

**Original Article****THE HANDLING OF BAD CREDIT AT KOPERINDO EAST JAVA, KANDAT DISTRICT, KEDIRI REGENCY****Saifudin Yusuf<sup>1)</sup>, Hardining Estu Murdinar<sup>1)\*</sup>, Sandi Eka Suprajang<sup>2)</sup>**<sup>1)</sup>University Nahdlatul Ulama Blitar, Indonesia<sup>2)</sup>STIE Kesuma Negara Blitar, Indonesia

\*Corresponding Author, E-mail: hardiningestu@unublitar.ac.id

**ABSTRACT**

**Background.** Koperindo East Java activities collect funds from the public in the form of savings and channel these funds back to the community in the form of credit and provide other bank services.

**Research Purpose.** This study aims to analyze the percentage level of bad credit at Koperindo and describe Non-Performing Loans (NPL) for the last 3 years.

**Research Methods.** This descriptive research at Koperindo East Java, Kandat District, Kediri Regency. This study used primary data sources by interviews and field observations. Researchers also used secondary data obtained through Koperindo banking documents and analyzed them using descriptive analytic methods.

**Findings.** Bad credit is caused by internal factors and external factors in Koperindo. For 2020 it has an NPL of 7.42%, for 2021 it has an NPL of 9.97%, this shows that in 2022 NPL credit will increase by 2.25%. Because the NPL level at Koperindo East Java exceeds the policy standard, which is 5%, Koperindo emphasizes that in 2021 it will focus more on NPL so that cooperatives experience a decrease in the NPL level. So that in 2022 the NPL is 3.75% and has decreased by 6.22%. The NPL principle is "The Lower Is Better", meaning that the smaller the NPL value, the better the soundness level of a cooperative.

**Conclusion.** Handling bad credit problems through optimal and effective billing by the credit supervisory team and restructuring in 3 ways: extending the credit period, changing the loan system from the installment system to maturity, and confiscating collateral.

**Keywords:** Bad Credit, Koperindo East Java, Non-Performing Loans.

**BACKGROUND**

Koperindo East Java is a financial institution from a commercial bank that is oriented to financial and economic businesses whose activities are conducting banking transactions, namely collecting funds (funding) from the public, and channeling funds (lending) to the community while also conducting other banking transactions (services). which supports collecting and distributing activities and the community by providing other bank services. Koperindo East Java as a fund collector and channel of public funds (financial intermediary) which has a strategic area in the economy of a country as well as from various banking businesses. The credit program is one of the most dominant in terms of service priority level, bearing in mind that the largest income at a bank is obtained from the credit sector, especially in services and interest on credit that have been distributed to customers (debtors). It's just that the purpose of the banking business to gain profit (profitability) must be balanced with aspects of security (safety)[1].

Credit problems are very closely related to legal issues, this problem is caused when the process of granting credit to the bank there is a relationship and agreement in the form

of an agreement, which states that there is a necessity for the customer (debtor) to return the credit he has received. This opinion is in accordance with Subekti's opinion, that an agreement is a legal relationship between two people or two parties, one party giving credit and the other party is obliged to fulfill these demands. The relationship between the two parties in the engagement is a legal relationship. Where the rights of the debtor (creditor) are guaranteed by law or legislation. Thus, if these demands are not fulfilled voluntarily, then the creditor can sue them before the panel of judges[2].

Based on the description above, it can be concluded that debtors who do not return credit in accordance with the agreement or are not in accordance with the joint agreement of the creditor (bank), the debtor can be subject to legal sanctions, especially if the debtor cannot settle the return of debt and interest. This situation is called a jammed credit. By looking at this situation, the next step is for the bank to take legal action according to the stages and procedures that must be carried out by the creditor (bank)[3].

The previous research by Dedi Mulyadi & Siti Jubaedah (2016) "Credit management analysis in an effort to minimize problem credit (Studies at PT. BPR Pantura Abadi Karawang) research results in the form of PT. BPR Pantura Abadi carries out management functions in lending, namely the functions of planning, organizing, implementing, and monitoring credit on an ongoing basis. Another research by Fransisca Claudya Mewoh Harry J Sumampouw Lucky F Tamengkel (2016) "Analysis of bad credit (PT. Bank Sulut, TBK Manado)" with research results Total credit disbursed was 99.18% and in 2013 the level of performing loans was 94.46%. Thus, the ratio of non-performing loans or the ratio of non-performing loans to PT Bank Sulut in 2013 was only 0.54% (100% -94.46%), and in 2012 non-performing loans or bad loans were only 0.82%. This level of NPL ratio is very good because the percentage is far from the NPL ratio tolerated by the government, in this case, Bank Indonesia, which is 5%. From 2012 to 2013 the total non-performing loans or performing 23 loans experienced an increase of 0.28%, while on the non-performing loans side, non-performing loans decreased by 0.28%. This explains that the management of Bank Sulut in distributing loans in 2013 was very effective and good[4,5,6,7].

However, there is an unclear explanation about bad credit factors, the percentage level of bad credit, and non-performing loans in Koperindo East Java. Based on the description of the background of the problem above, it can be formulated as follows: What is the percentage level of bad credit at Koperindo East Java, Kandat District, Kediri Regency? What are the factors that cause bad credit at Koperindo East Java, Kandat District, Kediri Regency? How is the settlement of bad credit at Koperindo East Java, Kandat District, Kediri Regency through mediative channels or legal processes?

## **RESEARCH METHOD**

This type of research was conducted by researchers using quantitative and qualitative methods. The qualitative research method is research that is used to examine objects that are natural in nature, with the role of the researcher as the principal and key instrument for determining success in research. The data collection technique was carried out in a triangulation (combining) manner, to analyze the data which is inductive in nature and the results of the research are more emphasized on the meaning of the problems studied rather than generalizations. This study does not prioritize the size of the population or sampling. If the data collected is in-depth and can explain the phenomenon under study, then there is no need to look at another sampling. Qualitative research places more emphasis on the depth or quality of data[4].

Quantitative data according to Sulyanto is data expressed in the form of numbers and is the result of calculations and measurements[8]. Quantitative data used in this study such as data on the amount of credit starting from collectibility in 2020, 2021 and 2022. As well as data on the amount of credit disbursement at Koperindo East Java, Batuaji Kediri Branch from 2020 to 2022.

The analysis technique used in this research adjustment is to use descriptive with a quantitative approach. According to Sugiyono that descriptive statistics are statistics that function to describe or give an overview of the object under study through sample data or population as it is[9]. The quantitative approach in this study is quantitative data obtained from Koperindo Jatim, Kandat District, Kediri Regency to be compared and made a percentage to determine the ratio of Non-performing Loans for 2020-2022. Non-Performing Loan (NPL) Namely non-performing loans that are classified as substandard, doubtful, and loss collectability. This Non-Performing Loan (NPL) ratio can be formulated [6] as follows:

$$\text{NPL} = \frac{\text{Non-performing loans}}{\text{Total loans provided}} \times 100\%$$

Through the regulation of the Minister of cooperatives and small businesses, and middle school Number 14/per/M. KUKM/XI/2016, stipulates that standard non-performing loan ratio (NPL) is less than 5%. The criteria for assessing the soundness level of the NPL ratio are:

Table 1. Criteria for assessing the soundness level of the NPL ratio

Ratio	Prediction
NPL < 5%	HEALTHY
NPL > 5%	UNHEALTHY

The criteria for assessing the soundness level of the NPL ratio are based on the table above, the Cooperative Office determines the maximum NPL value is 5%, because the smaller the NPL value, the better the health level and vice versa[10].

## FINDINGS

### 1. Collectibility Data at Koperindo East Java Kandat District Kediri Regency in 2020

Table 2. Financial Report of Non-Performing Loans Collectibility Based on Types of Credit Usage in 2020

No	Information	Consumptive		Productive		Total	
		Number of Debtors	Total Debit Balance	Number of Debtors	Total Debit Balance	Number of Debtors	Total Debit Balance
1	Smooth under supervision	67	175,870,000	200	755,850,750	267	931,720,750
2	Special	0	0	2	18,000,000	2	18,000,000
3	Not that smooth	18	20,575,500	11	16,650,000	29	37,225,500
4	Still Doubtful	5	7,000,000	0	-	5	7,000,000
5	Congested	5	17,585,000	2	25,560,000	7	43,145,000
	Total	87	221,030,500	215	816,060,750	310	1,037,091,250

The formula for calculating bad loans is as follows

$$\text{NPL} = \frac{\text{Non-performing loans}}{\text{Total loans provided}} \times 100\%$$

$$\text{NPL} = \frac{87,370,500}{1,037,091,250} \times 100\%$$

$$\text{NPL} = 8.43 \%$$

Based on table 2 the results obtained for the Non-Performing Loan (NPL) ratio of 8.43% of these results are categorized as unhealthy because they still exceed the standard set by the Cooperative Office, which is 5%.

## 2. Collectibility Data at Koperindo East Java Kandat District Kediri Regency in 2021

Table 3. Financial Report of Non-Performing Loans Collectibility Based on Types of Credit Usage in 2021

No	Information	Consumptive		Productive		Total	
		Number of Debtors	Total Debit Balance	Number of Debtors	Total Debit Balance	Number of Debtors	Total Debit Balance
1	Smooth under supervision	285	1,165,136,655	205	97,952,244	490	1,263,088,899
2	Special	4	10,500,000	3	14,755,275	7	25,255,275
3	Not that smooth	23	38,575,000	19	31,545,275	42	70,120,275
4	Still Doubtful	2	8,160,000	2	4,500,000	4	12,660,000
5	Congested	14	29,585,000	6	35,350,000	20	64,935,000
	Total	328	1,251,956,655	235	184,102,794	563	1,436,059,449

The formula for calculating bad loans is as follows

$$\text{NPL} = \frac{\text{Non-performing loans}}{\text{Total loans provided}} \times 100\%$$

$$\text{NPL} = \frac{147,715,275}{1,436,059,449} \times 100\%$$

$$\text{NPL} = 10.29 \%$$

Based on table 3, the results of the Non-Performing Loan (NPL) ratio of 10.29% of these results are categorized as unhealthy because they still exceed the standard set by the Cooperative Office, which is 5%.

## 3. Collectibility Data at Koperindo East Java Kandat District Kediri Regency in 2022

Based on table 4, the results obtained for the Non-Performing Loan (NPL) ratio of 2.84% of these results are categorized as healthy because it is smaller than the standard set by the Cooperative Office, which is 5%.

Table 4. Financial Report of Non-Performing Loans Collectibility Based on Types of Credit Usage in 2022

No	Information	Consumptive		Productive		Total	
		Number of Debtors	Total Debit Balance	Number of Debtors	Total Debit Balance	Number of Debtors	Total Debit Balance
1	Smooth under supervision	255	660,775,406	347	875,414,636	597	1,536,190,042
2	Special	1	7,550,000	5	35,450,000	6	43,000,000
3	Not that smooth	3	8,550,750	6	15,350,175	9	23,900,925
4	Still Doubtful	1	3,525,000	2	1,450,000	3	4,975,000
5	Congested	2	15,675,029	2	1,550,000	7	17,225,029
	Total	262	696,076,185	362	929,214,811	622	1,625,290,996

The formula for calculating bad loans is as follows

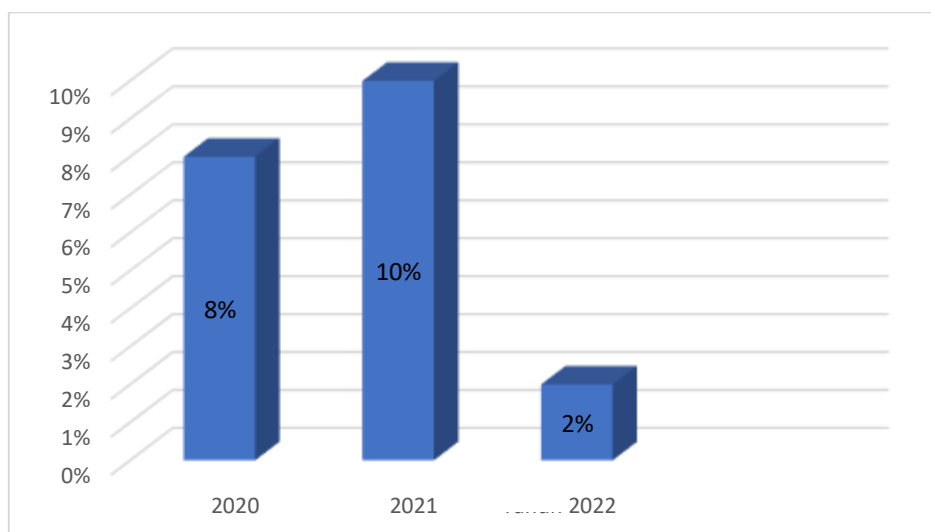
$$\text{NPL} = \frac{\text{Non-performing loans}}{\text{Total loans provided}} \times 100\%$$

$$\text{NPL} = \frac{46,100,954}{1,625,290,996} \times 100\%$$

$$\text{NPL} = 2.84 \%$$

#### 4. Non-Performing Loans (NPL) Percentage Koperindo East Java, Kandat District, Kediri Regency in 2020-2022

Table 5. The Percentage Level of NPL in 2020-2022



Based on table 5 above, it illustrates that the total amount of loans given to debtors in 2020 is Rp. 1,037,091,250 had bad loans in the Non-Performing Loan (NPL) category of 8.43%. The amount of loans given to debtors in 2021 is 1,436,059,449, there are bad loans

in the Non-Performing Loan (NPL) category of 10.29%. The amount of loans given to debtors in 2022 is 1,625,290,996, there are loans in the NPL (Non Performing Loan) category of 2.84%

From 2020-2021 the NPL level has increased by 1.86%, this problem is caused by bank receivables increasing sharply, many customers misusing credit funds, lack of expertise in dealing with bad loans, and in terms of livelihood, most of the customers working as a farmer who experienced crop failure because in 2020 he experienced an attack by planthopper pests. And in 2021 to 2022 there will be a decrease of 7.45%, this is due to effective collection from creditors to debtors, effective and selective character and distribution of credit funds which can minimize the occurrence of bad loans, also seen from the debtor's economic condition which is getting longer getting better and from the creditor side, in this case the cooperative is very limited in the issue of disbursing funds and only focuses on reducing Non-Performing Loans, as well as from the creditor side will disburse funds to old debtors who have a history of smooth payments[11].

## **DISCUSSIONS**

### **1. Factors of Bad Loans in the Koperindo East Java Cooperative, Kandat District, Kediri Regency**

The factors that cause bad credit are a situation when the customer cannot pay part or all of his obligations to creditors in accordance with the agreement that has been agreed upon. The factors that cause bad credit at Koperindo Jatim, Kandat District, Kediri Regency are as follows:

#### **a. Internal Factors Koperindo East Java, Kandat District, Kediri Regency (Managerial factor)**

Namely the factors contained within the cooperative itself, seen from a managerial factor perspective[12], which cause bad credit to occur are:

##### **1. Weakness in analyzing bad loans**

The cause of the weak analysis of bad loans is the weak policy from the leadership and credit analysis SOPs, the lack of thoroughness of employees in analyzing bad loans and the lack of information that can be accepted by Koperindo East Java.

##### **2. Koperindo East Java is too expansive**

Employees only pursue the many targets for distributing cooperative credit funds which result in poor analytical aspects or a level of caution in analyzing data that is not thorough.

##### **3. Employment history of the customer**

The history of the customer regarding work and income is a basis for credit decisions, thus ignoring bad credit analysis.

##### **4. The creditor assumes that the origin is guaranteed or collateral**

Cooperatives only view and pay attention to guarantees or collateral as a basis for deciding to grant credit funds so that other problems are ignored.

##### **5. Realization of untimely credit refunds**

Creditors in deciding and disbursing credit funds are complicated and take too long, causing debtors to be unable to maximize their allocation of funds according to their needs and needs.

## 6. Credit fund ceilings that do not match the needs of customers

Credit ceilings where funds are too small result in debtors not being able to use their funds optimally, it can hamper their business. Meanwhile, a credit limit that is too large can result in customers not being able to fulfill their obligations.

### b. External Factors

Namely factors that come from outside Koperindo East Java, Kandat District, Kediri Regency, external factors [13] include:

#### 1. Natural Disasters

Natural disasters are events and occurrences that we don't want. For example fires, earthquakes, floods and so on.

#### 2. Changes in economic conditions

Government regulation of a type of goods that can be traded. Critical and dangerous situations, for example, frequent demonstrations, robberies, arson and others.

#### 3. Technological change

Technological advances are getting faster and faster, the more efficiently the goods are produced so that companies that do not use modern technology will be unable to compete with companies that use good technology.

## **2. Bad Credit Handling Standards at Koperindo East Java, Kandat District, Kediri Regency**

The creditor must immediately make efforts to collect or settle outstanding loans. Debtors who are included in the collectibility of substandard, doubtful, and loss must be immediately carried out the billing process, namely actions taken to deal with late installment payments. The billing process includes: 1) send letters to debtors whose collectability is substandard, doubtful, and bad; 2) routine billing to substandard, doubtful, and loss customers[11,14].

For customers who are included in collectibility other than the two processes above, the creditor must carry out intensive billing and carry out credit restructuring. Credit restructuring is a repair effort made by creditors for debtors who have difficulty fulfilling their obligations. The credit restructuring carried out by Koperindo East Java, Kandat District, Kediri Regency includes:

#### 1. Extending the Credit Term

The extension of the credit period is an effort to improve credit by extending the repayment period and is marked by a new agreement which of course must meet the interests of both parties, namely Koperindo East Java as the creditor and the customer as the debtor.

#### 2. Switch to the payment system from installment to due

Namely switching from the installment system to the due date and marked with a new agreement again, so every month you only pay interest, which is required for a principal deduction, there is no determination of how big the nominal is.

#### 3. Foreclosure of collateral

That is a last resort if the customer really does not have good ethics or is no longer able to pay all of his debts. Then the goods for guarantee will be revoked.

## CONCLUSION

Based on the presentation and discussion regarding the Handling of Bad Credit at Koperindo East Java, Kandat District, Kediri Regency, it can be concluded as follows:

1. For 2020 of the total loans given there is an NPL credit of 8.43%, for 2021 of the total loans given there is an NPL credit of 10.29% this shows that in 2022 NPL credits have increased by 2.84 %. The NPL level exceeds the policy standard set by Bank Indonesia, which is 5% and is still considered unhealthy. Because the NPL level in Koperindo East Java, Kandat District, Kediri Regency exceeds the policy standard, which is 5%, Koperindo East Java, Kandat District, Kediri Regency emphasizes that in 2021 it will focus more on NPL so that cooperatives experience a decrease in the NPL level. So that in 2022 the NPL is 2.84% and has decreased by 7.45%. The NPL principle is The Lower Is Better, which means that the smaller the NPL value, the better for the soundness level of a cooperative.
2. Bad credit at Koperindo East Java, Kandat District, Kediri Regency was caused by 2 factors, namely internal factors, external factors Koperindo East Java, Kandat District, Kediri Regency.
3. Handling the problem of bad credit at Koperindo East Java, Kandat District, Kediri Regency is by making optimal and effective collection efforts by the credit supervisory team and restructuring in 3 ways, namely by extending the credit period, by changing the loan system from the installment system to maturity date, confiscation of collateral or collateral which is the last resort if the customer really does not have good intentions and ethics or is no longer able to pay all of his debts.

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