

Implementation of risk management in savings and loan business cooperatives

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| Article Info | ABSTRACT |
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| Keywords: implementation, Risk Management, Savings, Loans Cooperatives | Savings and loan cooperatives or financial services cooperatives are cooperatives that operate in the financial sector with savings and loan activities. Risk management is an effort to identify, analyze, and control risks in every company activity to obtain higher effectiveness and efficiency. There are many cases of bad credit that occur in cooperatives. Based on the background description above, the problem formulation in this research is how to implement risk management in savings and loan cooperatives. The research method uses a qualitative approach with a descriptive nature. The results of the discussion on the implementation of risk management in savings and loan cooperatives are carried out using the process of Risk Identification, Risk Measurement, and Risk Monitoring, how to handle risks, and implement the chosen method, to achieve shareholder value in savings and loan cooperatives. |
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INTRODUCTION

Competition between companies in this era of globalization will become increasingly sharp and the logical consequence is that there are three possibilities that will occur, namely retreating, surviving or remaining in place and further developing. The uncertain world economic situation requires management to be more active and more creative and able to overcome existing problems, so that companies can continue to maintain the continuity of their companies and develop. Companies must be ready and able to face threats and challenges that arise, namely through information and consistent strategy implementation.

Cooperatives are a people's economic movement that is oriented towards fostering community participation in an effort to strengthen the structure of the national economy with economic democracy based on the principle of family. There are many types of cooperatives that are based on the similarities in the activities and economic interests of their members, such as savings and loan cooperatives, consumer cooperatives, production cooperatives, marketing cooperatives and service cooperatives.

Savings and loan cooperatives or financial services cooperatives are cooperatives that operate in the financial sector with savings and loan activities. Sources of funds are obtained from members in the form of principal savings, mandatory savings and from other sources such as banking financial institutions. Funds collected by cooperatives are

distributed back to members or prospective members. From the distribution of these funds, the cooperative receives income in the form of interest income.

The activities of savings and loan cooperatives are similar to people's credit banks, except that cooperatives are not permitted to issue deposits. In this way, savings and loan cooperatives can be seen as intermediary institutions for people who need funds for working capital purposes to move the wheels of the people's economy. The main focus of credit and savings cooperatives is the distribution of funds through providing credit to members, although in practice often cooperatives besides members lend to members as well as to non-members.

Risk is defined as something that can create obstacles in achieving organizational goals, due to internal and external factors, depending on the type of risk existing in certain situations. risks are part of a series of challenges faced in the future. The characteristic of challenges is that there is always a risk in every decision that has been taken. Risks do not have a concrete form but are interconnected with the direction of the goals that we will later achieve. Risk affects the achievement of the goals we want to achieve. Risk can also affect focus or understanding of success and can stop someone from achieving the results they want to get.

Darmawi believes that the definition of risk management is an effort to identify, analyze and control risks in every company activity with the aim of achieving higher effectiveness and efficiency. Risk management itself is an approach taken by a business in managing all the risks that will be faced in a business.

In the process of development, cooperatives are often hampered by several problems that arise and create potential risks that threaten their existence as cooperatives. Savings and loan cooperatives, which are cooperatives, operate by collecting money from the community, in this case cooperative members, and then distributing it back to the community or cooperative members. When providing credit by a cooperative, the cooperative will bear the risk of an element of uncertainty in the future, namely the risk of bad credit.

There are many cases of bad credit that occur in cooperatives. These various bad loans have had a significant impact on hampering the development of cooperatives, resulting in an increase in the number of inactive cooperatives from year to year out of the total existing cooperatives. The case of bad credit is a risk that every cooperative must accept which can result in the cooperative starting to fade.

The existence of these various risks is appropriate if cooperatives equip themselves with good risk management concepts as a consequence of a business that is full of risks. In this concept, risks that may arise should be prevented by implementing risk management throughout.

METHODS

This research study was obtained through a qualitative approach, using data in the form of written or spoken sentences from a selected source, through events or knowledge of a descriptive study project, where this research used the case study method, because in this

case it was considered the most appropriate if the main essence of the problem formulation question uses the sentence how or why, if the researcher has the opportunity to evaluate the event to be investigated and the focus of the research is on contemporary phenomena that occur today.

The general pattern of this research is descriptive, providing a general description of the implementation of risk management in savings and loan cooperatives. , then explained in scientific work using a normative approach, namely analysis activities that are guided by sources.

RESULTS AND DISCUSSION

Risk Management

The Institute of Internal Auditors (IIA), an internal auditor organization in the United States, defines fraud as a collection of actions that are not permitted and violate the law which are characterized by the presence of an element of deliberate fraud. intentionally for certain purposes, for example deceiving or giving a false image (mislead) to other parties, carried out by people both inside and outside the organization.

In general, it can be defined that fraud is a general term, and includes all kinds of methods that can be used with certain shrewdness, chosen by an individual, to obtain benefits from other parties by making false representations. There are no standard and fixed rules that can be issued as a general proposition in defining fraud. , including surprises, deception, or cunning and unnatural methods used to carry it out fraud. The only boundaries for defining fraud are those that limit human dishonesty.

Many efforts to prevent fraudulent practices have been carried out based on existing theory and research, with the hope that fraudulent practices can be anticipated as early as possible. One of them is preventing fraud by implementing risk management, which describes that risk is a concept that describes uncertainty, or an occurrence of conditions related to obstacles in achieving goals.

In an effort to prevent fraud, management must carry out a process of managing organizational resources to anticipate possible risks that have previously been identified, measured and thought about how to handle them so that fraud can be detected before the fraud occurs and can result in losses or other actions. Wrong.

Rika and Romi are of the opinion that when determining what risks a company, foundation or business entity faces, several stages must be carried out which can be carried out as follows:

1. Identify operational risks

The first stage in the operational risk management process is identifying operational risks. Companies must identify all types and characteristics of operational risks in each product and business activity periodically into five groups that cause losses, namely internal company process failures, human resource errors, system failures, losses caused by events from outside the company and violations of regulations and laws. applicable.

2. Operational Risk Monitoring

Operational risk monitoring is carried out to ensure operational risk is within predetermined limits. The risk management department should carry out regular operational risk monitoring of all operational risk exposures and losses (loss events) that may occur.

3. Operational Risk Control

Controlling and mitigating operational risks must be carried out by all work units and work units of the company, including the risk management section and the board of directors.

By implementing the stages of risk management in a company, there are several benefits that will be obtained, namely:

1. The company has strong measures as a basis for making every decision, so that managers become more careful and always place measures in various decisions.
2. Able to provide direction for a company in looking at the influences that may arise both in the short term and long term.
3. Encourage managers in making decisions to always avoid risks and avoid the effects of losses, especially financial losses.
4. Allows the company to obtain a minimum risk of loss.
5. Having a risk management concept designed in detail means that the company has developed sustainable direction and mechanisms.

Implementation of Risk Management in Savings and Loans Cooperatives

The risk management process can be carried out by savings and loan cooperatives as an initial process to anticipate and manage risks that occur while remaining in accordance with the concept agreed upon by the members and the business entity. The management process can be implemented by savings and loan cooperatives in accordance with the provisions that have been regulated by financial institutions, financial services authority OJK No.1/POJK.05/2015 as follows:

1. Identify risks

The risk identification process is a process for determining risks that will occur and how these risks occur in sharia cooperatives, where the Ausath sharia pattern savings and loan unit financial institution carries out risk identification related to how the strategy will be built and arranged by each individual division, which has its own method of identifying risks for each product

2. Risk Measurement and Risk Monitoring

Risk measurement is used to estimate the possibility of appearing and the impact of the risk. This measurement is carried out twice a year, where what is measured is the influence of activities and products that will pose a risk.

In the risk measurement process, risk monitoring is also carried out in the savings and loan cooperative. Risk monitoring is carried out with the aim of guaranteeing and improving the quality of the final results expected by the savings and loan cooperative. This monitoring is carried out to pay attention to past losses due to deviations in the implementation of strategic plans, as a result of operational changes and the business environment which have a negative impact on savings and loan cooperatives.

3. How to handle risks and implement the chosen method

The measurement results will provide direction on what method or combination of methods is the best or most appropriate and most economical to resolve problems that arise as a result of the occurrence of an event. The methods are :

- a. Avoiding Risk: This method is done by not having assets that contain risk and not carrying out activities that contain risk. This method is chosen when the savings and loan cooperative faces very large risks, for example if a financing risk is very large, the cooperative refuses to carry out the financing.
- b. Reducing/minimizing risks. This method is the most frequently used method. In this case, savings and loan cooperatives try to minimize the possibility of failure (disaster) or minimize losses if a failure (disaster) occurs. To reduce the risk of providing loans, Cooperatives can implement mandatory loan savings, implement joint responsibility system among members, Determining collateral for loans which can be in the form of goods or claims which are calculated to be financed by the loan funds concerned, Carrying out credit assessments using the 5C principle, Recognizing the causes of problematic credit and how to overcome them, Guiding and supervising the use of credit, ICA has become a problem loan, then the possible solution is to communicate with the debtor, debit the savings account, provide a warning letter 1 to 3, rescheduling, restructuring and reconditioning
- c. Transferring Risk, in this case the risk is transferred to another party, for example credit or KSP assets are insured, so that if a failure (disaster) occurs, the insurance will cover part of the risk by making a replacement.
- d. Separating Exposure, In this case the savings and loan cooperative does not place cooperative assets in one place, but spreads them across several places. In this case, the principle of not storing eggs in one basket applies. Because if the basket of eggs falls, then all the eggs will break. But if you store them in several baskets, then when one basket falls, not all the eggs will break. For example, a savings and loan cooperative does not store funds in one investment product, but saves/invests them in several investment products/instruments.
- e. Collecting Type Risks, management of similar risks is collected/united to make it more effective and efficient.
- f. Retention, Retention means accepting/holding risk. This method chosen is usually the last method when all methods have been done, but there is no guarantee that it will be free from risk. Renting is also done for relatively small risks.

Determining the best method or combination of methods, apart from being based on the results of risk measurements, also considers the availability of alternative methods that can be chosen and the costs required. Once the risk handling method has been determined, then apply these methods and carry out the necessary coordination.

Method chosen For example, contacting, selecting and completing the transfer of risk to an insurance company. It also needs to be understood that because risk is everywhere, in every function and part of the organization, then to certain types of risks are inherent in the

implementation of risk management and will be more effectively carried out by people in their respective positions.

The scope of risk management implementation is adjusted to the objectives and benefits of each business unit, business policies managed by the business entity, the amount and minimum measurement limits by the business unit, the complexity of the business, funds that can meet the cooperative's ability to carry out savings and borrowing business activities from members of the savings cooperative. borrow it yourself,

The policy target in risk management is to understand the identification, measurement, monitoring and control of the process of savings and loan business activities by cooperatives so that risks can be identified in a reasonable and targeted, integrated and sustainable manner, so that risk management can be implemented as a filter or selector as a provider of guidance. early warning signs in all managed savings and loan business activities. If the risk management process is able to be processed and implemented as a whole and in full, it will increase shareholder value, which can be used as a reference for the business activity system in the following years.

CONCLUSION

Savings and loan cooperatives are a business that is categorized as a high-risk business and a business that is based on trust, therefore savings and loan cooperatives must always be healthy and trusted. For this reason, cooperatives are required to implement quality risk management in order to prevent or minimize risks in the form of bad credit which must be faced in order to create a healthy savings and loan cooperative. Implementation of risk management in savings and loan cooperatives is carried out using the process of Risk Identification, Risk Measurement and Risk Monitoring, risk handling methods and implementation of the chosen method. The implementation process carried out aims to increase shareholder value which can be used as a way to resolve bad credit in savings and loan cooperative business activities in the following period. The cooperative board of commissioners regarding risk management policies is expected to always monitor and control the process of savings and loan cooperative business activities so that they are able to fulfill their obligations and maintain the existence of the cooperative in order to maintain public trust in savings and loan business activities.

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