ANALYSIS OF LOAN DISBURSEMENT AT PT LAMPUNG BERKAH FINANSIAL TEKNOLOGI

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Abstract
This study investigates the advancements in digital technology and the role of fintech, particularly in the realm of peer-to-peer lending. It specifically focuses on the challenges faced by start-up companies like Lahan Sikam in areas with diverse social structures. The potential risk of default poses a significant threat to consumer confidence. The background section provides an overview of the fintech industry's current state, highlights the challenges faced by Lahan Sikam as a start-up, and establishes objectives to comprehend the company's profile and its funding products. A qualitative research approach with a descriptive methodology was employed at PT Lampung Berkah Finansial Teknologi, where internal control and the application of the 5C principles in credit risk management were observed. Through interviews and observations, the implementation of these principles was revealed. The findings demonstrate that Lahan Sikam has effectively incorporated the 5C principles in assessing borrower risk, focusing on character, capacity, capital, collateral, and conditions.

Keywords: *Fintech, Peer-to-peer Lending, Internal Control, Credit Risk Management, 5C Principles*

1. INTRODUCTION

The phenomenon of digital technology advancement and the need for more efficient financial solutions have made fintech a major target in recent years (Apdillah et al., 2022). As of October 9, 2023, there are 101 peer-to-peer lending fintech service providers registered and licensed with OJK. In details, there are 94 (Ninety-four) conventional fintech companies and 7 (seven) sharia fintech companies (Otoritas Jasa Keuangan, 2017). Based on the data from OJK, one of the first conventional-based peer to per lending fintech service providers in Sumatra is PT Lampung Berkah Finansial Teknologi or often referred to as Lahan Sikam.
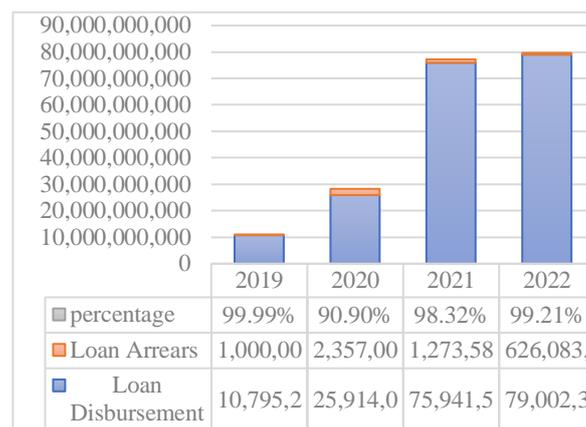
Building trust in the community is a big challenge, especially for start-up companies that originate and grow in certain regions. Lahan Sikam was officially established on February 17, 2018 which initially aspired to contribute to the Indonesian economy from the regions, answering that challenge through a technology approach (Lahan Sikam, 2020). However, it is not an easy process given the diverse social structure of the people in the area. Effective socialization and education are essential in harnessing the full potential of technology in the region.

Lahan Sikam is a legal entity recognized and managed under the laws of the Republic of Indonesia. It has been established as a company operating under the regulatory supervision of the Financial Services Authority or *Otoritas Jasa Keuangan* (OJK) in Indonesia. Lahan Sikam emerged as a Financial Technology Start-up company specializing in peer-to-peer lending. They are not just focused on achieving numbers, but

also prioritize community outreach and technology education as part of their mission (Lahan Sikam, 2020).

A Peer-to-peer lending platform or Funding Coordinator, Lahan Sikam connects lenders with borrowers, where lenders help fulfill financing or capital needs and can benefit through an agreed profit-sharing mechanism (Saputra & Wijayati, 2023). The funding products of Lahan Sikam are micro-funding to help micro-entrepreneurs, small entrepreneurs, and medium entrepreneurs. In addition, there is farmer funding provides access to funding for farmers, breeders, fisheries and plantations.

Along with its development, risks often occur, one of which is the problem of default or bad debts where funds cannot be taken back (Firmansyah et al., 2020). Such risks can refer to uncertainty in the online lending business and pose a serious threat to consumer confidence in the service. Therefore, it is important for companies to consider policies and systems to minimize these risks. Implementing internal controls in the company's operations to manage and mitigate risks associated with lending to borrowers is one of the important things to do (Agustiana & Amna, 2022). The following is a graph of loan arrears at PT Lampung Berkah Finansial Teknologi.

	2019	2020	2021	2022
percentage	99.99%	90.90%	98.32%	99.21%
Loan Arrears	1,000,00	2,357,00	1,273,58	626,083,
Loan Disbursement	10,795,2	25,914,0	75,941,5	79,002,3

Figure 1. Graph of Loan Arrears at PT Lampung Berkah Finansial Teknologi
Source: PT Lampung Berkah Finansial Teknologi

In the graph above, the percentage of loan arrears has changed over the past few years as of December 31. However, the percentage of loan arrears remains high, hovering around 90-99%. This indicates that most borrowers are having difficulty in meeting their loan repayment obligations. In 2019 the percentage of loan arrears dropped from 99.99% to 90.90% in 2020, the number of arrears increased indicating an increase in credit risk in that year. The percentage of loan arrears rose again to 98.32% in 2021, although the number of arrears fell indicating the company may have been more cautious in granting loans, but still faced challenges in managing credit risk. The percentage of loan arrears returned to the 99% level in 2022, although the number of arrears continued to decline. This means that the company has increased its collection efforts or reduced its credit risk.

The research conducted previously discussed the importance of internal control in managing the risk of default or bad debts in several fields. In addition, some previous studies still show that there are challenges in implementing effective internal control. As

in the research of Rahman & Istifadzah in 2022 explains the factors that influence the feasibility analysis of prospective customers, namely 5C (Character, Capacity, Capital, Collateral, Conditions) and 1S (Sharia) analysis. The research of Anggi Anjarsari & Handayani (2022) highlights that suboptimal internal control can increase the risk of bad debts. The purpose of this study is to understand whether the 5C principles are effective in assessing the eligibility of prospective customers in Lahan Sikam. Therefore, it is hoped that this research will increase public trust and understanding of conventional-based peer-to-peer lending products provided by fintech companies.

2. LITERATURE REVIEW

2.1. Fintech

Fintech is a short term for "Financial Technology" which refers to the sector and technology used to create financial solutions by utilizing information. According to Otoritas Jasa Keuangan in 2017, it is explained that in Indonesia, there are several types of fintechs that are developing and providing financial solutions for the community. The first type relates to digital wallets or electronic payment systems, which use technology as the basis for conducting financial transactions. The second type is Crowdfunding, which is a fundraising effort for social initiatives that uses technology as a platform. The third type includes Microfinance, which is a financial service that provides loans to fulfill daily needs, especially for micro-entrepreneurs. The fourth is e-aggregators or market comparison platforms, which help users find information and make decisions regarding financial products. The fifth form of fintech is peer to peer lending. Currently, peer-to-peer lending in fintech is popular among the public and focuses on providing lending services through digital platforms, as well as providing opportunities for lenders to invest in other businesses.

2.2. Peer-to-Peer Lending

The operational mechanism of peer-to-peer resembles banking financial institutions, where the company functions as an intermediary or P2P Marketplace, which connects lenders or owners of capital (investors) with borrowers of funds (creditors) (Fisabilillah & Hanifa, 2021). Fintech lending simplifies the interaction between investors and borrowers through an online platform, ensuring the immediacy of each transaction. In addition, peer-to-peer lending companies ensure customer safety by conducting surveillance between lenders and borrowers, with the aim of protecting consumers. Local and international investors who have excess funds to invest in profitable sectors are brought together by fintech lending companies with businesses or borrowers to establish mutually beneficial partnerships (Ardiansyah, 2019). Borrowing procedures no longer require a direct visit to the bank but instead, loans can be made digitally through mobile devices, thus simplifying the accessibility of loan services for borrowers.

2.3. Internal Control in Credit Risk Management

Internal credit risk management involves a series of actions, policies and practices by financial institutions to minimize risk before lending to customers or other parties (Ishak et al., 2019). In line with the direction of POJK Number 4/POJK.05/2021 as the OJK regulator regarding the implementation of risk management for non-bank financial

institutions, it is stated that the institution is required to implement effective risk management including active supervision from the board of directors, commissioners, or similar positions (Otoritas Jasa Keuangan, 2021). The objective is to reduce potential risks arising from lending and ensure responsible lending.

2.4. 5C Principle

Kasmir (2017) reveals that before providing credit facilities banks must adhere to certain principles. A series of customer assessment criteria are commonly known as the 5C analysis which is described as follows:

1. Character: Examining the personal characteristics, personality traits, and integrity of potential borrowers can be gleaned from their professional and personal backgrounds.
2. Capacity: Having knowledge of management skills and proficiency in managing their respective business fields.
3. Capital: Observing the effective use of capital, which can be seen from the availability of financial statements (balance sheet and profit and loss statement). Analyzing from which sources the current capital comes and how much is own capital and how much is borrowed capital.
4. Collateral: Demonstrating the amount of assets that will be bound as collateral, and this can be done by examining the ownership of collateral, measuring the stability of its value, paying attention to the ability to be used as money in a relatively short time without reducing its value too much, and ensuring the binding of goods that genuinely guarantee the interests of the bank, in accordance with applicable legal provisions.
5. Conditions: Assessing the general economic conditions and conditions in the business sector of the credit applicant by looking at the economic conditions that will affect the development of the prospective borrower's business, the condition of the prospective borrower's business, its comparison with other similar businesses in the area, and the location of the neighborhood.

3. RESEARCH METHODS

This study belongs to a qualitative research category that adopts a descriptive analysis method. The descriptive analysis method entails gathering, analyzing, and organizing data to obtain a thorough comprehension of the issue under investigation, thereby creating a clear and detailed depiction of the problem. This approach enables researchers to grasp the implementation of internal controls, such as the 5C principle (Character, Capacity, Capital, Collateral, Conditions), in credit risk management.

This research was conducted at PT Lampung Berkah Finansial Teknologi located at Jl. Ratu Dibalau No.152a, Tj. Senang, Kec. Tj. Senang, Bandar Lampung City, Lampung. Primary data refers to the information to be used, which indicates factual data collected directly from the individual to be interviewed as the subject of inquiry. The data used in this situation is sourced directly from the interview results of PT Lampung Berkah Finansial Teknologi. In addition, secondary data refers to information obtained and maintained using loan delinquency data recorded by the company, specifically from PT.

Lampung Berkah Finansial Teknologi between 2019 and 2022. Researchers use the strategy of directly observing the company's internal control cycle to minimize the occurrence of defaults or bad debts. Observation is an approach to collecting data intended for comparison of information obtained from interviews conducted in the initial situation (Sugiyono, 2022). As for the face-to-face interviews conducted by the researcher. Individuals who could be contacted to gather information about this research included the Credit Risk Head. Prior to the interview, the interviewer prepares the subject matter, devises a set of questions, and guides the interview process, The interview consists of a number of questions that are not rigidly structured and are often open-ended, incorporating the informant's personal opinions and perspectives (Sugiyono, 2022).

4. RESULTS AND DISCUSSION

4.1. Peer-to-peer lending Model

Information obtained based on the results of interviews conducted with resource persons explains the peer-to-peer lending model implemented by Lahan Sikam. Lahan Sikam's position as a peer-to-peer lending platform brings together fund owners (Lender) with entrepreneurs (Borrower). A good understanding of how lenders behave and make decisions has major implications for designing policies that support sustainable economic development(Chen et al., 2020). The initial process begins with the business owner submitting a proposal to Lahan Sikam. Subsequently, verification and assessment of business eligibility are conducted. Businesses that pass the verification process will be displayed on the Lahan Sikam website, where registered lenders can review them. Lenders who are willing to provide funds will then transfer the funds to Lahan Sikam, which will subsequently channel them to entrepreneurs. In other words, lenders provide their funds not directly to business owners but through the intermediary of Lahan Sikam. The importance of risk management is evident in lenders' consideration of investment risks, such as unfavorable business predictions.

4.2. Lahan Sikam Products

Lahan Sikam products have two types, namely micro products that are more aimed at Micro, Small and Medium Enterprises (MSMEs) and agricultural products that are more focused on the needs of farmers and breeders. The Lahan Sikam product with a loan amount of up to 2 M depends on the business. The tenor or period of interest rates applied ranges from 2.25% to 3.00% with a risk-based pricing approach. In addition, there are installment and lump sum payment options.

4.3. Risk Based Pricing Model

Lender characteristics such as risk policy, credit scoring ability, and lending strategy are key in shaping a favorable balance for low-risk borrowers(Liu et al., 2020). In line with that, Lahan Sikam uses a risk control strategy through a risk-based pricing model in determining the eligibility of borrowers so that loans can be paid by creditors. The following is an explanation of the process from prospective borrower to fund disbursement.

a. Prospective borrowers have their identity verified through their identity card (KTP).

b. FDC checking as a verification process uses all information specifically available to fintech providers. FDC checking is done by checking the history and financial records of prospective borrowers available on various fintech platforms.

c. Pefindo checking the checking conducted by Pefindo (Perusahaan Pemeringkat Efek Indonesia) is similar to FDC checking, the difference is that Pefindo checks the banking institutions.

d. KYC (Know Your Customer) and Trade checking, KYC information is obtained based on submitted documents including business licenses and financial statements. In addition, the trade checking process verifies the suppliers, suppliers and buyers of the prospective business.

e. Financial analysis includes calculating the borrower's turnover, expenses, obligations to banks and fintechs, and evaluating whether there is room for funding with current financial capabilities.

f. QCA (Qualitative Credit Assessment), refers to an assessment that focuses on qualitative aspects. The QCA system implemented internally consists of several Steps. First, Lahan Sikam ensures that the process is in accordance with the provisions set by OJK or the government. Second, the valuation is in accordance with the Company's internal policies. Third, verifying the borrower's financial records. Fourth, monitoring and control.

g. Loan Grading, the assessment results are then used to assign ABCDE grading levels, which in turn triggers the pricing process. Thus, grad A has a lower risk than grad B, and so on until E has a higher risk. The pricing system is activated based on grading, with the principle of "high risk, high return." This reflects the relationship between risk and potential return in terms of lending. Furthermore, the speaker explained the concept of providing funds to low risk with low return or high risk with high return.

h. E-KYC (Electronic Know Your Customer) and Credit checking as a Fraud Detection System (FDS). Lahan Sikam implements E-KYC by checking the Population Registration Number (NIK) and profile photo at Dukcapil to ensure the suitability of the borrower's photo with the one sent, considering that the system used can read facial structures. This step is an E-KYC implementation involving Dukcapil. Furthermore, Lahan Sikam routinely conducts credit checking according to standards commonly applied by all fintechs, and this is in accordance with the regulations of the Financial Services Authority (OJK). Lahan Sikam has implemented these two steps. Furthermore, they add it with E-KYC Manual, where documents about the business, checks on suppliers and buyers, and other manual processes are carried out. This process also includes an analysis of the borrower's finances and repayment capacity.

i. Before the funds are actually disbursed, the final step is the use of a digital signature.

j. Disbursement.

Based on information obtained from interviews, it is known that Lahan Sikam does not require collateral and has been implementing principles such as FDC and Pefindo gradually since its establishment in 2018. The presence of fintech in the current digital

era has many smart people trying to change their verification. This happens in consumptive fintech where they deliberately look for loopholes so that loan approval can be obtained, especially in consumptive fintech that only measures through NIK and FDS. Through its development, Lahan Sikam is able to detect this because it involves going directly to see the business and visiting its location.

4.4. Borrower Selection Criteria or QCA

Qualitative Credit Assessment (QCA) internal development at Lahan Sikam with reference to lending uses credit criteria or scoring to assess and select borrowers who are considered more reliable and capable of meeting loan repayment commitments. These criteria are used to evaluate the creditworthiness of the borrower and assess the associated risks before approving the loan. Behavioral parameters of prospective borrowers are as follows:

a. Demographics

Measurement of risk level from the categories of productive age, economic dependents, and asset ownership. The measurement tool uses information from the prospective borrower's core data.

b. Social

Measurement of the level of risk from daily ownership of cell phone numbers, social media, and online social media activities using third-party applications.

c. Business Location Condition

Measurement of the level of risk from the length of business, distance to the business location, ownership of the business premises, and business ownership. Information used from the results of visits to business locations.

d. Business History

Measurement of the risk level of moral obligation to the business, initial business ownership, owner experience, and business successor. Information obtained from interviews with borrowers and other third parties.

e. Business Process

Measurement of the risk level of how to run a business, number of outlets, number of employees, online/offline sales, and marketing areas. Information obtained from observation and verification of marketplace/e-commerce accounts.

f. Financial Character

Measurement of risk level from financial history, financial records, loans in other IJK, repayment capacity by using financial data, Pefindo, FDC and credit analysis results.

4.5. Implementation of 5C Principles

The results of the interview with the interviewee Lahan Sikam illustrate the author's approach to evaluating the risk of lending, which has indirectly applied the 5C principles in credit risk management. Here is the assessment process of customers in providing loans.

a. Character

In this aspect, the borrower's character is the focus of the evaluation, including integrity and honesty. Although not explicitly mentioned, this is reflected in the analysis of the prospective borrower's behavior, such as business history, financial

character, and geographical aspects, which are similar to the character principle in assessing individual integrity.

b. Capacity

Capacity. Evaluation of the borrower's ability to pay is an important highlight. Lahan Sikam conducts a financial analysis involving FDC checking, Pefindo checking, as well as a profit and loss calculation of the business owner, in line with the capacity principle which evaluates the borrower's management capabilities and business expertise.

c. Capital

Capital. On the capital aspect Lahan Sikam assesses the capital of the borrowing company by analyzing the balance sheet and liquidity. They also emphasize business feasibility assessment before including them in their platform, in accordance with the Capital principle which highlights the financial position of the borrowing company. As result, Lahan Sikam can ensure that the borrower has sufficient financial capacity to repay the proposed loan.

d. Collateral

Collateral. While not requiring collateral, Lahan Sikam collects information on the assets and condition of the borrower's company as part of the risk evaluation. While collateral is not required, they understand the value of assets that can be pledged as collateral, reflecting the Collateral principle which focuses on assets that can be pledged as collateral.

e. Conditions

Conditions. Lahan Sikam pays attention to external conditions that may affect a borrower's ability to repay. This includes consideration of economic conditions, changes in interest rates, government regulations, as well as weather factors or natural disasters. This is in line with the Conditions principle which looks at general economic conditions and their impact on the borrower's financial situation.

Throughout the interviews, it appears that Lahan Sikam indirectly applies the 5C principles in their credit risk management. Although the 5C principles are not explicitly mentioned, their approach in evaluating borrower risk includes aspects similar to these principles.

5. CONCLUSION

Based on the results of the research Analysis of loan disbursement at PT Lampung Berkah Finansial Teknologi, it is concluded that Lahan Sikam applies the 5C principles in their credit risk management. Evaluation of the borrower's character, ability to pay, financial position, collateral, and external conditions are an important part of the lending risk assessment. Although Lahan Sikam's peer-to-peer lending model is successful in applying risk-based pricing and behavioral analysis of potential borrowers, the Company faces challenges in the digital era, especially the lack of knowledge about technology in the agriculture and MSMEs sectors. However, efforts continue to be made in the form of education and digital literacy.

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