

Understanding the Impact of Bad Debt on XYZ Savings and Loan Cooperative

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ABSTRACT

This study aims to explore the understanding of the influence of credit provision by Savings and Loan Cooperatives (KSP) on employee welfare and productivity in PT HM Sampoerna Tbk. Using a qualitative approach, this study focuses on deepening the perceptions, experiences, and impacts felt by KSP members in utilizing credit facilities. The study will highlight how easy access to credit affects personal financial management, job satisfaction, motivation, and possible changes in employee performance and loyalty. Initial findings indicate that although credit from KSP can be a short-term financial solution, its impact is complex. On the one hand, credit can improve family economic stability; on the other hand, it can also cause psychological stress due to debt burden. This study will also explore how KSP credit directly or indirectly affects work productivity, for example through reduced absenteeism, increased focus, or conversely, disruption due to financial stress.

Keywords: Credit, Credit Impact, Savings and Loan Cooperatives, Employee Welfare

ABSTRAK

Penelitian ini bertujuan untuk mengeksplorasi pemahaman tentang pengaruh pemberian kredit oleh Koperasi Simpan Pinjam (KSP) terhadap kesejahteraan dan produktivitas karyawan di PT HM Sampoerna Tbk. Dengan menggunakan pendekatan kualitatif, penelitian ini berfokus untuk memperdalam persepsi, pengalaman, dan dampak yang dirasakan oleh anggota KSP dalam memanfaatkan fasilitas kredit. Penelitian ini akan menyoroti bagaimana kemudahan akses terhadap kredit memengaruhi pengelolaan keuangan pribadi, kepuasan kerja, motivasi, dan kemungkinan perubahan dalam kinerja dan loyalitas karyawan. Temuan awal menunjukkan bahwa meskipun kredit dari KSP dapat menjadi solusi keuangan jangka pendek, dampaknya kompleks. Di satu sisi, kredit dapat meningkatkan stabilitas ekonomi keluarga; di sisi lain, kredit juga dapat menyebabkan stres psikologis karena beban utang. Penelitian ini juga akan mengeksplorasi bagaimana kredit KSP secara langsung atau tidak langsung memengaruhi produktivitas kerja, misalnya melalui berkurangnya ketidakhadiran, peningkatan fokus, atau sebaliknya, gangguan karena stres keuangan.

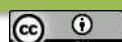
Kata kunci: Kredit, Dampak Kredit, Koperasi Simpan Pinjam, Kesejahteraan Karyawan

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INTRODUCTION

According to (Fithri Azizah, 2022), a cooperative is a legal entity founded on the principle of kinship with the primary goal of improving the welfare of its members. A cooperative is defined as an association of people who voluntarily join together to increase shared economic prosperity through cooperation based on the principles of solidarity and mutual assistance. Cooperatives are also a people's economic movement based on family. According to the journal The Role of Cooperatives in the Indonesian Economy (2024) the goal of Indonesian cooperatives is to improve the material and spiritual welfare of members and contribute to the progress of society as a whole. The focus is not only on monetary gain, but more on the collective benefits felt by all members.

This phenomenon becomes interesting when associated with employee welfare conditions. (Masin, 2024) Specifically highlight KSP's efforts to improve the welfare of its own employees, showing that KSP is not only oriented towards profit, but also on the balance of employee rights and obligations, including the fulfillment of salaries, benefits, and rewards. The provision of credit to member employees through Savings and Loan Cooperatives (KSP) has become an important way for them to meet their financial needs, both for consumption and production. However, research specifically examining how this credit provision directly impacts members' welfare is still limited, and further research is needed. This is important because member welfare is one indicator of the cooperative's success in carrying out its function as a financial institution based on the principles of mutual assistance and solidarity. Therefore, more in-depth research is needed to determine the extent to which credit facilities provided by KSP can sustainably improve the socio-economic conditions of members.

In addition to welfare, access to credit also has the potential to affect performance in the workplace. According to Saleh (Saleh et al., 2021), transformational leadership in cooperatives has a positive impact on employee performance because leaders who can provide motivation, attention, and encouragement to their staff members will result in high work morale and increased productivity. In line with that, stable financial conditions and guaranteed welfare, some of which may be supported by adequate access to credit, can reduce the burden on employees' minds, allowing them to be more focused and motivated in their work. Therefore, this study will examine in more depth how the impact of credit from Savings and Loan Cooperatives not only affects employee welfare but also has implications for the overall aspect of employee productivity. Therefore, this study is very important to be carried out as an effort to investigate more deeply how loans from savings and loan cooperatives can play a role as a determining factor in creating employee welfare and work productivity. This study is expected to provide useful contributions for cooperative managers in designing credit policy strategies that are not only financially efficient, but also have a positive effect on the quality of life and performance of cooperative members in the work environment.

In reality, cooperative credit is often viewed as a general service, without comprehensively considering the extent to which it actually improves employees' lives or

creates new problems for them. Amidst post-pandemic economic challenges and increasing individual financial needs, prudent access to credit is crucial. Therefore, this study is relevant as an evaluation of the effectiveness of cooperative credit policies in improving members' quality of life and work productivity. This research is expected to serve as a practical reference for developing cooperative loan programs that are more focused, fair, and beneficial to employees. By demonstrating a direct relationship between credit provision and the personal well-being and professional performance of cooperative members, especially active employees, this study aims to address the shortcomings of previous research. Furthermore, the use of primary data from cooperative employee members provides new empirical contributions that contribute to the advancement of data-driven cooperative management and the real needs of its members.

RESEARCH METHODS

Location and Time of Research

This research was conducted at XYZ Savings and Loan Cooperative, one of the savings and loan cooperatives located in Surabaya. This research was conducted from January 2025 until completion.

Research Approach

This study uses a qualitative descriptive research method by reading and identifying various relevant sources, such as scientific journals, related articles, and also based on the author's personal experience during an internship at the XYZ Savings and Loan Cooperative.

Data Collection Methods

In this study, the author uses several data collection methods to obtain relevant and in-depth information, namely:

1. Interviews

This technique is carried out by asking questions directly to employees or cooperative employees to obtain information about the impact of credit.

2. Literature Review Method

The goal is to create new research based on previous research findings that can be scientifically accounted for.

Data Analysis

Data analysis was carried out by collecting data on members' loan arrears, then calculating the loan arrears data for members of the XYZ Savings and Loan Cooperative by summarizing the total employee loan arrears for a month.

RESULTS AND DISCUSSION

The impact of credit on savings and loan cooperatives refers to the effects caused by lending activities on the financial performance of cooperatives, especially in terms of increasing the Net Operating Surplus (SHU). So, the greater the amount of credit distributed, the greater the opportunity for cooperatives to increase their business income. Increasing bad debts can have a significant negative impact on the financial condition of cooperatives. This is caused by disrupted cash flow, decreased profits, and limited ability of cooperatives to fund operational activities. The higher the level of bad debts, the higher the risk of decreasing the value of Return on Assets (ROA) which is the main benchmark for cooperative financial performance. According to (Bani and Dona, 2022), a savings and loan cooperative's return on assets (ROA) is a ratio that indicates the cooperative's ability to generate net profit from all its assets. This indicates how effectively management manages all available resources. For example, in the following data:

Table 1. Information Installment

No	Name	Product	No Invoice	Installment Amount	Information	Total Arrears
1	A	REGULER		800	Arrears (1 Installment)	800
2	B	REGULER		335	Arrears (18 Installment)	5.500.000
3	C	REGULER		320	Arrears (1 Installment)	320
4	D	REGULER		450	Arrears (1 Installment)	450
5	E	REGULER		320	Arrears (3 Installment)	960
6	F	REGULER		450	Arrears (1 Installment)	450
7	G	REGULER		380	Arrears (3 Installment)	1.140.000
8	H	REGULER		1.400.000	Arrears (1 Installment)	1.400.000
9	I	REGULER		390	Arrears (2 Installment)	780
10	J	REGULER		290	Arrears (1 Installment)	290

Source: Sampoerna Cooperative (2025)

Table 2. Recapitulation of the Impact of Problematic Credit on the Sampoerna Employee Cooperative

No	Category	Value/Description
1	Number of Debtors in Arrears	10 Person
2	Total Total Arrears	Rp. 8.044.050
3	Average Arrears per Debtor	Rp. 804.405
4	Highest Arrears	Rp. 5.500.000 (18 Month)
5	Lowest Arrears	Rp. 320 (1 Month)
6	Types of Credit Products	REGULER

Source: Sampoerna Cooperative (2025)

Based on the report of overdue receivables from the XYZ Savings and Loan Cooperative, it is known that there are 10 members who are late in paying their loan installments. The total arrears reached IDR 8,044,050, with an average arrears per member of IDR 804,405. This amount reflects considerable pressure on the cooperative's cash flow. According to Mulyono, Idayati, and Sari (2023), bad debt occurs when a savings and loan cooperative loan becomes delinquent for more than 270 days or after its due date. This delinquency is usually caused by internal factors, such as inadequate supervision and administrative systems, as well as external factors, such as debtor default and poor economic conditions.

The problem of bad debt or long-term delays in payments can have a negative impact on the sustainability of cooperative operations. In terms of liquidity, cooperatives can have difficulty meeting short-term obligations and distributing new loans to other members. This condition can reduce the level of member trust in the cooperative as a stable and reliable financial institution. The problem of bad debt or long-term delays in payments can have a negative impact on the sustainability of cooperative operations. In terms of liquidity, cooperatives can have difficulty meeting short-term obligations and distributing new loans to other members. This condition can reduce the level of member trust in the cooperative as a stable and reliable financial institution.

In addition, bad debt increases the potential for long-term losses, especially if the amount of arrears is large and occurs repeatedly. Data shows that the highest arrears reached IDR 5,500,000 with a delay period of up to 18 months. This indicates the possibility of weak creditworthiness analysis or ineffectiveness of the monitoring system for loans provided. In addition, the cooperative's administrative burden also increased due to having to carry out more intensive collection of problematic debtors. Time and resources that should be used to develop cooperative businesses are instead used to manage arrears.

The existence of non-performing loans (NPL) has a negative impact on the financial performance of cooperatives, as reflected in the decline in the Return on Asset (ROA) and Return On Equity (ROE) ratios. The higher the NPL level, the lower the level of cooperative profitability. which indicates that ineffective credit management can reduce the cooperative's ability to make a profit and manage assets efficiently. This study shows that credit contributions, credit service quality, and business development through credit facilities simultaneously have a positive impact on the financial condition of members. Thus, access to cooperative credit not only facilitates business capital, but also strengthens members' ability to manage their household economy more independently and sustainably.

DISCUSSION

Credit

According to Gulo, Purba, dan Damanik (Gulo et al., 2020), credit is one of the activities of financial institutions in the savings and loan sector whose main aim is to improve the welfare of its members. Credit enables the circulation of money and mobilizes funds from

parties with a surplus to parties with a deficit, thereby encouraging investment and consumption.

According to Gulo, Purba, & Damanik (Gulo et al., 2020) In a cooperative environment, the concept of credit is generally realized through savings and loan services designed to meet shared needs and aspirations in economic, social, and cultural aspects, in line with cooperative values and principles. Ruslianti (2020) indicates the function of credit as the main driver in achieving the cooperative's Net Operating Surplus (SHU), which is an indicator of the cooperative's financial performance. This means that without credit distribution, the cooperative's economic activities will not run optimally.

Although bad debt, as discussed by Bahar (Bahar, 2020) and Harefa (Harefa et al., 2022), can have a negative impact on financial performance, this actually confirms that good credit management is vital. Healthy and well-managed credit is the main foundation of the financial health of a banking institution or cooperative. According to Brahmayanti (2024), increasing debt has a negative impact on company value because it increases financial risk, interest expenses, and concerns about solvency.

Savings and Loan Cooperatives

Play an important role in increasing the prosperity of their members by not only providing loans and financial services, but also encouraging active participation, increasing member satisfaction levels, and providing broad access to financial services. Good financial and non-financial performance management, such as asset growth, operational efficiency, and clear and accountable services, ensure this is achieved.

Apart from that, according to Gurhanawan (Gurhanawan et al., 2023), savings and loan cooperatives set relatively higher deposit interest rates and lower loan interest rates compared to conventional banks, in an effort to attract members' interest and encourage improvements in their welfare. According to I Gusti Ayu Ratih Permata Dewi (2022), there are two main categories of credit influences on savings and loan cooperatives: internal factors and external factors. Internal factors include the collateral provided by the borrower and how well the cooperative monitors its credit. External factors include the characteristics of the borrower, their business conditions, and management's ability to manage finances and money.

Factors Affecting the Impact of Credit for Savings and Loan Cooperatives

There are many factors that can affect the impact of credit from a savings and loan cooperative, including:

1. Non-Performing Loans (NPL)

A high Non-Performing Loan (NPL) ratio has a negative impact on the level of profitability of cooperatives. An increase in NPL causes a decrease in profitability indicators such as Return on Assets (ROA) and Return on Equity

(ROE), which indicates that the effectiveness of cooperatives in managing assets and capital to obtain profits is getting lower due to the high number of non-performing loans. Non-performing loans (NPL) are an important way to find out how well cooperative management manages credit risk. Non-performing loans occur when debtors fail to pay principal and interest payments according to the agreed schedule, which can disrupt the overall liquidity of the cooperative.

2. Credit Risk Management

XYZ Employee Cooperative has a disciplined Standard Operating Procedure (SOP) to manage credit risk. This SOP is especially applicable to savings and loan units that include the process of interviewing and validating member business data, evaluating the borrower's financial ability, and assessing the character and situation of members with the help of the unit head. In addition, by establishing insurance cooperation, cooperatives also anticipate unexpected dangers, such as the death of a debtor. Cooperatives can avoid problematic credit that can affect their financial condition by using this strategy that helps them identify and control risks early on.

Cooperative management needs to implement an effective strategy in managing credit risk, because controlling problem loans can contribute to increasing profitability and maintaining the financial stability of the cooperative. In addition, the cooperative should conduct an examination of prospective borrowers by implementing a feasibility analysis based on the 5C principle:

1. Character:

Assess the track record and credibility of prospective borrowers, including credit repayment history.

2. Capacity:

Evaluate the financial capacity of prospective borrowers to repay credit, taking into account income, cash flow, and overall financial condition.

3. Capital:

Evaluate the amount of assets or funds owned by prospective borrowers as a measure of financial capacity.

4. Collateral:

Analyze the value and feasibility of assets submitted as collateral, which serves as protection against potential credit risk

5. Condition:

Analyze the economic situation and various external factors that have the potential to affect the ability of prospective borrowers to meet payment obligations.

And the 7P principle:

1. Personality:

Assess the character and honesty of the prospective borrower.

2. Party:

Evaluate the individuals or groups who play a role in the operational business of the prospective borrower.

3. Purpose:

Evaluate the reasons for applying for a loan and its relevance to the business activities carried out by the prospective borrower.

4. Prospect:

Evaluate the chances of success and growth of the business to be funded.

5. Payment:

Review the financial ability of the prospective debtor to make installment payments on time.

6. Profitability:

Evaluate the potential of the prospective borrower in obtaining profit from their business activities.

7. Protection:

Evaluate the collateral provided by the prospective borrower to protect the continuity of the business and the security of the credit received.

According to (Trisnawati, 2022), the resolution of problematic loans at the "Bina Usaha Sejahtera" Savings and Loan Cooperative is carried out through several strategies, such as: sending warning letters to debtors, visiting borrowers' homes directly to assess good faith, providing repayment time, rescheduling installments, withdrawing member savings to pay off loans, and taking legal steps in the form of auctioning collateral. If all these efforts are unsuccessful, the cooperative can implement a credit write-off policy to maintain the quality of the balance sheet and reduce the ratio of problematic loans. This method is implemented to ensure the continuation of the cooperative and restore member confidence in the cooperative's financial performance.

Cooperatives handle problematic loans by continuously collecting, providing flexibility in payment periods, and implementing warning stages. If these efforts are unsuccessful, the resolution can be continued through legal channels. In dealing with bad credit problems, cooperatives implement various strategies designed to reduce potential losses and maintain the financial stability of the organization. The initial step taken is to routinely and continuously collect from members who have arrears, either through direct contact, sending warning letters, or a personal approach. In addition, cooperatives also provide relaxation policies such as extending payment deadlines or adjusting installment schemes, with the aim of helping members fulfill their obligations in stages.

CONCLUSION

Based on the findings and analysis that have been conducted, it can be concluded that credit distribution by XYZ Savings and Loan Cooperative has a real influence on improving member welfare and improving the overall financial performance of the cooperative. The credit provided has been proven to increase member income, meet their economic needs, and strengthen household financial stability. In addition, easy access to credit facilities also encourages increased work motivation and employee loyalty, because they feel economically helped by the institutions in the environment where they work.

However, not all credit impacts are positive. When the credit management process is not implemented effectively—such as a weak selection process for prospective borrowers or minimal supervision in the use of funds—this can trigger an increase in the Non-Performing Loan (NPL) ratio which ultimately disrupts the financial stability of the cooperative. The increase in non-performing loans can reduce important financial indicators such as Return on Asset (ROA) and Return on Equity (ROE), which reflect the cooperative's ability to earn profits and manage assets efficiently. Therefore, the credit granting process needs to be carried out selectively, accompanied by financial education and assistance to members.

Overall, this study shows that successful credit management not only has a positive impact on individual recipients, but also greatly determines the sustainability of the cooperative's operations and financial health in the long term. In this way, savings and loan cooperatives not only function as alternative funding providers for employees, but also become strategic elements in strengthening welfare, work performance, and economic resilience, both for their members and the cooperative itself.

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