

INTERNAL CONTROL SYSTEM ANALYSIS OF THE PROCEDURE FOR PROVIDING PEOPLE'S BUSINESS CREDIT, SUPER MICRO AT PT. BERKAT, NORTH MANADO BRANCH

Johana M. Ratag, Jufry Rompas, Lidya A. Maramis, Hartly U.H.L Koagouw, Raymond F. Rombot, Shane Pangemanan, Syalomita A. Kawulusan

Department Of Accounting, Manado State Polytechnic.

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Abstract-The purpose of this research is to analyze the internal control system over the procedure for providing people's business credit, Super Micro at PT. Berkat, North Manado Branch. The research method used is a qualitative method, where the truth is dynamic and can be revealed through an in-depth study of individuals and social situations. The data used are primary and secondary data. Data collection techniques through interviews, direct observation, and document analysis, the data collected is analyzed in depth. The data analysis technique used in this study is carried out using descriptive techniques, namely by organizing, summarizing, and interpreting qualitative data obtained from interviews, observations, and document analysis. The results of the study indicate that in the process of providing People's Business Credit carried out by PT. Berkat, North Manado Branch has four elements of internal control, namely an organizational structure that separates functional responsibilities, a system of authority and recording procedures, healthy practices in carrying out tasks and functions, and employees whose quality is in accordance with their responsibilities. In practice, there are still dual positions in the process of preparing documents for disbursement.

Keywords: Internal Control System, People's Business Credit.

I. INTRODUCTION

In the digital era with increasingly sophisticated technology, access to financing is key to the economic growth of the community and MSMEs. Micro, small and medium enterprises are one of the drivers of the national economy and have an important role in creating jobs while helping the government reduce the existing unemployment rate. Companies in this modern era must understand their role in providing accessible financing solutions for all levels of society, which have not been touched by traditional banking services. This commitment is demonstrated by this non-bank financial institution, in expanding access to financing which is not only realized by offering various innovative credit products, such as Micro, Small and Multipurpose Credit, more than that, this company is also one of the institutions trusted by the government to distribute the People's Business Credit program. People's Business Credit is a government program designed to support MSMEs by providing financing with low interest rates and easy requirements.

Since the launch of this program in 2007, People's Business Credit has grown into a major force in the people's economy, by providing financing for MSMEs who were previously hampered by expensive and complicated banking procedures. The success of the People's Business Credit financing program is unquestionable, according to existing data until November 30, 2023, this People's Business Credit financing has succeeded in distributing 77.42% of the 2023 target, which is IDR 229.95 trillion for 4.12 million debtors (Limanseto, 2023) this figure shows the high enthusiasm of the community for the People's Business Credit program. The positive impact of People's Business Credit is not only felt by MSMEs, but also for the national economy as a whole. This program has contributed to increasing non-oil and gas Gross Domestic Product and job creation. Moreover, People's Business Credit also helps reduce poverty and improve community welfare, especially in rural areas.

The high growth of public interest in the People's Business Credit financing program, accompanied by the benefits obtained from this program, makes PT. Berkat one of the distributors of People's Business Credit in demand by the Indonesian people. The presence of this entity with a network of branches spread throughout Indonesia is one of the factors that facilitates accessibility for People's Business Credit debtors. One of the branches that plays an important role in providing People's Business Credit financing in the Manado area is PT. Berkat, North Manado Branch. In 2023, this branch has distributed IDR. 3,173,000,000 for Super Micro People's Business Credit financing, with a strategic location near an area with a concentration of business actors, this branch is the main choice for MSMEs around who need People's Business Credit financing, this company provides easy access and comprehensive services to People's Business Credit debtors, thus helping to encourage the growth of micro, small, and medium enterprises in the area.

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The distribution of People's Business Credit has been proven to provide many benefits for the national economy and MSMEs, but besides that, this program certainly has the potential for credit risk that must be faced by distributors. Credit risk is a form of the inability of a company, institutional institution or individual to complete obligations on time, both when due and after due, and it is in accordance with applicable rules and agreements (Novia, 2022) in other words, the main risk faced by distributors of People's Business Credit loans is the potential for bad debts. The high public interest in the People's Business Credit program, which is accompanied by relatively easy requirements, can pose a risk of irresponsible debtors, such as using this financing program for unproductive purposes, such as splurging or buying assets that are not related to their business, this allows the potential for debtors to fail to pay off their loans. This can not only hinder the achievement of the objectives of the People's Business Credit program, namely encouraging the growth and progress of MSMEs, but can also cause losses for distributors of the People's Business Credit program.

With the risks that can occur in providing People's Business Credit, companies certainly need to implement an effective internal control system. Internal control in an organization is important to ensure that every activity in the organization is carried out according to the rules and avoids the risk of fraud either intentionally or unintentionally (Kesek et al., 2021). The internal control system in providing credit cannot be ignored because it has a crucial role in maintaining the continuity and stability of the entity. Internal control is carried out to ensure that the company's operational and financial activities run in accordance with the procedures and policies set by management (Trivena Glorifi Wowor et al., 2023). Implementation of a good internal control system is a must for companies in order to maintain the sustainability of their operations and minimize risks that can disrupt the company's financial performance.

Through an analysis of the internal control system in providing credit, especially the provision of People's Business Credit, which is implemented at PT Berkat, North Manado Branch, weaknesses that may exist in the system can be identified. In line with the opinion of (Sabrina Kawetik et al., 2022) with the existence of a reliable and effective internal control system, it can provide accurate information for managers and good boards of directors, to make decisions and policies that are right for achieving company goals. In this study, one important aspect of the internal control system that needs to be considered is the internal control procedure for providing People's Business Credit financing that has been established. This procedure is the beginning of the People's Business Credit management cycle, where the implementation of strong and appropriate procedures in providing People's Business Credit financing can create a good image for the company in credit management..

Therefore, the researcher is motivated to conduct further research by taking the title "Analysis of Internal Control System on the Procedure for Granting People's Business Credit, Super Micro at PT. Berkat, North Manado Branch"

II. RESEARCH METHODS

This research adopts a qualitative research approach. This approach as explained (Wiratna, 2023) aims to understand social phenomena or symptoms by providing in-depth and systematic descriptive explanations. Types and Sources of Data are primary data and secondary data. Data collection techniques used in this study are interviews and observations. The data analysis technique used in this study is qualitative analysis. Qualitative analysis is carried out using descriptive techniques, namely by organizing, summarizing, and interpreting qualitative data obtained from interviews, observations, and document analysis. The results of the data analysis will be presented in narrative form, which explains in detail how the internal control system for providing People's Business Credit at PT. Berkat, North Manado Branch.

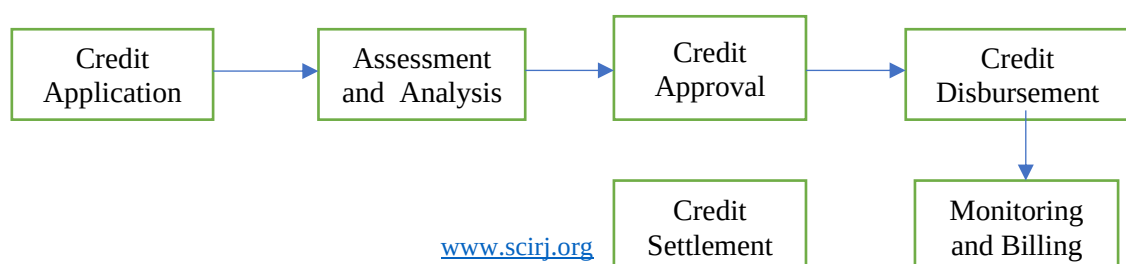
III. DISCUSSION

Financing Distribution Procedures, People's Business Credit

PT. Berkat is a state-owned company engaged in financial services, especially pawnshops, credit services and other services. Various aspects of activities are interrelated and support the achievement of the vision and mission of this entity. The following are two main aspects of PT. Berkat's activities, namely Pawnshops and Credit. Pawnshops: pawnshops provide loans to the public with collateral of valuables, such as gold, jewelry, electronics, and motor vehicles. This loan is known as pawnshop. Various types of pawnshops with competitive interest rates and easy and fast processes are offered by Pegadaian. Credit: pawnshops also offer various credit products to the public in addition to pawnshops such as Micro Credit, People's Business Credit and Consumer Credit. Pawnshops offer credit, to help the public meet their business capital and consumption needs.

Structured and measurable credit provision procedures are a crucial foundation in distributing loan funds to the community, especially for micro, small, and medium enterprises (MSMEs). Each stage in this procedure, from submitting an application to monitoring and evaluation, is designed to ensure that loan funds are used optimally and responsibly. In distributing credit loans, the procedures carried out in general can be described as follows

Figure 3.1 Credit Granting Procedure



Source: Processed Data, 2024

In the context of people's business credit, the credit provision procedure has several specificities, aimed at facilitating access to capital for micro, small, and medium business actors. The requirements for submitting People's Business Credit are relatively simpler than other modern credit loans, this is intended to expand financial inclusion and support the development of MSMEs in Indonesia. During the credit period, the KUR distributor will also monitor and provide guidance to the debtor's business. The aim is to ensure the appropriate use of credit funds, and encourage the growth of the real sector, and improve community welfare. This study focuses on the provision of Super Micro KUR credit run at PT. Berkas, North Manado Branch, Super Micro KUR offers working capital or investment loans with a nominal value ranging from IDR 1,000,000 to IDR 10,000,000, with a loan term of 12, 18, 24, or 36 months. The following is a simulation of the Super Micro People's Business Credit loan installments:

Table 3.1 Installment Simulation

Installment Simulation				
Loan (IDR)	12 Months (IDR)	18 Months (IDR)	24 Months (IDR)	36 Months (IDR)
1.000.000	84.800	57.500	43.100	29.200
2.000.000	169.500	114.000	86.200	58.400
3.000.000	254.200	170.900	129.200	87.600
4.000.000	339.000	227.900	172.300	116.800
5.000.000	423.700	284.800	315.400	145.900
6.000.000	508.400	341.800	258.400	175.100
7.000.000	593.200	398.700	301.500	204.300
8.000.000	677.900	455.700	344.600	233.500
9.000.000	762.900	512.600	387.600	262.600
10.000.000	847.400	569.600	430.700	291.800

Source: PT. Berkas, North Manado Branch, 2024

The following is data on the provision of Super Micro People's Business Credit during 2023 at PT. Berkas, North Manado Branch

Table 3.2 Provision of People's Business Credit in 2023

Provision of People's Business Credit, Super Micro in 2023	
	Amount (IDR)
I	417.000.000
II	2.207.000.000
III	549.000.000

Source: Processed Data, 2024

There are several requirements that must be met by prospective customers, namely:

General Requirements: a). Have a Business, Have an Identity Card, Electronics, b). Have a minimum age of 17 years, c). Maximum age of 65 years, at the time the contract matures. d). Obtain a regular daily, weekly or monthly income. e). Have a permanent residence. f). Not currently receiving financing facilities from Government Programs, and/or productive financing from other institutions.

Submission Document Requirements: a). Photocopy of Resident Identity Card, Electronic, b). Photocopy of Customer's Husband/Wife, c). Photocopy of Parent's Companion (for those who are not married), d). Photocopy of Family Card e). Photocopy of Marriage Certificate for prospective customers who are married. f). Certificate of Domicile if the residential address is different from the Resident Identity Card, g). Photocopy of Electricity/water/telephone bill Other documents if necessary. h). Business Certificate from the local government, i). Taxpayer Identification Number

Loan Application

Loan applications can be submitted by customers in the following ways:

1. Customers can apply for a loan directly by visiting the nearest pawnshop outlet

2. Customers can also apply for a loan through the pawnshop digital application, namely digital pawnshop.
3. Customers can fill out and submit a loan application form provided by the loan distributor. This form can be submitted physically or digitally, complete with the required loan requirement documents. The following is a loan application form that must be filled out by each prospective customer.

Loan Application Input

Account Officers take several steps to process loan applications, namely:

1. Receiving initial files: The Account Officer receives the initial files submitted by the prospective customer, either in the form of physical documents or digital.
2. Conducting initial verification: The Account Officer conducts research and initial verification of the loan documents submitted by the customer. This is done to ensure that the documents are complete and in accordance with applicable requirements.
3. Entering customer data: The Account Officer enters the prospective customer's data into the application system. This data includes the customer's personal information, the customer's business information, and other information relevant to the loan application.

Loan Analysis

1. The process of distributing People's Business Credit Products cannot be separated from a series of mandatory loan feasibility analysis steps. The following are the stages:
2. Receipt and verification of application documents: Loan application documents are received and verified for completeness by officers. The aim is to ensure that all required documents have been fulfilled and are in accordance with applicable requirements.
3. Internal and external reviews: Internal checking and external checking by the system are carried out for customers. Internal reviews include checking customer credit records in the company system, while external reviews include checking customer data at external credit bureaus.
4. Surveys and information gathering: Surveys are conducted to ensure the condition of the customer's home and business, as well as to dig up further information about the customer and their business.
5. Checking the validity of documents: Loan documents are checked for validity to ensure their truth and authenticity. Important documents, such as business licenses, and other proof of ownership go through a thorough examination process to verify their validity and authenticity.
6. Business feasibility assessment: An assessment is carried out on the customer's business feasibility to ensure their ability to repay the loan.
7. Marhun assessment: An assessment is carried out on the customer's marhun or business assets to determine their value.
8. Report filling: The results of the loan feasibility analysis and marhun estimate are entered into the application system.
9. Report submission: The loan feasibility analysis report and marhun or business asset assessment are submitted to the Non-Pawn Manager or Branch Manager (according to their authority) for approval.

Loan Decision

1. Non-Pawn Manager/Branch Manager plays an important role in the Loan Decision process by taking several crucial steps, namely: Loan Application Document Examination: Documents submitted by customers, such as loan forms, identity documents, and other documents are thoroughly checked to ensure their completeness and validity.
2. Business Feasibility Analysis Review: The results of the business feasibility analysis conducted by the Account Officer are reviewed to ensure that all aspects have been considered carefully and accurately.
3. Marhun Reassessment: A reassessment of the marhun value is carried out if there is new information or significant changes in conditions. This is done to ensure that the loan decision taken is based on the latest and accurate data.
4. Scoring Review: The scoring results carried out by the application system are reviewed to ensure that the customer's credit assessment has been carried out correctly and in accordance with applicable provisions. Making a Loan Decision Letter: Based on the results of all the steps that have been taken, a Loan Decision Letter is made to document the decision to approve or reject the loan.

Loan Confirmation

After the Loan Decision process is complete, confirmation to the Customer regarding the results of their loan application (approved or rejected) is carried out proactively by the Account Officer. This confirmation is delivered via text message, or phone call to ensure that the information is conveyed clearly.

Disbursement Process

The disbursement process for People's Business Credit Loans is carried out in structured stages and involves several parties. First, the Branch Manager/Non-Pawn Manager/Unit Manager/Account Officer/Cashier/Credit Admin is tasked with reading the entire contents of the loan agreement to the customer clearly and in detail. This aims to ensure that the customer understands their rights and obligations related to the loan they receive. Furthermore, the Branch Manager and the customer and their spouse are required to initial each sheet of the loan agreement. The customer's signature is made in the field provided in the loan agreement document. This initialing and signature process is proof that the customer has understood and agreed to the contents of the loan agreement.

Role of Branch Manager:

1. Verifying Document Completeness: Ensuring that loan documents are complete and in accordance with the provisions.

2. Providing Disbursement Approval: Providing authorization for loan disbursement after document verification is complete.
3. Signing Loan Agreement: Where the branch manager acts as the party who signs the loan agreement with the Customer.

Cashier's Role:

1. Printing Contract Documents and Attachments: Preparing loan contract documents and attachments.
2. Ensuring Customer Signature: Verifying that the Customer has signed the loan contract document.
3. Submitting Payment Approval Request: Submitting payment approval or authorization request to the Branch Manager.
4. Submitting Loan Money: Submitting loan funds to the Customer after receiving approval.

Credit Admin's Role:

1. Checking and Verifying Loan Documents: Checking the completeness and validity of loan documents.
2. Handing Over Documents: Submitting verified loan documents to the Branch Manager.

Role of Collateral Manager:

1. Receiving Loan Documents: Receiving loan documents from the Branch Manager.
2. Storing Loan Documents: Storing loan documents safely in a designated storage place

Installment Payment or Settlement

1. Receiving installments or settlements directly at Pegadaian outlets
2. Receiving installments or settlements through the application system

Discussion of Research Results

Internal control in providing credit can be defined as a series of policies, procedures, and practices implemented by financial institutions, to ensure that the credit distribution process is carried out with great care, in accordance with applicable regulations, and can minimize credit risks that may arise. Strong internal control helps prevent misuse of credit funds by irresponsible customers. This is done through various steps, such as verifying the identity and creditworthiness of customers, monitoring credit activities, and enforcing payment discipline. By implementing effective internal control, banks can ensure that credit is only given to customers who have good prospects for repaying their loans. This helps banks maintain the quality of their credit portfolios and minimize the risk of non-performing loans.

The analysis of internal control over the provision of People's Business Credit at PT. Berkati, North Manado Branch aims to examine internal control in the process of providing People's Business Credit. This analysis is carried out by examining various elements in the internal control system such as a clear organizational structure, a regular system of authority and recording, healthy practices in carrying out tasks and functions in the organization, and employee competencies that are in accordance with their duties and responsibilities. The description of the results of the internal control analysis on the provision of People's Business Credit at PT. Berkati, North Manado Branch, is as follows:

An organizational structure that separates functional responsibilities

A clear separation of functional responsibilities in the organizational structure is established to minimize the risk of abuse of authority, conflict of interest, and errors in the decision-making process. This is one of the important principles of effective internal control.

A fairly good division of tasks and authorities has been shown by the organizational structure of PT. Berkati, North Manado Branch. However, based on observations of the process of preparing the contract documents, there are still several weaknesses that need to be fixed. In this process, there are often dual positions in the preparation of contract documents, where this can cause various negative consequences that have an impact on the smooth running of the company's business processes, one of which is the delay in the disbursement of People's Business Credit for customers.

The dual positions that occur in this process make it difficult for the parties involved in carrying out their duties and responsibilities, related to the preparation of the contract documents. The contract documents needed for the People's Business Credit disbursement process that are not prepared on time have an impact on customers, where customers who apply for People's Business Credit must experience delays in receiving the loans they need. The delay in the disbursement of People's Business Credit causes a less than satisfactory experience for customers. From the company's perspective, this can also have an impact on the image and reputation of PT. Berkati, North Manado Branch in the eyes of the public.

Authorization system and recording procedures

Management of People's Business Credit is one of the core business activities carried out by PT. Berkati, North Manado Branch. As an entity responsible for distributing KUR, the company needs to ensure that there is an adequate authority system and recording procedures to support operational effectiveness and efficiency. The recording procedures at PT. Berkati, North Manado Branch have been carried out by the system with the PASSION application (Pegadaian Application System Integrated Online) supported by the authorization process for distributing People's Business Credit at PT Berkati, North Manado Branch, which is adequate.

Loan Application by Customer: Customer submits a People's Business Credit loan application by completing the required documents. Verification and Analysis by Account Officer: Account Officer checks the completeness and validity of customer application documents, then Account Officer conducts a creditworthiness analysis of the customer's business and assets.

Authorization by Non-Pawn Manager: Non-Pawn Manager checks the conformity of application data and loan analysis results by Account Officer, then Non-Pawn Manager conducts a field survey to verify customer business and asset information. If the documents and analysis are in accordance, Non-Pawn Manager grants approval authorization.

Authorization by Branch Manager: Branch Manager rechecks the completeness of documents, credit analysis, and survey

results. If all requirements have been met, Branch Manager grants loan approval authorization.

Disbursement Process: Non-Pawn Manager authorizes loan disbursement to Cashier. Cashier checks the conformity of the loan value to be disbursed. After receiving authorization from Branch Manager, Cashier disburses the loan to the customer.

PT. Berkas, North Manado Branch shows its commitment in implementing a strong and structured authorization system to ensure security and objectivity in the distribution of People's Business Credit. This is proven by several main advantages of its authorization system, namely:

1. Hierarchical and Structured: Each stage in the process of distributing People's Business Credit is reviewed and approved by the authorized party. Starting from the Account Officer who conducts initial verification and business feasibility analysis, then the Non-Pawn Manager who conducts internal and external reviews, marhun assessments, and reports. Authorization is continued by the Branch Manager who conducts document checks, reviews business feasibility analysis, re-assessments of marhun, and scoring reviews. The final stage involves the Cashier, to confirm the loan and the disbursement process. This hierarchical system ensures that every aspect of the loan application is thoroughly examined by competent parties in their respective fields. This minimizes the risk of negligence, fraud, and misappropriation of funds.
2. Involving Various Parties: The authorization process involves various parties with different expertise and knowledge. The Account Officer has expertise in understanding customer needs and conducting initial analysis. The Non-Pawn Manager has expertise in assessing business feasibility and marhun. The Branch Manager has the authority to approve or reject loans based on careful consideration. The Cashier is responsible for the safe and accurate fund disbursement process. The involvement of various parties ensures that the decision-making process is carried out objectively and comprehensively, taking into account all relevant aspects.
3. Repeated Checks: At several stages, the loan application data and analysis are checked and re-authorized. This provides double assurance of the validity and accuracy of the information. For example, the Non-Pawn Manager conducts internal and external reviews of customer data, and the Branch Manager conducts reviews of business feasibility analysis and marhun assessments. These repeated checks minimize the risk of errors and omissions, and increase trust in the People's Business Credit distribution process.
4. Final Authorization by Branch Manager: The Branch Manager has the final authorization to approve loan disbursement. This shows the commitment of PT. Berkas, North Manado Branch in ensuring that only loans that meet all requirements and are creditworthy will be disbursed. The final granting of power of attorney by the Branch Head provides a guarantee that the distribution of People's Business Credit is carried out with full responsibility and accountability.

Healthy practices in carrying out tasks and functions

In carrying out its tasks and functions, PT. Berkas, North Manado Branch implements several healthy practices, such as:

1. A surprise inspection is carried out once a year, for the micro section which in this case, includes the section responsible for providing the People's Business Credit program
2. There is a requirement for every employee to take leave every year
3. There is a rotation or rotation of positions that are routinely carried out in the company
4. Transactions and recording are not carried out by one person but involve several parties even though PT. Berkas, North Manado Branch has implemented several healthy practices in carrying out organizational tasks and functions, there are weaknesses in their implementation.

Based on observations and observations made at the research location, the storage of file management, there were cases where several related forms were lost, these weaknesses indicate unhealthy work practices in the work unit, related to this, it can have a negative effect on the company. Negligence, like this can make the company's image less good, because it is not disciplined in managing files, and can hinder other administrative processes, such as submitting credit claims that require complete documents.

Employees whose quality matches their responsibilities

PT. Berkas, North Manado Branch, like many other financial institutions, has a clear and well-defined organizational structure. This organizational structure aims to divide tasks and responsibilities systematically and structured, so that the process of distributing People's Business Credit can run effectively and efficiently. However, in practice, there are weaknesses in the implementation of the organizational structure, and the quality of employees which results in inefficiency in the distribution of People's Business Credit. The neatly arranged organizational structure at PT. Berkas, North Manado Branch, with clear levels and stages for new employees, can actually be a strong foundation for its effective distribution. In addition to the organizational structure, the quality of employees is also an important factor in the effectiveness of its distribution. The weakness found was that the Credit Admin could not complete his task, namely processing bad credit claims, this indicates potential problems in the quality of employees at PT. Berkas, North Manado Branch, including:

1. Competency Mismatch: Credit Admins who do not have adequate competence in handling bad credit claims indicate a gap between employee qualifications and job requirements. This can be caused by inappropriate recruitment and selection processes, or inappropriate employee placement.
2. Low Motivation and Work Discipline: Lack of motivation and work discipline can cause employees to fail to complete their tasks properly and on time. This can be caused by various factors, such as a less conducive work environment, lack of appreciation and recognition, or ineffective leadership. The weakness of employee quality at PT. Berkas, North Manado Branch can have a negative impact on the distribution of People's Business Credit, including:
 - a. Increasing NPL (Non Performing Loan): The inability of Credit Admins to resolve bad credit claims can lead to an increase

in NPL, which results in financial losses for the company.

- b. Slowing Down the Distribution of People's Business Credit: Suboptimal employee performance can slow down the process of distributing People's Business Credit, thus hindering micro, small and medium enterprises (MSMEs) in obtaining business capital.
- c. Deterioration of Company Image: Failure to resolve bad debt claims in a timely and professional manner can damage the company's image in the eyes of customers and the public.

IV. CONCLUSION

Based on the discussion and analysis related to the internal control system in the provision of Super Micro People's Business Credit at PT. Berkas, North Manado Branch, the following conclusions can be drawn:

1. The organizational structure that separates functional responsibilities at PT. Berkas, North Manado Branch, in its implementation there are still dual positions in the process of preparing documents for disbursement.
2. Elements of healthy practices in carrying out tasks and functions at PT. Berkas, North Manado Branch have not been running well, because there are still parts that have not optimally carried out their tasks and functions.
3. Elements of employees whose quality is in accordance with their responsibilities have not been optimally implemented at PT. Berkas, North Manado Branch
4. Based on research that has been conducted at PT. Berkas, North Manado Branch, it can be concluded that the internal control system for the procedure for providing Super Micro People's Business Credit has not been implemented properly.

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