

Strategies for Handling Problem Loans at KSP CU Dharma Bakti Yogyakarta

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ABSTRACT

KSP CU Dharma Bakti as a saving and loans cooperative has a crucial role in supporting the community's economy through providing financial services. The main challenge faced by KSP CU Dharma Bakti is effective credit management to prevent and handle problem loans. The objective of this community service to formulate the strategy for handling problem loans at this cooperative. The result of this program shows that the causes of bad credit at KSP CU Dharma Bakti are internal and external factors, such as lack of selectivity on granting credit and weak credit monitoring systems. The strategies to overcome the loan problem are rescheduling, restructuring, and forfeiture of collateral.

INTRODUCTION

A Cooperative is one of the business entities that play an important role in the national economy. A cooperative is a business entity consisting of cooperative persons or legal entities by basing their activities on the cooperative principle and the people's economic movement based on the principle of kinship. In general, cooperatives are generally understood as associations of people who voluntarily unite themselves to fight for the improvement of their economic welfare, through the formation of democratically managed enterprises. Cooperatives contain two elements, namely economic elements and social elements which are related to each other. It is said to have an economic element because the aim of the cooperative is to achieve the welfare of its members. Meanwhile, the social element can be seen from the principles upheld in cooperatives, namely the principle of kinship (Arifianto, 2015).

The Objective of cooperative is to improve the welfare of their members and make maximum efforts to contribute to society. Indonesian cooperatives are associations of people, not associations of capital, so profits are not the main measure, but rather the welfare of members. Benefits received by members take precedence over benefits (Isnanto, 2018). One type of cooperative that is often found is the Savings and Loans Cooperative or known as KSP. KSP is a non-bank financial institution that is able to help the micro business sector, to overcome funding problems which in the long term can improve people's welfare and spur economic growth. KSP plays a role in developing MSMEs as a provider of business capital, saving money other than banks, meeting MSMEs capital and empowering the community's economy (Poling et al., 2023).

One of the cooperatives in Yogyakarta is KSP CU Dharma Bakti located on Jl. Kabupaten, Jaten, Sendangadi Mlati, Sleman, Yogyakarta-Indonesia. This cooperative was established on December 31, 1981 initiated by BK3 Indonesia initiated by Catholic Women. KSP CU Dharma Bakti is a member of the Jatra Miguna Puskopdit and has 24 primary cooperatives with a total of 32,010 members. Puskopdit Jatra Miguna is a member of Credit Union Central of Indonesia (CUCO) headquartered in Jakarta. CUCO has 36 secondary cooperatives consisting of 814 primary cooperatives with 3,000,000 members and has total assets of 28 trillion. KSP CU Dharma Bakti was established not only for the purpose of managing finances but, a movement based on honesty, trust, helping and developing a sense of care, so that all members are able to be independent and free from poverty. This cooperative has a variety of savings and loans products aimed at various community groups.



Figure 1. The Head of KSP CU Dharma Bakti Figure & Loan Product Offered by KSP CU Dharma Bakti



Figure 2. Loan Product Offered by KSP CU Dharma Bakti



Figure 3. Saving Product Offered by KSP CU Dharma Bakti

Business activities at KSP CU Dharma Bakti are generally running well, but there are still obstacles faced, especially regarding "bad loans" or Non-Performing Loans (NPL). Savings and loans institutions must be able to manage, collect and distribute public funds effectively and efficiently in order to improve the standard of living of community members in particular and society in general. NPL is a condition where the customer is unable to pay part or all of his obligations to the KSP as agreed in the credit agreement. Credit distribution to customers is a big risk, so credit requires a management system so that the risk of bad loans or losses can be minimized. To minimize the occurrence of NPLs, KSP Dharma Bakti requires an effective credit management strategy so that credit management can handle these problems.

Bad credit can be caused by internal or external factors. Internal factors causing bad credit are: expansive credit policies, deviations in the implementation of credit procedures, bad faith on the part of owners, management or bank employees, weak bad credit information systems. Meanwhile, external factors causing bad credit are: debtor's business failure, debtor's use of an unhealthy banking competitive climate, as well as decreased economic activity and high credit interest rates (Nursyahriana et al., 2017). The strategy to overcome problem loans at KSP is through restructuring and

confiscation of collateral. Credit restructuring can be provided to debtors by: extending payment terms, reducing interest rates, and reducing repayment. As for debtors who do not meet the criteria, assets will be taken or collateral confiscated (Suratama & Yuniarta, 2022) . In avoiding the pervasive source of bad credit losses that occur in cooperatives, efforts need to be made to minimize the root of the problem. The purpose of this community service program is to assist partners in handling NPLs

IMPLEMENTATION AND METHODS

This community service program is carried out through a number of stages, such as: observation, program implementation and evaluation. Activities at KSP CU Dharma Bakti were guided by Mrs. Theresia Supartinah Sunardi as a field supervisor.

1. Interview and Observation

The interview method is carried out to obtain information by asking questions directly and virtually through communication to the cooperative as a facilitator to provide information according to a predetermined topic. The target of applying this method is every party who is considered to play a direct role or knows about activities in providing credit and the causes of bad loans While observation is direct observation of the object to be studied to collect primary data needed in accordance with the topics discussed by the community service team.

2. Documentation

Documentation is carried out with the aim of completing the information obtained to be more complete and support the truth and information provided in accordance with the topic discussed.

3. Implementation of Work Program

This stage is carried out to implement the work program that has been agreed with partners. The methods used are helping survey customers who have problems with NPL, providing counseling to KSP CU Dharma Bakti customers to have high awareness in paying debts, making poster media a means of credit socialization.

RESULTS AND DISCUSSION

This community service program starts from October 30 to November 25, 2023. Its main activities are compiling questionnaires to identify bad debts, conducting field surveys of debtors belonging to the non-performing category, making posters containing the scope of cooperative loan products. In this program, the community service team also performs several tasks, such as "entering member data, input share and loan savings data. The results of the implementation of this activity are as follows:

Create a questionnaire to identify the causes of NPL or “Kredit Macet”

NPLs are broadly defined as loans, where payments are made intermittently and do not meet the minimum obligations set for loans that are difficult to repay or even uncollectible. When associated with the classification of collectible loans, the definition of non-performing loans includes loans ranging from those classified as substandard, special mention, doubtful, to bad loans (Arsyad et al., 2022). NPL is a loan that has difficulty paying due to intentional factors and/or due to external factors beyond the control of the debtor. So that the debtor does not make repayments or does not repay the loan according to the due date, or installments past the specified due date. To identify the causes of bad debt, the community service team conducted a survey of credit customers. The design of the questionnaire instruments used for the survey is as follows:

The image shows a survey questionnaire with the following sections:

- KUESIONER SURVEY NASABAH "KREDIT MACET" DI KOPERASI SIMPAN PINJAM CU DHARMA BAKTI**
- I. PROFIL NASABAH:**
 1. Nama:
 2. Tingkat Usia:
 3. Tingkat Pendapatan/Bulan:
 4. Lama Menjadi Nasabah:
- II. PRODUK PINJAMAN YANG DIGUNAKAN:**
 - a. Pinjaman LPDB
 - b. Pinjaman Khusus
 - c. Pinjaman Lunak
 - d. Pinjaman Sebrakan
 - e. Pinjaman Umum
- III. KENDALA DALAM PENGEMBALAN KREDIT**
 - a. Penurunan Pendapatan
 - b. Kegagalan Usaha
 - c. Pemutusan Hubungan Kerja
 - d. Lainnya, Sebutkan.....

Figure 4. Loan Customer Survey Questionnaire Design

Socialization of Loan Requirements to Customers

This activity is carried out by conducting direct outreach to prospective customers who will apply for loans at KSP CU Dharma Bakti. This is intended so that customers have awareness from the start regarding the requirements that must be met when applying for a loan and compliance with making credit payments on time.

The image shows a mobile application interface with the following content:

- CU DHARMA BAKTI**
Koperasi Simpan Pinjam
- SYARAT MENGAJUKAN PINJAMAN**
- Sudah Menjadi Anggota Aktif selama 3 (Tiga) Bulan
- Kewajiban Anggota Setiap Bulan membayar Simpanan Wajib Rp. 10.000
- Kewajiban Anggota Setiap Bulan membayar Simpanan kapitalisasi Rp. 10.000
- Melampirkan Copy KTP, KK, pas Foto 4x6 = 2 lbr
- Melampirkan Copy Surat Agunan (Sertifikat / BPKB Motor atau Mobil)
- Diputuskan Panitia Kredit, setelah disetujui saat pencairan pinjaman, pemohon menyerahkan agunan asli

Figure 5. Loan Requirements at KSP CU Dharma Bakti



Figure 6. Socialization Loan Requirements to Customer

The result of this activity is that prospective customers better understand the requirements that must be met when applying for credit. In this socialization, the community service team also provides a credit repayment simulation so that customers can estimate the amount of funds to be borrowed by adjusting the customer's abilities. With this credit installment projection, bad credit can be minimized.

Make Posters Regarding Loan Products

The creation of this media is intended to make it easier for customers to find out information about the products and services offered by KSP CU Dharma Bakti. Even though this information is available on the website, for customers who come directly to the cooperative, it will be easier to read the information directly through printed media, one of which is posters. Remembering that there are customers who prefer to read information through print media rather than electronic media.



Figure 7. Savings and Loan Product Poster



Figure 7. Submission of Posters to General Manager KSP CU Dharma Bakti

Evaluation

This activity is carried out by conducting direct socialization to prospective customers who will apply for loans at KSP CU Dharma Bakti. This is intended so that customers have awareness from the beginning regarding the requirements that must be met when applying for a loan and compliance with making credit payments on time. Parent loans, more than 90 days from the due date. In overcoming bad credit, there are several handling strategies that can be carried out by the cooperative by making a rescue, so that it will not cause losses. Rescue can be done by providing relief in the form of a payment period or the number of installments, especially for loans affected by disasters or by confiscating loans that are deliberately negligent to pay. Rescue can be done in several modes, namely:

Rescheduling, which is by:

- a. Extending the credit period, in this case the customer is given relief in the matter of the credit period, for example an extension of the credit period from 6 months to one (1) year so that the customer has a longer time to return it.
 - b. Extending the installment period, in this case the credit installment period is extended, for example from 36 times to 48 times.
2. Reconditioning, by changing various existing conditions such as:
- a. Interest capacity, i.e. by way of interest being used as principal debt
 - b. Postponement of interest payments until a certain time, meaning that only interest can be postponed, while the principal must be paid as usual.
 - c. Decrease in interest rates, a decrease in interest rates will be affected by the smaller number of installments, so it is expected to help relieve customers.
 - d. Waiver of interest, this is given to customers by considering customers who will no longer be able to pay the credit. However, the customer will still be able to pay the credit. However, the customer still has an obligation to pay the principal loan until it is paid off.
3. Restructuring, which is by:
- a. Increase the amount of credit
 - b. Increase equity by depositing cash and additional money from the owner.
4. Combination, is a combination of the three methods above. Confiscation of collateral, is the last resort if the customer really does not have good faith or is no longer able to pay all his debts.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this community service program, the general conclusion in this program is that there are two factors that affect non-performing loans at the community partner financing savings and loan cooperative, namely external factors and internal factors. While the conclusions based on the sub-sub problems in this study are:

- a) Community partner financing savings and loan cooperatives have a strategy in reducing the number of bad credit cases in cooperatives, namely by providing. reduction in yield and profit sharing, reduction in arrears of rewards or profit sharing. reduction in arrears of principal financing. extension of financing time, additional financing facilities, collection of debtor assets in accordance with applicable provisions.
- b) Community partner financing savings and loan cooperatives also have several forms of bad credit handling strategies, namely by rescheduling or rescheduling and reconditioning or rearranging all forms of requirements.

A number of recommendations that can be given to KSP CU Dharma Bakti are as follows: (1). the cooperative is expected to be able to make SOPs according to the needs of the cooperative and according to the agreement with all cooperative members so that the SOP can ward off all forms of Non-Performing Loan, and (2). Credit officers must confirm in detail the background of prospective customers who will apply for credit so that their level of eligibility can be measured.

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