

Financial risk mitigation of collateral-free kredit usaha rakyat mikro at Bank Syariah Indonesia KCP Ujung Berung 1

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ABSTRACT

Introduction

Bank Syariah Indonesia participates in disbursing kredit usaha rakyat (KUR) mikro with a maximum financing ceiling of Rp 100 million without requiring collateral. This is worth further investigation, especially from the perspective of financing risk mitigation.

Objectives

This research aims to identify risk mitigation strategies to reduce the impact on non-performing financings from kredit usaha rakyat mikro.

Method

The study is located at Bank Syariah Indonesia KCP Ujung Berung 1 in the city of Bandung, using a qualitative descriptive method. Research data is processed using interview and documentation techniques.

Results

Field findings indicate dynamic disbursement of KUR from January to April, totaling Rp 3.69 million. In April 2023, delinquent credits decreased by 0.5% from 6.6% in March 2023 to 6.1%. This is evidenced by the risk mitigation strategy used to address delinquent credits, which involves identifying customers who meet established criteria and conducting necessary checks, such as BI checking/SLIK, trade checking, and market checking. Additionally, the bank requires customers to obtain life insurance before applying for financing.

Implications

The research motivates Islamic bank management to reduce financial risk in financing to micro, small, and medium enterprises by improving their financial risk mitigation.

Originality/Novelty

This study can serve as a reference for banks to reduce the risk of non-performing financing by implementing credit risk mitigation strategies.

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INTRODUCTION

Risk mitigation is a form of ethical and effective business governance. Analyzing potential debtors provides assurance that the credit will proceed smoothly and result in repeat business. This precautionary principle is intended to ensure that the bank always remains in a healthy position to conduct business as usual and understands the regulations and requirements relevant to the banking industry. Mitigation can be viewed as a way to reduce its impact, aiming to minimize and/or eliminate potential losses and casualties (Haryetti & Rokhmawati, 2021; C. T. Kurniasari et al., 2020).

There are risks involved in every credit issuance especially in the form of non-performing loans. Bank assets, such as customers who are debtors, are controlled by entities outside the bank, making credit a risky asset for the bank. Every bank strives to maintain the productivity or collectibility of these assets. However, credits disbursed by the bank sometimes cannot be repaid on time or in accordance with agreed-upon terms, often referred to as non-performing loans (C. T. Kurniasari et al., 2020; Marwansyah, 2013; Mulyati & Dwiputri, 2018).

Credit risk must be adequately managed because it has the largest and most tangible impact on the bank. Credit risk has the potential to turn into non-performing loans. However, risk mitigation can minimize this risk as much as possible. Needless to say, extending credit to individuals and businesses is done very cautiously. Banks, as creditors, must conduct thorough investigations into risk mitigation before granting credit (Nasution, 2021; Suwitoyo et al., 2021).

Interest, fees, and other forms of income constitute a significant portion of a bank's revenue, making credit issuance a significant activity. One type of loan offered by banks is KUR (stands for kredit usaha rakyat in Bahasa Indonesia or people's business credit). KUR is a government initiative aimed at improving the access of micro, small, and medium enterprises (MSMEs) to financing through financial institutions with a guarantee structure. The interest rate for KUR is 6% annually or equivalent to the applicable fixed interest rate. The goal of the KUR program is to enhance the capital capacity of businesses to accelerate growth in the real sector and empower MSMEs (Sucianty & Manda, 2022).

Islamic commercial banks also distribute KUR to micro, small and medium enterprises. During the period from 2019 to 2022, the total bank financing based on its usage was predominantly for working capital. Consequently, this had an impact on the high non-performing loans (NPL) in working capital financing, with a proportion of 1.67% in 2019, increasing to 2.01% in 2022. In line with the government regulation of 2021 regarding the non-requirement of additional guarantees for financing, the NPL for MSMEs appears to have increased to 2.01% in 2022. Nevertheless, when compared to non-performing loans in conventional banks, the non-performing financing in Islamic banks is still much lower (Fatoni & Sidiq, 2019). This indicates that although the default risk in Islamic banks is lower, risk mitigation remains something urgently considered by Islamic banking. The development of Non-Performing Financing (NPF) for MSMEs credits in Islamic commercial banks can be summarized in Table 1.

Table 1

Development of Non-Performing Financing in the Micro, Small and Medium Enterprise Sector in Sharia Commercial Banks in Indonesia (Billions of Rupiah)

Year	Working Capital		Investment	
	Financing	NPF	Financing	NPF
2019	32,326	1,339	19,524	821
2020	35,579	1,707	21,739	879
2021	37,005	1,906	24,814	709
2022	36,902	1,691	32,503	855

Source: Otoritas Jasa Keuangan (2023)

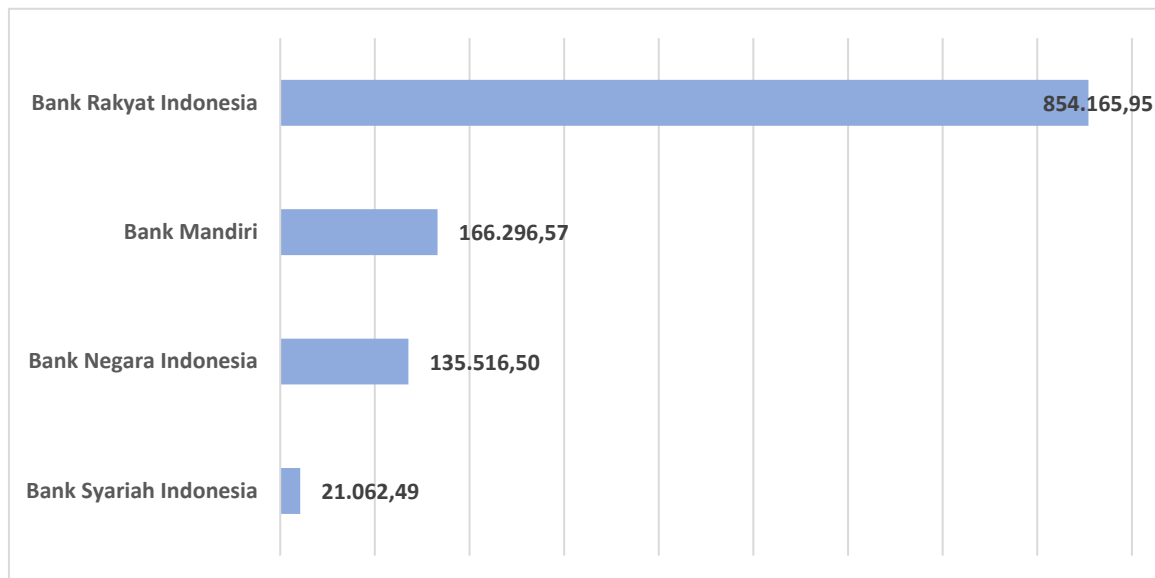
Collateral becomes increasingly important for banks when the NPL levels faced by banks in disbursing MSMEs loans increase. To reduce the risk faced by banks when disbursing credit, collateral for the loan must be present. In theory, the type of business and its potential essentially serve as collateral for the business prospects themselves, hence collateral for loan disbursement is not always necessary. Simply put, releasing credit without collateral carries significant risks if the investment fails or does not meet expectations. Here, the creditor's confidence in the debtor's ability to repay the debt and the ability to do so on schedule becomes the guarantee. Creditors can use this guarantee as security (Destiana, 2016; C. T. Kurniasari et al., 2020; Viviani et al., 2022).

Individual and asset guarantees are the two main categories of credit guarantees. Personal guarantees, sometimes known as personal guarantees, are promises made to the creditor (bank) by a third party that, if the debtor fails to repay the loan, the third party will guarantee its repayment. As a result, the willing and designated guarantor must settle the debtor's obligations if the debtor cannot repay or fulfill its responsibilities. Personal guarantees include the guarantor's obligation to be responsible for facing bills such as handing over a person, settling debts, or returning property. Additionally, asset guarantees are guarantees in the form of property rights over a specific object, applicable to anyone, having a direct relationship with that specific object, and having a property nature. Therefore, if the debtor fails to repay the debt or fulfill their obligation, the creditor will seize the pledged property and process it according to the agreement (Asari & Firdaus, 2022; Islami, 2021).

Bank Syariah Indonesia (BSI) is one of the banks that disburses KUR. Although BSI does not have its core business in KUR disbursement, in a very short time, BSI has shown good performance with a disbursement value of KUR amounting to IDR 21.1 trillion, which is 30.2% of the total KUR disbursement by all banks. From the data, the largest KUR disbursement is dominated by Bank Rakyat Indonesia (BRI), aligning with its core business of providing financing to the MSME sector even in sub-district areas. Here is the development of KUR disbursement in commercial banks in Indonesia:

Figure 1

KUR Distributing Banks with the Largest Contract Values, 2014–October 2022 (Billions Rupiah)



Source: Ahdiaf (2022).

Given that Muslims constitute the majority of the population in Indonesia, BSI has the potential to develop KUR for MSMEs. The overall number of Muslims in Indonesia reaches 237.55 million people (Annur, 2023). The combination of Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah forms BSI. This merger consolidates the strengths of these three Islamic banks, resulting in more comprehensive services, a larger customer base, and greater capital capacity. BSI is driven to compete on a global scale with the support of the government through the Ministry of State-Owned Enterprises and collaboration with business players. The goal of BSI is to establish a sharia bank that will be a source of national pride and a new momentum for the economic growth and welfare of the Indonesian society. The existence of BSI also reflects a modern, comprehensive, and beneficial Islamic banking for the Indonesian people, following the concept of *Rahmatan Lil Aalamiin* (blessing for all universes) (Adinugraha, 2023; Utami et al., 2022).

This research differs from previous studies because it addresses risk mitigation from a micro perspective (individual bank) traced through a qualitative research method. Previous researchers looked at Non-Performing Financing (NPF) from a macro perspective and the overall health performance of banks. The collateral-free People's Business Credit (KUR) is a government policy to develop micro and home businesses with high credit default risks, but BSI has managed to minimize the risk for collateral-free credit, making it essential to investigate to serve as a learning source for other banks in disbursing similar loans.

Bank Syariah KCP Ujung Berung 1 is one of the branches of BSI in Bandung, which has been disbursing KUR since 2021 and has experienced non-performing loans among MSME customers. The purpose of this research is to identify and analyze the profile of KUR among MSME customers, the disbursement of KUR to MSME customers, the development of non-performing loans, and the process of mitigating non-performing loan risks for MSME customers in BSI KCP Ujung Berung 1, Bandung.

LITERATURE REVIEW

Bank Syariah Indonesia (BSI)

A Shariah bank is an institution that offers services based on the principles of Islamic teachings. These principles include interest-free transactions, avoidance of uncertainty (*gharar*) and gambling (*maisir*), prohibition of financing in illegal sectors, and the sharing of profits and losses. Through interest-free financing, Shariah banks provide an alternative credit access mostly not offered by conventional banks. Islamic banks offer halal banking practices through mechanisms such as *musharaka* (joint ventures), *mudharaba* (profit-sharing), *bai salam* (forward sale agreements), and *ijarah* (leasing) in social development. Shariah banking also plays an effective intermediary role in channeling funds from surplus households to deficit households (Aspiranti et al., 2019; Belal et al., 2015; Islam, 2020).

Bank Syariah Indonesia (BSI), one of the Shariah banks in Indonesia, was formed by the merger of PT Bank BRIsyariah Tbk, PT Bank Syariah Mandiri, and PT Bank BNI Syariah. On January 27, 2021. The Financial Services Authority officially granted permission for the merger based on letter number SR-3/PB.1/2021. Additionally, President Joko Widodo inaugurated BSI on February 1, 2021. By combining the strengths of these three Islamic banks, the merger offers more comprehensive services, broader outreach, and better capital capacity. Driven to compete globally, BSI is supported by the government commitment through the Ministry of State-Owned Enterprises and collaboration with businesses. The goal of BSI is to establish a Shariah bank that can be a source of national pride and a new energy for the national economic growth and the welfare of the people (P. Kurniasari et al., 2022; Yusuf & Ichsan, 2021).

There is a significant opportunity for BSI to expand further and join the ranks of leading Shariah banks worldwide. Despite its profitable growth trajectory, supportive climate, and the government's mission to build a halal industry ecosystem, including sufficiently large and strong national Shariah banks, Indonesia's status as the country with the world's largest Muslim population provides additional opportunities. In this situation, the presence of BSI becomes crucial. Not only can it facilitate all economic activities in the halal business ecosystem, but BSI can also contribute significantly to realizing the nation's aspirations (Hidayat & Fageh, 2022; Husna, 2022; Salsabil, 2022).

Kredit Usaha Rakyat (KUR)

KUR one of the credit programs offered by the Indonesian government. This program is designed to encourage the expansion of financial access for small and micro-businesses (Suryani, 2018). According to the Coordinating Minister for Economic

Affairs, the purpose of the KUR program is to increase business capital capacity and create regulations that can accelerate the development of the real sector, making a greater impact on MSMEs (Suginam et al., 2021; Ulirrahmi, 2023).

To achieve this, the government issued Presidential Instruction No. 6 of 2007 on Accelerating the Development of the Real Sector and Empowering MSMEs. Officially launched on November 5, 2007, the KUR program channels funds through financial institutions or banks. These funds are provided to MSMEs, business entities, and specific business groups with profitable and viable ventures but lack additional collateral or are deemed not bankable. The funds are utilized for working capital and investments (Irawati & Wantara, 2023; Suharyo et al., 2022).

Risk Mitigation

To minimize credit risk, banks take measures by conducting credit analysis. Credit analysis is a preventive effort that must be carefully carried out by banks as it serves as the first filter to prevent hazardous credit issues. The credit analysis activities performed by the bank include risk mitigation (Usanti, 2020).

Risk mitigation is aimed at reducing the likelihood of risk by developing internal controls, internal socialization, and training programs. It involves minimizing the impact of risks by providing reserves, creating contingency plans, and enhancing public relations. Thus, mitigation is an action or series of actions aimed at reducing or minimizing the potential negative impact of a disaster, the likelihood of a risk occurring, and the impact of the risk when it does occur (Nur & Septiarini, 2020).

According to the Ministry of Finance, risk mitigation is to minimize and manage the main risk levels to achieve the residual risk from hazards. Residual risk is the least significant risk that may arise from the reduction of main risks. Achieving residual risk requires risk handling or mitigation. Risk handling or mitigation consists of reducing the likelihood of a risk occurring, reducing the impact of a risk, and accumulating the risk (Huda & Yunita, 2022; Sipayung & Ardiani, 2022).

METHOD

This research employs a qualitative method with a descriptive approach. Qualitative research is utilized to address questions related to the profile of KUR, the distribution of KUR, and the development of non-performing KUR loans among micro, small, and medium enterprises customers at Bank Syariah Indonesia (BSI) KCP Ujung Berung 1, Kota Bandung, by describing the data in the form of tables, graphs, and percentages. Additionally, to answer questions about how BSI mitigates the risk of collateral-free loans for micro, small, and medium enterprises customers at BSI KCP Ujung Berung 1, Kota Bandung, the research uses in-depth interviews with the branch manager of BSI KCP Ujung Berung 1, Kota Bandung, regarding the strategies developed by BSI to minimize the risk of non-performing collateral-free loans. Data sources in this study consist of primary and secondary data. Primary data is obtained from in-depth interviews with the management of BSI KCP Ujung Berung 1, Kota Bandung. Secondary data is used to examine the profile of KUR, the distribution of KUR, and the

development of non-performing KUR loans obtained from BSI's annual reports for the years 2022–2023. The informants in this study are the branch manager of BSI KCP Ujung Berung 1, Kota Bandung, particularly from the analysis of financing and marketing department of BSI KCP Ujung Berung 1. Data collection techniques involve In-Depth Interviews and documentation. Data processing uses descriptive statistical analysis, which is employed to depict the profile of KUR, the distribution of KUR, and the development of non-performing KUR loans for UMKM customers at BSI KCP Ujung Berung 1, Kota Bandung. After collecting data, the next stages include data reduction, data display, verification, and drawing conclusions.

RESULTS AND DISCUSSION

Profile of KUR for Micro, Small, and Medium Enterprises Customers

BSI was the first Shariah bank to offer Shariah KUR. Since June 2021, BSI has been disbursing collateral-free Shariah KUR. BSI's micro-business segment is available to serve individual customers and micro-entrepreneurs, providing financing with discounted rates to support government initiatives aimed at boosting local businesses. The strategic plan for 2021 focuses on the following target markets: (1) Community-based businesses such as tofu/tempeh vendors, meatball sellers, and others; (2) The halal ecosystem consisting of pesantren (Islamic boarding schools), mosques, and halal communities; (3) Clients affiliated with State-Owned Enterprises (BUMN) and ministries in trade, tourism (Bekraf), local governments, and other fields; (4) Wholesale clients in the Trickle Down Business; (5) Collaboration in e-commerce; (6) Retaining existing customers; and (7) Implementing digitalization of financing (BSI Annual Report, 2021). BSI KCP Ujung Berung 1, one of the branch offices in Bandung, offers the BSI KUR Mikro financing product. The total KUR financing at BSI Ujung Berung 1 was IDR 3.69 billion from January 2023 to April 2023, with a total of 50 customers in four months, and a total Non-Performing Financing (NPF) of IDR 164.5 million in April 2023, compared to IDR 170.2 million in March 2023.

Disbursement of KUR to Micro, Small, and Medium Enterprises Customers

One of the activities conducted by BSI KCP Ujung Berung 1 is the disbursement of KUR to UMKM customers. Table 2 explains the KUR distribution in BSI KCP Ujung Berung 1 Kota Bandung between January 2023 until April 2023. In April 2023, the disbursement of KUR by BSI KCP Ujung Berung 1 reached IDR 3.69 billion, representing a monthly increase of IDR 3.62 billion. The number of KUR recipients also increased from 1 customer in January 2023 to 50 customers by the end of April 2023, marking a rise to 30% from 2% in January 2023.

Table 2

KUR Distribution in BSI KCP Ujung Berung 1 Kota Bandung (January–April 2023)

Mounth	Value (Rupiah)	Customers
January	75,000,000	1
February	350,000,000	5

Mounth	Value (Rupiah)	Customers
March	2,220,000,000	29
April	1,045,000,000	15
Total	3,690,000,000	50

Source: BSI KCP Ujung Berung 1 Kota Bandung (2023)

Based on the data, BSI KCP Ujung Berung 1 has a positive record in disbursing KUR. In terms of performance, BSI recorded strong performance throughout 2022. In terms of financing, BSI nationwide saw an increase in micro-segment financing from IDR 16.28 trillion in 2021 to IDR 18.74 trillion in 2022, representing a 15.15% increase. According to the BSI Annual Report for 2022, third-party funds (DPK) experienced a growth of 2.63%, amounting to an increase of IDR 38.54 billion from the 2021 position. The increase in KUR disbursement is attributed to BSI's advantages. Among other KUR-disbursing banks, BSI stands out for online financing application submissions through the website or landing page at <https://salamdigital.bankbsi.co.id>, a faster financing process facilitated by the i-Kurma application accessible by marketing personnel and decision-makers through mobile devices (approval time not exceeding three days), easy requirements (ID card and terms & conditions), low margins (equivalent to 6% eff/year), and no administrative or provision fees.

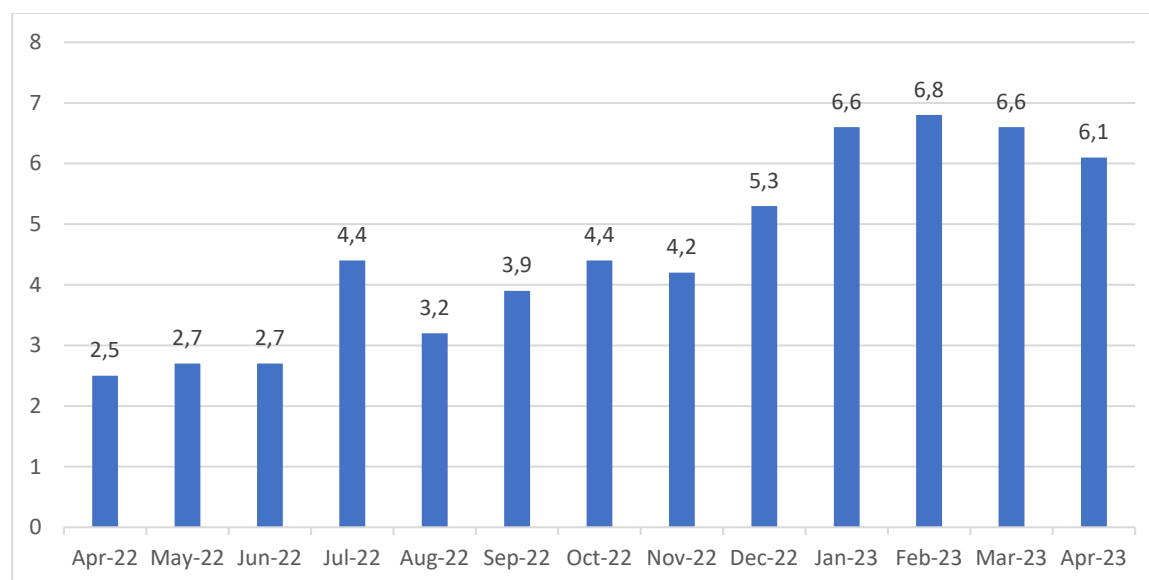
Development of Non-Performing Loans for KUR

The credit quality performance of a bank can be assessed by the number of non-performing loans (NPL) experienced by the bank each year. The mapping of NPL data for KUR financing at BSI KCP Ujung Berung 1 identified from April to November 2022 showed good performance, staying below 5%. However, entering December to April 2023, the quality of KUR credit at BSI exhibited a decline, exceeding 5%, categorizing it as less healthy. [Figure 2](#) explains the development of NPL for KUR at BSI KCP Ujung Berung 1 between April 2022 until April 2023.

The causes of non-performing loans (NPLs) can be broadly categorized into two groups: internal factors and external factors. Expansive credit policies, unconventional financing practices, and poor credit information systems are internal factors contributing to NPLs. External variables also contribute to NPLs, such as debtor company failures, debtors taking advantage of unhealthy banking competition, and economic activity decline ([Huda & Yunita, 2022](#)). The debtor's character, capacity, capital, and conditions impact the likelihood of NPLs. Therefore, it can be concluded that the lower the risk of NPLs, the better the behavior or character of the customer. Capacity reflects the customer's ability to conduct commercial operations to meet obligations, reducing the risk of NPLs. The credit decision is influenced by the capital, indicating the ability to manage finances efficiently based on income sources and cost of living ([Adham, 2020](#); [Marson, 2022](#); [Purmiyati et al., 2019](#)).

Figure 2

Development of Non-Performing Loans on KUR at BSI KCP Ujung Berung 1 Bandung City from April 2022 to April 2023 (%)



Source: BSI KCP Ujung Berung 1 Kota Bandung (2023)

Mitigating the Risk of NPLs for Micro, Small, and Medium Enterprises Customers

In mitigating the risk of delinquent credit in collateral-free KUR financing, BSI KCP Ujung Berung 1, Bandung, follows several processes as outlined below. Initiation is the process of selecting financing customer criteria according to the set standards by BSI KCP Ujung Berung 1, Bandung. It involves evaluation and decision-making based on the evaluation results. The initiation process comprises three steps: solicitation, evaluation, and approval.

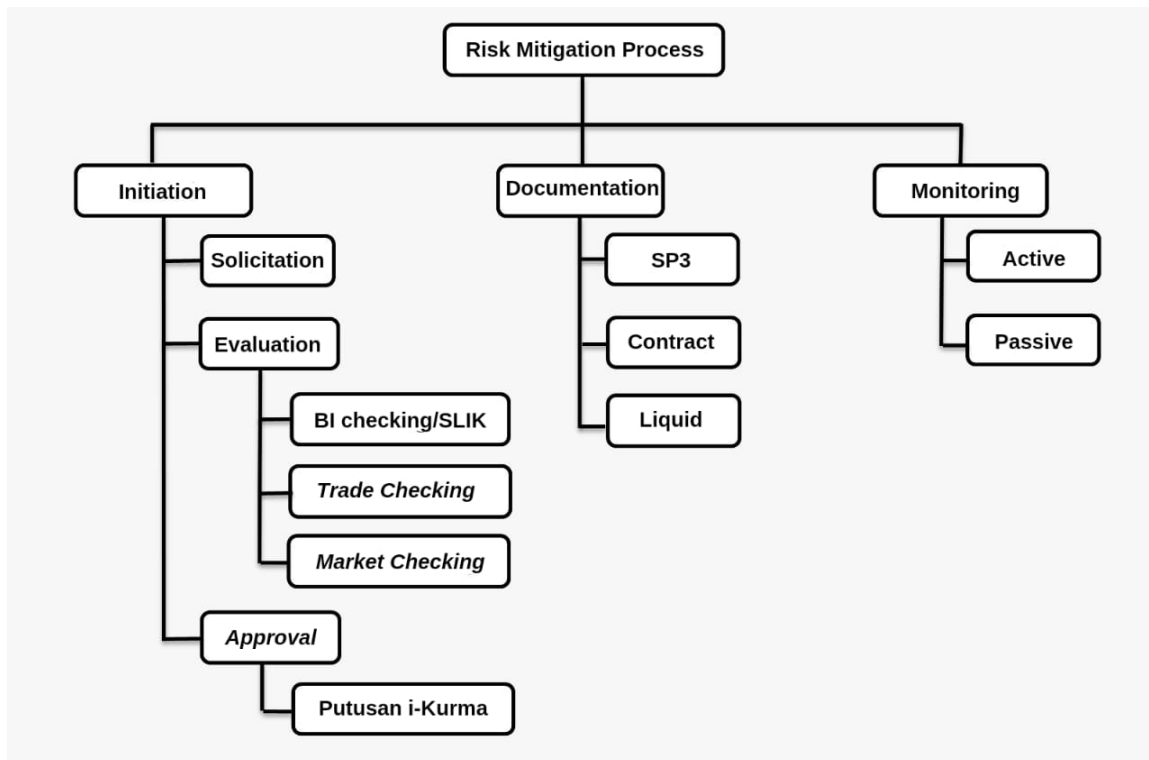
Solicitation involves searching for customers according to the standards set by BSI KCP Ujung Berung 1, Bandung. The financing customer requirements set by BSI KCP Ujung Berung 1, Bandung, include: (1) For Walk-in Clients, the company must have been established for a minimum of two years; (2) The company must have been in operation for at least one year based on reference from existing customers, and it must have competent management; (3) Must have a collectability rating of 1 or current for six consecutive months, with no financing from other banks or financial institutions; (4) Must have a bank statement with the respective bank; and (5) The customer's company must comply with Sharia guidelines and not be listed in Bank Indonesia's blacklist.

Evaluation is a technique for assessment, focusing on success and the implications of achieving it. BSI KCP Ujung Berung 1, Bandung, collects data before conducting evaluations. Once a customer meeting the requirements is identified, the data collection and input procedures for the customer are carried out. Customer data includes photocopies of marital documents (ID cards, family cards, tax identification

numbers), photocopies of property tax and payment evidence, business license (Surat Keterangan Usaha or Nomor Induk Berusaha), photocopy of social security card (BPJS), and business fund evidence (Tiyana et al., 2023).

The financing department conducts checks after completing the data collection process. Bank Indonesia has a Credit Information System (SID) that provides various information about the lending bank, the credit facilities obtained by the bank, the credit quality level of customers, and other information related to credit facilities. This system is used for data checking, also known as BI checking/SLIK (Financial Information Services System), to obtain various customer credit information. BI checking and SLIK can be done offline or online. For offline BI checking and SLIK, the applicant must physically present themselves at the local OJK office and provide documents such as: ID card for Indonesian citizens, passport for visitors, and a power of attorney (if allowed). Debtor information services (IDEB) can also be used if done online. Trade checking is conducted to ascertain how customers are viewed by stakeholders in the workplace. When conducting trade checking, BSI inquires about potential buyers and suppliers. Suppliers are asked about payment, while buyers are asked about product quality. Market checking involves direct visits to the business premises or residence of potential debtors to verify the accuracy of information by physically observing the location and business activities of the debtor. Additionally, if checks have been completed, the next process is the system process. The i-Kurma Digital Financing Application used by Micro Marketing for financing input through the i-Kurma application is utilized by marketing to execute the BSI KCP Ujung Berung 1 system procedures. Customer data, including photos of customers and visit results, are stored.

Once entered into the i-Kurma system, decisions are made by the management of BSI KCP Ujung Berung 1, Kota Bandung. The branch management's decision can either be an approval or rejection. In case of rejection, all customer documents are rejected and sent back to the marketing department in i-Kurma. However, if authorized, the branch manager of BSI KCP Ujung Berung 1, Kota Bandung signs the Offering Letter (OL) or the preliminary financing approval letter. Subsequently, the customer has 14 days to decide whether to accept or reject and provide the Letter of Financing Principle Agreement (SP3). If the customer does not make a decision, the financing will be canceled, and the customer needs to create a new letter. If the consumer chooses to cancel, it may take up to 3 months during which they cannot make any changes to the data. If approved, the disbursement of funds and binding (contract) will take place. The customer will be monitored by the bank during the financing period at BSI KCP Ujung Berung 1. Active monitoring involves regular visits to the customer and reporting the visit results to the financing committee. Passive monitoring involves checking whether the customer has paid the bank's debt at the end of each month.

Figure 3*Risk Mitigation Process*

Source: BSI KCP Ujung Berung 1 Kota Bandung (2023)

Additionally, the bank requires customers to have or acquire life insurance before applying for a bank financing as one of the steps to address non-performing loans. The life insurance policy serves as an additional guarantee in the credit agreement to cover the loan in the event of an unforeseen circumstance such as the death of the customer. The implementation of a life insurance policy as a complementary collateral helps reduce financing risk (Nurhayati & Budhiawan, 2023). PT Asuransi Jiwa Al Amin, an insurance provider, has collaborated with BSI in providing assurance. PT Asuransi Jiwa Al Amin guarantees money to BSI if the insured customer cannot meet the financing obligations within the insurance protection period. The risk covered is in case of the customer's death.

Insurance can be defined as a system that protects the bank from potential threats. In case of losses, the bank will receive compensation according to the agreed value between the customer and the bank. However, the bank is obliged to pay premiums to the customer. In the banking industry, insurance policies play a crucial role as additional collateral to reduce financing risks and mitigate the danger of losses due to customer default, enabling the bank to remain stable as a fund distributor for the public. Collaborating with insurance companies in Bancassurance, a collaboration between banks and insurance companies, is one of the strategies used to reduce risks. The use of insurance is justified because it can assist in unforeseen circumstances (Nurhayati & Budhiawan, 2023).

According to several studies, reducing credit risk both before and after the credit is granted is a primary way to maintain credit quality and prevent non-performing loans. Another factor reinforcing risk mitigation is the necessity for banks to have knowledge and capabilities related to risk management to safeguard against non-performing loans (Mustikawati, 2013; Rahardiansyah et al., 2022; Sutrisno et al., 2023). Previous research indicate that non-performing loans in KUR are influenced by risk mitigation (Jamaluddin, 2018; Wahyono & Cahyono, 2015).

CONCLUSION

Referring to the research objective mentioned above, the total financing for KUR in BSI KCP Ujung Berung 1 amounted to Rp3.69 billion from January to April 2023, with a total of 50 customers in the last 4 months. Based on the problem description and research findings as outlined above, it can be concluded that in the distribution of KUR, BSI KCP Ujung Berung 1 has a positive record. The reason for the increased distribution of KUR is because BSI has advantages compared to other banks distributing KUR, including a faster financing process due to the existence of the i-Kurma application accessible by marketing and decision-makers through mobile phones and low margins. The delinquency rate of KUR financing in BSI KCP Ujung Berung 1 known from April to November 2022 still shows significant performance, i.e., less than 5%. However, the quality performance of KUR credit in BSI shows a decline from December to April 2023, reaching above 5% or falling into the less healthy category.

But as of April 2023, delinquent KUR credit in BSI KCP Ujung Berung 1 decreased from Rp164.5 million, compared to Rp170.2 million in March 2023. The causes of delinquent credit are attributed to two factors, namely internal and external factors. Therefore, a risk mitigation strategy is needed to address delinquent credit, which involves finding customers who meet the established criteria and conducting intensive checks, such as BI checking/SLIK, trade checking, and market checking. The bank requires customers to have life insurance before applying for financing. Therefore, the researcher considers that BSI KCP Ujung Berung 1 should establish full cooperation in monitoring customers, including branch leaders and marketing, and recommends that customers obtain insurance.

For a more comprehensive risk mitigation, BSI should implement a more meticulous system of document examination and interviews, allowing for better anticipation of the possibility of default by household customers. This research can still be developed by future researchers by connecting mitigation variables with BSI's performance levels. Collateral-free credit greatly assists micro and home business players in developing their businesses. Therefore, for this credit to develop sustainably, customers must collaborate with the bank through compliance in managing KUR funds for their business activities and avoid misuse for unproductive activities.

Author Contributions

Conceptualization	Y.G., I.A., & B.H.	Resources	Y.G., I.A., & B.H.
Data curation	Y.G., I.A., & B.H.	Software	Y.G., I.A., & B.H.

Formal analysis	Y.G., I.A., & B.H.	Supervision	Y.G., I.A., & B.H.
Funding acquisition	Y.G., I.A., & B.H.	Validation	Y.G., I.A., & B.H.
Investigation	Y.G., I.A., & B.H.	Visualization	Y.G., I.A., & B.H.
Methodology	Y.G., I.A., & B.H.	Writing – original draft	Y.G., I.A., & B.H.
Project administration	Y.G., I.A., & B.H.	Writing – review & editing	Y.G., I.A., & B.H.

All authors have read and agreed to the published version of the manuscript.

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Informed Consent Statement

Informed consent was not required for this study.

Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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Conflicts of Interest

The authors declare no conflicts of interest.

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