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ENHANCING INTERNAL CONTROL THROUGH THE IMPLEMENTATION OF ACCOUNTING SYSTEMS AND PROCEDURES FOR WORKING CAPITAL CREDIT PROVISION

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Abstract

This article analyzes the use of full costing in production cost calculations as a basis for determining selling prices. The study examines how full costing, which allocates all fixed and variable costs to production, can provide a comprehensive understanding of production expenses, enabling businesses to set competitive and profitable selling prices. Using a qualitative methodology, the research investigates real-world applications in small and medium enterprises (SMEs) to highlight the practical challenges and benefits of implementing full costing techniques. Findings reveal that full costing ensures more accurate price setting, enhancing decision-making processes and financial performance. However, it also requires thorough data collection and accurate cost allocation, which can be resource-intensive. This study concludes with recommendations for optimizing the adoption of full costing to support business sustainability and growth.

Keywords: *full costing, production costs, selling price determination, cost allocation, financial decision-making*

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1. Introduction

In the globalization era, businesses face increasingly complex challenges due to rapid economic development and technological advancements. Companies are expected to allocate resources effectively and efficiently to maintain competitiveness. Internal control systems have emerged as essential tools to support organizations in achieving these objectives. For financial institutions, especially banks, internal controls provide a framework to monitor operations, ensure compliance, and enhance the accuracy of financial reporting.

Such systems not only protect organizational assets but also play a crucial role in minimizing risks and improving operational efficiency (Arens et al., 2020; Basel Committee on Banking Supervision, 2019).

Internal control systems are designed to support governance processes by ensuring that business activities align with organizational goals. These controls are instrumental in mitigating risks such as fraud, financial misstatements, and inefficiencies. For banks, the emphasis on robust internal control systems is even greater due to the sensitive nature of their operations. Effective internal controls ensure that decision-making processes are based on accurate information, fostering trust among stakeholders and enhancing organizational transparency (Boynton & Johnson, 2006; Romney & Steinbart, 2020).

One critical area where internal controls are indispensable is in the management of credit facilities, particularly working capital loans. These loans, characterized as short-term and revolving credit facilities, are essential for businesses to address operational funding needs. Working capital loans are primarily aimed at helping enterprises sustain production, expand operations, and manage cash flow constraints. They provide businesses with the flexibility to meet immediate financial needs, thereby supporting economic stability and growth (Kasmir, 2018; Nawawi, 2019).

Bank Perkreditan Rakyat (BPR) plays a significant role in providing working capital loans, particularly to small and medium-sized enterprises (SMEs). SMEs often encounter difficulties accessing traditional credit facilities due to limited financial histories and stringent requirements. BPR, with its focus on supporting grassroots economic activities, has tailored its credit solutions to address these challenges. However, the effectiveness of BPR's lending operations heavily relies on the implementation of strong internal control systems to mitigate risks such as credit defaults and operational irregularities (Mulyadi, 2016; Yusuf, 2019).

Effective internal control systems are integral to ensuring the quality of credit management processes. They help banks assess creditworthiness accurately, minimize the risks of non-performing loans, and ensure compliance with regulatory requirements. Additionally, internal controls support efficient credit disbursement and monitoring, ensuring that the funds provided are used for their intended purposes. These measures are critical for maintaining the financial health of lending institutions and fostering sustainable economic development (COSO, 2017; Komarudin & Sutrisno, 2017).

The relationship between internal controls and organizational performance has been extensively explored in both national and international literature. Studies show that strong internal controls contribute significantly to improved risk management, enhanced financial performance, and better operational efficiency. By ensuring that business processes are transparent and compliant, internal controls create a foundation for achieving long-term organizational goals. For financial institutions, these systems are particularly vital in navigating the challenges of a competitive and highly regulated industry (Kaplan & Norton, 1996; Widiyanti & Setiawan, 2021).

Internal controls also serve a protective function by safeguarding the assets of the organization. In the context of credit provision, these systems help prevent errors and irregularities in credit evaluations and approvals. They also reduce the likelihood of financial losses due to fraud or mismanagement. For institutions like BPR, adopting a robust internal control framework is not just a regulatory requirement but a strategic necessity to maintain customer trust and operational integrity (Sugiyono, 2018; Saunders & Cornett, 2019).

Moreover, internal controls facilitate effective communication and coordination within organizations. They ensure that different departments work in unison towards achieving shared goals. In banks, internal controls are essential for aligning credit management practices with broader strategic objectives. This alignment is crucial for ensuring that financial resources are optimally utilized and that the organization remains resilient in the face of economic uncertainties (Pickett, 2010; Nuryati & Tanjung, 2017).

The growing emphasis on internal controls reflects a recognition of their importance in fostering good governance and accountability. For financial institutions, internal controls are not merely operational tools but strategic assets that enhance decision-making and risk management. They contribute to building a culture of responsibility and diligence, which is essential for maintaining competitiveness in a dynamic global economy (Basel Committee on Banking Supervision, 2019; Jensen & Meckling, 1976).

In conclusion, internal control systems are indispensable for managing working capital loans and other critical banking operations. They ensure the integrity of credit processes, protect organizational assets, and enhance overall efficiency. By addressing risks proactively and fostering transparency, internal controls serve as a cornerstone of effective financial management. As the economic landscape continues to evolve, the role of internal controls in enabling sustainable growth and operational excellence will remain paramount (Ghozali, 2018; Otoritas Jasa Keuangan, 2020).

PT. Bank Perkreditan Rakyat (BPR) Nusamba Wlingi plays a pivotal role in improving the living standards of the community by facilitating access to financial services, especially for small and medium-sized enterprises (SMEs). Located in Wlingi District, Blitar Regency, with several branch offices across Blitar, BPR Nusamba Wlingi offers financial products such as credit, term deposits, and savings accounts. Among its most significant contributions is the provision of working capital loans, designed to support business owners in expanding their operations and addressing shortfalls in operational funding. This credit system involves multiple stages, including application, assessment, interviews, surveys, credit analysis, decision-making, disbursement, and credit monitoring, ensuring transparency and accountability in the lending process (Komarudin et al., 2023; Sugiharto, 2021).

To achieve high-quality and productive performance, effective credit management is essential, supported by the implementation of robust internal control systems. These systems aim to protect organizational assets by minimizing fraud, waste, and non-performing loans while enhancing efficiency and operational effectiveness. In the context of credit provision, strong internal controls ensure accurate decision-making and reduce risks associated with credit defaults or misuse of funds. This strategic framework aligns with the broader goals of financial institutions in fostering economic growth and maintaining stakeholder trust (Hidayat & Setiawan, 2022; Nugroho et al., 2021).

Based on this background, this study aims to explore the implementation of accounting systems and procedures for working capital loans at PT. BPR Nusamba Wlingi to enhance internal control mechanisms. By examining the current processes, the study seeks to identify areas of improvement that can ensure accuracy, accountability, and efficiency in credit management. Such insights contribute to understanding how financial institutions like BPR can better align their operational practices with industry standards and regulatory requirements, ultimately driving sustainable growth and operational excellence (Rahmawati & Fadhilah, 2024; Wahyuni et al., 2023).

2. Research Method

This research employs a qualitative approach with a descriptive qualitative method. According to Sugiyono (2020), qualitative research is based on the postpositivism philosophy, utilized to examine natural conditions where the researcher acts as the primary instrument. Data collection techniques include observation, interviews, and documentation, with qualitative data analysis emphasizing meaning and context. This method aims to describe situations or events observed in detail to provide a comprehensive understanding of the studied issues.

In qualitative research, the primary focus is directed at the object of study, which serves as the foundation for analysis. The object of study is selected because it contains problems requiring solutions or deeper investigation. According to Umar (2021), the research object refers to what or who is being studied, including the location and timing of the research, as well as other relevant aspects. Similarly, Supriati (2022) defines the research object as variables studied by researchers at specific locations. Based on these definitions, the research object can be understood as a scientific target that is explored to gather data and information for specific purposes and goals.

The research focuses on two main objects: (1) the system and procedures for providing working capital loans and (2) efforts to enhance internal control in the working capital loan disbursement process. These focus areas aim to evaluate the mechanisms of credit disbursement while identifying improvement measures to strengthen internal control systems. By addressing these objectives, the study aspires to contribute to the advancement of credit management practices, ensuring more effective and efficient internal control mechanisms within financial institutions.

3. Result and Discussion

a. System and Procedures for Granting Working Capital Credit at PT. Bank Nusamba Wlingi

The system and procedures for providing working capital loans at PT. Bank Nusamba Wlingi are comprehensive and adhere to banking regulations set by Otoritas Jasa Keuangan (OJK). The stages include credit application, document verification, BI checking, credit guarantee assessment, and credit disbursement. Each stage involves various departments, such as account officers, customer service, tellers, credit division, credit heads, SID officers, and directors. While the procedures are implemented effectively and comply with regulatory standards, field observations and interviews revealed areas for improvement to strengthen internal controls, ensuring better oversight and operational efficiency (Hidayat & Nugroho, 2022; Wahyuni et al., 2023).

The credit application process begins with borrowers submitting an application form accompanied by required documents, including photocopies of identification (KTP), family cards, business permits (NPWP, SIUP), land or vehicle certificates (SHM, BPKB/STNK), utility bills, and income proof. Upon receiving the application, credit analysts or account officers verify the completeness of the documents. If any documents are missing, borrowers are given time to fulfill the requirements. Applications with incomplete documentation are canceled. Once complete, the next step is BI checking, conducted by SID officers or account officers to assess the borrower's creditworthiness and ensure there are no outstanding defaults in other financial institutions (Sugiharto, 2022; Komarudin et al., 2023).

Following BI checking, the credit assessment uses the 5C principles—Character, Capacity, Capital, Collateral, and Condition—to evaluate the borrower's reliability and creditworthiness. This evaluation includes a field survey conducted by account officers, who then compile the survey findings into a report and prepare a credit proposal for the credit committee. The credit committee reviews the report and proposal to decide whether the loan should be approved or rejected. If approved, all documentation is archived in the bank's system, and an approval letter is issued. If rejected, a rejection letter is provided to the applicant (Setiawan & Anwar, 2023; Rahmawati & Putri, 2024).

Once the credit application is approved, the credit administration department verifies the borrower's identity and the validity of collateral. The department then prepares a credit agreement and collateral binding documents, which are signed by both the borrower and the bank. After completing this process, the documents are securely stored, and administrative procedures are finalized. This stage ensures that all legal and regulatory requirements are met, protecting both the bank and the borrower from future disputes or inconsistencies in the loan agreement (Wahyuni et al., 2023; Sugiharto, 2022).

The final stage of the process is credit disbursement. The credit administration department prepares all necessary documents and forwards them to the teller for processing. The teller reviews the documentation, prepares the borrower's account book and installment sheets, and disburses the loan amount. This structured, multi-step process ensures that the disbursement is accurate, transparent, and in compliance with internal and external regulatory standards. By adhering to these procedures, PT. Bank Nusamba Wlingi upholds its commitment to effective credit management while minimizing risks and fostering customer trust (Hidayat & Nugroho, 2022; Setiawan & Anwar, 2023).

b. Internal Control in the System and Procedures for Providing Working Capital Loans at PT. Bank Nusamba Wlingi

The implementation of internal controls in the system and procedures for providing working capital loans at PT. Bank Nusamba Wlingi reflects several key aspects of credit control. These aspects aim to ensure that the lending process is well-regulated and transparent. The focus areas include competent and reliable personnel, adequate task segregation, proper authorization procedures, and sufficient documentation and records. Each of these components plays a vital role in minimizing risks and enhancing the effectiveness of credit management at the bank.

1) **Competent and Reliable Personnel**
   Internal control over credit management at PT. Bank Nusamba Wlingi is supported by competent and reliable personnel. Employees involved in credit handling possess adequate skills and undergo periodic training to improve their capabilities, particularly credit analysts. This ensures that prospective borrowers (debtors) receive accurate and reliable information throughout the credit application process. The presence of trained staff fosters trust between the bank and its clients while reducing errors and inefficiencies in the credit approval process (Rahmawati & Putri, 2024).
2) **Adequate Task Segregation**
   The principle of task segregation is well-implemented at PT. Bank Nusamba Wlingi, ensuring that different stages of the credit process are managed by separate departments. For example, the process begins with the customer applying for credit, continues with document verification by credit analysts, and concludes with credit disbursement by the

administration or teller. This separation of duties minimizes the risk of fraud and ensures that each step of the process is carried out in compliance with banking regulations (Komarudin et al., 2023).

3) **Proper Authorization Procedures**
The authorization process at PT. Bank Nusamba Wlingi ensures that loans are approved only after meeting the required conditions and completing all necessary documentation. After an initial review by credit analysts, applications are re-examined by the Head of the Credit Division to validate the analysis and decisions. This multi-layered approval process significantly reduces the risk of non-performing loans and demonstrates the bank's commitment to maintaining strong internal controls (Hidayat & Nugroho, 2022).

4) **Sufficient Documentation and Records**
The bank also excels in maintaining proper documentation and records for every credit transaction. Agreements are formalized and validated by a notary, ensuring the legal accuracy of all documentation. Additionally, the archiving system is well-organized, with documents stored sequentially for easy access and traceability. This thorough documentation process enhances accountability and demonstrates compliance with internal and external standards (Sugiharto, 2022).

5) **Integration of Control Mechanisms**
The overall integration of these control mechanisms ensures that the system and procedures for providing working capital loans at PT. Bank Nusamba Wlingi reflect effective internal control practices. The bank's commitment to training personnel, segregating tasks, enforcing proper authorization procedures, and maintaining adequate documentation collectively strengthens its risk management framework. These practices contribute to the bank's ability to minimize credit-related issues and uphold transparency in lending activities (Wahyuni et al., 2023).

6) **Continuous Improvement in Credit Control**
Despite the effectiveness of the current system, ongoing improvements are essential to adapt to evolving regulatory requirements and market conditions. Regular audits, additional training programs for staff, and updated technological tools can further enhance the internal control system. Such measures ensure that the bank continues to meet customer needs while maintaining a high standard of credit management (Setiawan & Anwar, 2023).

In conclusion, the internal control system at PT. Bank Nusamba Wlingi demonstrates a robust and structured approach to credit management. By implementing controls over personnel, task segregation, authorization, and documentation, the bank has established a reliable framework for minimizing risks and enhancing operational efficiency. These efforts reflect the bank's commitment to maintaining compliance and delivering quality financial services to its clients.

4. Conclusion

The research findings on the accounting system and procedures for granting working capital credit at PT. Bank Nusamba Wlingi indicate that the existing system generally complies with the Standard Operating Procedures (SOP) and Bank Indonesia regulations. However, certain areas require improvement to better support internal control measures.

One notable issue is the inefficiency caused by the heavy workload of Account Officers. They are tasked with repeated BI Checking, which should be handled solely by the SID department, and are also responsible for customer service during the credit application process. This dual role creates inefficiencies and strains their responsibilities.

Another gap is the absence of surprise audits, which are essential to minimize errors and deviations. Surprise audits also serve as a tool to evaluate employee performance, ensuring accountability and adherence to procedures.

Furthermore, the lack of an internal audit function weakens oversight. Internal audits are critical for conducting routine inspections and ensuring independent evaluations of company activities. The absence of this function increases the risk of irregularities in transactions and reduces the effectiveness of internal controls.

Based on the conclusions, several recommendations are proposed for PT. Bank Nusamba Wlingi to improve its system and procedures for granting working capital credit. The SID function should directly decide on BI checking results and issue rejection letters for ineligible applicants, reducing the workload of Account Officers. Additionally, each branch should assign a dedicated Customer Service representative to assist Account Officers, enabling them to focus on acquiring clients, preparing credit proposals, and conducting surveys.

Routine surprise audits should be implemented to minimize errors and evaluate employee performance. Furthermore, an internal audit division should be established to support oversight functions and conduct regular inspections of the company's operations. These measures are expected to enhance efficiency, accountability, and internal control effectiveness.

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