



Implementing the Right Strategy Helps Control Non-Performing Loan. Case Study: Mekar Kasih Credit Union

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Abstract. The main problem often faced by financial institutions engaged in credit business such as savings and loan cooperatives are maintaining the level of non-performing loan at its ideal ratio. Mekar Kasih Credit Union is a cooperative engaged in savings and loan business domiciled in Makassar, South Sulawesi. Mekar Kasih Credit Union has controlled non-performing loans at an ideal condition, below 5% of the loan portfolio. This study aims to examine the relevance between the strategy formulated from the strategic planning process and the success of controlling non-performing loan in cooperatives. The study used a qualitative method through semi-structured interviews with branch managers as management leaders at the branch level and secondary data in the form of document studies. From the research results it can be concluded that the strategy formulated from the strategic planning process is by the conditions in the field and can be implemented well, it can help management performance in controlling non-performing loan. Likewise, if the strategy can be described in concrete steps by TP managers and is relatively understood by the staff who always implement the strategy in the field. The success of the strategy implementation is also supported by a relevant Operations Manual and daily evaluation by Branch Managers of the strategy implementation.

Keywords: Strategy, Non-Performing Loan, Savings and Loan Cooperatives, Strategic Management, Strategic Planning

1 Introduction

Cooperatives as joint ventures established based on togetherness and mutual cooperation to improve the welfare of their members as stated in Law Number 25 of 1992 chapter 3 concerning cooperatives, namely: Cooperatives aim to advance the welfare of members in particular and society in general and to participate in building the national economic system to realize an advanced, just and prosperous society based on Pancasila and the 1945 Constitution.

Based on Law Number 25 of 1992 chapter 16, there are 5 types of cooperatives, they are Consumer Cooperatives, Producer Cooperatives, Savings and Loan Cooperatives, Marketing Cooperatives and Service Cooperatives. Disbursement of credit to cooperative members is the main business of savings and loan cooperatives including Credit Unions. In the basic spirit of Credit Unions, there are three main pillars that support the running of Credit Unions: Self-reliance, Solidarity and

Education. These three pillars are internalized and implemented in the governance of Credit Unions.

The implementation of the self-reliance pillar is from, by and for members. From a business perspective, this pillar is translated into cooperative capital collected from members, then managed by members in the form of savings and loans and the benefits are returned to members.

However, in running their business, the main problem often faced by savings and loan cooperatives is the existence of non-performing loan. Bad credit or Non-Performing Loans are credits that have difficulty in repayment due to deliberate factors or elements or due to conditions beyond the debtor's ability. Based on the regulations of the Cooperatives and SMEs Ministry, the maximum limit for the reasonable percentage of NPL is set at 5% (of the total loan portfolio). Thus, more than 5% of NPLs, following the provisions of the Cooperatives and SMEs ministry, identified the failure of savings and loan cooperatives in managing their business.

Non-performing loan has a negative impact on cooperatives, namely low liquidity, low ability of cooperatives to pay operational costs and capital costs, tarnishing the image of cooperatives in the community, and the worst possibility is that cooperatives can go bankrupt.

Therefore, an integrated strategy is needed to control the level of default in savings and loan cooperatives consistently. So that efforts to control non performing loan can be implemented in a more concrete work program, the formulation of this strategy is carried out during the strategic planning process together with the formulation of strategies in other areas of cooperative performance.

Credit Union Mekar Kasih was established on July 29, 2007, and until August of Fiscal Year 2024, CU Mekar Kasih has a total of 17,023 members spread across 5 branches, namely TP Makassar, TP Baras, TP Messawa, TP Tobadak and PT Sungguminasa. During Fiscal Year 2024, CU Mekar Kasih consistently maintained delinquency at the ideal ratio. As of August 2024, delinquency was at 2.40% (consolidated data) with the rate for each branch as follows: TP Makassar 2.61%, TP Baras 2.66%, TP Messawa 2.83%, TP Tobadak 2.39% and TP Sungguminasa 0.64%.

The strategic planning process of the CU Mekar Kasih cooperative, starting from the pre-planning stage, resulting in strategies for each work area is summarized in the following chart:

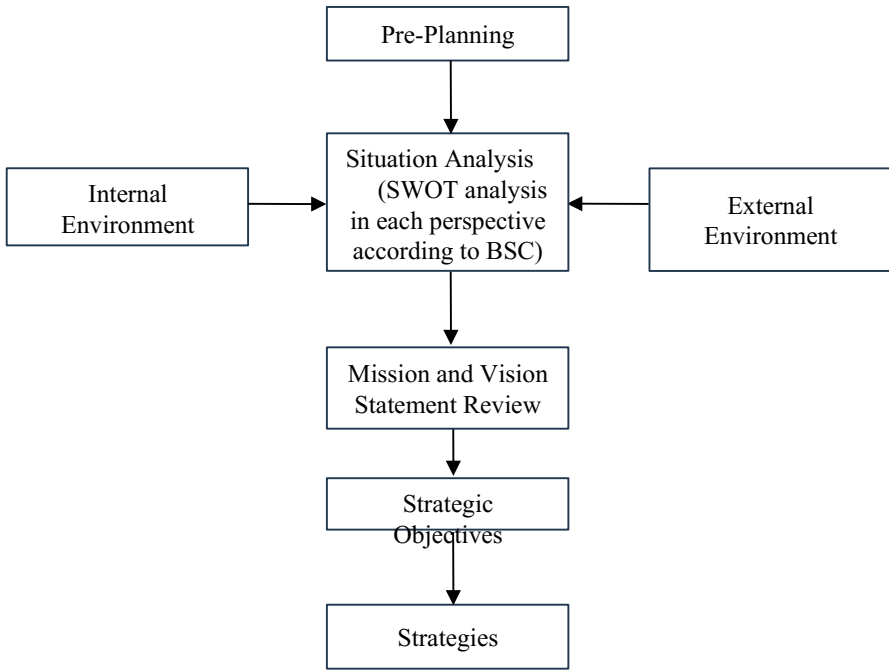


Fig. 1. Strategic Planning Process Chart of Mekar Kasih Credit Union

After the situation analysis process, a review of the Credit Union's mission vision, and strategic objectives was conducted. In the strategic objectives, a roadmap of long-term targets was also designed including delinquency From the Mekar Kasih Credit Union Strategic Planning document, the following roadmap of the default credit ratio target was obtained:

Table 1. Non-Performing Loan target from 2024-2028

Data by October 2023	2024 target	2025 target	2026 target	2027 target	2028 target
2,88%	2,80%	2,75%	2,70%	2,65%	2,60%

To realize strategic objectives, long-term strategies are formulated in various fields of work, including strategies for controlling delinquency. These strategies are general and specific strategies in each branch. This paper will review the extent to which these strategies are implemented effectively and their relationship to delinquent credit control in branch offices.

2 Literature Review

Bryson [1] emphasized that good strategic planning in public sector organizations generally helps produce desired outcomes for organizational performance. Meanwhile, Trinidad [2] found a relationship between improving cooperative operational and financial performance with the implementation of strategic planning. Similar things were expressed by research that found a relationship between cooperative success with strategic planning and cooperative member participation [3]. This study revealed that the implementation of strategic planning is quite helpful in improving organizational performance, including Credit Union cooperatives. A study conducted in Malaysia involving 72 cooperative boards from cooperatives that were included in the list of the 100 best cooperatives in 2011, revealed that strategic planning made a positive contribution to cooperative performance.

Regarding non-performing loan, one of the results of a study conducted by Marfu, et al. [4] found that cooperatives must focus on the credit risk examination process, implement credit standards, and monitor the credit process to minimize the potential for delinquency. According to Sugiyanto and Rahayu [5], the success of cooperative risk management (including credit risk) is influenced by good cooperative governance.

This study uses an interview method to explore the experience of TP managers in implementing strategies that have been formulated in the strategic planning process, to what extent the strategy helps the performance of defaulted credit control, and what challenges are faced in implementing the strategy. According to Creswell [6], the interview method provides researchers with the opportunity to find out the perspectives of informants in-depth and directly. Researchers use interviews with a semi-structured approach to balance the focus of the research and the flexibility to explore answers more deeply [7].

3 Method

Data collection was conducted using qualitative methods through semi-structured interviews with branch managers as management leaders in each branch who are the main implementers of strategies at the TP level. Interviews were managed in stages: (1) Identification of the phenomenon to be studied (2) developing interview questions (3) conducting interviews with sources (4) transcription (5) coding (6) data processing and (7) conclusion.

As the material for triangulation of data sources, interviews were conducted with 4 of the 5 Branch Managers of Credit Union Mekar Kasih who represent the characteristics of the TP office both in terms of the number of members and location of service offices.

The list of sources is as follows:

Table 2. Information About Interview Sources

Respondent	Number of Members in Branch Offices (data as of August 2024)	Number of Staff in Branch Offices (data as of August 2024)	Office Location
Branch Manager of TP Makassar	6,152 people	15 people	Jl. Pelita Raya Block A24 No. 5 Makassar, South Sulawesi
Branch Manager of TP Baras	3,353 people	9 people	Jl. Masjid Raya No. 112 Baras, North Mamuju Regency, West Sulawesi
Branch Manager of TP Tobadak	2,811 people	7 people	Jl. Poros Tobadak 2 – Tobadak 5 Dusun Sangayoka, Tobadak 2, Tobadak, Central Mamuju Regency, West Sulawesi
Branch Manager of TP Sungguminasa	1,886 people	5 people	Jl. Mangka and Bombong No. 14, Sungguminasa, Gowa Regency, South Sulawesi

Interviews were conducted to find out the role of implementing strategic planning strategies in controlling non-performing loan in each branch, the ease of implementing the strategy, the response of Credit Union members to the strategy, and the relevance of the policy (Manual Operational) from Credit Union management in implementing the strategy.

The coding process and processing of interview results were carried out on the Ligre platform (app.ligresoftware.com) a web-based application that can be used to process qualitative research data.

4 Results and Discussion

The results of interview data processing with 4 branch managers are summarized as follows:

For the interview topic "Strategy to help control non-performing loan" the answers found were that the strategies helped control non-performing loan by 100% and the strategies did not help control non-performing loan by 0%. The following topic explored was "ease of strategy implementation" at the level of implementing staff in the field. For ease of strategy elaboration: staff implemented the strategy according to job description by 28.57%, staff found it easy to implement the strategy by 42.86% and staff still needed a lot of direction from the Branch Manager by 28.57%. For "suitability of strategy to conditions in the field" (especially related to the conditions and characteristics of members) the results found were that the strategies were in accordance with conditions in the field by 25%, the strategies were by field conditions with strategy development by 75% and many strategies were not in accordance with conditions in the field by 0%.

From the interview results, the "challenges faced in implementing the strategy" of controlling non-performing loan can be categorized into 5 categories, namely: Communication between staff and members, strategies not implemented optimally, the financial condition of members, patience in implementing the strategy and geographical conditions of the work area. The biggest challenge is that the strategy has not been implemented optimally by staff, which is 38.89% both in terms of consistency in implementing the strategy and implementation of credit procedures. The next challenges faced in order are communication between staff and members that has not been running well 27.78%, the financial condition of the members themselves 16.67%, the need for patience in implementing the strategy (in this case members must be reminded repeatedly) 11.11% and geographical conditions of the work area (distance and terrain) 5.56%.

Given the challenges to strategy implementation that are quite broad in scope, it is very important to conduct regular evaluations of strategy implementation to find the root of the problem and its handling. For questions regarding the topic of "daily evaluation of strategy implementation", daily evaluations are conducted during morning/evening briefings by 80%, daily evaluations via staff reports by 20% and no/rare daily evaluations by 0%.

The success of strategy implementation in the field is also influenced by "member response and member participation" in supporting the strategy. The results of the interview showed that members (non-performing loan actors) supported the strategy by 60%, did not fully support the strategy by 40%, and did not support the strategy by 0%. Then for the implementation of the strategy that also involved other members as volunteers or guarantors of borrowing members, members were willing to help/cooperate by 100% and members were less willing to cooperate by 0%.

Another thing that is no less important in implementing the strategy is the support of the "Board Policy (operations manual)" which is reviewed periodically. Based on the interview results, the current Manual Operation is still relevant to the Delinquent Credit control strategy by 100% and the operations manual is not relevant to the strategy by 0%. For the operations manual review, the results obtained are that it is better to review the operations manual at least once a year by 50% and once every 6-12 months by 50%.

5 Conclusion

The results of the study show that the strategies formulated from the strategic planning process help branch managers control delinquent credit. There are three things that make the strategy appropriate and help control delinquent credit: First, the strategy is easy to implement because it is in accordance with the problems and conditions of the members being served. Second, the strategy is relatively easy to describe into more concrete tasks to be carried out by staff in the field. And third, the strategy is relevant to the Credit Union Operations Manual issued by the board of directors.

Strategies that are easy to implement and can be described help Branch Managers allocate resources to implement strategies more concretely in the field. Most of the challenges that occur in the field in implementing strategies are that the strategies

have not been implemented optimally. Therefore, daily evaluation of strategy implementation is indeed quite important to be carried out consistently.

Board Policy (operations manual) relevant to the implementation of the strategy contributes to the control of non-performing loan so that periodic reviews are carried out so that the policy is always up to date and in accordance with field conditions.

According to the results of the study, member participation also influences the implementation of defaulted credit control. The following research can be developed to further determine the contribution of members to the implementation of the non-performing loan control strategy considering that cooperatives are based on the principles of family and cooperation in building a shared economy.

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