ISSN No:-2456-2165

Effective Collection Strategy at UlaMM (Micro Capital Service Unit) PT PNM

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Abstract:- The success of a banking or financial institution is not only from the human resource factor, but the availability of capital is the main factor. The higher the capital owned indicates that the bank or financial institution is getting healthier in its capital. Aside from being a buffer for bank operations, capital is also used as a buffer against possible losses from bad loans. The biggest contribution to the source of income for banks and financial institutions comes from lending. In order to get good interest, effective and efficient management is required. The method used in this research is qualitative with case studies at PT Permodalan Nasional Madani Kabanjahe Branch in the hope of being able to propose an Effective Billing strategy at ULaMM Kabanjahe in particular and generally for companies, so that companies can continue to grow. The results of this study are handling non-performing loans at ULaMM Kabanjahe Branch, including the category of non-performing loans which can be divided into four, namely loans under special mention, substandard loans, doubtful loans, and bad loans. Non-performing loans for the Kabanjahe Branch ULaMM Company can have a significant impact on the company. Overcoming Problem Credit is a complex and challenging task. ULaMM Kabanjahe Branch has various policies and approaches in managing non-performing loans to reduce the risk and negative impact on their financial health. The collection strategy carried out by ULaMM Kabanjahe Branch is early and active billing, empathetic communication, restructuring negotiations, control from unit heads, implementing company policies, active visits, desscall, company rules should not be rigid, discipline, consistency, direct billing, coordination with the government local, and good maintenance.

***Keywords:-** Bad Credit, Effective Billing, Risk Management.*

I. INTRODUCTION

Banking and financial institutions have an important role in the economic system, the Bank is obliged to provide quality services to customers so that they can have a good impact on the Indonesian state. The success of a banking or financial institution is not only from the human resource factor, but the availability of capital is the main factor. The higher the capital owned indicates that the bank or financial institution is getting healthier in its capital. Aside from being a buffer for bank operations, capital is also used as a buffer against possible losses from bad loans. The biggest contribution to the source of income for banks and financial institutions comes from lending. In order to get good interest, effective and efficient management is required. In extending credit, banks must be prepared to face credit risks that cause credit to become problematic. Credit risk is a risk due to the failure or inability of the customer to return the amount of the loan obtained from the bank and the interest according to a predetermined period of time. the practice is of course not as easy as imagined. Non-performing loans or bad loans in English are called non-performing loans (NPL) are loans that are late in installments or have the potential not to be repaid by the debtor/customer. On the other hand, LAR (Loan at Ratio) is also something that must be considered in banking, because LAR has the potential to become an NPL, where 3R (restructuring) is used as an alternative in reducing NPLs. "The amount of banking LAR reached around IDR 1,200 trillion. The LAR figure includes LAR before the COVID-19 pandemic and after the COVID-19 pandemic. The number of LARs is higher due to the crisis due to the COVID-19 pandemic. The LAR portion has reached around 25% of total bank loans. So, the banks are actually suffering from high cholesterol.

In general, the criteria for non-performing loans are as follows: late payment of credit and interest for at least 90 days, payment of interest delayed, refinanced, or capitalized for at least 90 days, according to the agreement between the creditor and debtor and late payment of credit and interest for less than 90 days, but there are strong reasons to doubt the debtor's ability to pay it off. The Covid-19 pandemic has had an impact on economic instability which has caused many debtors to be unable to make payments on loans borrowed from banks, including the ULaMM (Micro Capital Service Unit) at the Kabanjahe Branch. In accordance with the description above, the main problem is how to resolve problem loans at UlaMM (Micro Capital service unit) in the Kabanjahe Branch, and what are the obstacles faced by the Micro Capital service Unit) in the Kabanjahe Branch in resolving these problem loans, and the effective collection strategy carried out UlaMM at Kabanjahe Branch.

II. LITERATURE REVIEW

A. Equity Theory

In this study based on the theory of justice (equity theory). (Robbins and Judge, 2008) said that the theory of justice (equity theory) is when employees are satisfied with the justice they feel, employees will remain loyal to the organization. The essence of this theory of justice is that if an employee has the perception that the reward he receives is

ISSN No:-2456-2165

inadequate, two possibilities can occur, namely a person will try to get a greater reward or reduce the intensity of the effort made in carrying out the tasks for which he is responsible (Siagian, 2013) . The theory of justice explains that a person's satisfaction depends on whether he feels there is justice (equity) or unfairness (unequity) for a situation he experiences. This theory is a variation of social comparison. According to this theory, someone will compare the input ratio of his own results with the ratio of the input results of the comparison person. If the comparison is considered fair enough, then he will be satisfied. However, if the comparison is unbalanced and actually detrimental (under compensation), it will cause dissatisfaction and become a motive for someone's action to uphold justice. According to Greenberg and Colquitt (2005) organizational justice is centered on the impact of managerial decision making, perceived quality, fairness effects, the relationship between individual and situational factors as well as explaining individual justice perceptions in organizations. According to Tabibnia, Satpute and Lieberman (2008) Organizational justice can include issues related to the perception of fair salary, equal opportunity to get promotion for career advancement and correct selection procedures. According to Sweenney and McFarlin in Antoniou (2009) proposed two models of organizational justice factors which consist of distributive justice and procedural justice. Through the use of a structural equation model, Sweenney and McFarlin define that distributive justice is related to organizational-level results (pay satisfaction) while procedural justice is related to organizational-level results (organizational commitment).

In this research, the researcher uses the theory of justice because the researcher will conduct an empirical study to find out the factors that influence employees' performance and the factors that affect non-performing loans.

B. Strategy Theory

According to Hunger and Wheelen (2003), strategy is a series of managerial decisions and actions that determine the company's performance in the long run. Strategic management includes environmental monitoring, strategy formulation (strategic planning or long-term planning). Strategy implementation and evaluation and control. According to David (2011) Strategy is a joint means with long-term goals to be achieved. Business strategies include geographic expansion, diversification, acquisitions, product development, market penetration, tightening, divestment, liquidation and joint ventures. Strategy is a potential action that requires top management decisions and company resources to be carried out by a person or company to achieve the goals or objectives that have been set. According to Tjiptono (2006) the term strategy comes from the Greek language, namelystrategy which means the art or science of becoming a general. Strategy can also be interpreted as a plan for the distribution and use of military power in certain areas to achieve certain goals. Meanwhile, according to Pearce II and Robinson (2008), strategy is a large-scale plan, with a future orientation, to interact with competitive conditions to achieve goals. Rangkuti (2013) argues that strategy is a comprehensive master plan, which explains how the company will achieve all the goals that have been set based on the mission that has been previously set. According to Stoner, Freeman, and Gilbert. Jr (2005), the concept of strategy can be defined based on two different perspectives, namely: (1) from the perspective of what an organization wants to do (intense to do), and (2) from the perspective of what the organization ultimately does (eventually does). The author concludes that strategy is a way to achieve a goal by taking into account all the possibilities that will occur, and preparing all the potential that exists. and To formulate a strategy it is necessary to link it with the organizational environment, so that an effective organizational strategy can be developed. And to achieve organizational goals need alternative strategies that are considered and must be selected.

C. Effectiveness Theory

Basically the word effective comes from English, namely effective which means successful or something that is done works well. Effective basically comes from the word "effect" and this term is used as a causal relationship. Effectiveness can be viewed as a cause of other variables. Sondang P. Siagian (2001) argues that effectiveness is the utilization of resources, facilities and infrastructure in a certain amount that is consciously determined beforehand to produce a number of goods for the services of the activities it carries out. Effectiveness shows success in terms of whether or not the goals that have been set are achieved. If the results of activities are getting closer to the target, it means the higher the effectiveness.

Effective means that the goals that have been planned before can be achieved or in other words the target is achieved because of the activity process. The word effective cannot be equated with efficiency, because both of them have different meanings even though the use of the word efficiency is closely related to the word effective. Efficiency implies a comparison between costs and results, while effectiveness is directly related to achieving goals. The Popular Scientific Dictionary defines effectiveness as the accuracy of use, effectiveness or support for goals. Effectiveness is one of the dimensions of productivity, which leads to achieving maximum performance, namely achieving targets related to quality, quantity and time. Effectiveness is generally seen as achieving operative and operational goals. Basically effectiveness is the level of achievement of the assigned organizational goals. Effectiveness is how well the work is done, the extent to which a person produces output as expected. This can be interpreted, if a job can be carried out according to plan, it can be said to be effective without regard to time, effort and others. An organization is considered to achieve high effectiveness if it is free from various characteristics of ineffectiveness. The advantage of this basic model is that it provides managers/leaders with practical guidelines for diagnosis and development activities. The ineffectiveness model is most suitable when criteria for effectiveness cannot be identified or mutually agreed upon and when there is a need to systematically develop organizational development strategies.

D. Theoritical Framework

The success of a banking or financial institution is not only from the human resource factor, but the availability of capital is the main factor. The higher the capital owned indicates that the bank or financial institution is getting healthier in its capital. Aside from being a buffer for bank operations, capital is also used as a buffer against possible losses from bad loans.

Meydianawathi (2017) argues that high capital reflects a stable amount of capital and low risk owned by banks so that it allows banks to be able to extend more credit. The biggest contribution to the source of income for banks and financial institutions comes from lending. In order to get good interest, effective and efficient management is required.

In this study, using a qualitative approach. To understand the term qualitative research, it is necessary to put forward the theory according to Bogdan and Taylor defining qualitative methods as research procedures that produce descriptive data in the form of written or spoken words from the people observed. By choosing this qualitative method, complete and accurate data can be obtained. The descriptive method is research that does not look for or explain relationships, does not test hypotheses or production, but instead describes the meaning of data or phenomena that can be captured by researchers, by showing relevant evidence.

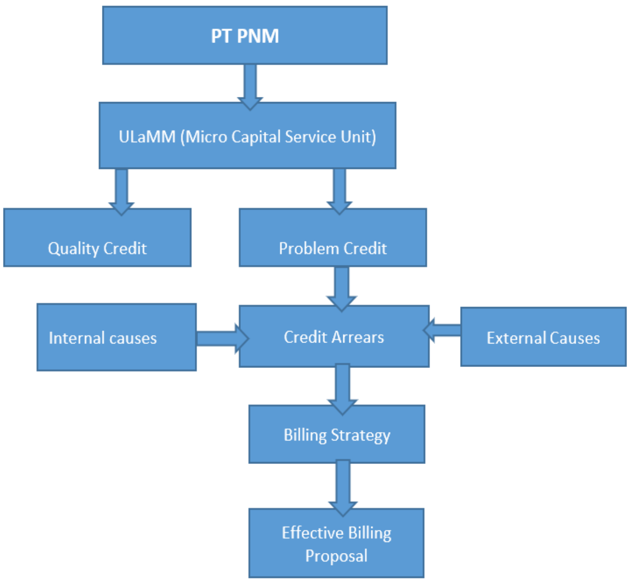

Fig 1: -Theoritical Framework

III. METHODOLOGY

The research approach used is a case study approach at PT Permodalan Nasional Madani, Kabanjahe Branch. The type of data used in this paper is qualitative data. In this research, the unit of analysis is the Organization, namely PT PNM Kabanjahe Branch. in the hope that researchers can propose an Effective Billing strategy at ULaMM Kabanjahe in particular and generally for companies, so that companies can continue to grow. the researcher used observation and interview data collection techniques, in this case several Heads of the ULaMM Unit Office (Micro Capital Service Unit) which are under the Kabanjahe Branch Office. The interview was conducted in an On The Spot manner where the researcher visited the person being interviewed and conducted face-to-face and was conducted online using the Zoom Meating application to the Head of the ULaMM Office. And the data collection technique was carried out by manual recording and assisted by an HP electronic recorder (hand phone). The people interviewed were the Head of the PNM Kabanjahe Branch (Indra Irawan) who oversees and is responsible for 12 ULaMM Units (Micro Capital service units), 1 Remedial Manager ULaMM oversees and is responsible for the Quality of the Portfolio of 12 Units, 5 Worst Unit Office Heads and 1 Best Unit Office Head.

IV. RESULTS AND DISCUSSIONS

Non-performing loans are one of the important issues in the banking world that can affect the financial health of a financial institution. In this context, ULaMM Kabanjahe Branch is of concern because of the non-performing loans category. The non-performing credit category at ULaMM Kabanjahe Branch reflects a condition in which a number of loans that have been extended by the branch experience difficulties in timely payments or even fail to fully pay off financial obligations. This is a significant issue in the banking world, because it can have an adverse impact on the financial health of a financial institution

Problem credit is a serious problem that needs to be taken seriously by ULaMM Kabanjahe Branch. Through identifying causes, understanding impacts, and implementing appropriate strategies, the branch was able to address these challenges and improve its performance in terms of lending and overall financial health. It is important for ULaMM Kabanjahe Branch to continue to evaluate and improve in order to avoid or overcome problem loans in the future. The existence of non-performing loans in a financial institution is a clear sign of a company's lack of effectiveness in managing its credit portfolio. This reflects failures in several important aspects of credit management, risk control, and collection processes.

Siagian (2001) argues that effectiveness is the use of resources, facilities and infrastructure in a certain amount that is consciously predetermined to produce a number of goods for the services of the activities it carries out. Effectiveness shows success in terms of whether or not the goals that have been set are achieved. If the results of activities are getting closer to the target, it means the higher the effectiveness. Problem loans at ULaMM Kabanjahe Branch can come from various internal and external factors that interact in a complex way. An in-depth analysis of the causes of problem loans needs to consider these two factors to gain a more comprehensive understanding. One of the things that causes non-performing loans can be due to the non-performance of the selection process according to the 5C principle. The principle of credit, which is often referred to as the 5C concept, will basically be able to provide information regarding the good faith (willingness to pay) and ability to pay (ability to pay) of customers to repay loans and interest (Purba, 2021).

The impact of non-performing loans on companies at ULaMM Kabanjahe Branch is serious and can affect various operational, financial and reputational aspects. These impacts can pose complex challenges and need to be addressed urgently. One of the main impacts of non-performing loans is a decrease in company revenue and profits. Problem loans result in funds that should go into the company cannot be realized, thereby reducing the available cash flow. This can limit a company's ability to invest, develop new products or services, or meet other operational needs. NPL mitigation is a series of steps and policies taken by companies or financial institutions to reduce or prevent the risk of problem credit. The purpose of this mitigation is to protect the company's finances, minimize losses, and improve the quality of the credit portfolio. The first step in mitigating non-performing loans is to conduct a comprehensive creditworthiness analysis of borrowers before providing loans. This process involves a thorough assessment of the borrower's financial feasibility, repayment capacity, credit history, validity of Collateral and potential risks. Lenders must verify the borrower's financial information, collect references from third parties, and use a credit model to identify the risks that may be associated with the loan. Overcoming bad credit is a complex and challenging task for companies or financial institutions. One of the main challenges of ULaMM Kabanjahe Branch is to quickly identify non-performing loans. In many cases, bad credit isn't always uncovered in its early stages and can develop into a more serious problem over time. Untimely identification may affect a company's ability to take the necessary actions to minimize risks or best recover funds.

Problem loans are often related to poor macroeconomic conditions. If the economy experiences a recession or slowdown, the risk of non-performing loans tends to increase because many borrowers face financial difficulties. Companies must be able to manage this risk and anticipate economic changes that may affect their credit portfolio. The non-performing credit management policy is a set of guidelines, procedures and steps designed to deal with problem credit problems effectively and efficiently. The purpose of this policy is to protect the company's or financial institution's finances, minimize the risk of non-performing loans, and increase the possibility of fund recovery.

According to Hunger and Wheelen (2003), strategy is a series of managerial decisions and actions that determine the company's performance in the long run. Strategic management includes environmental monitoring, strategy formulation (strategic planning or long-term planning). Strategy implementation and evaluation and control. The Covid-19 pandemic has had a significant impact on credit globally. This impact is not only felt on individual borrowers, but also on companies, financial institutions, and the economic sector as a whole. The Covid-19 pandemic has caused widespread economic instability, with many people out of work or experiencing reduced incomes. As a result, many borrowers have difficulty repaying their loans in a timely manner. Late payments increased, and the level of non-performing loans experienced a significant increase, especially in the sectors most affected by the pandemic, such as the tourism, hospitality, transportation and retail sectors. Perform billing actions immediately after late payments occur. Don't delay contacting borrowers who are experiencing delays. Active and timely communication can help remind borrowers of their obligations and encourage them to make payments quickly. Empathy towards the debtor's financial situation. Listen to their reasons why they are experiencing late payments and try to understand the challenges they face. With an empathetic approach, ULaMM Kabanjahe Branch can build better relationships with borrowers and find solutions together that can help them pay back loans. If the debtor is facing serious financial difficulties, consider offering a credit restructuring program. In restructuring, ULaMM Kabanjahe Branch can adjust payment schedules, interest rates, or change other credit terms to better suit the borrower's financial capabilities.

Using technology to simplify and increase the efficiency of the billing process. Automated systems can send timely payment reminders and help manage billing schedules. The use of technology can also assist in managing loan portfolios and better identifying non-performing loans.

If attempts to bill via communication are unsuccessful, consider using direct billing. ULaMM Kabanjahe Branch can use a professional collection agent or collection company to collect loans on behalf of ULaMM Kabanjahe Branch. Make sure that this billing still complies with applicable rules and regulations. Check and use credit reports to understand a borrower's financial situation in greater depth. Credit reports can provide information about the borrower's payment history and help ULaMM Kabanjahe Branch better assess credit risk. Ensuring all collection actions are taken in accordance with applicable laws and regulations. Avoid collection actions that are illegal or violate the law, as this can have a bad impact on the company's reputation and can even lead to legal action on the part of the borrower. Always remain disciplined in following established billing policies and procedures. Consistency in handling non-performing loans will help create good governance and can increase collection effectiveness. Credit risk management is not only the responsibility of one division or department, but the entire organization. All teams involved in granting and managing credit must collaborate and support each other to face the challenges of non-performing loans.

Perform periodic analysis of billing and credit data. From this analysis, identify patterns and trends, and study opportunities and challenges in managing non-performing loans. Learning from past data and experiences can help improve future collection strategies and policies. Overall, effective credit collection requires a professional, proactive and flexible approach. By engaging in early and active billing, communicating empathetically, negotiating restructuring, using technology, and remaining compliant with applicable laws and policies, companies can increase the likelihood of recovering funds and reduce the risk of bad credit.

V. CONCLUSSION AND SUGGESTIONS

➢ *Conclusion*

There are four categories of non-performing loans, namely loans under special mention, substandard loans, doubtful loans and bad loans. 2. Non-performing loans for the ULaMM Company Kabanjahe Branch can have a significant impact on the company, including decreased revenue and profits, decreased asset quality, worsened risk, increased reserves for loan allowance losses, poor financial reports, decreased company reputation, laid off employees, bankrupt company. How to avoid problem loans is an important step in maintaining the financial health of financial institution companies. Avoiding bad credit involves discipline, planning, and making wise decisions when it comes to buying credit from customers. Overcoming Problem Credit is a complex and challenging task. The challenges are timely identification, uncertain loan recovery, microeconomic influence, lost business opportunities, difficult to find customers, avoidance of customers, need to process time, sale of credit guarantees, corporate reputation that must be maintained, customers with bad intentions, business not running, loans not according to plan. Even though dealing with non-performing loans can be difficult, it is important for UlaMM Kabanjahe Branch to remain wise in taking proactive and effective steps. 5. ULaMM Kabanjahe Branch has various policies and approaches in managing non-performing loans to reduce risks and their negative impact on their financial health. The COVID-19 pandemic has had a significant impact on ULaMM Kabanjahe Branch. Some of the main effects of the COVID-19 pandemic on credit are declining customer businesses, delays in installment payments, problem loans, increased credit risk, decreased liquidity, many customers fail to pay, relaxation customers, decreased ability, decreased company sales and income, closed businesses. An effective ULaMM collection strategy for the Kabanjahe Branch is very important for financial institutions in managing non-performing loans and minimizing risk.

➢ *Limitations*

The limitation of this study is that the research subjects used were employees of PT Permodalan Nasional Madani, Kabanjahe Branch, starting at the leadership and manager levels. This research also has limitations in the scope of research which only focuses on PT Permodalan Nasional Madani Kabanjahe Branch.

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