, research cannot be conducted without variables, as they are the main subjects of investigation. In this study, the variable used is risk management.

2.2. Data Analysis Techniques

In this study, the data analysis technique employed is the data analysis model from Miles and Huberman (Sugiyono, 2019), which includes the following steps:

a. Data Collection: Data was collected through in-depth interviews, observations, and documentation, or a combination of these techniques (data triangulation). The data was gathered intensively and as extensively as possible. At this stage, the data collected is vast and varied, requiring the researcher to extend the observation period in the field.

b. Data Reduction: The data obtained through the data collection process is often vast and varied, making it complex and difficult to interpret. Therefore, data reduction is necessary to summarize, select key information, and focus on relevant aspects, with the aim of identifying patterns and themes within the data. In this way, the reduced data provides a clearer picture, facilitating the researcher in acquiring additional data in the field.

c. Data Presentation: After the data is reduced, the next stage in data analysis is the presentation of the data. In qualitative research, data presentation can be done through the form of brief narrative descriptions, charts, flowcharts, and other methods. The presentation of this data makes it easier for researchers to understand the existing information and plan the next steps based on the understanding obtained.

d. Conclusion and Verification: The next stage of qualitative data analysis, according to Miles and Huberman, is drawing conclusions and verification. In qualitative research, conclusions are summaries of the core findings that reflect the latest perspectives based on previous discussions or decisions reached through inductive or deductive reasoning. These conclusions may also address the research questions posed; however, in qualitative research, the research questions are often provisional and may evolve as the study progresses in the field. Conclusions in qualitative research typically represent new discoveries that have not been previously revealed whether in the form of new descriptions or understandings of the studied object, and may include causal relationships, hypotheses, or new theories. Additionally, the verification process ensures that the final conclusions are validated through triangulation and the corroboration of data with consistent, repeated responses from various data sources.

3. RESULT AND DISCUSSION

3.1. The implementation of risk management to mitigate the risk of non-performing loans at the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch

The role of risk management in anticipating potential risks is crucial for an organization. Risk management is a process undertaken by an organization to manage risks both before and after they occur. It is essential to implement risk management within an organization as it helps to minimize the potential losses arising from these risks. The Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, as a financial institution that provides credit to its members, has implemented risk management in its operations. This was confirmed by the researcher through interviews conducted with several informants within the KSP3 Nias, Gunungsitoli Branch. Based on the interview conducted by the researcher with informant Carla Eben Hezer Zebua (Accounting Department) on Thursday, June 27, 2024, at 10:00 AM WIB, the researcher asked whether KSP3 Nias, Gunungsitoli Branch, has implemented risk management. Carla Eben Hezer Zebua (Accounting Department) stated that:

> We have implemented risk management, particularly in the lending process, as the risks involved in granting loans are quite significant. By applying risk management, we are able to anticipate and prevent undesirable outcomes.

On the same day at 1:00 PM WIB, the researcher interviewed informant Dewi Jayanti Lase (Cashier), who, when asked the same question, stated that:

We have implemented risk management, particularly in our duties, where we carry out the process of reviewing members' cash by monitoring the flow of cash inflows and outflows.

Furthermore, the researcher interviewed Yafati Lase (Head of KSP3 Nias, Gunungsitoli Branch) on Tuesday, July 9, 2024, at 9:00 AM WIB, with the same question: whether KSP3 Nias, Gunungsitoli Branch, has implemented risk management. Yafati Lase stated that:

Certainly, KSP3 Nias, Gunungsitoli Branch, has been implementing risk management all this time.

The implementation of risk management is conducted to analyze various processes carried out by the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, in managing its risks. Based on interviews with informants, several stages have been undertaken by KSP3 Nias, Gunungsitoli Branch, in implementing risk management, which are as follows:

1. Risk Identification

   The risk identification process carried out by the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, is based on an interview conducted by the researcher with Yafati Lase (Head of KSP3 Nias, Gunungsitoli Branch) on Tuesday, July 9, 2024, at 9:00 AM WIB. In the interview, the researcher asked, How does KSP3 Nias, Gunungsitoli Branch, conduct its risk identification process? Yafati Lase explained that:

   The risk identification process carried out by KSP3 Nias, Gunungsitoli Branch, involves several stages. First, when a member applies for a loan, the management team visits the member's home to ensure that they are serious about borrowing from KSP3 Nias, Gunungsitoli Branch. Second, we conduct a loan portfolio analysis, including the loan composition, types of loans, duration, and borrower profile, to assess potential risks that may arise.

   Next, the researcher asked, Has KSP3 Nias, Gunungsitoli Branch, conducted a creditworthiness assessment before granting loans? Yafati Lase responded that:

   We have applied the principle of prudence by conducting a creditworthiness assessment before granting loans to members, as failing to do so would pose significant risks to the organization. This prudence is reflected in evaluating the character of the member—whether they are honest and trustworthy. We also analyze the members' ability to repay the loan by assessing their income and expenses to determine their capacity to meet future loan obligations. Additionally, we evaluate the capital held by the prospective borrower and the collateral provided, where we assess the collateral to determine the borrower's eligibility and the appropriate loan amount.

   Subsequently, the researcher conducted an interview with informant Carla Eben Hezer Zebua (Accounting Department) on Thursday, June 27, 2024, at 10:00 AM WIB, regarding the same question: How does KSP3 Nias, Gunungsitoli Branch, conduct its risk identification process? Carla Eben Hezer Zebua explained that:

> The risk identification process we have conducted so far begins with reviewing the membership records to check for any negative history, such as defaults or overdue payments on loans below their share value. Furthermore, for loans exceeding the share value, we perform an analysis and conduct direct field assessments.

The researcher then further inquired, Has KSP3 Nias, Gunungsitoli Branch, conducted a creditworthiness assessment before granting loans? Carla Eben Hezer Zebua explained that:

> Before granting a loan to a member, we always conduct a creditworthiness assessment. This involves a direct field survey carried out by the management team, which includes the credit supervisor, branch manager, and the accounting department. The purpose is to evaluate the member's economic condition, assess the collateral provided, and review the member's previous records. Additionally, we assess the member's character and their ability to repay the loan, as this is a critical part of the credit evaluation process.

Subsequently, the researcher obtained information from an interview with Dewi Jayanti Lase (Cashier) on Thursday, June 27, 2024, at 1:00 PM WIB, in response to the question, How is the risk identification process conducted at KSP3 Nias, Gunungsitoli Branch? Dewi Jayanti Lase explained that:

> Before granting a loan, we consider several aspects, including the borrower's character, ability, economic condition, collateral, and the capital owned by the prospective borrower.

Similarly, as conveyed by Informant Romianto Telaumbanua (Member) during an interview conducted by the researcher on Friday, June 28, 2024, at 10:00 AM WIB. When asked about his experience in applying for a loan at KSP3 Nias Gunungsitoli Branch, Romianto Telaumbanua (Member) stated:

> Similarly, as conveyed by Informant Romianto Telaumbanua (Member) during an interview conducted by the researcher on Friday, June 28, 2024, at 10:00 AM WIB. When asked about his experience in applying for a loan at KSP3 Nias Gunungsitoli Branch, Romianto Telaumbanua (Member) stated:

2. Risk Measurement

The Rural Development Credit Union (KSP3) Nias Gunungsitoli Branch assesses its risk level by establishing a risk matrix through several indicators, including the NPL ratio, capital adequacy ratio, and liquidity ratio. Informant Yafati Lase (Head of KSP3 Nias Gunungsitoli Branch), who was interviewed by the researcher on Tuesday, July 9, 2024, at 9:00 AM WIB, when asked how KSP3 Nias Gunungsitoli Branch has been measuring its risk level, particularly in credit disbursement activities, explained that:

> Credit risk at KSP3 Nias Gunungsitoli Branch is assessed by analyzing the income and expenses of its members to gain a comprehensive understanding of their

financial condition. In addition, historical data on loan performance and deposit fluctuations over a period of 3 to 5 years is monitored and collected.

Furthermore, the researcher inquired about how the results of the risk assessment are utilized in determining the eligibility of prospective borrowers for loan approval. Yafati Lase explained that:

> We will analyze the credit history of prospective borrowers by considering the NPL ratio to assess whether they have maintained a good credit record in the past. The historical data on loan performance and savings fluctuations will also be examined to evaluate their payment track record and financial stability. Furthermore, we will review whether their expenditures exceed their income, which is an important factor in our decision-making process to avoid potential credit risk in the future.

This statement is also supported by the explanation from informant Fati Zanolo Tafonao (Member), who was interviewed by the researcher on Thursday, July 11, 2024, at 7:00 PM WIB. When asked, 'Before granting you a loan, did KSP3 Nias Gunungsitoli Branch analyze your monthly income and expenses?' Fati Zanolo Tafonao (Member) stated that:

> When I apply for a loan at KSP3 Nias Gunungsitoli Branch, they will first review my monthly income.

3. Risk monitoring

Based on the statement provided by Yafati Lase, Head of the KSP3 Nias Branch in Gunungsitoli, during an interview with the researcher on Tuesday, July 9, 2024, at 9:00 AM WIB, concerning the monitoring process conducted by KSP3 Nias Branch in Gunungsitoli to minimize the risk of loan defaults, Yafati Lase explained that:

> Initially, we conduct direct monitoring of the collateral provided by the members to ensure that the value and condition of the collateral remain adequate to cover the amount of credit extended. Additionally, we perform routine monitoring of members who are perceived to be encountering issues. The first step is to remind the member via telephone if their loan has passed the due date. If the member does not respond, the next step involves sending a formal reminder letter. Should there still be no response, the management team will visit the member's home to collect the payment in person.

The researcher subsequently inquired whether a specialized team had been established to monitor risks, particularly the risk of loan defaults. Yafati Lase, Branch Manager of KSP3 Nias Gunungsitoli, responded:

> We have a management team that includes credit officers, myself as the branch manager, and bookkeeping staff. Additionally, we will collaborate with the Environmental Chairman.

Subsequently, Carla Eben Hezer Zebua (Bookkeeping Staff), who was interviewed by the researcher on Thursday, June 27, 2024, at 10:00 AM WIB, provided answers to the same question, namely:

Our monitoring encompasses the entire process, from the initial loan application by members, through the disbursement of credit, to the repayment or settlement of the loan. One aspect of our risk monitoring involves reviewing the credit history of members to assess whether prospective borrowers have a favorable credit track record.

4. Risk Control

Based on the interview conducted by the researcher with informant Yafati Lase (Branch Manager of KSP3 Nias Gunungsitoli) on Tuesday, July 9, 2024, at 9:00 AM WIB, regarding the risk control measures implemented by KSP3 Nias Gunungsitoli in its risk management efforts to minimize the risk of loan defaults, Yafati Lase stated:

The risk control measures we implement, as I mentioned earlier, involve analyzing the income and expenses of members before granting loans. This approach is aimed at preventing the issuance of credit that exceeds their financial capacity.

Subsequently, the researcher inquired whether KSP3 Nias Gunungsitoli Branch had conducted evaluations to mitigate the risk of loan defaults. Yafati Lase, the Branch Head of KSP3 Nias Gunungsitoli, responded by stating that:

We conduct evaluations on a monthly basis, or at most every six months, in collaboration with the Community Chairperson to remind members to repay their loans on time. This is done through various means, including phone calls, direct visits, and warning letters. Additionally, we provide solutions for members facing difficulties in repaying their loans. If a member fails to show good faith in repaying their loan, our management team will coordinate with the village government to sell the collateral provided by the member. We, at KSP3 Nias Gunungsitoli Branch, will facilitate this process by finding potential buyers for the collateral. Once a buyer is identified, we will arrange for the concerned member to complete the transaction.

Subsequently, the researcher conducted an interview with Dewi Jayanti Lase (Cashier) on Thursday, June 27, 2024, at 1:00 PM WIB. The question posed was about how KSP3 Nias Gunungsitoli Branch addresses cases of loan defaults. Dewi Jayanti Lase (Cashier) responded by stating that:

If a member faces difficulties in repaying their loan, we will seek a solution. For example, we may offer a concession by requesting the member to first pay the accrued interest.

Subsequently, the researcher interviewed Romianto Telaumbanua (Member) on Friday, June 28, 2024, at 10:00 AM WIB. The question posed was about how KSP3 Nias Gunungsitoli Branch assists members in resolving issues if they experience loan defaults. Romianto Telaumbanua (Member) responded by stating that:

In the event of a calamity such as death or other unfortunate incidents, KSP3 Nias Gunungsitoli Branch offers a facility known as JPA (Member Loan Guarantee), which is analogous to insurance in other financial institutions. The JPA will be utilized in accordance with the applicable regulations.

Based on the credit collectability data obtained from Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch, the next step is to analyze this data to determine the percentage of Non-Performing Loans (NPL). This collectability data serves as one of the methods for assessing the effectiveness of risk management practices at Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch. The collectability data for Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch for the period of 2020-2022 is as follows:

Table 2. Credit Collectibility Data of KSP3 Nias Gunung Sitoli Branch (In Rupiah)

Year	Current credit	Less smooth	Doubt	Bad	NPL
2020	8.043.313.000	327.800.000	369.000.000	1.973.292.000	0.24%
2021	8.087.625.000	185.093.000	252.730.000	1.378.322.000	0.18 %
2022	8.105.212.000	445.383.000	544.850.000	2.814.175.000	0.31 %

Source: Credit Collectability Data for KSP3 Nias Gunungsitoli Branch, 2020-2022

From table 2, it can be analyzed that the percentage of NPL in 2020 was 0.24%, which significantly decreased to 0.18% in 2021. This indicates that the risk management practices implemented were effective. However, in 2022, the NPL percentage rose again to 0.31%. This data reflects that the NPL at Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch has experienced fluctuations. These fluctuations are attributed to various factors, both internal and external. Based on interviews conducted by the researcher with informants, information was obtained regarding the factors causing these fluctuations at Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch. During the interview with Yafati Lase (Branch Head of KSP3 Nias Gunungsitoli Branch) on Tuesday, July 9, 2024, at 9:00 AM WIB, the researcher inquired about the factors contributing to loan defaults at KSP3 Nias Gunungsitoli Branch. Yafati Lase (Branch Head of KSP3 Nias Gunungsitoli Branch) explained that:

> The factors contributing to loan defaults are, first, insufficient initial analysis during the loan application process, such as when evaluating the income and expenses of the member in question, where expenses exceed income but a loan is still granted. Second, economic conditions, such as the bankruptcy of a member's business, can result in the member's inability to repay the loan, thereby leading to the risk of loan defaults.

Subsequently, the researcher posed the same question to Carla Eben Hezer Zebua (Accounting) on Thursday, June 27, 2024, at 10:00 AM WIB. Carla Eben Hezer Zebua (Accounting) responded by stating that:

> In reality, we have made every effort to minimize the risk of loan defaults and consistently apply principles of prudence in our lending practices. However, as I mentioned earlier, individual characters vary and are sometimes difficult to predict. Moreover, the data provided by members is occasionally dishonest. These factors often contribute to the occurrence of loan defaults.

Subsequently, the researcher interviewed Dewi Jayanti Lase (Cashier) on Thursday, June 27, 2024, at 1:00 PM WIB, asking the same question about the factors contributing to loan defaults at KSP3 Nias Gunungsitoli Branch. Dewi Jayanti Lase (Cashier) explained that:

> The factors contributing to loan defaults have primarily been influenced by external factors, such as the irresponsible behavior of members towards their obligations. Additionally, the members' ability to repay loans is affected by unstable economic conditions.

Further information was obtained by the researcher through an interview with informant Filitia Waruwu (Member) on Thursday, July 11, 2024, at 8:00 PM WIB. The question posed was about the causes of the loan defaults experienced by the member. The informant stated that:

> Although I sometimes set a goal to repay my loan on time, due to busyness or other factors—not intentionally—I occasionally forget and end up making the repayment after the due date.

Subsequently, the researcher conducted an interview with informant Rominto Telaumbanua (Member) on Friday, June 28, 2024, at 10:00 AM WIB. The question posed was about the factors contributing to his experiences with loan defaults. Rominto Telaumbanua (Member) stated that:

> As we are aware, the prices of essential goods are rising while incomes remain limited, and on the other hand, the sale of our products is not progressing smoothly. This is one of the factors contributing to the occurrence of loan defaults.

3.2. Discussion

In the discussion section, the researcher will elaborate on the results obtained during the study. The researcher conducted observations, interviews, and documentation based on the established guidelines, focusing on the implementation of risk management by Koperasi Simpan Pinjam (KSP3) Nias Gunungsitoli Branch to minimize the risk of loan defaults. Additionally, this discussion will address the indicators outlined in the interview draft. Based on the research findings, it is evident that Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch has implemented risk management practices to manage potential risks arising from its operational activities, particularly in lending. Risk management encompasses a series of steps or methods applied to identify, measure, monitor, and control risks emerging from business activities (Jalaludin, 2021). Implementing risk management is crucial for an organization to avoid losses due to risks, especially loan defaults. This is supported by the theory that risk management involves efforts to handle risks that could result in losses for an organization (Anita et al., 2023). In implementing risk management to minimize loan default risks, KSP3 Nias Gunungsitoli Branch begins with a thorough understanding and identification of all risks, followed by risk assessment, risk monitoring, and ultimately risk control. The stages are as follows:

Risk Identification

At this stage, Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch conducts a portfolio analysis of loans, including loan composition, types of loans, loan terms,

and borrower profiles, encompassing the 5C characteristics. They also review and assess the effectiveness of the credit evaluation system used to identify weaknesses in the credit approval process, including survey procedures. The management team carries out direct surveys of prospective borrowers using the 5C analysis to evaluate creditworthiness, allowing KSP3 Nias Gunungsitoli to understand the risks associated with lending. The following are the stages of the 5C analysis (Character, Capacity, Capital, Collateral, and Condition of Economic) that have been implemented in risk management at Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch to minimize loan default risks:

a. Character

Assessing the character of members is the most crucial stage in identifying risks. This evaluation includes examining the member's previous credit history for any deficiencies and gathering information about the prospective member from their surroundings and the scope of their business. The aim of this assessment is to analyze the members' level of honesty and responsibility in repaying their loans.

b. Capacity

At this stage, Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch assesses the prospective member's ability to repay their loan. This assessment is carried out by analyzing the member's income and expenditures to evaluate their capacity to meet loan obligations in the future.

c. Capital

To assess capital, Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Gunungsitoli Branch examines the member's savings and identifies the total assets owned by the member. This evaluation helps determine whether the member has sufficient resources to repay the loan.

d. Collateral

The next stage involves identifying the collateral provided by the member through direct surveys to assess the quality of the collateral. The cooperative then evaluates the collateral to determine the borrower's eligibility and the appropriate loan amount. Should the member fail to meet their obligations in the future, the provided collateral will be auctioned.

e. Condition of Economic

In assessing economic conditions, the member's income is a crucial consideration for loan approval. If the member's economic situation is unstable, it may hinder their ability to repay the loan in the future.

By conducting risk identification, KSP3 Nias Branch Gunungsitoli is able to evaluate members' ability to repay their loans in the future. Additionally, KSP3 Nias Branch Gunungsitoli can manage its risks through more effective risk mitigation strategies, allowing risks to be controlled and their impacts minimized. This is in line with the research conducted by Desda & Yurasti (2019), which states that 'Risk identification is performed to assess the customer's ability to meet repayment obligations along with loan interest. Although Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Branch Gunungsitoli has implemented risk identification through various stages, the results have not been fully optimal. This is due to inaccurate data provided by loan applicants, which complicates the assessment of their character and financial capability. Additionally, insufficiently careful credit analysis may result in loans being granted to members with unstable financial conditions.

Risk Measurement

The risk measurement carried out by Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Cabang Gunungsitoli to minimize the risk of loan defaults includes determining risk metrics by establishing indicators such as the NPL ratio, capital adequacy ratio, and liquidity ratio. Additionally, KSP3 Nias Cabang Gunungsitoli monitors and collects historical data on members' loan performance, deposit fluctuations, and financial trends over 3-5 years. These measures have been effectively implemented, as evidenced by the reduction in the default risk level over three consecutive years. However, the achievement of this risk measurement still faces challenges in collecting data on members' financial trends, which are sometimes incomplete and less accurate, complicating the assessment of members' financial conditions. Risk measurement is crucial as it is a key factor in decision-making related to credit issuance. This aligns with the theory presented by Satriawan et al. (2021), which states that risk measurement is essential in risk management as it can be used to analyze the level of risk associated with a specific situation or decision.

Risk Monitoring

Risk monitoring is carried out by all parties involved in credit management, particularly branch managers, credit supervisors, and accounting staff. The monitoring process begins at the initial loan application stage, continues through the disbursement of credit, and extends until the loan is fully repaid or settled. At Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Branch Gunungsitoli, risk monitoring is conducted through the following steps: first, reviewing the borrower's previous credit history to assess whether the prospective borrower has a good credit record; second, conducting periodic monitoring of the credit portfolio to detect loans that show early signs of problems, enabling timely risk mitigation actions; third, monitoring the collateral provided by borrowers to ensure that the value and condition of the collateral remain adequate to cover the loan amount; and fourth, regularly checking on members who are perceived to be experiencing difficulties, and reminding them as necessary. By implementing comprehensive risk monitoring, KSP3 Nias Branch Gunungsitoli can quickly identify potential risks and take appropriate actions to manage these risks effectively. Risk monitoring is performed thoroughly to prevent the emergence of undesirable risks (Satriawan et al., 2021). Despite the risk monitoring efforts, further improvements and reinforcement are necessary. Based on field surveys, there are still deficiencies in payment due date reminders, as some borrowers are not reminded in advance of their credit due dates, which can lead to delayed payments.

Risk Control

Risk control represents the final stage in risk management. At this stage, the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, establishes a maximum loan limit based on the financial capability of its members to prevent extending credit beyond their financial capacity. Additionally, KSP3 Nias, Gunungsitoli Branch, conducts monthly evaluations or, at most, every six months with the neighborhood heads to remind members via phone calls. This process aims to foster a sense of family between members and the cooperative, ensuring timely loan repayments. If a member fails to repay their loan, direct visits are made, warning letters are issued, and an approach is taken to understand the reasons behind the payment default and provide solutions to the issue. Should there still be no goodwill to repay, the management team will collaborate with village authorities to sell or seize collateral as stipulated in the credit agreement, subject to the approval of the collateral owner. Through effective risk control, prevention can be achieved, thereby reducing the likelihood of undesired risks or losses (Kristiana et al., 2022).

Therefore, the implementation of risk management by the Rural Development Savings and Loan Cooperative (KSP3) Nias Branch in Gunungsitoli to minimize the risk of bad loans is carried out through a series of stages, including risk identification, risk measurement, risk monitoring, and risk control. This is in line with the research conducted by Pratama and Samiun (2019), which states that the implementation of risk management at BPRS Bahari Berkesan is in accordance with the procedures and stages that complement each other, starting from risk identification, risk assessment, risk monitoring, and credit risk control. The implementation of risk management to mitigate the risk of bad loans has been effectively carried out by KSP3 Nias Branch in Gunungsitoli, as evidenced by the Non-Performing Loan (NPL) rate not exceeding 5% from 2020 to 2022. Despite some fluctuations, the risk management practices at KSP3 Nias Branch in Gunungsitoli have generally been effective in reducing the risk of bad loans, as demonstrated by the NPL rate remaining below 5% for three consecutive years. This aligns with previous research conducted by Novianti (2020: 18), which states that financial credit institutions need to continuously manage their credit to ensure it does not exceed the established assessment standard, specifically maintaining Non-Performing Loans (NPL) below 5%. This theory is also supported by Desda & Yurasti (2019: 95), who assert that the application of effective risk management processes. Previous research conducted by Tengor et al. (2016) indicates that PT. Bank SulutGo has effectively implemented risk management. This involves active oversight by the board of commissioners and directors, as well as the establishment of policies, procedures, credit limits, risk identification processes, measurement, monitoring, and credit risk management information systems. The risk management practices at PT. Bank SulutGo have proven effective in minimizing the risk of non-performing loans (NPL), as evidenced by the NPL ratio not exceeding the 5% threshold set by Bank Indonesia. Despite some fluctuations, PT. Bank SulutGo's NPL ratio remains within acceptable limits, adhering to Bank Indonesia's regulations. However, the findings of this study differ from those of Desda & Yurasti (2019), which reported that while the credit risk management procedures were followed, their effectiveness was still lacking. The NPL ratio from 2013 to 2018 increased and even surpassed the maximum NPL threshold of 5%. Although risk management has been effectively implemented, there are still areas that need improvement and enhancement within the Nias Rural Development Savings and Loans Cooperative (KSP3) Nias Cabang Gunungsitoli. Addressing these issues is crucial to ensure that risks arising from credit distribution activities are continually minimized.

4. CONCLUSION

Based on the research findings derived from observations, interviews, and documentation, and following the discussion presented in the previous chapter, the following conclusions can be drawn:

1. The Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, has implemented risk management strategies aimed at preventing or minimizing the occurrence of non-performing loans through a series of stages, including risk identification, risk measurement, risk monitoring, and risk control.

2. In the risk identification stage, KSP3 Nias, Gunungsitoli Branch, conducts a thorough analysis of the loan portfolio, covering aspects such as loan composition, loan types, duration, and the borrower profile, including the 5 C's characteristics. Additionally, surveys, reviews, and assessments of the effectiveness of the creditworthiness evaluation system are carried out to identify weaknesses in the credit approval process, allowing KSP3 Nias, Gunungsitoli Branch, to better understand the potential risks associated with loan disbursement. However, these efforts have not yet been fully optimized, as the information provided by prospective borrowers is often inaccurate, making it challenging to assess their character and financial capability.

Furthermore, insufficient diligence in credit analysis has led to loans being granted to borrowers with unstable financial conditions.

3. In the subsequent stage of risk management, which is risk measurement, KSP3 Nias, Gunungsitoli Branch, established risk metrics by determining indicators such as the NPL ratio, capital adequacy ratio, and liquidity ratio. The institution also monitors and collects historical data on members' loan performance, deposit fluctuations, and financial trends over a period of 3-5 years. This process has been implemented effectively, as evidenced by the decreasing level of non-performing loans over the past three consecutive years. However, the risk measurement process still faces challenges, particularly in gathering data on members' financial trends, which is often incomplete and inaccurate, making it difficult to accurately assess the financial condition of the members.

4. The risk monitoring process carried out by KSP3 Nias, Gunungsitoli Branch, includes checking the credit history of previous members to assess whether prospective borrowers have a good credit record. In addition, regular monitoring is conducted on the credit portfolio to detect loans showing early signs of potential problems, allowing for timely risk mitigation actions. Monitoring is also carried out on the collateral provided by members to ensure that the value and condition of the collateral remain adequate to cover the loan amount. Routine monitoring is performed for members who are deemed to be experiencing difficulties, with reminders being sent to them. However, further improvement and reinforcement are needed, as field surveys indicate shortcomings in the reminder system for payment due dates. Some borrowers were not reminded ahead of their credit due dates, which could result in delayed payments.

5. The final stage of risk management is risk control. This is done by setting a maximum loan limit based on the financial capacity of the members. Evaluations are conducted monthly, or at the latest, every six months, by reminding members via phone calls. If a member fails to repay the loan, a direct visit is made, a warning letter is issued, and an approach is taken to identify the reasons for non-payment and provide solutions to the problem. If these steps prove ineffective, the collateral is confiscated.

Thus, the implementation of risk management to minimize the risk of non-performing loans has been effectively carried out by KSP3 Nias, Gunungsitoli Branch, as evidenced by the Non-Performing Loan (NPL) ratio of the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, remaining below 5% from 2020 to 2022. Based on the research conducted at the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, the researcher offers the following recommendations:

1. KSP3 Nias, Gunungsitoli Branch, is encouraged to strengthen the application of prudent principles in extending credit to members to avoid mistakes that could lead to the risk of non-performing loans.

2. KSP3 Nias, Gunungsitoli Branch, should implement a verification method to ensure the accuracy of data provided by borrowers, supported by documentation such as utility bills, proof of land and building tax (PBB) payments, employment certificates, and letters of reference from village authorities.

3. It is recommended that the Rural Development Savings and Loan Cooperative (KSP3) Nias, Gunungsitoli Branch, enhance its risk monitoring efforts so that risks can be managed early, allowing for preventive measures and risk mitigation. Reminders before payment due dates

should be sent via phone, SMS, or WhatsApp to help borrowers avoid missing their payments.

4. KSP3 Nias, Gunungsitoli Branch, is advised to provide risk management training to both employees and members to improve their knowledge in risk analysis, credit assessment, and risk prevention strategies. This will enhance employees' skills and members' understanding of effective risk management.

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