

Analysis of Non-Performing Loans Based on Internal and External Factors at The Karya Sentosa Market Traders Cooperative in Batu City (Koperasi Pedagang Pasar Karya Sentosa Kota Batu)

Yufilda Maya Sira ¹, Nur Ida Iriani ², and Ahmad Mukoffi ³

* Correspondence Author: yufildamayasira@gmail.com

¹Accounting, Faculty of Economics, University of Tribhuwana Tunggal, Malang, Indonesia

^{2,3}Management, Faculty of Economics, University of Tribhuwana Tunggal, Malang, Indonesia

INDEXING	ABSTRACT
<p>Keywords: Keyword 1: Non-Performing Keyword 2: Internal Factors Keyword 3: External Factors Keyword 4: Loans Keyword 5: Cooperative</p>	<p>Cooperatives are economic organizations owned and run by their members to achieve common economic goals. Internal and external variables can cause bad debts. This research analyzes the Non-Performing Loans Based on Internal and External Factors at The Karya Sentosa Market Traders Cooperative in Batu City (Koperasi Pedagang Pasar Karya Sentosa Kota Batu). A qualitative descriptive research approach was used. This study's data collection methods were literature review, interviews, and observations. This research finds that internal factors that cause bad debt include a weak credit analysis system and a lack of credit supervision. Otherwise, external factors causing bad debt include debtors' financial factors, intentional factors, and debtor character. Several strategies for handling bad debts consist of taking advantage of external opportunities, increasing internal strength by strengthening cooperative teamwork, increasing internal strength by increasing the number of collectors, and increasing the capacity of human resources in credit management. Furthermore, it is better to add members to collect to make the installment collection process easier in credit supervision.</p>

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INTRODUCTION

Cooperatives are economic organizations owned and run by their members to achieve common financial goals. Cooperatives have an essential role in the economy and, as such, cannot be separated from competition as corporate organizations (Zamagni and Zamagni (2010). Bad credit given to borrowers, including Bad Credit, is a problem for cooperatives. Bad credit is a loan that is difficult to repay due to deliberate reasons or external circumstances beyond the debtor's control (Jaya *et al*, 2023). Clients who cannot meet the agreed payments to the cooperative, are said to have Bad Credit (Tekalign, 2017).

According to Abdulai *et al* (2020), Li (2020) and Paudel (2022), bad debts are caused by internal and external variables. These elements include Several internal problems, such as broad credit policies, lack of supervision of debtor cooperatives, irregularities in the implementation of the credit process, and inadequate credit information, which can cause problematic credit in financial institutions (cooperatives).

External factors are called credit problems from external financial institutions (cooperatives). Business management, credit problems, and intentional and unintentional aspects are examples of external variables. Afra *et al* (2023), Sugiyanto *et al* (2024), and also Wisang *et al* (2024) explained that intentional factors include debtors who intentionally fail to pay cooperative installments, excessive expansion, and inappropriate use of cash. Unintentional factors include disasters affecting creditors or their companies, declining economic activity, increasing credit interest rates, and company failures (Kunreuther and Useem, 2018)

In 2019, the amount of bad debts was IDR 286,688,000; in 2023, it increased by IDR 744,734,000. The increase is likely due to the high number of members who borrow money from cooperatives without being able to repay their installments. Credit allocation varies each year from 2019 to 2023, and bad debts increase each year, according to Table 1 below,

Table 1. Development of member savings, credit distribution, and bad debts at the Karya Sentosa Market Traders Cooperative, Batu City, from 2019-2023

No	Year	Member Savings (Rp)	Credit Distribution (Rp)	Bad Credit (Rp)
1	2019	3.616.566.784	5.894.956.500	286.668.000
2	2020	3.375.912.823	6.127.048.500	590.116.000
3	2021	4.699.967.434	6.127.048.500	563.074.000
4	2022	4.446.680.885	7.009.132.500	686.140.000
5	2023	5.241.988.901	7.718.118.500	744.734.000

Source: Karya Sentosa Market Traders Cooperative

This research analyzes the Non-Performing Loans Based on Internal and External Factors at The Karya Sentosa Market Traders Cooperative in Batu City (Koperasi Pedagang Pasar Karya Sentosa Kota Batu).

LITERATURE REVIEW

Bad Credit

In general, the debtor cannot pay off bad credit to the creditor on time or whose due date has passed as stipulated in the credit agreement that has been mutually agreed upon (Sondang, 2025). Bad credit, also known as problematic credit, is challenging to pay off due to deliberate conditions, variables, or circumstances beyond the debtor's ability (Dewi, 2018; Wisang *et al*, 2024).

Two categories of variables contribute to bad credit: internal and external. Bitner (2008), Wong *et al*. (2016), Govender (2018), and also Meissner (2018), inaccurate analysis, a collaboration between customers and bank officials that make conflict management, ignorance in credit management, and non-compliance with regulations are examples of internal problems. Nguyen and Wilson (2020), Duqi *et al*. (2021), and also Naili and Lahrichi (2022), unintentional circumstances such as financial problems, market competition, government regulations, and natural disasters are examples of external causes, as are deliberate failure to pay installments, excessive company development, and misuse of loan money.

The Impact of Bad Credit

The decline in interest income on credit causes bank profits to decline, impacting the decline in return on equity (ROE) and return on assets (ROA). Furthermore, bad credit results in banks being unable to maintain their operations, which hampers the growth of financial services (Park & Kim, 2020). Since a negative credit history is stored in the system and is visible during BI checks, debtors with a bad credit history will also have difficulty getting credit in the future (Yuniarti *et al.*, 2022).

SWOT Analysis

SWOT analysis is an acronym for strengths, weaknesses, internal of a company, and the opportunities, and threats of the environment faced. According to Madson (2016), SWOT analysis is a well-known historical approach used by managers to summarize the strategic state of their company.

RESEARCH METHOD

This study uses a descriptive qualitative research design. Sugiyono (2016) stated that qualitative research methodology investigates the state of natural objects. Collecting information and data for research is known as data collection techniques (Afriana *et al.*, 2022). This qualitative research used observation, interview, documentation, and literature review data collection techniques, described by Busetto *et al.*, (2020).

RESULT AND DISCUSSION

A. Analysis of Bad Debt Based on Internal Factors at Karya Sentosa Market Traders Cooperative, Batu City

1. Weak Credit Analysis System

Based on the research, the market traders' cooperative has analyzed the loans given to members as a guideline for the cooperative. However, the analysis is still inaccurate, so many members still have bad debts. The results of the interview with Mrs. Tri Wahyu who said that;

"The factor causing this bad debt is the lack of accuracy of our officers in analyzing members when applying for credit. Members provide dishonest information about borrowing money, for example, for business capital. However, it is used for other needs, so when starting installments, they are confused about finding money to pay them."

2. Lack of Credit Supervision

Based on the results of the study, it was found that the credit supervision process at the Karya Sentosa Market Traders Cooperative was not routine. This was because the supervision process carried out by officers was only carried out when first submitting a credit application, namely when field officers conducted a direct field survey, then only carried out via SMS or telephone if the member did not respond to the call, a direct approach will be made to the member by the credit officer regarding the problems experienced by the member. The results of the interview with Mrs. Tri Wahyu who said that:

"This supervision process is not carried out routinely, usually only carried out at the beginning of the survey, and for members who have been in arrears for a long time, we from the cooperative usually approach members by officers in the office, if later

they have not responded to the telephone, a warning letter will be sent, confiscation of facilities, but are given authority if serious problems occur such as natural disasters or death."

B. Analysis of Bad Debts Based on External Factors at Karya Sentosa Market Traders Cooperative

1. Debtor's Financial Condition

Based on the results of the interview with Mrs. Tri Wahyu Utami, she said: "Members who experience bad debts in market trader cooperatives generally experience business failures with the capital they use comes from cooperative loans, regarding the income obtained by each member, they say that members have a mediocre income that is enough for daily needs while to pay installments members only rely on income from the results of the business they run, not to mention farmers who experience crop failures."

2. Intentional Factors

Based on the interviews conducted by researchers at the Karya Sentosa Market Trader Cooperative, another factor causing bad debts is the intentional factor by the debtor. Mrs. Tri Wahyu Utami said, "Another factor that often causes bad debts in cooperatives here is that customers often neglect to pay installments because they prioritize household expenses such as daily needs, children's school fees, or other needs. Moreover, the fines imposed by the cooperative are not too high, so customers sometimes delay payments, not realizing that the arrears have been there for a long time".

3. Bad Faith of Debtors

Based on the results of interviews conducted by researchers with informants at the Karya Sentosa Market Traders Cooperative, one factor causing bad debts is the debtor's bad faith/character. Mrs. Tri Wahyu Utami said, "Often a person's character/nature can trigger bad debts, where when office staff collect customer installments, they get angry when billed. This kind of character makes it difficult for cooperative staff to collect installments, which causes an increase in bad debts."

C. SWOT Analysis of Bad Debt Settlement

1. Internal Factor Analysis of Karya Sentosa Market Traders Cooperative, Batu City

In compiling the bad debt settlement technique, Karya Sentosa Market Traders Cooperative, Batu City, descriptively examines the internal conditions using internal factor analysis as a reference. This internal aspect is related to the strengths and weaknesses that are considered significant in settling bad debts.

Table 2. Internal Factors SWOT

Strength		Weakness	
1	Cooperative vision and mission	1	Weak credit analysis
2	Cooperative teamwork	2	Lack of credit monitoring
3	Experience in managing cooperatives	3	Quantity of collectors
4	Trained human resources	4	Reliance on member loans
5	Commitment to improving service quality	5	Lack of use of technology

Source: Data processed 2024

2. External Factor Analysis at Karya Sentosa Market Traders Cooperative, Batu City

The analysis of the company's external factors is a descriptive study of the external conditions of the Karya Sentosa Market Traders Cooperative, Batu City. This study is then used as a guideline to resolve the cooperative's bad debts. External variables are considered significant because external variables directly or indirectly affect the implementation of bad debt settlement.

Table 3. External Factors

Opportunities		Threats	
1	Batu City Economic Growth	1	Unstable economic conditions
2	Increasing collateral costs	2	Competition between financial institutions
3	Opportunities for cooperation with financial institutions	3	Decrease in business capacity
4	Abolition of fines	4	Credit misappropriation by debtors
5	Credit needs of market traders	5	Debtor character

Source: Data processed 2024

3. Formulation of Bad Debt Settlement Strategy of Karya Sentosa Market Traders Cooperative, Batu City

a. IFE Matrix Implementation of Bad Debt Settlement at Karya Sentosa Market Traders Cooperative, Batu City

Table 4. IFE Matrix

No	Internal Strategy Factors	Quality (A)	Rating (B)	Score (A x B)
Strengths				
1	Cooperative vision & mission	0,07	3	0,21
2	Cooperative teamwork	0,10	4	0,40
3	Experience in managing cooperatives	0,10	3	0,30
4	Trained human resources	0,14	4	0,40
5	Commitment to improving service quality	0,07	3	0,21
Total Strength				1,67
Weakness				
		Quality (A)	Rating (B)	Score (A x B)
1	Weak credit analysis	0,12	3	0,36
2	Lack of credit monitoring	0,14	3	0,43
3	Quantity of collectors	0,10	2	0,20
4	Reliance on member loans	0,10	2	0,20
5	Lack of use of technology	0,07	1	0,07
Total Weakness (W)				-1,25
S-W = 0,42				

Source: Data processed 2024

Based on the results of the IFE matrix calculation, the total difference between strengths and weaknesses is 0.42. Based on the total difference in the matrix calculation, the figure obtained is below average/low. It is concluded that the Karya Sentosa Market Traders Cooperative has a weak internal position.

b. EFE Matrix Implementation of Bad Credit Settlement of Karya Sentosa Market Traders Cooperative, Batu City

Table 5. EFE Matrix

No	External Strategy Factors	Quality	Rating	Score
	Opportunity	(A)	(B)	(A x B)
1	Batu City Economic Growth	0,10	4	0,40
2	Increasing collateral costs	0,13	5	0,65
3	Opportunities for cooperation with financial institutions	0,08	3	0,24
4	Abolition of fines	0,08	3	0,24
5	Credit needs of market traders	0,10	4	0,40
Total Chances (O)				1,93
	Threat	Quality	Rating	Score
		(A)	(B)	(A x B)
1	Competition of Financial Institutions	0,10	3	0,30
2	Decrease in business capacity	0,08	2	0,16
3	Unstable economic conditions	0,08	3	0,24
4	Credit embezzlement by customers	0,10	3	0,30
5	Debtor character	0,13	4	0,52
Total Threat (T)				1,52
O – T = 3,45				

Source: Data processed 2024

The difference between opportunities and threats is 3.45 based on the EFE matrix. The overall value of opportunities and threats is positive, indicating that the business has not utilized them optimally despite many prospects.

c. SWOT Matrix Implementation of Bad Debt Settlement

When developing a plan to resolve outstanding debts at the Karya Sentosa Market Traders Cooperative, the SWOT matrix is an important tool for identifying the best course of action and avoiding further problems.

Table 6. SWOT Matrix

INTERNAL	Strength	Weakness
EXTERNAL	<ul style="list-style-type: none"> a. Cooperative vision and mission b. Cooperative teamwork c. Management experience in managing cooperatives d. Trained human resources e. Commitment to improving service quality 	<ul style="list-style-type: none"> a. Weak credit analysis system b. Lack of credit supervision c. Quantity of debt collectors d. Dependence on member loans e. Lack of use of technology
Opportunity	SO	WO
<ul style="list-style-type: none"> a. Economic growth of Batu City b. Increasing mortgage prices c. Opportunities for cooperation with financial institutions d. Elimination of fines e. Credit needs of market traders 	<ul style="list-style-type: none"> a. a. Providing optimal customer service in line with rapid economic growth b. b. Strengthening teamwork in line with market traders' credit needs c. c. Strengthening collateral binding due to increasing collateral prices 	<ul style="list-style-type: none"> a. Improve the credit monitoring system by providing opportunities for cooperation with financial institutions; b. Increase the number of credit collectors in line with the rapid growth of the trade and services sector; c. Utilize the increase in collateral costs to address debtor vulnerability.
Threats	ST	WT
<ul style="list-style-type: none"> a. Unstable economic conditions b. Competition between financial institutions c. Decrease in business capacity d. Misappropriation of credit by debtors e. Character of debtors 	<ul style="list-style-type: none"> a. Improving human resources and teamwork to overcome competition between financial institutions b. Analyze the debtor's personality and uncertain economic climate by conducting a thorough investigation. c. Using management experience in managing cooperatives to analyze the risk of bad credit 	<ul style="list-style-type: none"> a. Improving an effective credit analysis system to overcome the risk of bad credit b. Developing strategic cooperation to reduce competition and business capacity decline c. Increasing the number of employees

Source: Data processed 2024

Based on the IFE and EFE matrices, the difference between strengths and weaknesses is 0.42, while opportunities and threats are 3.45. With factors X (strengths-weaknesses) and Y (opportunities-threats), the SWOT position of employees and customers is in quadrant I, which is the interaction of strengths and opportunities. This situation shows great opportunities, but internal obstacles still need to be overcome.

The following graph shows the SWOT quadrant position:

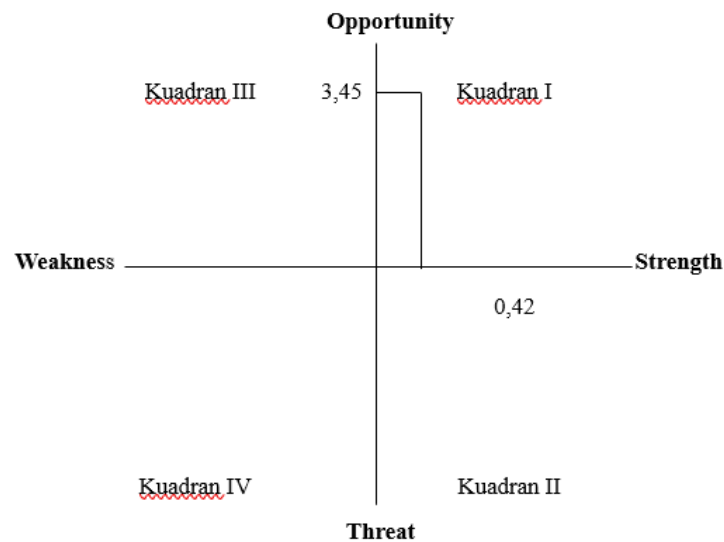


Figure 1. SWOT Diagram
Source: Data processed 2024

Quadrant I shows that the organization has weak internal strengths (IFE 0.42) and weak internal weakness constraints but relatively strong external opportunities (EFE 3.45). This means that the cooperative needs to take advantage of existing opportunities to improve its weak internal strengths and overcome its internal weaknesses.

Based on the description above, the main alternative strategies for solving are as follows:

SO (Strengthening Opportunities) strategies are as follows:

1. Increase internal strength by strengthening cooperative teamwork in analyzing and supervising credit to avoid bad debts.
2. Take advantage of external opportunities by cooperating with debtors by communicating effectively, providing counseling on credit capital processing, in an effort to reduce bad debts.
3. Increase internal strength by increasing the number of collectors so that officers do not have difficulty in the credit supervision process, and it will undoubtedly be easier in the installment collection process.
4. Take advantage of cooperation with other financial institutions to improve human resources and credit management.

CONCLUSION

1. Internal factors consist of:
 - a. Weak Credit Analysis System: although in its implementation, the Karya Sentosa Market Traders Cooperative conducted an analysis using the 5C principle, it turned out that it was not very careful in conducting the analysis so many still had bad credit.

2. One cause of bad credit is the lack of credit supervision. The cooperative only monitors credit applications at the beginning of the process, and then they monitor via WA/SMS without visiting the applicant directly. This is also caused by the lack of collectors assigned to collect installments directly.
3. External Factors Consist of:
 - a. Debtor's Financial Factors, the debtor's finances are the main factor in bad credit, this condition usually occurs when the debtor experiences a failure in the business being run, especially if the business capital comes from a cooperative loan. This causes the debtor to have difficulty paying installments, eventually causing a jam.
 - b. Intentional Factors: This factor often occurs when the debtor prioritizes household needs, such as children's school needs and overpaying installments.
 - c. Debtor Character: The debtor's nature and character often trigger credit congestion; this often happens when the cooperative collects installments, but the debtor responds poorly to them.

Several strategies for handling bad debts based on SWOT analysis:

- a. Taking advantage of external opportunities and collaborating with debtors by communicating effectively to reduce bad debts.
- b. Increasing internal strength by strengthening cooperative teamwork in analyzing and supervising credit to avoid bad debts.
- c. Increasing internal strength by increasing the number of collectors will make the credit supervision process easier for the officers and certainly easier in the installment collection process.
- d. Increasing the capacity of human resources in credit management through collaboration with other financial institutions.

This research suggests that:

1. in order to reduce the risk of bad credit, a more thorough examination of members requesting credit must be carried out using the 5C approach.
2. Credit supervision, should be increased to reduce bad credit.
3. In credit supervision, adding members to collect is better to make the installment collection process easier.
4. The cooperative must interpret the collateral price based on current and future events.

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