



Analysis of Internal Control Systems on Safe Quick Loans (KCA) at PT Pegadaian Megamas Branch

Hanif Ibrahim Domili^{1*}, Hendrik Gamaliel², Claudia Korompis³
Universitas Sam Ratulangi, Indonesia

Corresponding Author: Hanif Ibrahim Domili hanifibrahim2002@gmail.com

ARTICLE INFO

Keywords: Internal Control System, Secure Fast Credit Granting (KCA), COSO

Received : 16, January

Revised : 30, January

Accepted: 13, February

©2025 Domili, Gamaliel, Korompis:
This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

This study aims to determine the internal control system for the provision of fast safe credit (KCA) based on 5 elements of COSO components, namely control environment, risk assessment, control activities, information and communication and supervision at PT Pegadaian Megamas branch. The research method used in this study is primary data with data collection techniques of observation, interviews, and documentation. The results of this study indicate that the internal control system includes 5 COSO components for the provision of KCA at PT Pegadaian Megamas branch has not been implemented properly, there is still a mismatch between the two components, namely misjudgment of collateral and behavior that is not integrity and ethical.

INTRODUCTION

Problematic credit cases such as bad debts are often found in non-bank financial institutions. The credit provision system must be really considered by the company because wrong decision making will cause bad debts that will harm the company. Therefore, the policies and procedures in the Financial Services Authority (OJK) Regulation Number 31/POJK.03/2018 concerning the implementation of micro credit which are increasingly detailed and developing need to be managed optimally. This problem can be avoided by having adequate internal control in providing credit. In other words, internal control is needed that can support the effectiveness of the credit provision system. By having adequate internal control in the credit sector, it means showing a cautious attitude in the company, especially in terms of providing credit and also to gain profit (Togubu, 2020).

PT Pegadaian is a State-Owned Enterprise (BUMN) engaged in financing in the form of credit distribution with collateral. One of the financing products offered by PT Pegadaian is fast safe credit (KCA) which aims to increase public access to easy and fast financial services.

The internal control system is a process designed to provide reasonable assurance to the management and board of commissioners of an entity regarding the achievement of the entity's objectives related to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Mulyadi (2021) states that the elements of the internal control system include:

1. Organizational Structure: Separating responsibilities and authorities clearly.
2. Policies and Procedures: Establish organizational plans and actions.
3. Monitoring: Conduct regular evaluation and monitoring.
4. Information and Communication: Ensuring proper flow of information and effective communication.
5. Monitoring: Monitoring is done to assess the effectiveness of the internal control system on an ongoing basis. Monitoring can be done through internal audit activities or periodic evaluations to ensure that internal controls are functioning properly.

Mulyadi (2022) explains that employee quality is one of the important elements of internal control, because employee quality that does not match their responsibilities can be one of the causes of errors, but not all organizations have employees whose quality matches their responsibilities. Internal control cannot fully guarantee that organizational goals will be achieved. COSO (2021) explains that internal control has limitations, such as weaknesses against simple errors and mistakes, considerations and decisions that can be influenced by bias, and human failures such as simple errors. Therefore, the internal control system for the provision of KCA needs to be carried out effectively to minimize errors that occur and also in accordance with the regulations and standards used by the company.

Initial research at the PT Pegadaian Megamas branch office identified several problems related to the provision of KCA. Examples of problems found

were the high level of bad debts because debtors were unable to pay the extension of the mortgage interest installments that had matured, an ineffective debt collection system, and human error from employees who assessed collateral not in accordance with applicable procedures and regulations. Bad debts due to deliberate factors or elements or due to conditions beyond the debtor's ability. The factors causing the emergence of bad debts for KCA products at PT Pegadaian Megamas branch are:

1. A decline in the company's business conditions, caused by a decline in general economic conditions and/or the business sector in which they operate.
2. Family problems, such as divorce, death, prolonged illness, or waste of funds by one or more members of the debtor's family.
3. The occurrence of events beyond the debtor's control, for example war and natural disasters.
4. The bad character of the debtor (who from the start had planned not to repay the credit).

Without a procedure in providing KCA, the PT Pegadaian Megamas branch office will be difficult and unclear in providing KCA to customers. The internal control system is related to the procedures used by the company in providing KCA in order to help minimize risk and improve the quality of its credit portfolio and the company's margin.

Table 1. Net Receivables of PT Pegadaian Megamas Branch

NO	DATE	RECEIVABLES	CKPN PYD	NET RECEIVABLES	PERCENTAGE (%)
1	12/31/2020	Rp23,952,307,041	-Rp375,157,054	Rp23,577,149,987	2%
2	12/31/2021	Rp19,108,285,118	-Rp211,377,389	Rp18,896,907,729	1%
4	12/31/2022	Rp20,348,902,633	-Rp440,296,074	Rp19,908,606,559	2%
5	12/31/2023	Rp25,779,652,315	-Rp1,526,114,618	Rp24,253,537,697	6%

Table 1 illustrates that net receivables have decreased from 2021 to 2022, and increased in 2023. One indicator that illustrates this challenge can be seen from the net receivables report in table 1. From 2020 to 2023, there was a fluctuation in the amount of net receivables owned by PT Pegadaian Megamas branch.

In 2021, net receivables experienced a significant decline compared to 2020, from IDR23,577,149,987 to IDR18,896,907,729, or down around 2%. This decline was due to the reduction in the Allowance for Impairment Losses (CKPN), which functions to cover problem receivables or bad debts. Meanwhile, in 2022, there was a slight increase in net receivables to IDR19,908,606,559, but the higher CKPN (IDR440,296,074) indicates that the pawnshop is trying to reduce potential losses from bad receivables. In 2023, there was a sharp spike in net receivables to IDR24,253,537,697, although CKPN increased drastically to IDR1,526,114,618.

This increase in CKPN reflects a higher risk of receivables, which has implications for the amount of bad debt suffered by the company. The percentage of CKPN to total receivables also increased from 2% in 2022 to 6% in 2023, this shows that although pawnshops are trying to improve their credit performance,

bad debts are still a significant problem that affects the company's financial stability. This is the impact of the weak pawnshop credit system and procedures.

Based on the explanation above, to find out how PT Pegadaian implements an internal control system for the provision of KCA at PT Pegadaian Megamas branch, the author is interested in researching "Analysis of the Internal Control System for the Provision of Fast Secure Credit (KCA) at PT Pegadaian Megamas Branch."

LITERATURE REVIEW

Internal Credit Control

Internal control in credit distribution is very important because this control can better protect the bank's assets. Mulyadi (2021:129) argues that the internal control system includes organizational structure, methods and measures that are coordinated to maintain the organization, check the accuracy and reliability of accounting data, promote efficiency and encourage compliance with management policies.

Hery (2020:159) argues that internal control is a set of policies and procedures to protect the company's assets or wealth. Assets from all forms of misuse, ensure the availability of accurate company accounting information, and ensure that all legal/statutory provisions (regulations) and management policies have been complied with or as they should be by all company employees.

The Relationship between Accounting and Credit

Accounting and credit have an interrelated relationship in the world of finance and business. Accounting plays an important role in recording, measuring, and reporting credit transactions provided by financial institutions or companies. The relationship between accounting and credit is that accounting credit recording is responsible for recording the provision of credit as an asset in the balance sheet of a financial institution or company. This recording is done by debiting the credit receivable account and crediting the cash account or other related accounts.

Principles of Credit Granting

The Last Supper (2020) argues that the credit principle is also called the 5C concept. Basically, this 5C concept will be able to provide information about the goodwill and ability of customers to pay off the loan and its interest. The 5C principles include:

- a. *Character*, this character assessment can determine the level of honesty and good determination of the prospective debtor, namely the willingness to fulfill the obligations of the prospective debtor.
- b. *Capacity*, capacity assessment to see the ability to pay off obligations from business activities carried out or business activities to be carried out which are financed with credit from the bank.
- c. *Capital*, the assessment of the capital principle does not only look at the size of the capital owned by the prospective debtor but also how the distribution of the capital is placed.

- d. *Condition of Economy*, based on the principle of condition, the political, social, economic situation and conditions and conditions in the business sector of the prospective debtor are assessed, so that the bank can minimize the risks that may arise from economic conditions, trade conditions and competition in the business sector environment of the prospective debtor can be identified.
- e. *Collateral*, defined as physical collateral in the form of property that has monetary value and has a stable price and is easy to sell.

Definition of Pawnshop

Pawnshops are financial institutions that officially have a permit to carry out their operational activities in the form of credit financing to the public in the form of distributing funds in relatively small or large amounts on the basis of pawn, as well as deposit services and appraisal services. The pawned goods must have economic value so that they can be used as an appraisal value by the pawnbroker. Kasmir (2021:231) is of the opinion that pawnshops are activities that guarantee valuables to obtain money and the collateralized goods will be redeemed by their customers according to the agreement of both parties. The goods used as collateral can be redeemed and the loan period can be extended if the customer is not able to redeem them according to the specified maturity date. The goods will be auctioned when the customer is unable to pay off the collateral and the pawnbroker will provide the remaining auction money if any to the customer concerned.

The contribution of pawnshops as financial institutions to the Indonesian economy, especially in financial services through the distribution of loan funds. The pawn system greatly helps the community and micro, small and medium enterprises (MSMEs) in meeting cash needs and access to funding quickly, easily and with simple administration.

Internal Control

Arens, Elder and Beasley (2023) stated that internal control is a process designed, implemented and maintained by the board of commissioners, management and other personnel to provide reasonable assurance regarding the achievement of objectives in the following categories:

- a. Effectiveness and efficiency of operations - Internal control helps ensure that the organization uses its resources economically and efficiently to achieve its objectives.
- b. Reliability of financial reporting - Internal controls help ensure that the financial information an organization produces is accurate and reliable.
- c. Compliance with laws and regulations - Internal controls help ensure that an organization complies with all applicable laws and regulations.

Mulyadi (2022) stated that internal control is a process that includes organizational structure, methods and tools that are coordinated to maintain organizational assets. The tools used to check the accuracy and reliability of accounting data, encourage efficiency and encourage management policies.

Elements of Internal Control System

The following are five internal controls according to COSO as quoted by Sujarwerni (2022:71) that is:

1. Control Environment

The control environment is the means and infrastructure that exist within an organization or company to run a good internal control structure. Some components that affect the internal control environment are:

- a. Management commitment to integrity and ethical values. In the company must always be instilled ethics, where if the ethics are violated then it is a deviation. Example: arriving at 12 o'clock on time is a good ethic and vice versa.
- b. The philosophy adopted by management and the operational style used by management, meaning that management will enforce the rules. If violators will be subject to strict sanctions.
- c. Organizational structure
 - 1) The method of dividing tasks and responsibilities in a company must be clear and firm in carrying out tasks and responsibilities.
 - 2) Policies and practices concerning human resources.
 - 3) Companies must be selective in selecting employees and go through proper testing procedures, not nepotism and the like.
 - 4) External influences, if the environment within the company is good, then bad external influences will be easy to counteract and good influences will be more easily accepted.

2. Risk Assessment

Company management must be able to identify the various risks faced by the company. By understanding the risks, management can take preventive measures, so that the company can avoid major losses.

1. Risk identification, carried out by management in order to recognize the risks that may be faced by the company. Risk identification is carried out at least by:
 - 1) Using a methodology that is appropriate for the objectives of the government agency and the objectives at the activity level in a comprehensive manner.
 - 2) Using adequate mechanisms to manage risks from external and internal factors.
 - 3) Assess other factors that may increase risk.
2. Risk analysis, conducted to determine the impact of identified risks on achieving company goals. Management applies the precautionary principle in determining acceptable risk levels.

3. Control Activities

Control activities are various processes and efforts carried out by company management to enforce supervision or control of company operations. The Committee of Sponsoring Organizations (COSO) identifies at least five things that can be implemented by companies, namely:

- a. Authorization of transactions and activities, authorization by affixing a signature as a form of approval from the superior. Example: to request a replacement of office equipment, the purchasing department must request approval from the head of the finance department, the approval from finance is proven by a signature.
- b. Division of tasks and responsibilities, division of tasks and responsibilities based on the organizational structure that has been created by the company.
- c. Good design and use of documents and records, documents should be easy for employees to use, documents should be made of quality materials so that they last a long time when stored.
- d. Adequate protection of company assets and records. This strict protection includes separate persons recording and carrying cash, adequate storage space, and restrictions on access to important rooms.
- e. Examination of company performance, this performance examination can be done by one of the steps, namely, making a reconciliation of matching between company records and the bank or reconciliation between two separate records regarding an account. The company conducts stock opname, namely matching the number of inventory units in the warehouse inventory records, adding up various calculations by batch hole, namely adding from top to bottom.

4. *Information and Communication*

Designing the company's internal control system and top management. Starting from how the transaction is initiated, the data is processed to become information and ending with how the transaction is successful.

5. *Monitoring*

Monitoring is an activity to follow the course of the accounting information system, so that if something does not go as expected, action can be taken immediately. Various forms of monitoring within a company can be implemented with one or all of the following processes:

- a. Effective supervision, namely upper management can supervise lower management and employees.
- b. Accounting that can be used to assess each individual's performance.
- c. Managers, each department, and each process carried out by the company.
- d. Internal audit is an audit carried out by auditors within the company.

Fast Secure Credit Products (KCA)

Pawnshop products are very varied and have their own meanings in each product according to the needs of the community. This product is the main product of one of the pawnshop products that is in great demand by the community, this product is given to all customer groups, both for consumptive and productive needs, as the name implies fast and safe credit, it is very easy to

get a loan. To get credit, customers only bring collateral in the form of gold jewelry, gold bars, cars, motorbikes, laptops, mobile phones, and other electronic goods used daily, when the customer is unable to pay off the loan, this product can be extended the loan period so that it makes it easier for customers to pay off the loan or can directly notify so that the pawned goods are immediately auctioned to pay off the loan.

METHODOLOGY

In this study, the author uses a qualitative research type with a descriptive approach. This study focuses on analyzing the internal control system for the provision of KCA. While the place of this research is at PT Pegadaian Megamas branch. This research started from May 2024 until completion. The types of data in this study are qualitative data and quantitative data, where qualitative data is data expressed in the form of descriptive descriptions, quantitative data is data presented based on the company's financial statements in the form of numbers. In this study, data is used in the form of descriptions of research objects, documentation of available documents, and financial reports that are inputted into the study. The data source in this study is primary data. This data is obtained through interviews which will later be conducted directly with branch managers and competent employees regarding the internal control system for the provision of KCA at PT Pegadaian Megamas branch. In obtaining information and data related to research sources, researchers use interview, documentation and observation methods. The data analysis method used in this study is to use the descriptive method. The descriptive method is to describe, explain, and compare systems related to internal control of the provision of KCA.

RESEARCH RESULT

Factors Causing Increase in Bad Debt

Through an interview conducted with Mr. Imran Tian Lean as a non-pawn manager, he explained that several factors caused bad credit in KCA provision activities at PT Pegadaian Megamas branch, such as:

“First, unstable economic conditions, such as high inflation and declining purchasing power, have a direct impact on the debtor’s ability to pay installments. Many debtors in this branch are small business owners who are highly vulnerable to economic fluctuations; when their income decreases, they tend to have difficulty meeting their payment obligations. Second, family problems, such as divorce or death of a family member, can disrupt the debtor’s financial stability, making them unable to focus on financial obligations and increasing the risk of bad debts. In addition, events beyond the debtor’s control, such as natural disasters, social conflicts, or pandemics, can also affect their ability to pay installments, especially if their business is affected by these events. For example, a natural disaster that destroys the debtor’s business assets can cause their inability to meet their payment obligations. Finally, the debtor’s bad character factor, where some debtors have bad intentions or are irresponsible in repaying the credit, also contributes to the occurrence of bad debts. Although difficult to detect at the beginning of the credit granting, this can cause major

problems if the internal control system is not running effectively. These factors are interconnected and can worsen the quality of the credit portfolio at the pawnshop if not handled properly.” Mr. Imran Tian Lean

Net Receivables Data

Net receivables data of PT Pegadaian Megamas branch during the period 2020 to 2023 shows significant fluctuations. The table below provides an overview of the trend and pattern of bad debts during the period.

Table 2 Net Receivables of PT Pegadaian Megamas Branch

NO	DATE	RECEIVABLES	CKPN PYD	NET RECEIVABLES	PERCENTAGE (%)
1	12/31/2020	Rp23,952,307,041	-Rp375,157,054	Rp23,577,149,987	2%
2	12/31/2021	Rp19,108,285,118	-Rp211,377,389	Rp18,896,907,729	1%
4	12/31/2022	Rp20,348,902,633	-Rp440,296,074	Rp19,908,606,559	2%
5	12/31/2023	Rp25,779,652,315	-Rp1,526,114,618	Rp24,253,537,697	6%

From table 2, it can be seen:

1. 2020: Net receivables amounted to Rp23,577,149,987 with a non-performing loan percentage of 2%. This figure shows that despite some non-performing loans, the overall portfolio is still relatively healthy.
2. 2021: There was a significant decrease in the amount of receivables, reaching Rp18,896,907,729 and the percentage of bad debts decreased to 1%. This indicates that the company may be more careful in providing credit.
3. 2022: Although the amount of net receivables increased slightly to Rp19,908,606,559, the percentage of bad debts returned to 2%. This indicates that there are again problems that need to be addressed by management.
4. 2023: There was a significant spike in net receivables to Rp24,253,537,697, but the percentage of bad debts jumped to 6%. This is a worrying indicator, indicating that even though the company is providing more credit, the risk of bad debts is also increasing.

Internal Control System for Fast Secure Credit (KCA) Megamas Branch

The internal control system for the provision of KCA implemented by PT Pegadaian Megamas branch is carried out by paying attention to the following internal control elements:

1. Control Environment

- a. Management's commitment to integrity and ethical values

Based on the results of interviews conducted with three sources, namely Mrs. Wita Mayangsari Adam as the branch manager. Mrs. Novianty Muchtar as the Pawn Manager. Third, Mr. Imran Tian Lean as the Non-Pawn Manager and Mrs. Jennifer Kaunang as the cashier, it was explained that in the Megamas branch of the pawnshop there are already rules governing the

discipline and honesty of its employees and the sanctions given to those who violate them.

Employees are also required to arrive on time, namely 30 minutes before 10:00 and the office closing time at 17:30. Employees who violate will then be subject to strict sanctions because every employee activity at PT Pegadaian Megamas branch is monitored via CCTV and also briefing before starting operational activities. Overall, the implementation of the control environment element has been in accordance with the rules. Regarding the enforcement of integrity and ethical values, in the interview activities that have been conducted at PT Pegadaian Megamas branch. According to Mrs. Wita Mayangsari Adam as the branch manager explained:

"For the preparation and implementation of employee behavior, if there is a deviation or violation of the employee behavior rules, disciplinary action will be taken, but often the existing individuals do things that are not in integrity. Of course, this disciplinary action can be in the form of verbal warnings, warning letters (SP) 1, 2, and 3, and if there is no improvement in the employee's mistakes and it continues to get worse, the company can issue a decision to terminate the employee's employment. So it can be said that the good thing is that it already exists, the integrity and ethical values have been implemented and carried out." Mrs. Wita Mayangsari Adam

"The company implements integrity and ethics values through rules accompanied by disciplinary actions, ranging from verbal warnings to termination of employment if violations continue." Mrs. Novianty Muchtar

"The leadership and internal audit unit uphold the values of integrity and ethics through our rules of conduct as employees accompanied by disciplinary action, ranging from reprimands to dismissal if violations continue to occur. This step is taken to ensure that we are responsible for our actions, creating an honest, fair and professional work environment." Mr. Imran Tian Lean

"Of course, the leadership implements the integrity and ethics rules through employee behavior rules accompanied by disciplinary actions, ranging from reprimands to termination of employment if violations continue. This policy is implemented consistently to encourage responsibility, maintain professionalism, and create a fair and transparent work culture for mutual success." Ms. Jennifer Kaunang.

b. Management philosophy and operational style

PT Pegadaian Megamas branch always tries to build good relationships with its employees and customers. In carrying out its duties, functions, and responsibilities, according to the results of an interview with Mrs. Novianty Muchtar as the pawn manager, she explained that:

"All BUMN in Indonesia, one of which is PT Pegadaian including PT Pegadaian Megamas branch, has a value, namely: AKHLAK. The meaning of this value is to invite employees to be used as a work guideline so that they can become quality humans or individuals." Mrs. Novianty Muchtar

In supporting and creating the philosophy and style of operational management of the Megamas branch pawnshop, it can be seen from the competence manifested in employees, especially in the cashier section, namely having expertise in the field of accounting with a recapitulation carried out every day by looking at daily cash reports, collections of receipts, and general journals. Daily cash reports are recorded by the cashier function and the general journal is recorded by the accounting function. These two functions coordinate with each other if there is a difference in cash balance.

The operational management style at PT Pegadaian Megamas branch will then provide direction to its employees to act appropriately in doing their jobs, communicate well between employees, and behave well in the workplace. According to Mr. Imran Tian Lean as a non-pawn manager, he explained that:

"The leadership style of our boss in the office is calm but firm and disciplined. She is Wita Mayangsari Adam, ST has a high leadership spirit, she always gives good direction and is always actively involved in all activities both internal and external activities and provides achievement for employees who comply with the rules and achieve targets." Mr. Imran Tian Lean.

c. Organizational structure

The organizational structure at PT Pegadaian Megamas branch is one of the components that can influence the success of an agency in achieving the expected goals. The organizational structure also makes it easier for employees to work more efficiently according to their job specifications. The function or use of the organizational structure is as a basis: Division of work, formulation of goals, work management, administrative elements, and service work.

Therefore, a good organizational structure is needed and very important for every existing agency. At PT Pegadaian Megamas branch, the organizational structure has been arranged functionally and systematically, where it can be seen that the arrangement is in accordance with the duties and authorities of its employees.

2. Risk Assessment

Based on the results of the interview conducted with Mrs. Novianty Muchtar as the pawn manager, she explained that:

"Within the scope of PT Pegadaian Megamas branch, the determination of objectives is stated in the form of a vision and mission and in a strategic plan, in the provision of KCA, risk assessments related to KCA products, namely misestimation by the appraiser. For this possibility, we always carry out calculations, checks and completeness where re-estimation is carried out for collateral. If goods are found to be misestimated, the appraiser is responsible for the error. For possible misappropriation, we anticipate it with a security system for the storage area, namely the presence of CCTV cameras and stored in a safe whose code is only known by certain employees (warehouse section). We follow the determination of risk as part of the implementation of internal

control, because there is an internal audit that checks each implementation in this case usually called the SPI (Internal Supervisory Unit) team. In overcoming this risk, the company has used the PASSION application (Pegadaian Application Support Integrated Online). If there is a failure of duties and responsibilities, it is analyzed by the internal audit and determined as a risk.

We also conduct risk identification and risk mitigation at the branch operational unit/UPC and reported by the Operational and Corporate Risk Management Department every 3 (three) months. The filling of the risk identification is carried out by representatives of the work unit (risk officers), namely financial managers or business analysts. Risk analysis has been made and reported by the Operational and Corporate Risk Management Department every quarter, based on data collected from operational work units and reported to the Operational and Corporate Risk Management Division, the results of the risk identification and mitigation are discussed with the Internal Supervisory Unit and the Board of Commissioners. "Mrs. Novianty Muchtar

"We as employees at the Megamas branch always set a vision, mission, and strategic plan to manage operational risk. Risk assessments, such as misestimation in KCA products, are anticipated through re-examination and the assessor's responsibility for errors. Security systems such as CCTV and safes with limited access are implemented to prevent misappropriation. Internal control is carried out through audits by the Internal Audit Unit (SPI) and the PASSION application is used to support this process. Risk identification and mitigation are reported quarterly by the Operational and Corporate Risk Management Department and discussed with SPI and the Board of Commissioners." Mr. Imran Tian Lean.

3. *Control Activities*

Based on an interview conducted with Mrs. Jennifer Kaunang as the cashier, she explained that:

"When providing KCA, we implement a number of control activities aimed at maintaining the smoothness and security of the credit process. First, a risk assessment is carried out to ensure that the customer has the ability to repay the loan. This is done by analyzing the customer's capacity and the value of the collateral. After that, all transactions are accompanied by valid documents, such as the Credit Application Form (FPK), Proof of Pawn (SBG), and Transaction Note, which serve to document the application, provision, and repayment of credit. In addition, we also carry out regular monitoring of loans that have been provided, especially those at risk of late repayment, such as contacting customers via SMS, WhatsApp, telephone, and visiting customers 1 week before maturity, to ensure that the collateral can be sold if needed or will pay interest installments. Separation of duties is also implemented to avoid potential abuse of authority. The appraiser is responsible for the appraisal of collateral and operational management, while the cashier processes the disbursement of funds and repayment. This aims to create a better control system and reduce the risk of errors or fraud. In addition, PT Pegadaian Megamas branch also has a code of ethics that ensures

that every employee adheres to integrity values in carrying out their duties. All of these controls aim to minimize the risk of loss for both PT Pegadaian Megamas branch and customers, while ensuring that all procedures are carried out in accordance with applicable provisions." Mrs. Jennifer Kaunang

"PT Pegadaian Megamas branch implements strict credit control in the provision of KCA, starting from the assessment of customer and collateral risk, separation of duties between appraisers and cashiers, to periodic monitoring to prevent late payments. The entire process is supported by official documents such as FPK, SBG, and Transaction Notes, and is based on a code of ethics to uphold integrity. This step ensures security, smoothness, and compliance with applicable provisions, in order to minimize the risk of loss for the company and customers." Mrs. Novianty Muchtar

"The smoothness and security of KCA is maintained through risk assessment, segregation of duties, routine monitoring, and compliance with the code of ethics, so that risks can be minimized and customer trust is maintained." Mrs. Wita Mayangsari Adam

"KCA risk management is carried out with careful assessment, clear separation of duties, and regular monitoring, to ensure process security and maintain integrity in every transaction." Mr. Imran Tian Lean.

4. *Information and Communication*

Based on an interview conducted with Mr. Imran Tian Lean as the non-pawn manager, he explained that:

"The KCA provision process cannot be separated from information and communication which is very important to ensure the smoothness and accuracy of the process. PT Pegadaian Megamas branch uses an integrated internal information system, such as the PASSION application to record, monitor, and process transactions. This system allows employees at each branch to access customer data in real-time, but this is one of the inhibiting factors when customers do not provide valid data, avoid recording errors, and increase service efficiency. In addition, information related to products and credit requirements is also clearly communicated to customers through various channels, including the Pegadaian Digital application and directly at branch offices. The customer service team at the pawnshop is trained to provide transparent explanations regarding loan provisions, interest, and the pawn process, to ensure good understanding from customers. Effective communication between unit leaders, cashiers, and other staff is also very important to minimize the risk of errors in disbursing funds or paying off credit. With a good information management system and clear communication, the pawnshop can provide fast and safe services to customers." Mr. Imran Tian Lean

"Effective communication between management, cashiers, and other staff is essential in avoiding errors in disbursement of funds or settlements, ensuring fast and secure service." Mrs. Wita Mayangsari Adam

"Information about products and credit requirements is conveyed clearly through various channels, including the Pegadaian Digital application

and direct services at branch offices, to ensure good customer understanding." Ms. Jennifer Kaunang

"The KCA granting process is supported by an integrated information system such as the PASSION application, which allows employees to access customer data in real-time to improve transaction accuracy and service efficiency. Delays or errors in recording often occur if customers do not provide valid data, so it is important to ensure the accuracy of the information received." Mrs. Novianty Muchtar.

5. Supervision

"Supervision is achieved through ongoing monitoring, separate evaluation or a combination of both. On-going monitoring is carried out by something called waskat (inherent supervision) which consists of 2 parts, namely pawn waskat and non-pawn waskat where we re-check the conformity between the number of collateral based on the existing physical and SBG, the direct supervision process by the branch manager, the re-estimation process is also carried out by direct inspection by the Internal Audit Unit (SPI) of the collateral. Every day we carry out internal control where all transaction documents are matched with the existing goods. The conformity of the recording made by the cashier with the existing transaction evidence, and the physical calculation of cash." Mrs. Wita Mayangsari Adam

"Supervision is carried out through continuous monitoring and separate evaluation, or a combination of both, to ensure that each process is running according to procedure." Mr. Imran Tian Lean

"Every day, internal control is carried out by matching transaction documents with goods, as well as ensuring the conformity of cashier records and transaction evidence." Mrs. Jennifer Kaunang

"The branch manager is responsible for direct supervision, while the Internal Audit Unit (SPI) also checks the collateral assessment to ensure accuracy." Mrs. Novianty Muchtar

DISCUSSION

Factors Causing Increase in Bad Debts

Table 3 Factors Causing Increase in Bad Debts

Factors Causing Bad Credit	Explanation	Impact on Debtor's Ability
Unstable Economic Conditions	High inflation and declining purchasing power have caused small business owners to have difficulty maintaining their income.	Income decreases, difficulty in meeting installment payment obligations
Family problem	Divorce or death of a family member can disrupt the emotional and financial stability of the debtor.	Personal financial problems, lack of focus on financial

		obligations, potential for late payments
Unexpected events	Natural disasters, social conflicts, or pandemics that damage the debtor's business assets	Business assets are damaged or disrupted, business is not running, payment ability is hampered
Bad character factor of debtor	Debtors with bad intentions or irresponsibility in returning loans. This can happen even though the debtor meets the initial criteria for granting credit	Credit repayments are not made according to agreement, potentially increasing bad debts.

CONCLUSION AND RECOMMENDATIONS

Conclusion

After analyzing the internal control system for providing safe fast credit (KCA), it can be concluded that:

1. Factors that cause an increase in bad debts due to unstable economic conditions, have a direct impact on the debtor's ability to pay installments. Next, events beyond the debtor's control such as natural disasters, pandemics, can affect their ability to pay installments, especially if their business is affected by these events. Finally, the bad character factor of the debtor, where some debtors are not responsible for returning the credit. These factors can worsen the quality of the credit portfolio if not handled properly.
2. The internal control system that has been implemented is still weak, where there are things that cannot be resolved effectively.
3. The control environment at PT Pegadaian Megamas branch is still inadequate, where in the control environment component for the sub-component of implementing integrity and ethical values, there are still individuals who behave without integrity.
4. The risk assessment of PT Pegadaian Megamas branch on the company's operational risk in the submission or evaluation process was not in accordance with the procedure due to indications of errors in the assessment by the appraiser which resulted in the company experiencing losses or customers being benefited.
5. Information and communication are one of the inhibiting factors when customers do not provide valid data because there are no employees to supervise and provide direction when customers fill out the credit requirements form (FPK).

Recommendation

Based on the results of the research that has been conducted, the author provides suggestions regarding the internal control system for the provision of KCA in accordance with the internal control components according to the

Committee of Sponsoring Organizations of The Treadway Commission (COSO) as follows:

1. Companies should establish a more effective monitoring and reporting system, such as whistleblowing, to prevent an increase in bad debts and also improve more specific training and certification programs based on the role and function of each employee so that they can see the capabilities of the debtor.
2. The internal control system that has been implemented must be re-evaluated to avoid events or factors that the company does not want.
3. Companies must continue to improve their internal control systems related to communication and information to avoid incomplete and inaccurate customer data.
4. Companies must be more careful in carrying out the recording process for documents or notes related to the KCA granting process because it will affect the reliability of the company's accounting data.

ADVANCED RESEARCH

Future research can further explore the effectiveness of internal control enhancements in mitigating bad debts and improving credit risk management at PT Pegadaian Megamas branch. A more in-depth study could assess the impact of implementing advanced credit scoring models, artificial intelligence-based risk assessments, and automated monitoring systems on reducing non-performing loans. Additionally, future research could examine the role of employee training programs in strengthening integrity and ethical values within the company, ensuring that internal control measures are effectively enforced. By investigating these aspects, future studies can provide valuable insights into optimizing internal control strategies, enhancing operational efficiency, and improving overall financial stability in credit institutions.

REFERENCES

- Ardhianto, W. (2019). *Bukti Sakti Pengantar Akuntansi*. Jakarta: Anak Hebat Indonesia, (Hal. 16).
- Arens, A. R. (2023). *Auditing and Assurance Services: An Integrated Approach (17th edition)*. New York : McGraw-Hill Education, Chapter 1.
- Agustiningtyas, R., & Astuti, P. (2021). Evaluasi Sistem Pengendalian Internal Atas Pemberian KCA Pada PT. Pegadaian (Persero) UPC Warujayeng. *Seminar Nasional Manajemen, Ekonomi Dan Akuntansi*, 6(1), 1066–1073.
- Bahri, S. (2020). *Pengantar Akuntansi*. Hal 4.
- Bahri.(2021). *Akuntansi*. Hal 6.
- Coso. (2021). *Pengendalian Internal*.
- Damayanti. (2019). Pengaruh Pengendalian Internal dan Moralitas Individu Terhadap Kecurangan Akuntansi. *Jurnal Nominal Barometer Riset Akuntansi Dan Manajemen*, 5(2).
- Davila, A., Gupta, M. and Palmer, R. J. (2018). *Internal Controls, Decentralization, and Performance*. Emerald Publishing Limited, 33, 39–64.

- Diallo, O., Fitrijanti, T., & Tanzil, N. D. (2019). *Analysis of the influence of liquidity, credit and operational risk, in Indonesian Islamic Bank's financing for the period 2007-2013. Gadjah Mada International Journal of Business*, 17(3), 279-294.
- Farina, K., & Winta, W. (2020). Evaluasi Sistem Pengendalian Internal Terhadap Prosedur Pemberian Kredit pada PT. Bank Central Asia, Tbk Cabang KCU Kalimalang. *Jesyja (Jurnal Ekonomi & Ekonomi Syariah)*, 4(1), 151-165.
- Fikri, R. (2019). *Monetary Transmission Mechanism Under Dual Financial System In Indonesia: Credit-Financing Channel. Journal of Islamic and Middle Eastern Finance and Management*, 4(2), 251-278.
- Hanggara, A. (2019). Pengantar Akuntansi . Surabaya:CV. Jakad, Hal 3.
- Hamonangan. (2020). Analisis penerapan prinsip 5C dalam penyaluran pembiayaan pada bank muamalat KCU Padang. *Jurnal Ilmiah MEA*.
- Hery. (2020). *pengendalian internal*.Hal 159.
- Islamiyah, Nining; Siraj, Siti Alawiah; and Osman, A. Z. (2020). *Internal Control Practices Of Mosques In Java, Indonesia. Jurnal Akuntansi Dan Keuangan Indonesia*, 17(1).
- Jonsson, S. (2015). *The effects of reward system on bank credit losses – an agent-based model. Managerial Finance*, 41(9), 908-924.
- Karo, E. Y. B., Silalahi, M. P., & Sembiring, Y. N. (2022). Analisis Penerapan Sistem Pengendalian Intern Atas Siklus Pemberian Kredit Pada Cu. Bahagia Kabanjahe Tahun 2022. *Jurnal Ilmiah Methonomi*, 8(2), 189-198.
- Kasmir. (2021). Lembaga Keuangan Syariah. Jakarta : PT Raja Grafindo Persada, Hal 231.
- Kieso, D. W. (2019). *Intermediate Accounting (16th edition)*. Hoboken:New Jersey: NJ:John Wiley & Sons.
- Maharani, K. A., & Dewi, P. E. D. M. (2023). Analisis Penerapan Sistem Informasi Akuntansi Pelelangan Atas Barang Jaminan Gadai Pada PT Pegadaian Area Denpasar 1. *Jurnal Ilmiah Akuntansi Dan Humanika*, 13(1), 142-152.
- Marianus Ronaldito Deleng, Yosefina Andia Dekrita, & W. M. Y. J. (2023). Analisis Penerapan Sistem Pengendalian Internal Dalam Menunjang Efektivitas Sistem Pemberian Kredit Pada Puskopdit Swadaya Utama Maumere. Strategi. *Strategi Jurnal Manajemen*, 13(1), 23-32.
- Marselinus Aditya Hartanto Tjungadi, Y. R. (2020). Akuntabilitas Pelaporan Keuangan dan Pengendalian Internal pada Gereja Toraja ABC. *Jurnal Aset (Akuntansi Riset)*, 12(2).
- Mulyadi. (2022). Mutu Karyawan. Yogyakarta.
- Mulyadi, D. (2017). Akuntansi Biaya. Yogyakarta : BPFE Yogyakarta.
- Mulyadi. (2021). *Sistem pengendalian internal*.
- Mulyadi, D. (2022). Akuntansi Biaya. Salemba Empat.
- Mulyono, Teguh Pudjo, (2001). Manajemen Perkreditan Bagi Bank Komersial, BPFE, Yogyakarta.
- Nadillah. (2021). Pengaruh Risiko Kredit Dan Tingkat Kecukupan Modal Terhadap Profitabilitas Perbankan Yang Listing Di Bei Periode 2015-2019. *Jurnal Nominal Barometer Riset Akuntansi Dan Manajemen*, 10(2).
- (OJK), O. J. (2018). Peraturan OJK Nomor 31/POJK.03/2018 tentang Penyelenggaraan Kredit Mikro.

- Pegadaian, P. (2023). Kredit Cepat Aman(KCA).
- Prasadhana, D. D., Sulindawati, N. L. G. E., SE Ak, M., & SINARWATI, N. K. (2017). Analisis Sistem Pengajuan Kredit Dan Implementasi Pengendalian Internal Dalam Pemberian Kredit Mikro Usaha Kecil Menengah Pada PT. Bank Rakyat Indonesia (PERSERO), TBK UNIT Banyuwatis. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 7(1).
- Pratiwi, I. A. (2018). Analisis Efektivitas Sistem Pengendalian Internal Pada Keputusan Pemberian Kredit Mikro (Studi Pada Pt. Bank Jatim Gresik) (Doctoral Dissertation, Universitas Muhammadiyah Gresik).
- Purnairawan, D. (2021). Akuntansi Keuangan. Hal.3.
- Rangian, M. M., Nangoi, G. B., & Wokas, H. R. (2021). Analisis Penerapan Sistem Pengendalian Intern Dalam Pemberian Kredit Di PT Bukopin Finance Graha Manado. *Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, 9(1).
- Rolos, R. (2022). Pengantar Akuntansi Keuangan. Jakarta: Penerbit Ekonomika.
- Sarumpaet, Susi and Dewi, Fajar Gustiawaty and Agustina, Yenni and Amelia, Y. (2020). Studi Eksperimen Tentang Pengaruh Kinerja Lingkungan Dan Sosial Terhadap Penilaian Kredit Perbankan. *Jurnal Aset*, 12(2), 384-403.
- Sugiyono, P. (2019). Metode Penelitian kuantitatif, kualitatif, dan R&D. *Bandung: Alfabeta*.
- Sujawerni, V. W. (2017). Sistem Akuntansi. Yogyakarta: *Pustaka Baru Press*.
- Surwadjono. (2020). Akuntansi. Yogyakarta: *Pustaka Baru Press*.Hal 10
- Sumarsan, T. (2013). Akuntansi Dasar Aplikasi Dalam Bisnis. *Jakarta: Indeks*.
- Suyanto, S., Susilawati, R. A. E., & sari, ati retna. (2016). Analisis Sistem Pengendalian Internal dalam Kelayakan Pemberian Kredit pada PT. BFI Finance cabang Malang 1. *Jurnal Riset Mahasiswa Akuntansi*, 4(1).
- Soehaditama, J. P., Machdar, N. M., & Manurung, A. H. (2023). *Determinant Banking Credit Risk Management. International Journal of Islamic and Middle Eastern Finance and Management*, 3(4), 1105-1112.
- Togubu, J. (2020). Analisis Pengendalian Internal Dalam Pemberian Kredit Koperasi Simpan Pinjam (Studi Kasus Koperasi Bobato Unit Sofifi). *JUFRI*.