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The Role Of Customer Financial Statements In Providing Credit At Bank Bengkulu Putri Hijau Sub-Branch Office

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ABSTRACT

The purpose of this study is 1) To identify and analyze the role of financial reports in the credit granting process at Bank Bengkulu KCP Putri Hijau, 2) To determine the financial report elements that are of primary concern in credit evaluation at Bank Bengkulu KCP Putri Hijau, 3) To understand and evaluate the relationship between financial reports and credit risk at Bank Bengkulu KCP Putri Hijau. The analytical method used in this study is a qualitative descriptive method using the interactive model of Miles and Huberman.The research findings indicate that financial reports play a key role in credit granting by Bank Bengkulu KCP Putri Hijau. Financial reports provide information about the financial health of customers, portfolio performance, and the level of risk faced, which are used to determine credit policies, resource allocation, and risk management to ensure the bank remains stable and competitive. Some key financial report elements in credit evaluation at Bank Bengkulu KCP Putri Hijau are the items in the income statement such as net operating income and net profit. As for the balance sheet, the focus is on total current assets and total assets. The relationship between financial reports and credit risk at Bank Bengkulu KCP Putri Hijau is analyzed through financial ratios such as Debt Service Coverage Ratio (DSCR), Current Ratio, Net Profit Margin (NPM), and Return on Assets (ROA). These ratios help assess the company's ability to service debt, thereby minimizing credit risk or defaults before credit approval is granted.

INTRODUCTION

Financial statements are important documents that present the financial condition and results of financial operations of an entity, both individuals and companies, in a certain period. For banks, financial statements are a key element in credit analysis to assess customer eligibility. Before granting credit, banks need to ensure that prospective customers have the ability to repay the loan and understand the risks that may occur. Financial statements help banks assess borrowers' liquidity, profitability, and financial stability, which is the basis for credit decision-making (Berthilde & Rusibana, 2020). In addition, published financial statements are important in assessing the company's performance, because the information in it can be analyzed to determine whether the company is feasible or not for interested parties (Hidayat, 2018).

Financial statements provide in-depth insights into a borrower's income, expenses, and profits, which are essential for assessing their ability to generate long-term cash flow. This information is crucial for banks to determine whether borrowers can meet their debt obligations consistently (Popa & Nedelea, 2022). One of the important elements in financial statements is the cash flow statement, which records in detail cash inflows and outflows. This allows banks to better understand the liquidity position and cash management practices of borrowers (Nguyen & Nguyen, 2020). Thus, financial statements not only describe the financial stability of borrowers but also help banks in assessing credit risk.

The use of audited financial statements increases the reliability of information, thereby strengthening the efficiency of credit risk management. Strong financial conditions, as reflected in financial statements, reduce the risk of default and make borrowers more attractive to banks (Kalimashi, Ahmeti, & Ahmeti, 2020). Therefore, financial statements not only serve as an evaluation tool for banks, but also as a guide for management and related parties in making strategic decisions. By understanding financial statements in depth, banks can minimize credit risk and ensure the financial viability of potential customers.

On the other hand, while healthy financial reporting is important in credit decisions, contextual factors such as macroeconomic conditions, regulations, and market dynamics also affect credit risk and bank stability. Variables such as GDP growth and inflation can significantly affect credit risk, as revealed in a study on commercial banks (Maria Antony & G., 2023). Therefore, to achieve comprehensive risk mitigation, banks need to consider the health of the applicant's financial statements along with broader macroeconomic influences. Thus, the integration between traditional financial analysis and modern approaches, as well as consideration of external factors, can assist banks in making more accurate credit decisions and effectively reducing risk.

Bank Bengkulu Putri Hijau Sub-Branch Office (KCP) implements a comprehensive approach in analyzing the financial statements of prospective borrowers, focusing on liquidity ratios, solvency, profitability, and cash flow stability to ensure solvency and financial resilience. Banks also use financial trend analysis and stress testing to assess resilience in various economic scenarios. In addition to the financial aspect, non-financial factors such as business track record, management experience, and reputation are also considered. This holistic approach minimizes risk and ensures credit is given to credible customers. This study is titled "The Role of Customer Financial Statements in Providing Credit at Bank Bengkulu Putri Hijau Sub-Branch Office" to further explore the role of financial statements in the credit granting process.

LITERATURE REVIEW

Financial Statement

Financial statements are important documents that describe the financial condition and operational performance of a company in a certain period. This report includes income statement, cash flow statement, balance sheet, and equity change statement. Each component has a specific role:

- Income statement assesses profitability by showing revenue and expenses.
- Cash flow statements provide an overview of cash inflows and outflows, which is important for assessing liquidity.
- The balance sheet shows the company's financial position, including assets, liabilities, and equity.

- The statement of changes in equity reflects changes in the company's capital.

Financial statements prepared in accordance with generally accepted accounting principles (such as Financial Accounting Standards) ensure the reliability and consistency of information. This makes financial statements an important tool for various parties, including banks, in making credit decisions. Accurate and comprehensive financial statements are crucial to assess the financial capabilities of credit applicants, including profitability, risk, and liquidity.

According to Munawair (in Hidayat, 2018), financial statements are an important tool to obtain information about the company's financial position and the results achieved, assisting users in making financial and economic decisions. Cashmere defines financial statements as reports that show the financial condition of a company in a certain period. Meanwhile, Hanafi stated that financial statements are an information format used for decision-making, from investors to company management, by presenting information about profitability, risk, and cash flow timing (Fitriana, 2024).

The main purpose of financial statements is to provide information about the financial position, financial performance, and cash flow of the entity, which is used for decision-making. Financial statements also serve as a means of management accountability in the use of company resources. The presentation of financial statements must be reasonable and in accordance with the applicable Financial Accounting Standards (Bettner in Ditta, 2022). Financial statements that are prepared accurately and in accordance with accounting standards provide a real picture of a company's financial performance, allowing comparisons with past performance or similar companies.

Banking Credit

Credit is a financing facility provided by a bank or financial institution to an individual or company to meet various needs, with a refund agreement within a certain period of time accompanied by interest or rewards. According to Law Number 10 of 1998 concerning Banking, a bank is a business entity that collects funds from the community and redistributes them in the form of credit or financing to improve people's living standards (Muniarty et al., 2020). Banks also play a role as a financial institution that collects funds from the public and redistributes them, as well as providing other banking services (Andrianto, Fatihudin, & Firmansyah, 2019).

Credit comes from the Latin word "credere" which means to believe/to trust, reflecting the element of trust from the bank to customers to use funds responsibly. Anwar (in Andrianto, 2020) defines credit as the provision of achievements (services) from the lender to the recipient of the credit, with the obligation to return within a certain period of time along with the return of services (interest or rewards). Meanwhile, Banking Law Number 10 of 1998 states that credit is the provision of money or bills based on a loan-lending agreement, with the obligation to repay the debt within a certain period of time accompanied by interest (conventional principles) or profit sharing (sharia principles) (Yuliani, 2021).

Some of the definitions of credit according to Andrianto, Fatihudin, & Firmansyah (2019) include:

1. Delivery of goods, services, or money from creditors to debtors on the basis of trust, with a promise of payment on the agreed date.
2. Provision of money or bills based on a loan-borrowing agreement, with the obligation to repay the debt within a certain period of time accompanied by a reward.
3. Submission of current economic value on trust, in the hope of obtaining the same economic value in the future.
4. Actions based on agreements involving achievements and counterachievements, separated by the element of time.
5. The right to use funds within a certain time limit, with certain considerations.

In general, credit plays an important role in the economy, both as a means of financing and as an instrument to increase productivity and people's welfare.

Analysis of Financial Statements in Granting Credit

Financial analysis is a crucial aspect of credit provision, helping banks or financial institutions understand the financial condition and ability of prospective borrowers to repay credit. According to Najmudin (in Fitriana, 2024), financial statement analysis is the process of decomposing financial data into components, examining each component, and studying the relationships between components using certain analysis techniques to obtain a comprehensive understanding. Meanwhile, Drakel (in Setyowati et al., 2023) defines financial statement analysis as the selection, evaluation, and interpretation of financial data, which is linked to other information to aid investment and financial decision-making.

Financial analysis is useful for both internal (such as employee performance evaluation and operational efficiency) and external (such as assessment of investment potential). The main source of information for this analysis is the company's annual report. The financial statement analysis process involves a comprehensive assessment of the financial statements of prospective borrowers, especially through the calculation of key financial ratios, such as:

1. Liquidity Ratio: Measures a company's ability to meet its short-term obligations.
2. Leverage Ratio: Assesses how much debt is used in the company's financing.
3. Activity Ratio (Asset Management): Measures the effectiveness and efficiency of a company's asset management.
4. Profitability Ratio: Assesses the company's ability to generate profits from its resources.
5. Market Value Ratio: Used to assess the performance of public company stocks.

This ratio analysis technique helps banks assess the creditworthiness of potential borrowers by providing insights into the company's liquidity, solvency, and profitability. Ratio analysis also explains the relationship between items in financial statements, such as balance sheets and income statements, so that it becomes an important tool in credit decision-making (Siswanto, 2021).

Credit Risk

Credit risk is the potential loss faced by a bank or financial institution due to the inability of the debtor (borrower) to fulfill debt payment obligations, both principal and interest, in accordance with the agreed agreement. This risk is one of the main risks for banks because most of the bank's revenue comes from loan interest. According to Chorafas (in Andrianto, 2020), credit risk occurs when a party to a transaction fails to fulfill its obligations due to problems such as bankruptcy, insolvency, or other reasons. Meanwhile, NISP (2022) defines credit risk as a loss associated with the debtor's potential failure to pay credit at maturity. Credit risk is affected by two main factors:

1. The Amount of Credit Exposure: The higher the debtor debt, the higher the credit exposure.
2. Quality of Credit Exposure: Measured by the likelihood of default and the quality of the debtor's installments. If the collateral value is low, the quality of credit exposure is also low, so credit risk increases (NISP, 2022).

Credit risk assessment does not only depend on quantitative data, but also involves qualitative factors such as perception, intuition, and assessment of the character and reputation of debtors. While quantitative analysis (such as financial data) is important, assessing a debtor's intention to meet future obligations is more complex and often subjective (Andrianto, 2020).

Therefore, effective credit risk management is essential for banks to minimize potential losses. This includes a comprehensive analysis of the debtor's financial condition, the quality of the guarantee, as well as an assessment of the debtor's character and reputation.

METHODS

This research uses a qualitative approach, which according to Erikson (Pahleviannur et al. 2022), is an intensive investigative process to understand phenomena in the field through analytical reflection on documents, evidence, and descriptive data. Qualitative research was chosen for its ability to delve into perspectives and in-depth experience, particularly in understanding how financial statements affect credit decisions. The data collection technique is a strategic step, and according to Hamzah (Pahleviannur et al. 2022), qualitative data is descriptive, including the results of interviews, observations, photos, documents, and field notes.

The analysis method used in this study is a qualitative descriptive method with a Miles and Huberman interactive model approach (Pahleviannur et al. 2022). The model consists of four main activities: (1) Data Collection, where data is obtained through observation, interviews, and documentation. The collected data is verified by matching the results of the interviews with observations and documents to ensure their accuracy. (2) Data Reduction, which is the process of selection, abstraction, and transformation of coarse data to be simpler and relevant to the formulation of the problem. Unnecessary data is discarded, while important data is juxtaposed with theory to produce new findings. (3) Data Presentation, where data is presented systematically in the form of descriptions, tables, graphs, or diagrams to facilitate understanding. (4) Drawing conclusions, which are carried out continuously during the research. Conclusions are drawn based on data that has been collected and analyzed, resulting in complete and verified findings.

RESULTS

Brief History of Bank Bengkulu Putri Hijau Sub-Branch Office

PT. The Bengkulu Regional Development Bank or commonly called Bank Bengkulu is a regional bank domiciled in Bengkulu Province. Bank Bengkulu was established on August 9, 1969 and officially started its activities as a Bank Financial Institution on April 13, 1971. Bank Bengkulu in carrying out its activities has a Vision "Making a bank that performs high and creates added value for the community" and the Mission "Managing and developing the bank professionally, healthily, dynamically and competitively, so that it can contribute to shareholders, managers and the community as well as a driver of development and as a host in its own area by always providing the best, sympathetic, friendly and satisfying to the community and its partners".

Having 5 Core Values (Service Excellent, Professional, Innovative, Integrity, Teamwork), Banking Institutions that have been established for almost 54 years already have many networks, both offices and ATMs (based on the official website of Bank Bengkulu), namely 1 Head Office, 11 Branch Offices, 32 Sub-Branch Offices, 30 Cash Offices and 1 Priority Service Outlet as well as 121 ATM Networks spread throughout Bengkulu Province (2 of which are located in DKI Jakarta Province).

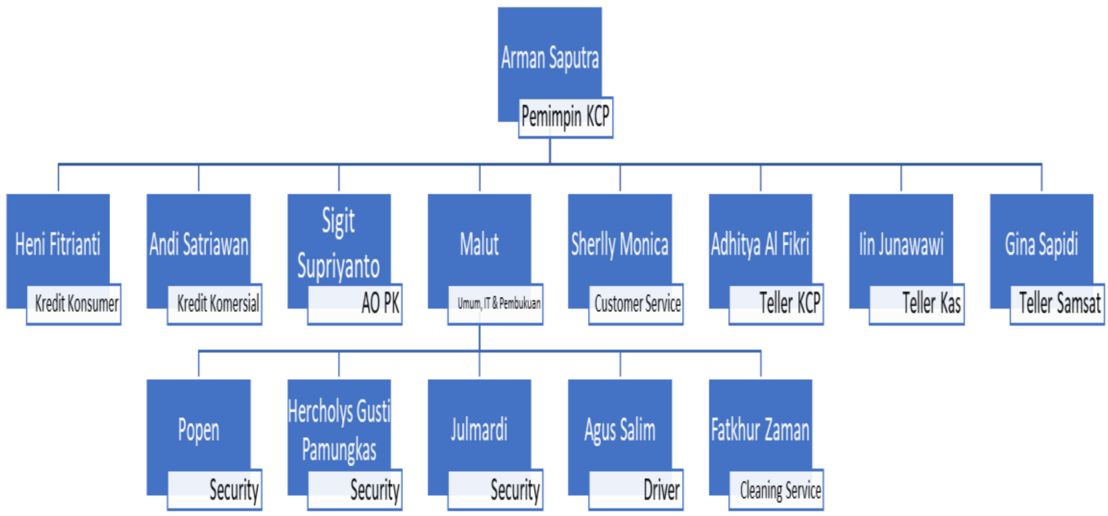
One of the auxiliary branch offices, namely Bank Bengkulu KCP Putri Hijau which was established in 2003 and is one of the KCP offices that is located in the Argamakmur Branch Office on a consolidated basis. It is addressed on Jalan Raya Kota Bani, Pasar Air Muring, Putri Hijau District, North Bengkulu Regency. Since its inception, KCP Putri Hijau has changed leadership 9 times. The composition of the Organizational Structure consists of: KCP Leader, Teller Implementer, IT, General, and Bookkeeping Implementer, Credit Implementer and Outsourced Personnel.

Organizational Structure of Bank Bengkulu Putri Hijau Sub-Branch Office

In the era of globalization and increasingly fierce competition, having an efficient and flexible organizational structure is very important. Globalization expands markets and increases operational complexity, while fierce competition demands organizations to continue to innovate and adapt quickly to changes in the external environment. Therefore, the organizational structure must be designed not only to support operational efficiency but also to ensure flexibility that allows for quick response to market dynamics.

An organizational structure is a visual scheme that illustrates the flow of hierarchy, job relationships, responsibilities, scope of control, and leadership roles in an organization. The organizational structure serves as a framework that details the job tasks that have been formally defined, grouped, and harmonized. The organizational structure depicts a command line that shows the job positions that assign responsibilities to different types of employees. The organizational structure depicts the framework and sequence of relationships between functions, components, or positions, also describes the hierarchy in the organization and serves as the foundation for exercising authority, responsibilities, and reporting mechanisms to superiors, which ultimately realizes stability and continuity that allows the organization to survive despite personnel changes and coordinate interactions with the surrounding environment (Ibrahim et al. 2023).

Figure 1 The Following Is The Organizational Structure Of Bnak Bengkulu KCP Putri Hijau



Source: Bank Bengkulu KCP Putri Hijau, 2024

The Role Of Financial Statements In Credit Feasibility Assessment

Financial statements play a crucial role in the distribution of bank loans, especially as a tool to assess the financial condition and business feasibility of borrowers. Banks use information from financial statements, such as income statements, balance sheets, cash flows, and notes on financial statements, to evaluate credit risk and borrowers' ability to repay loans. Financial statements also help banks determine the amount of credit, interest, and other conditions to manage risk well.

According to the Chairman of Bank Bengkulu KCP Putri Hijau (2024), financial statements are the main basis for strategic decision-making, providing an overview of financial health, portfolio performance, and customer risk levels. The process of analyzing financial statements involves several key indicators, such as:

1. The customer's ability to fulfill credit obligations.
2. Business profitability.
3. The level of debt compared to equity.
4. Check the bank statement to ensure sufficient fund flow.

From the customer's financial statements, the bank can assess the credit risks that may arise. Some of the aspects assessed include:

1. Solvency: Assess whether the customer is able to meet credit obligations based on financial data.
2. Financial Stability: Analyze income statements and cash flows to assess the resilience of customers' businesses.
3. Balance of Debt and Equity: Ensuring a healthy customer financial structure, with debt that is not too high compared to equity.
4. Historical Performance: Evaluating financial trends to identify potential future risks.

Based on the results of the analysis of financial statements, banks divide customers into three categories:

1. Positive Performance: Customers have the potential to get credit with low risk.
2. Stable but Weak Performance: Credits can be granted with additional conditions, such as guarantees or strict supervision.
3. Negative Performance: Credits are most likely to be denied.

Financial statements play an important role in credit decision-making by banks. The report provides an overview of a customer's financial health, performance, and risk level, all of which are crucial in determining credit policy and risk management. The credit analysis process includes:

1. Document Collection: Financial statements, balance sheets, profit and loss, and cash flow.
2. Data Analysis: Assess the stability and feasibility of the business.
3. Field Visit: Verify the data directly.
4. Risk Assessment: Using a credit scoring model.
5. Decision Making: Agree, reject, or request additional terms.

The bank's policy emphasizes the importance of transparency and accuracy of financial statements, including audits for loans above a certain amount and prioritization for customers with good financial records. Thus, financial statements are not only an evaluation tool, but also a strategic basis in making credit decisions.

In distributing credit, especially working capital loans, the analysis of customer financial statements is a very important measurement tool to determine whether the credit is approved or not. However, in analyzing customer financial statements, there are several challenges that are often faced (Credit Analyst of Bank Bengkulu KCP Putri Hijau, 2024), including:

a. Inaccurate or Incomplete Data:

Some customers do not have well-structured financial statements, or even do not have financial statements at all. As a result, banks can only rely on information from the customer's current account, which may not provide a complete picture of the customer's financial condition.

b. Poor Quality of Financial Statements:

Financial statements submitted by customers are often not audited or prepared without following applicable accounting standards. This makes the report less reliable to be used as a basis for credit assessment.

c. Lack of Transparency:

Customers are sometimes reluctant to provide complete and accurate financial information. In fact, there is a tendency to modify the data to make it look better, making it difficult for banks to assess their true financial condition.

d. Business Fluctuations:

Some business sectors have high fluctuations, such as seasonality or dependence on external factors. This makes financial analysis more complex because a customer's financial performance can change significantly in a short period of time.

These challenges require banks to take additional steps, such as field verification, educating customers on the importance of accurate financial statements, and using additional analytical tools to ensure sound credit decisions.

The challenges faced by banks in analyzing customer financial statements, especially related to working capital loan applications, are greatly influenced by the understanding and preparation of financial statements from prospective customers. Based on the results of interviews with prospective customers of Bank Bengkulu KCP Putri Hijau, many customers feel that they do not understand the importance of adequate financial statements. Most only present simple information that they understand, without following complex standards.

Prospective customers admit that they do not prepare detailed financial statements too much, as their main focus is on stable profits from day-to-day business operations. However, they feel that the bank is quite good at understanding the included financial statements. The evaluation process by the bank includes additional questions about the customer's business and field visits to verify the data provided.

The suggestion of hope from the results of interviews with prospective customers regarding the inclusion of financial statements is that prospective customers hope that the bank will provide a clearer explanation of how financial statements are used in the credit assessment process, so that they can understand the factors that affect the bank's decision. Customers expect banks to provide detailed guidance on how to prepare financial statements that meet standards, as well as financial consulting services for customers who are not used to it. For this reason, customers also hope that the bank often provides feedback after the evaluation process, so that they can improve their financial statements in the future.

Thus, the main challenge in analyzing customer financial statements is the lack of understanding and adequate preparation of financial statements from prospective customers. While banks can understand the included reports, efforts are needed to improve communication and education to customers about the importance of compliant financial statements. By providing clear explanations, guidance, and consulting services, banks can help customers improve the quality of their financial reports. This not only simplifies the credit evaluation process for banks, but also improves the ability of customers to manage business finances more effectively.

Analysis of Customer Financial Statements

From the results of the research through interviews about the role of financial statements in the decision to grant credit to Bank Bengkulu KCP Putri Hijau, it was found that the customer's financial statements are the main basis in determining whether the working capital credit submitted by the customer will be approved or rejected. In this study, the researcher also presents an analysis of customer financial statements.

The results of the interview regarding the financial ratios used by Bank Bengkulu KCP Putri Hijau in analyzing customer financial statements show that there are several financial ratios used. Here's the explanation (Credit Analyst of Bank Bengkulu KCP Putri Hijau, 2024):

a. Debt Service Coverage Ratio (DSCR)

DSCR is a measurement of a company's cash flow available to pay current debt obligations. This ratio shows the bank whether the company has enough income to pay its debts. Based on the financial statements of prospective customers, DSCR can be calculated with the following formula:

$$DSCR = \frac{\text{Net Operating Income}}{\text{Total Debt}}$$

$$= \frac{86.444.340}{0}$$

$$= \sim \text{(infinite)}$$

A DSCR higher than 1 indicates that the company has sufficient cash flow to cover its debt obligations, while a DSCR below 1 indicates potential difficulties in meeting debt repayment obligations. From the results of the ratio above, it shows that the prospective customer is financially healthy, this shows that the prospective customer does not have debts or obligations, so that a clean income can guarantee the credit installments submitted.

b. Current Ratio

The current ratio is a measure of a prospective customer's ability to pay short-term obligations such as wages and debts.

Based on the financial statements of prospective customers, the current ratio can be calculated:

$$\textit{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}}$$

$$= \frac{1.000.000}{0}$$

$$= \sim \text{(infinite)}$$

Based on the analysis above, similar to DSCR, that the prospective customer's business is healthy because there are no obligations, so that the applied credit can be approved.

c. Net Profit Margin (NPM)

NPM or net profit margin is a financial ratio that compares a company's profits to the total amount of money it makes. NPM measures how effectively a company operates by measuring the ratio of after-tax profit to sales generated.

Based on the financial statements of prospective customers, NPM can be calculated:

$$NPM = \frac{\text{Net Profit}}{\text{Total Revenue}}$$

$$= \frac{77.799.906}{204.644.340}$$

$$= 0{,}380$$

$$= 38\%$$

From the results of the analysis above, NPM of 38% means that the net profit obtained is 38% while 62% is used for operational costs and tax costs including other costs. The higher the NPM value obtained, the more it can be an indicator that the business is progressing.

d. Return on Assets (ROA)

ROA is used to measure the efficiency of asset use in generating profits. ROA is generally a type of profitability ratio, which is usually used to assess the ability of a company to earn profits through assets. With this ratio, the ability of the company is assessed in accordance with the profits obtained in the past period so that it can be used in the next period or period.

Based on the financial statements of prospective customers, ROA can be calculated:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

$$= \frac{77.799.906}{1.376.326.000}$$

$$= 0,057$$

$$= 5,7\%$$

From the results of the analysis above, ROA of 5.7% means that the net profit generated from total assets is 5.7%, the higher the ROA percentage, the better and greater the ability of prospective customers to return credit.

From the analysis of the financial statements of the prospective customers mentioned above, it shows that the business of the prospective customer is healthy and has the ability to restore credit and the next step is that the credit analyst will conduct a thorough review of the correctness of the financial statements.

DISCUSSION

Financial statements play a crucial role in the process of disbursing credit by banks, especially as the main evaluation tool to assess the financial condition and business feasibility of borrowers. Through income statements, balance sheets, and cash flows, banks can analyze credit risks that may arise. A customer's financial statements provide a comprehensive picture of income, expenses, assets, and liabilities, which helps banks assess the customer's ability to repay loans. With this information, banks can determine the appropriate credit amount, interest rate, and payment term, as well as monitor the customer's financial development during the loan period.

As an evaluation tool, financial statements are the basis for making strategic decisions in granting credit. If the financial statements show a healthy financial condition, banks tend to provide credit with more favorable terms. Conversely, if the financial statements show high risk, the bank may reject the credit request. This confirms that financial statements not only serve as a valuation tool, but also serve as a foundation for safe and sustainable credit decisions for banks.

The results of the research through an interview with the Chairman of Bank Bengkulu KCP Putri Hijau corroborated the importance of financial statements in the credit granting process. Financial statements are a guide for banks in setting a realistic credit limit that is in accordance with the customer's financial condition. Detailed analysis of financial data allows banks to determine credit limits that do not burden customers, while supporting healthy and sustainable credit relationships. This is in line with the theory that financial statements are a vital tool in strategic decision-making for financial institutions (Purbayati, Muflih, & Pakpahan, 2024).

Overall, customer financial statements not only help banks reduce the risk of losses, but also ensure the sustainability of banking business operations. Therefore, it is important for borrowers to prepare accurate and transparent financial statements in order to meet the criteria set by the bank. Thus, financial statements are a key element in creating a mutually beneficial credit relationship between banks and customers. Financial statements serve as a mirror of customers' financial health and are a vital source of information for banks in assessing creditworthiness, especially working capital loans. This report covers:

1. Financial Health: Provides a comprehensive overview of the client's financial condition, including assets, liabilities, and equity, to assess financial stability.
2. Portfolio Performance: Analyze customer income and expenses to understand the efficiency of business management.
3. Risk Level: Identifies and evaluates credit risk, helping banks formulate appropriate credit policies.

In analyzing financial statements, some key indicators to consider are:

1. Ability to Meet Credit Obligations: Evaluate cash flow to ensure customers have enough income to pay installments.
2. Business Profitability: Ensuring that the customer's business generates profits that can be used to pay debts.
3. Debt to Equity Level: Analyze the debt-to-capital ratio to assess the customer's debt burden.
4. Current Account Check: Checking the flow of customer funds to ensure the adequacy of cash flow.

Overall, financial statements are not only a tool for evaluating creditworthiness, but also a basis for formulating credit policies and risk management. With proper analysis, banks can minimize the risk of losses due to non-performing loans and maintain stability and competitiveness in the market. Financial statements also help identify potential credit risks, such as reliance on a single source of income or a high debt ratio, which can affect a customer's ability to meet payment obligations (Lasena and Ahmad, 2023).

Customer financial statements play a crucial role in credit risk assessment by banks, especially for working capital loans. Through the analysis of financial statements, banks can evaluate customers' ability to meet payment obligations, financial resilience, and balance between debt and equity. The results of this analysis divide customers into three categories based on financial performance: customers with positive performance (low risk) have the potential to get credit, while those with negative performance are likely to be rejected.

However, banks often face challenges such as inaccurate data, substandard financial statements, and a lack of transparency from customers. To overcome this, banks conduct field verifications, educate customers on the importance of good financial reports, and combine internal data with external information. From the customer side, many do not understand the importance of structured financial statements and often only rely on daily operational management.

The case example at Bank Bengkulu KCP Putri Hijau shows that many customers do not have good financial statements or even do not have them at all. To overcome this, credit analysts help customers prepare financial statements according to accounting standards and analyze them using indicators such as Debt Service Coverage Ratio (DSCR), Current Ratio, Net Profit Margin (NPM), and Return on Assets (ROA). The results of this analysis are the basis for determining creditworthiness and the amount of the approved amount.

Overall, financial statements play an important role in credit decision-making to minimize risk. Previous research, such as one conducted by Fitriani (2018), also emphasized that customer financial statements are very influential in credit policies. With better communication and support from banks, it is hoped that customers can improve the quality of their financial statements, so that the credit evaluation process becomes more effective and credit risk can be better managed.

CONCLUSION

From the results of the research and discussion on the role of financial statements in providing credit to Bank Bengkulu KCP Putri Hijau, it can be concluded:

1. Financial statements play a major role in the provision of credit by Bank Bengkulu KCP Putri Hijau. Financial statements provide information on the financial health of customers, portfolio performance, and risk exposure, which is used to determine credit policies, resource allocation, and risk management to keep banks stable and competitive.
2. Some elements of the financial statements that are the main concern in the credit evaluation at Bank Bengkulu KCP Putri Hijau are the accounts in the income statement, namely net operating income, net profit. Meanwhile, the accounts in the balance sheet are total current assets and total assets.
3. The relationship between financial statements and credit risk at Bank Bengkulu KCP Putri Hijau is by analyzing financial statements, namely Debt Service Coverage Ratio (DSCR), Current Ratio, Net Profit Margin (NPM), and Return on Assets (ROA), with this ratio it can be known the company's ability to pay credit installments so that credit risk or bad credit can be minimized before the credit is approved.

SUGGESTION

From the results of the research and discussion above, there are several suggestions that the researcher can convey:

1. Financial statements have an important role in providing credit to customers, for this reason, it is recommended to Bank Bengkulu KCP Putri Hijau, especially credit analysts, really pay attention to the validity of the customer's financial statements and ensure that the submitted financial statements provide clear and honest information about the company's financial condition.
2. Customer financial statements are often prepared not based on generally accepted accounting standards so that the information submitted is not clear, for this reason it is recommended that in helping customers prepare financial statements must be completely independent, meaning that they do not favor the customer so that credit is approved so that it will result in bad credit.

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