ABSTRACT

In order to carry out its function of conducting an integrated regulatory and supervisory system for all activities in the financial services sector, the Financial Services Authority (OJK) has established regulations requiring Financial Services Institutions (LJK) as well as Issuers and Public Companies (EPP) to submit reports to the OJK, including regarding the receipt and disbursement of funds. Funds received by LJK or EPP comes from savings, current accounts, and deposits (specifically for banks), loans from LJK/other parties, or the issuance of debt securities. On the other hands, LJK or EPP disburses funds through the provision of credit by banks/finance companies, placement of funds in bank deposit accounts, or the purchase of debt securities issued by other parties.

The 1998 Indonesian crisis realized valuable lessons that stress on banks might be deteriorated by their interconnectedness with business groups, including connected lending practices and exposure concentration. Furthermore, in recent decades, concentration risk has become increasingly relevant with the increasing complexity of financial markets and global economic uncertainty. The 2008 financial crisis, for example, demonstrated how credit concentration in the property sector can trigger a systemic crisis.

Through this research, the author identifies the current data analysis practices by supervisors and proposes improvements to the work process by developing risk concentration analysis techniques in the form of exposure to loans from large debtor groups combined with analysis of fund receipts from these groups.

The research utilized a qualitative approach which involves the use and collection of various materials originating from potential data collection activities, namely by interviewing, observing, and collecting data as needed from documents.

Based on the author's research, OJK supervisors urgently need a risk concentration analysis that combines fund receipts and disbursements, not only for a single financial services institution from/to a specific customer, but also for several financial services institutions from/to a group of customers. This fairly complex analysis process is still carried out manually, individually by each LJK supervisor, resulting in inconsistent processes and quality of results. Furthermore, the knowledge and experience gained by one supervisor cannot be shared with other supervisors because of the documentation of work processes carried out and lessons learned is not available.

By implementing Supervisory Technology (suptech), OJK not only increases the effectiveness of supervision, but also transforms supervisory knowledge from tacit to explicit knowledge documented in the system.

This research is expected to contribute to scientific knowledge regarding the development of optimal operating models, particularly regarding the identification and monitoring of credit risk concentrations in the financial services sector, including the use of technology to support this process. This research also provides evidence that tacit knowledge, in the form of experience and/or understanding, can be transformed into explicit knowledge, which is structured, easily documented, and can be explained in formal language.

Keywordrs: supervisory technology, suptech, risk concentration, tacit knowledge, explicit knowledge, business process imprevement.