IMPLEMENTATION OF BANK BCA'S RISK MANAGEMENT STRATEGY IN FRANCHISE-BASED BUSINESS FINANCING

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ABSTRACT

How to Implement Bank BCA's Risk Management Strategy in Franchise-Based Business Financing, how is the Impact of Bank BCA's Risk Management Strategy Implementation on Franchise-Based Business Financing Literature research methods are used because sources come from journals, research reports, the internet, and other sources. This research approach uses descriptive qualitative techniques. Aiming to provide an overview of the implementation of Bank BCA's risk management strategy in franchise-based corporate financing, the results of this study show the discussion of financing strategies and their impact on franchise businesses. Capital loan financing, especially in franchises to develop business, PT Bank BCA must carry out a comprehensive loan collection process and this is done to avoid the risk of bad loans, especially in the case of large loans. In addition, the bank must also assess the business continuity of the debtor and require management and supervision to maintain the continuity of the bank's business. The impact of this risk occurs when the debtor does not fulfill the contents of the credit agreement, chooses the right prospective debtor in the process of providing credit, and when the bank's HR is deceived by the appearance of the prospective debtor. Therefore, it is important to apply the 5 C's principle.

Keywords: Conventional Bank Risk, Strategy Implementation, Non-Performing Loans

INTRODUCTION

In today's era of globalization, there are many advances in developing technology, one of which is information about banks, therefore, *banking* companies are considered very important in various industries. This is due to the existence of many activities carried out over long distances, so that banks have an important role in payments and also as a place to store money or even to invest. With this convenience, the introduction of banks can be easily accepted by the public according to their needs, it is known that banks themselves are the holders and distributors of public funds. Of course, any organization, both small and large, will have different risks, it is inevitable that in running its business, banks are faced with risks that can affect their operations. As is the case in business financing provided to the borrower and an agreement is made in terms of repayment to the bank on credit, this must have a large risk such as arrears or other human errors, the bank requires a thorough activity analysis of customers so as to reduce existing risks. This applies to BCA and other banks in terms of conducting transactions by fulfilling the requirements that have been made to minimize the risks that may occur (Rawis &; Sabijono, 2018).

Based on Indonesia's financial recording regulation *Number thirty-one*, financial institutions are institutions that act as part of financial liaison, customers who store money and customers who borrow money and also institutions whose role is to accelerate and facilitate payment transactions. The funds collected in the type of savings and savings will be used not only to meet the needs of loan demand but also for the needs of operating financial institutions which of course will be utilized as optimally as possible. Distribution in the form of loans is one of the primary activities of financial institutions that cannot be separated from the potential risk of loss. The higher the credit given, the greater the risk involved in the transaction (Haerudin, 2020)**.**

The growth of economic activity directly affects the growing needs of enterprises and society. This is not always related to the financial ability of economic actors, so people always need credit as an alternative to business capital. As a commercial entity, in carrying out its duties, the bank carries out two interrelated functions, namely the function of coaching and implementing commercial activities aimed at the development and continuity of commercial activities. To fulfill its duties, especially commercial functions with an operational lending business, the bank provides instructions and guidelines for the implementation of the lending business. Thus, in the era of deregulation, there were many missteps in lending and violations of banking stability principles which led to the decline of the banking sector due to the increase in non-performing loans after the financial crisis.

This is one of the key factors in financing capital loans, especially in franchises and to develop the business, PT Bank BCA must carry out a comprehensive loan collection process. and This is done to avoid the risk of bad debts, especially in the case of large loans. Every loan given certainly contains risks where banks must plan well and make efforts to reduce the risk of non-performing loans. In addition, the bank must also assess the business continuity of the debtor and require management and supervision to maintain the continuity of the bank's business. Bad loans must be avoided so as not to harm banks, because banks get the largest income from lending (Pratiwi et al., 2016). The loan must be paid on time, both principal and interest. This is the biggest advantage for the bank, so the borrower must be able to repay the loan at interest according to the agreement agreed at the beginning of the loan financing. Although credit analysis is carried out by the bank, it turns out that many problems in lending arise due to internal and external factors. Emerging problems affect creditworthiness and hence can lead to unprofitable loans (Dwijayani et al., 2019).

It can be seen in BCA's loan portfolio which faced growth with a value of *nine point nine percent to* one hundred twenty-three point nine trillion by 2015. Although the development of loans is relatively smaller when compared to previous times, but the development is in line with the overall development of loans in the zone of financial institutions. Bank Central Asia is the 3rd largest lending financial institution with a market share of around *eight point six percent*. The decline in the pace of loan increase in early 2014 occurred as the Asian Central Bank tightened lending standards as a precaution against uncertainty in global business due to the impact of the global financial and economic crisis. Another factor influencing the slowdown in loan growth is the decline in demand for loans from the trading area as many business customers cut stocks and buy funding time for asset procurement. However, on the consumer front, the share of the loan portfolio increased significantly due to lower interest rates and strong domestic consumption. By actively managing its loan portfolio, BCA managed to maintain credit quality and improve it from previous estimates**.** BCA successfully completed non-performing loans, especially some of the company's borrowers, as a result of which the ratio of non-performing borrowers (NPL) managed to successfully reduce to zero *point point to* *percent* at the end of 2014, after reaching the highest level of one point nine percent1, at the end of the first semester of 2014. This NPL figure is much lower than the maximum limit set according to Bank Indonesia with five *percent*. Bank BCA implements proactive regulations in forming reserve disbursements for loans. A comprehensive stress test of its loan portfolio is used in determining the inventory requirements needed to reduce the impact of various adverse situations on the entire portfolio, both in the industrial sector and individual companies (A. Putra &; Afriyeni, 2019).

Based on the background above, the author is interested in analyzing the problem entitled "Application of Bank BCA Risk Management Strategy in Franchise-Based Business Funding".

RESEARCH METHODS

Literature research methods are used because sources come from journals, research reports, the internet, and other sources. The approach uses descriptive qualitative techniques. Aims to provide an overview of the implementation of Bank BCA's risk management strategy in franchise-based corporate financing.

RESULTS AND DISCUSSION

1. Bank BCA's Risk Management Strategy in Franchise-Based Business Financing

BCA develops a risk management plan in line with the overall business plan, and considers the level of risk that is acceptable and the risk that can be tolerated. The plan is prepared to ensure that the risks faced by BCA can be properly mitigated, in line with BCA's lending policy, internal bank procedures, applicable regulations and laws, and other provisions (Pt et al., 2016). Risk management in banks can be managed through various processes, including identification, calculation, monitoring, risk monitoring, and risk management information systems. Risk identification involves understanding the types of risks, all bank activities are in line to analyze the origin and triggers of risk emergence and also its consequences (Goyal &; Agrawal, 2010). Next, financial institutions must carry out risk evaluations in accordance with the nature and difficulty of business activities. Not only that, the successful implementation of risk management needs to be supported by risk supervision through consideration of evaluation decisions and risk monitoring (Kartika Sari, 2018).

When deciding on a strategy, companies should pay attention to their internal situation and potential customers. The first step is to collect internal data. The company's internal framework includes sales, research and development, production and operational management, internal resources and human resources, and finance and accounting. Lending to customers must follow the principles of evaluating good lending decisions that support the implementation and use of the 5C principles (character, ability, capital, feasibility and conditions) to achieve appropriate loan distribution, desired by customers. The purpose of the strategy pursued, which must be implemented at all stages of credit, can be achieved if the supporting elements of the strategy itself are fully fulfilled. The success of a lending strategy is closely related to the goals of profitability and security. Profitability means taking advantage of interest rates on loans and the security and smoothness of repayments on loans and when looking at the factors that lead to default, it is essentially a failure rather than a strategy. Credit default is also the inability to implement an effective and efficient credit strategy (Pt et al., 2016).

In managing the franchise business. The purpose of risk management is to overcome and prevent risks if possible to be faced by businesses in the franchise field so that the business continues to grow and increase. The purpose of risk management is to recognize the risks encountered by the franchise business. Risk is the result or circumstance that will occur in the future of the action or activity being carried out, and the level of risk depends on the way the franchise business is managed (Hasmarini &; Azmi, 2014).

In the banking world, a bank's credit risk can be identified with NPL non-performing loans, in traditional banks and NPF non-performing loans in sharia-based banks. non-performing loans and non-performing funding, also known as non-current loans, are one indicator of banking stability (Mehmood et al., 2013) , revealed that various financial institutions have different instruments and methods in measuring loan risk even though the objectives are similar, such as reducing NPLs, it has an impact on the financial health of financial institutions because when NPLs increase, these financial institutions can experience failure or decrease in revenue.

And has practiced risk management strategies in all organizations, in the form of universal policies and handling tools that justify uniform risk management practices equally. Each business unit supported by one risk management group is responsible for evaluating risk management related to the business. Risk management employees and also responsible for carrying out development, implementation of policies, procedures and supervision. Assessment, stage supervision is managed by the risk management team, while the smooth implementation is monitored by the internal audit team. Other main tasks by the risk management unit are monitoring, systematically evaluating bank risks, reviewing the risk effects of new products or services, designing portfolio management rules and techniques, and assisting business units in increasing awareness and adherence to the principles of risk regulation. Potential losses arising from payment failure by partner-related borrowers will be reflected in Credit Risk. Bank Central Asia actively carries out analysis and regulation to control such risks, ensuring in transactions, lending and portfolios. Loan risk management practices are designed to implement the precautionary principle in lending. BCA establishes a risk management plan that is in line with its overall business strategy to ensure independence and integrity in managing risk. This plan takes into account the level of risk that is acceptable and the risk that can be tolerated. The purpose of this risk management plan is to manage BCA's risks in a controlled manner in accordance with BCA's lending policies, internal bank procedures, regulations and regulations, and other applicable requirements (Pt et al., 2016).

In fact, banks will feel much safer channeling credit to business people who are in the circle of the franchise system. The reason for this is because the guarantee is located which is under the supervision of the franchise owner. Franchisors have an interest in developing their partners' businesses. Therefore, banks do not need to worry too much about the future of their borrowers because supervision and coaching have become the responsibility of the franchise owner. With this mechanism, banks can feel confident to provide credit (Rizal Calvary Marimbo, 2007)**.**

Identification and analysis of credit risk management is very meaningful and useful as one of the alternative inputs in the formulation of credit risk management strategies. Credit risks experienced by the industry include default risk, exposure risk and recovery risk. The amount of credit risk is reflected in the measure of credit risk, namely the quantity of credit risk and the quality of credit risk. The default risk dimension is the probability of defaulting over a period of time. Exposure risk is the risk associated with the amount of the loan that is subject to default risk. Recovery risk refers to the occurrence of consumer bankruptcy. Continue to be small possible from bad loans, the recovery rates become smaller. Create a risk management strategy to protect the industry from factors that can cause risk of triggering losses. In this case, it means that the mandate to protect and protect the industry has also been carried out seriously (Sulaimon, 2014).

2. Impact of Bank BCA's Risk Management Strategy Implementation on Franchise-Based Business Financing

The impact of management strategies, although there are still weaknesses, in utilizing all company strengths to overcome problems. Its strengths include ease of use by borrowers, good communication between staff and borrowers, and the technology they have. However, the company's weaknesses include high loan interest rates and credit periods that often exceed the term of lending. Faced with external threats or challenges, corporate strategies successfully take advantage of the opportunities presented by the market. However, it is still necessary to increase the effectiveness of using all company strengths to overcome weaknesses. The opportunity to develop the company lies in the growing market share thanks to advances in information and technology, as well as the attitude of people who are increasingly open to the banking world. However, threats that the economy must face include interest rates and prices from rival banks, as well as domestic economic conditions. (Abdurahim, 2015).

The risk of bad installments can be assessed by looking at non-performing loans. Non Performing Loan is an indication of bank problems that may be ongoing and have a negative impact on the bank. One of the negative impacts is the occurrence of long-term currency exchange in banks, as a result of which banks cannot provide loans to other customers (Akbar et al., 2018). According to (Ratiyah, 2016), large credit losses can weaken banks. Large amounts tend to decrease profitability and return on investment (ROA) which is one of the benchmarks for lowering profitability. This shows that actually high value Non-Performing Loans can generate lower profits, especially Return On Assets banking, so that the importance of occupational health in society and in the banking system is diminishing.

The largest income in providing loans is interest, so the more loans given, the Indonesian economy continues to grow in a more positive direction, and this will bring prosperity to the community as explained in the fourth paragraph of the Preamble to the 1945 NRI Constitution. If credit is given with carelessness, so it has a negative effect on social well-being. Therefore, banks must always be vigilant and cautious in disbursing credit in accordance with the 4P and 5C principles. (W. Putra &; Widjaja, 2018).

As for (principle 5 C), which is based on the explanation of banking law article 8 and contains, among others, the following:

1. **The nature (character)** of the debtor, the characteristics of the debtor, the personality of the debtor, and the nature of the debtor are important elements in applying for credit. The nature of good debtors is those who are trustworthy and have integrity, and try to avoid shameful behavior. In addition, the capacity of prospective debtors in running their business is also the main consideration for banks in providing credit. The bank assesses the management skills and resources of prospective debtors to determine their ability to achieve success, which is reflected in their production performance.
2. **Debtor capital (capital)** In order to get a loan, someone who wants to become a debtor must have capital. The first thing to do is to research and find out the amount and capital structure of the prospective debtor. Banks cannot release installments to entrepreneurs who have no capital at all. The debtor's financial ability is closely related to creditworthiness (Mahmoedin, 1995).
3. **Collateral:** Collateral in the banking industry is known as a bank guarantee. It aims to guarantee the debtor's claim and is considered the debtor's property. Credit always carries risk and there needs to be protection to deal with these risks, namely collateral as a form of protection. However, this can cause customers to break their promises.
4. **Economic conditions (state of the economy)**, favorable circumstances, related to the efforts made by prospective borrowers or described in Article 8 of the Banking Law, the relationship between macroeconomic factors and production risks. Banks should consider the lender's financial situation and the general business situation to mitigate risks arising from the economic situation.

5. **Character**, The positive nature of individuals who have reliable integrity in running a business which is reflected in their managerial abilities, including the ability to produce products well based on their production capacity. The assessment of a person's ability in the business world can be influenced by experience, training, and the ability to adapt to the company's technological developments. The linkage between the debtor's capital and finances with the level of solvency is also very important.

Risks associated with providing funds through credit include credit risk. The implementation of this Management Strategy is risky for borrowers or debtor customers who are unable to fulfill their obligations under the loan agreement. This risk occurs when the borrower does not fulfill the credit agreement, improper selection of prospective debtors in the process of providing credit, and when bank HR is deceived by the appearance of prospective debtors. Therefore, it is important to apply the 5 C's principle.

The Bank's operations always face risks that are closely related to its role as a financial intermediary, especially in lending, which significantly affects the continuity of the Bank's operations. The rapid development of the bank's internal and external operating environment also complicates banking risks. Therefore, banks need to carry out risk management to adjust to the banking environment. With the introduction of risk management, banks should be able to better measure and control the risks they face in operational business. In addition, the introduction of risk management implemented by banks strengthens the effectiveness of the risk banking supervision framework implemented by Financial Services Institutions. Risk management implementation efforts are not only for bank needs, but also for consumer needs. An important aspect in maintaining consumer needs and managing risk is the certainty of information about the bank's products or business activities. The thing that has a positive impact on the franchise business or presented within the meaning of Article 8 of the Banking Law is the relationship between macroeconomic factors and product risk. Banks should take into account the general economic situation and the industrial situation from which loans are required in order to reduce risks arising from economic conditions. This situation can be influenced by the social, political, and economic situation at a certain period of time, and also by future forecasts (Mulyati, 2018).

CONCLUSION

Capital loan financing, especially in franchises to develop business, PT Bank BCA must carry out a comprehensive loan collection process and this is done to avoid the risk of bad loans, especially in the case of large loans. In addition, the bank must also assess the business continuity of the debtor and require management and supervision to maintain the continuity of the bank's business. The impact of this risk occurs when the debtor does not fulfill the contents of the credit agreement, chooses the right prospective debtor in the process of providing credit, and when the bank's HR is deceived by the appearance of the prospective debtor. Therefore, it is important to apply the 5 C's principle.

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