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Credit Risk Management Analysis of People's Business Credit (KUR) to Minimize Bad Loans at Bank Mandiri KCP Sidoarjo Candi

*Firda Audri Maharani, Sutopo, Ruchan Sanusi
Universitas Bhayangkara Surabaya, Indonesia

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis penerapan manajemen risiko kredit dalam penyaluran KUR di Bank Mandiri KCP Sidoarjo Candi dalam upaya meminimalkan kredit macet. Latar belakang penelitian ini adalah meningkatnya penyaluran KUR yang berpotensi menimbulkan risiko kredit jika tidak diimbangi dengan manajemen risiko yang tepat. Penelitian ini menggunakan metode deskriptif kualitatif dengan data primer dan sekunder, yang dikumpulkan melalui wawancara, observasi, dan dokumentasi. Informan terdiri dari Petugas Layanan Mikro, Analis Kredit, dan Pengelola Kredit, dengan analisis data melalui reduksi, klasifikasi, analisis deskriptif, dan penarikan kesimpulan. Hasil penelitian menunjukkan bahwa manajemen risiko kredit diterapkan melalui tahapan identifikasi, pengukuran, pemantauan, dan pengendalian risiko. Penilaian dilakukan sejak awal melalui analisis karakter, kapasitas, kondisi usaha, dan prinsip 5C, kemudian disesuaikan dengan kemampuan angsuran nasabah. Setelah pencairan, risiko dipantau melalui evaluasi pembayaran dan komunikasi rutin, sedangkan pengendalian dilakukan secara bertahap mulai dari monitoring, pendekatan persuasif, hingga restrukturisasi. Secara umum, penerapan ini dinilai efektif dalam menekan potensi kredit bermasalah pada KUR.

Kata Kunci: *Manajemen Risiko Kredit, Kredit Usaha Rakyat (KUR), Kredit Macet, Bank Mandiri*

ABSTRACT

This study aims to analyze the application of credit risk management in the distribution of KUR at Bank Mandiri KCP Sidoarjo Candi to minimize bad loans. The background is an increase in KUR distribution which has the potential to pose the risk of non-performing loans if not balanced with proper risk management. The research uses a qualitative descriptive method with primary and secondary data, collected through interviews, observations, and documentation. The informants consist of Microservice Officers, Credit Analysts, and Credit Managers, with analysis techniques through reduction, classification, descriptive analysis, and drawing conclusions. The results of the study show that credit risk management is applied through the stages of risk identification, measurement, monitoring, and control. The assessment is carried out from the beginning through character analysis, capacity, business conditions, and the 5C principle, then adjusted to the customer's installment ability. After disbursement, risks are monitored through regular payment evaluation and communication, while control is carried out in stages ranging from monitoring, persuasive approaches, to restructuring. In general, this application is considered effective in reducing the potential for non-performing loans in KUR.

Keywords: *Credit Risk Management, People's Business Credit (KUR), Non-Performing Loans, Bank Mandiri*

*Corresponding Author:
Email: audrymaharani2903@gmail.com

INTRODUCTION

Global economic dynamics in 2025 show a significant slowdown. The World Bank projects world economic growth of around 2.3%, while the IMF estimates 3.0%, reflecting uncertainty due to high debt, declining investment, and geopolitical tensions (International Monetary Fund, 2025). The impact of this slowdown is also felt in the ASEAN region, although the regional economy is expected to remain stable at around 4.7% with inflation of 3%, supported by FDI and domestic demand (International Monetary Fund. Asia and Pacific Dept, 2018). AMRO also projects ASEAN+3 growth of around 4.2% despite facing external risks (OECD, 2024).

Indonesia showed economic resilience with growth of 4.87% (y-on-y) in the first quarter of 2025, inflation of 2.37%, and an open unemployment rate of 4.76%, although the OECD projects growth of only 4.7-4.9% due to the slowdown in global investment and demand (OECD, 2025). This condition emphasizes the importance of effective financial management in maintaining organizational sustainability (Jirwanto et al., 2024).

Support for the real sector is realized through the People's Business Credit (KUR) program, which is microfinance for MSMEs with an interest rate of 6% per year, aiming to expand access to productive business capital (Sucianty, 2022). However, the distribution of KUR contains credit risks that must be managed through risk management in accordance with POJK No.18/POJK.03/2016, including identification, measurement, monitoring, and control of risks (Shaqinah & Kartini, 2024).

In 2025, KUR distribution will reach more than IDR 218 trillion to 3.7 million debtors, with 60.6% channeled to the production sector, and targeted IDR 300 trillion to encourage job creation (Zuhdi, 2025). However, the effectiveness of KUR is still hampered by low financial literacy, administrative constraints, limited access to remote areas, and unproductive use of funds (Fahrudin et al., 2025).

Bad loans or non-performing loans are conditions when the debtor is unable to meet principal and interest payment obligations according to the agreement that has been agreed with the bank (Rafaella, 2021). In banking practice, bad loans are an important indicator in assessing the quality of a bank's productive assets because it is directly related to the level of Non-Performing Loans (NPLs) (Chairani et al., 2018). The higher the NPL ratio, the greater the risk that the bank must bear, both in terms of liquidity, profitability, and financial stability (Abu-Ali et al., 2024). The cause of bad loans not only comes from the debtor's inability to manage business and finances, but can also be triggered by weaknesses in credit analysis, suboptimal supervision, and credit granting procedures that are not carried out consistently (Hia, 2024). In addition to internal factors, external conditions such as economic slowdowns, fluctuations in commodity prices, inflation, and natural disasters also increase the risk of default (Putri et al., 2024).

Therefore, credit risk management, which includes the identification, measurement, monitoring, and control of risks, is a crucial element to reduce the potential for non-performing loans, especially in MSME-based financing such as KUR (Rokhim et al., 2020).

In the context of KUR distribution, Bank Mandiri as one of the state owned banks has a strategic role in supporting productive sector financing and MSME empowerment (Munir et al., 2025). This commitment is reflected in Bank Mandiri's active distribution of KUR while still prioritizing the principle of prudence (prudential banking). However, the high number of MSME debtors, who generally have limited financial literacy and business management, causes the risk of bad loans to remain attached to KUR's portfolio. At Bank Mandiri KCP Sidoarjo Candi as the object of the research, the number of KUR debtors increased from 170 debtors (2023), to 200 debtors (2024), and 285 debtors (2025). Along with this increase, bad loans still occur even though in a limited amount, namely 3 debtors (2023), 2 debtors (2024), and 4 debtors (2025), with NPL ratios of 1.76%, 1%, and 1.40%, respectively. This figure shows that credit quality is relatively well maintained below the safe limit of banking, but still reflects risks that need to be managed sustainably.

Although various studies have examined credit risk management in banking, research specifically focusing on KUR risk management at the branch office level with a qualitative approach is still limited. Previous studies such as Difinubun (2024) analyzed risk management in KUR distribution generally across banking, Rafaella (2021) focused on BRI during the COVID-19 pandemic, and Shaqinah & Kartini (2024) examined Bank BJB KCP Cicurug. However, none of these studies specifically examined Bank Mandiri KCP Sidoarjo Candi with a focus on post-pandemic KUR risk management strategies. This study aims to fill this gap by providing a comprehensive analysis of credit risk management implementation in KUR distribution at Bank Mandiri KCP Sidoarjo Candi, with particular emphasis on the effectiveness of risk control measures in minimizing non-performing loans in the post-pandemic era. The novelty of this research lies in its specific focus on a branch office level analysis, the use of qualitative methods with in-depth interviews from three key informants representing different stages of the credit cycle, and the integration of 5C principle analysis with the four stages of credit risk management in the context of MSME financing.

This condition emphasizes that the increase in KUR distribution must be balanced with strengthening credit risk management, especially in the process of analyzing debtor feasibility, post-disbursement business monitoring, and assistance for MSME actors. Thus, Bank Mandiri's role is not only as a fund distributor, but also as an intermediary institution responsible for maintaining credit quality, reducing NPLs, and ensuring that the KUR program truly has a sustainable economic impact. Based on this background, this study aims to analyze KUR risk management in Bank Mandiri KCP Sidoarjo Candi customers in an effort to minimize bad loans.

RESEARCH METHOD

Research Location and Time

This research was carried out at Bank Mandiri KCP Sidoarjo Candi during the period October-December 2025.

Research Approach

This research uses a qualitative approach. This approach emphasizes non-numerical analysis as well as an in-depth understanding of social phenomena without using mathematical or statistical models, so that data is analyzed systematically to remain objective (Yakin, 2023). Research is interactive and flexible because researchers are directly involved in data collection and analysis, and conclusions are drawn inducively based on field findings (Mohajan, 2018; Sugiyono, 2018). This qualitative research is also in-depth descriptive to explore the meaning of each process that occurs (Busetto et al., 2020; Fiantika et al., 2022).

Data Types and Sources

The type of data used is qualitative data, in the form of interviews, observations, and documentation that describes the process of identifying, measuring, monitoring, and controlling credit risk in the distribution of KUR. The data source consists of primary data, namely interviews with credit staff and credit analysts, as well as secondary data in the form of credit policy documents, literature, and relevant journals.

Research Limitations and Assumptions

The research is limited to the implementation of KUR credit risk management at Bank Mandiri KCP Sidoarjo Candi with an observation period of 2023-2025, covering four main stages of risk management. This study assumes that the implementation of effective risk management can minimize bad loans, informants provide objective data, and bank procedures run according to official guidelines.

Unit of Analysis

The research analysis unit is at the organizational level, namely Bank Mandiri KCP Sidoarjo Candi as the implementer of the KUR program.

Data Collection Techniques

Data collection techniques were carried out through interviews, direct observation, and documentation.

Table 1. Informant Selection Criteria

No	Criteria	Number
1	Direct involvement in KUR distribution process	3 informants
2	Minimum 3 years of experience in KUR management	3 informants
3	Representation of different stages in the credit cycle (frontline, analysis, management)	3 informants
Total Informants		3

Source: Data Processed, 2026

Data Validity Testing

Data validity testing is carried out through the stages of data reduction, data presentation, and conclusion drawn, and supported by source triangulation and information verification to maintain data credibility.

Data Analysis Technique

The analysis technique used is qualitative descriptive, namely selecting and grouping data based on risk management stages, then interpreting the results to assess the effectiveness of risk management implementation in reducing the potential for bad loans, with a narrative presentation of results.

RESULTS AND DISCUSSION

Characteristics of Informants

The informants in this study are the main sources of data that are purposively selected in accordance with the focus of the research. A total of three informants were involved, namely Micro Services Officers, Credit Analysis Officers, and Credit Management Officers at Bank Mandiri KCP Sidoarjo Candi, who had direct involvement in the process of distributing and managing KUR. Interviews were conducted individually after the researcher explained the purpose of the study. The characteristics of informants are reviewed based on position and length of service, which reflects their role and level of experience in KUR management.

Based on the above, the research informants consist of three parties who play an important role in the cycle of KUR distribution and management at Bank Mandiri KCP Sidoarjo Candi, namely Micro Services Officers, Credit Analysis Officers, and Credit Management Officers. This arrangement shows that data is obtained from complementary work stages, starting from initial service and extraction of debtor information, feasibility analysis and risk measurement, to post-disbursement management through monitoring and follow-up of potential risks. In terms of experience, two informants have worked for 3 years and one informant for 4 years, so they are considered to have an adequate practical understanding of the KUR distribution procedure and the implementation of risk management. These differences in functions and experiences provide diverse perspectives, enrich data depth, and support source triangulation to improve the validity of findings and the achievement of overall research objectives.

Table 2. Characteristics of Informants

Informants	Departments	Long Time Working
Informant 1	Microservices Officer	3 Years
Informant 2	Credit Analysis Officer	3 Years
Informant 3	Credit Management Officer	4 Years

Source: Data Processed, 2026

Table 3. KUR Distribution Trends (2023-2025)

Year	Number of KUR Debtors	Number of Bad Loans	NPL
2023	170	3	1.76%
2024	200	2	1.00%
2025	285	4	1.40%

Source: Bank Mandiri KCP Sidoarjo Candi

KUR Distribution Trends (2023-2025)

To provide context regarding the development of KUR distribution as well as credit quality in the research object, trends in the number of debtors, the number of bad loans, and the ratio of Non-Performing Loans (NPL) during the 2023–2025 period are presented in Table 3. Based on the above, the number of KUR debtors at Bank Mandiri KCP Sidoarjo Candi will increase from 170 people in 2023 to 200 in 2024 and increase even more to 285 in 2025. This increase shows an expansion of financing distribution to MSMEs, but at the same time increases credit risk exposure if the selection and monitoring process is not carried out consistently. The number of bad loans decreased from 3 debtors in 2023 to 2 in 2024, then increased to 4 in 2025. These changes indicate that credit risk is dynamic: a decrease in 2024 may reflect the effectiveness of post disbursement preventive and control measures, while an increase in 2025 may be influenced by increased portfolio complexity, business variability, and increased monitoring burden as the number of debtors grows.

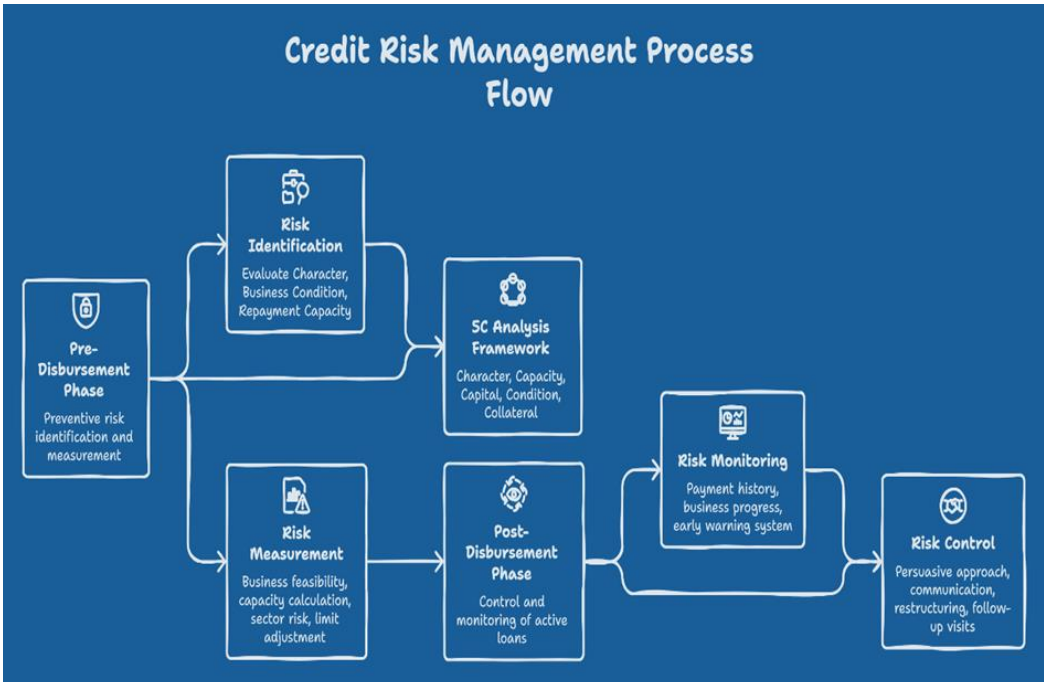
The NPL ratio also moved from 1.76% in 2023 to 1.00% in 2024, then rose to 1.40% in 2025. Although still relatively low, the increase is a signal that expansion needs to be balanced with strengthening monitoring and control. Fluctuations in NPLs in small cases are quite sensitive, so the evaluation focuses not only on the number of bad debtors, but also on business characteristics, ability to pay, and the amount of financing. Analytically, this trend confirms that the success of maintaining credit quality depends on the continuity of risk management from the identification and measurement stage before disbursement to monitoring and follow-up after disbursement, so that disbursement growth does not lead to an increase in non-performing loans.

Implementation of Credit Risk Management in KUR Distribution

The implementation of credit risk management is carried out through four main stages that are integrated with each other. Identification and measurement serve as preventive measures before credit disbursement, while monitoring and control act as continuous control after disbursement. Efforts to minimize bad loans are understood as the result of consistency throughout these stages, not from a single action.

Risk Identification

The risk identification stage is carried out from the beginning of interaction with prospective debtors. Identification is understood as the process of recognizing the profile of potential debtors to anticipate potential risks before credit is disbursed. In the KUR segment, identification does not only focus on administrative completeness, but also assesses aspects of behavior and business conditions that can affect the ability and willingness to pay. Operationally, risk identification is carried out through initial information collection, structured interviews, and field verification. The researcher found that the character of prospective debtors is an important concern, especially related to administrative discipline, consistency of information, and payment commitment. In addition, business conditions and cash flow patterns are also early indicators to assess the risk of late payments. The output of the identification stage is the initial conclusion regarding the risk profile of the prospective debtor. This profile serves as the basis for the risk measurement stage to determine whether financing is feasible and how the credit structure is adjusted to be proportionate to the debtor's ability.



Source: Data Processed, 2026

Figure 1. Credit Risk Management Process Flow

Credit Risk Measurement (Pre-Disbursement)

The risk measurement stage is a process to assess the level of risk in a more measurable way and translate the identification results into technical credit decisions. Risk measurement focuses on business feasibility and ability to pay, which then becomes the basis for determining ceilings and tenors. In this study, risk measurement also pays attention to the characteristics of the business sector because some sectors have higher income fluctuations. The measurement of ability to pay is carried out by estimating business income and expenses, including considering operational costs and household needs, which are often still mixed with business finances in the micro segment. Thus, banks try to determine the amount of installments that are still within the debtor's ability limit, thereby reducing the possibility of arrears due to too large installment burdens. The results of risk measurement are manifested in credit decisions along with the design of credit facilities (ceiling, tenor, and payment scheme). Ceiling adjustments based on risk profiles are understood as a form of mitigation to maintain the quality of the credit portfolio, especially when the business profile is considered volatile or there are indications of risk in terms of affordability.

Credit Risk Monitoring (Post-Disbursement)

Risk monitoring is carried out after credit is disbursed to ensure that payment obligations run on schedule and to detect changes in business conditions that may increase credit risk. Monitoring is understood as an ongoing activity that combines administrative monitoring through payment history and field monitoring through communication and visits. Administrative monitoring is carried out by paying attention to the timeliness of payments, payment patterns, and changes in collectibility status. Meanwhile, field monitoring is carried out to understand actual business conditions, such as changes in business activities, decreased turnover, and external factors that affect the business. The combination of these two approaches helps banks to provide early warning of potential risks before they develop into non-performing loans. The output of the monitoring stage is information on credit quality developments and follow-up recommendations, such as payment reminders, re-evaluation of payability, or increased intensity of visits to debtors who show risk symptoms.

Credit Risk Control

Risk control is a follow-up to monitoring when indications of late payment appear. In this study, control is carried out gradually, starting from a persuasive approach and intensive communication, then escalating to follow-up actions such as visits, preparation of payment plans, and restructuring if the debtor meets the conditions and the business still has prospects. Control is positioned as an effort to maintain credit quality while preventing delays from developing into prolonged arrears. A persuasive approach to the KUR segment is important because some MSME debtors can experience temporary obstacles and need realistic payment solutions. Restructuring is one of the mitigation alternatives to restore smooth payments, but it is still carried out selectively so as not to cause moral hazards. The output of risk control is the recovery of payments and/or follow-up handling decisions according to the policy if the initial efforts are ineffective. Thus, control serves as the final control in the credit cycle to suppress the potential for bad loans.

5C Principles in KUR Distribution

The application of the 5C principle is an operational guideline in risk identification and measurement. In the credit assessment process, character assesses the debtor's discipline and commitment in fulfilling payment obligations. Capacity measures the ability to pay debtors through an analysis of the cash flow of the business being run. Capital describes the resilience and strength of business as seen from asset ownership and working capital. Condition assesses business conditions and external environment that can affect income stability. Meanwhile, collateral serves as a complement in risk mitigation and not as a key indicator in credit granting decisions. Among these five aspects, character and capacity are the most dominant indicators because they are most directly related to the risk of late payments.

Application of Risk Management in Minimizing Bad Loans

The results of the study show that credit risk management in the distribution of KUR at Bank Mandiri KCP Sidoarjo Candi is implemented as a system that integrates with the entire credit workflow, from submission to supervision after disbursement. Risk management is not seen as a step that arises when problems occur, but becomes a way of working and thinking in every credit decision. Its implementation includes four main stages, namely identification, measurement, monitoring, and control, which form a layered prevention from the initial stage to the post-dilution stage.

The findings also show a clear and complementary division of internal roles. Micro Services Officers play an important role in the early stages through direct interaction with potential debtors and understanding of business conditions. Credit Analysts ensure the feasibility and suitability of installment capabilities so that decisions are more measurable, while Credit Managers oversee the quality of loans after disbursement through monitoring and follow-up when indications of delay appear. This pattern confirms that risk management is a collective responsibility that requires ongoing coordination.

If associated with the principle of banking prudence, the application of risk management does not only stop at initial selection, but continues to take place dynamically after the credit runs. This is important considering that MSME business conditions can change so that customers' ability to pay can go up and down. With an integrated approach, risk management functions to maintain a balance between disbursement targets and credit quality, so that the loans provided remain healthy, return on time, and do not develop into non-performing loans.

Risk Identification, Measurement, and Monitoring Process

The results of the study show that risk identification, measurement, and monitoring are a series that are interconnected and are the core of KUR credit risk management. Identification provides an initial overview of the potential debtor's risk profile, measurement translates it into realistic credit decisions, and monitoring ensures credit continues to run as planned after disbursement. These three stages are the main prevention as well as continuous control before banks enter into control measures when risks begin to arise.

At the identification stage, the bank assesses the customer's character, condition and type of business, as well as payment ability through interviews, field observations, and document checks. This process is not only administrative, but also contextual because it considers the suitability of the information to real conditions as well as behavioral aspects such as commitment and discipline. In the context of MSME debtors whose businesses tend to fluctuate, understanding non-financial factors is an important indicator in building trust in the smooth payment process.

After the risk is mapped, the measurement is carried out by analyzing the feasibility of the business and calculating the ability of installments to determine the appropriate credit structure. This step is an important prevention point so that there is no mismatch between the installment burden and the debtor's capacity. Furthermore, monitoring is carried out periodically through internal systems and direct communication to detect symptoms of declining credit quality early. This combination allows banks to understand both payment conditions and their causes, so that they can prepare a quick and proportionate response before the risk develops further.

Credit Risk Control Efforts

The results of the study show that KUR credit risk control is a continuation of the monitoring process that has been running and is part of an integrated risk management system. Banks do not wait until the credit is stuck, but start acting when early indications such as late payments or decreased ability to pay appear. Regular monitoring through internal systems and direct communication with customers allows for early detection and understanding of the root of the problem, so that control is seen as an effort to restore smooth credit, not just collection.

A persuasive approach is the main strategy in control practice. The Bank builds intensive and familial communication to maintain information disclosure and encourage customer cooperation in finding solutions. This response is carried out gradually and proportionately, especially at the initial symptoms of delay, with the aim of preventing the problem from progressing to become more severe.

With fast and precise communication, the chances of repayment returning to normal lines are greater.

In addition to persuasive communication, banks also implement restructuring for customers who still have business prospects and good faith. This step is a measurable corrective action to adjust the payment scheme to the debtor's actual capabilities without eliminating the prudential principle. Through a gradual pattern starting from monitoring, communication, to restructuring if necessary, risk control plays an important role in maintaining the quality of the credit portfolio while supporting the sustainability of customers' businesses so that they do not develop into bad loans.

Comparison with Previous Research

The findings of this study align with and differ from previous research in several ways. This study supports the findings of Difinubun (2024) who concluded that the application of 5C principles and risk management can minimize bad loans in KUR distribution. Similarly, the results are consistent with Shaqinah & Kartini (2024) who found that the implementation of risk management through identification, measurement, monitoring, and control stages is effective in preventing non-performing loans. The emphasis on persuasive approaches and restructuring as control mechanisms also aligns with Rafaella (2021) who highlighted the importance of these strategies during the COVID-19 pandemic.

However, this study differs from previous research in several aspects. While Difinubun (2024) examined risk management generally across banking, this study specifically focuses on Bank Mandiri KCP Sidoarjo Candi with a more detailed analysis of how each stage of risk management is operationalized at the branch level. Unlike Rafaella (2021) who studied during the pandemic period, this research examines the post-pandemic era where KUR distribution has expanded significantly. Additionally, unlike Shaqinah & Kartini (2024) who focused on Bank BJB KCP Cicurug, this study provides a unique perspective on Bank Mandiri's approach to KUR risk management with particular emphasis on the integration of 5C principles across all four stages of the risk management cycle.

DISCUSSION

General Interpretation of Risk Management Implementation

Based on the results of the study, the implementation of credit risk management in the distribution of KUR at Bank Mandiri KCP Sidoarjo Candi shows that risk management has been integrated in all operational processes, starting from feasibility assessment, decision-making, supervision, to follow up. Risk is understood as a consequence inherent in MSME financing which has a dynamic business character and high uncertainty. Therefore, banks do not only rely on administrative aspects, but apply a contextual and sustainable approach as a form of adjustment to the debtor's condition. Risk management plays a role in balancing the goal of expanding access to financing with the need to maintain portfolio quality so that credit growth does not trigger an increase in non-performing loans.

The findings also show that risk management is preventive and process-oriented, carried out from before disbursement to during the current credit. The stages of identification, measurement, monitoring, and control reinforce each other so that weaknesses in one part can affect the other. This implementation reflects operational banking prudential practices through prevention, early detection, and credit quality restoration efforts. Thus, risk management is an instrument to maintain a balance between KUR's social function in expanding MSME financing and the bank's commercial function in maintaining portfolio stability in a sustainable manner.

Risk Identification Interpretation

The results of the study show that the identification of KUR credit risk is carried out from the initial stage of submission and becomes the foundation for the effectiveness of subsequent risk management. This stage is understood as a gateway to the application of the principle of prudence because mistakes in reading the profile of potential debtors can cause problems when the credit is running. Identification is not only administrative, but analytical, with the aim of building a comprehensive understanding of customer character, business feasibility, and affordability. Through this process, banks form a risk profile that is the basis for assessing and determining credit decisions to be more realistic and responsible.

The emphasis on the character of the debtor shows that risk is not only determined by financial factors, but also by behavior and payment commitments, especially in the context of MSMEs that are vulnerable to business fluctuations. Assessments of business types and conditions, plus interviews and field observations, help banks reduce information asymmetry and get a real picture of the sustainability of payment sources. The quality of identification at this early stage then determines the accuracy of measurements, monitoring focus, and speed of control when risk symptoms appear. Thus, risk identification can be interpreted as a strategic and preventive step to maintain credit quality and minimize the potential for non-performing loans in the KUR program.

Risk Measurement Interpretation

The results of the study show that credit risk measurement is a continuation of identification that translates the debtor profile into more measurable credit decisions. At this stage, the bank assesses the feasibility of the business while adjusting the ceiling and installment scheme to the customer's economic capacity so that there is no mismatch between payment expenses and operating cash flow. The measurement is structural because it places the ability to pay as the main basis, so that credit decisions become more realistic and serve as risk prevention before disbursement.

In addition, risk measurement is carried out contextually by considering income stability, business sector character, and variations in risk levels between MSME debtors. This approach shows an effort to maintain a balance between the goal of expanding access to finance and the need to maintain portfolio quality. The right credit structure will facilitate monitoring and reduce the possibility of controlling actions in the future. Thus, risk measurement can be understood as a strategic instrument that determines credit quality from the beginning and helps minimize the potential for non-performing loans.

Risk Monitoring Interpretation

The results of the study show that KUR credit risk monitoring is carried out periodically after disbursement and is dynamic because it adjusts to changes in the business conditions of MSME debtors. Monitoring not only focuses on late payments, but also on business development as a factor that affects the ability to pay. Through recording payment history in the internal system, banks can recognize payment patterns and detect early signs of credit quality deterioration, so that monitoring serves as an early warning mechanism. In addition, direct communication with customers complements the system data with contextual information about the actual conditions of the business and the obstacles faced.

Monitoring also serves as a post-disbursement preventive mechanism that allows banks to act proactively before the risk develops into non-performing loans. The monitoring results are used to evaluate the suitability of the initial decision to grant credit to the reality that is taking place and become the basis for determining control measures. Thus, monitoring serves as a link between credit structures and control measures, so that credit quality can be maintained and the potential for non-performing loans can be minimized through early detection and timely follow-up.

Risk Control Interpretation

The results of the study show that credit risk control is a continuation of monitoring and is an implementation stage that determines the effectiveness of overall risk management. Risks that have been detected are immediately followed up so that they do not develop into severe non-performing loans. Control is carried out through payment monitoring and intervention since the first signs of delay appear, so that it is preventive and emphasizes timeliness in maintaining credit stability.

The persuasive approach is the main strategy because it considers the characteristics of MSMEs whose businesses fluctuate. Through intensive communication, banks try to understand the root of the problem so that the actions taken are proportionate and in accordance with the debtor's condition. When the constraints are considered temporary and the business is still prospective, restructuring is implemented as a corrective step to restructure obligations so that payment opportunities increase. Thus, control can be interpreted as an active effort that balances the importance of maintaining portfolio quality with the sustainability of the customer's business, so that the potential for non-performing loans can be minimized.

Risk Management Impact Interpretation

The results of the study show that the impact of the implementation of credit risk management on non-performing loans in KUR is the cumulative result of the consistency of risk management throughout the credit cycle. Impact is not interpreted as a quantitative decrease in numbers, but as a contribution to a process that minimizes the chance of risk developing. The integration of identification and measurement at the initial stage, as well as monitoring and control as the credit runs, forms a multi-layered prevention system that reinforces each other. This consistency improves early detection capabilities so that banks can intervene faster before risks escalate.

The implementation of risk management also contributes to the resilience of the portfolio as it allows the bank to respond to fluctuations in the debtor's business and keep risk within controlled limits. Discipline in risk mapping, establishing credit structures, regular monitoring, and control strengthens the quality of the process which ultimately impacts credit quality. Thus, risk management supports the sustainability of KUR disbursement by maintaining a balance between expanding access to financing and portfolio stability, so that the tendency of non-performing loans can be minimized through holistic, adaptive, and sustainable management.

CONCLUSION

The distribution of KUR at Bank Mandiri KCP Sidoarjo Candi shows an increasing trend from year to year, indicating the increasing utilization by MSMEs. Although there are still non-performing loans in a small number of debtors, the quality of the portfolio in general remains under control. The implementation of risk management is carried out through the stages of identification, measurement, monitoring, and control that help banks assess feasibility from the beginning, anticipate potential risks before disbursement, and maintain credit during the current period. Identification emphasizes the principle of prudence through an assessment of character, affordability, business conditions, and completeness of requirements, while risk measurement is used to determine a ceiling, tenor, and financing scheme that is proportionate to the debtor's capacity. After disbursement, credit quality is maintained through regular monitoring of payments and business development. If there is a delay, the bank takes gradual steps starting from a persuasive approach, collection, to restructuring according to customer conditions so that the risk does not develop into a jam. Post-disbursement monitoring and the application of 5C analysis, especially character and capacity aspects, are key in early detection and portfolio stability. As the number of distributions increases, the consistency of risk management needs to be strengthened to keep NPLs under control. Overall, credit risk management at KUR is considered to have been quite effective, although it still requires strengthening continuous monitoring and evaluation.

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