

ABSTRACT

Digital transformation in the banking sector has driven the development of digital lending products as a strategic instrument to enhance financial inclusion in Indonesia. However, the growth of unsecured loan distribution through digital platforms has also generated significant credit risks, reflected in the increasing non-performing loan (NPL) ratios across various digital banks. This study aims to examine the challenges as well as the strategies for risk management and recovery optimization in the digital lending products of Bank X. The research employs a qualitative method with a case study approach. Primary data were collected through semi-structured interviews with risk managers, the digital lending division, and customers, while secondary data were obtained from annual reports, internal documents, and academic literature. The analysis was conducted using the Miles and Huberman model, which includes data reduction, data presentation, and conclusion drawing. The findings indicate that the main challenge in recovering unsecured loans lies in the high default risk and the limitations of conventional creditworthiness assessments. Bank X addresses these challenges with technology-based strategies, such as the use of machine learning for credit scoring, auto-debit systems, and flexible restructuring approaches. Nonetheless, operational obstacles remain, including the reliability of digital systems and customers' limited financial literacy. This study concludes that optimizing recovery requires synergy between digital technology, adaptive managerial policies, and customer financial education. The findings further imply the need for artificial intelligence-based policies for credit restructuring, periodic audits of automated systems, and the establishment of hybrid recovery teams that combine data analysis with a human-centered approach. This research contributes theoretically to the development of digital banking risk management literature and provides practical recommendations for Bank X in strengthening resilience against credit risks.

Keywords: *Risk Management, Digital Lending, Non-Performing Loan (NPL), Recovery Strategy, Digital Bank.*