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## Effectiveness of Special Repayment Strategies in Overcoming Bad Credit at Leasing Company PT.Mega Auto Central Finance

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### Abstract

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Bad credit is a problem in non-bank financial institutions such as leasing companies, so a good strategy is needed to overcome this. One of them is the implementation of a special repayment strategy of PT Mega Auto Central Finance. This study aims to determine the effectiveness of the implementation of a special repayment strategy in overcoming bad credit at the leasing company PT Mega Auto Central Finance (PT MACF). The approach used in this research is qualitative which produces descriptive data in the form of written words from people and observable behavior. The stages of this research method consist of information collection, reduction, and selection. The research location is located at PT Mega Auto Central Finance Sidikalang. Informants consisted of the heads of posts, administration, collector coordinators, and implementers of the special repayment program. Data collection techniques used interviews (primary) to 13 employees, observation, and secondary data (books and journals). The results of the study said that this company had a high level of bad debts on motorcycle loans. After the implementation of the special repayment strategy, the bad debt rate decreased from previous years. In November 2023, the company's bad debts of 29% were lower than before the implementation of the special repayment strategy in 2020 of 36%.

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### INTRODUCTION

The era of globalization indicates the many changes that occur in people's lives. These changes are followed by the demands of community needs that must be met under any circumstances such as primary, secondary, and tertiary needs. Along with the development of information technology, one of the effective solutions in responding to these changes is debt and credit transactions. In strengthening the agreement, the enforcement of the debt and credit must be bound by a guarantee to avoid default (Putri et al., 2020).

One of the institutions that have an important role in these transactions is non-bank financial institutions such as capital markets, money and forex markets, cooperatives, pawnshops, leasing, and insurance (Asyhadi, 2020). Leasing is a business entity established to seek profit or profit with a legal force that protects it (Dalimunthe et al., 2020). Leasing is an alternative source of financing for individuals and companies with many advantages (Mohamad, 2019). This is reinforced by the increasingly competitive level of business competition faced by business people to use effective financial strategies in backing up large-scale production needs (Husen, 2020).

Decree of the Minister of Finance of the Republic of Indonesia Number 1169 / KMK.01 / 1991, says that leasing is a financing activity in the form of providing capital goods either on a leasing basis with option rights (finance lease) or leasing without option rights (operatin lesse) for use by the lessee for a certain period of time based on periodic payments (Lestari, 2020). Leasing companies can provide financing to someone to buy a vehicle on credit. Also as a source of financing for capital goods used in the production process, either directly or indirectly, with a certain agreement between the company (supplier of capital goods) and the lessee for a certain period of time (Fadhillah, 2019).

In its operational activities, the leasing company applies a credit system. Credit is defined as the bank's trust in the debtor to be used as well as possible (Andrianto, SE, 2020). From these several opinions, it can be concluded that a leasing company is a company engaged in non-bank finance to distribute credit in the form of vehicles and money with a guarantee such as BPKB. The application of this guarantee is carried out on an agreement to protect the creditor, so that the funds can be returned by the debtor according to the specified time period.

Seeing the current socio-economic conditions, many people have established businesses. One of the limitations of establishing a business is capital resources from both internal and external sources, so people tend to borrow (credit) from banks and non-banks (Widyawati, 2019). PT Mega Auto Central Finance (MACF) is a motorcycle financing company that is growing rapidly. The company was founded on September 24, 2007 with around 5,000 employees. The company focuses on motorcycle and cash financing. PT Mega Auto Central Finance (MACF) is one of the companies of the CT Corp business group which has several companies in other business sectors. Based on the results of researcher observations, there are several problems in the operational activities of PT Mega Auto Central Finance (MACF) in debtor service. The high level of bad credit is one of the main problems in this company.

In response to this, the company applies a special repayment strategy or restructuring policy which is one way to alleviate non-performing loans in finance which is dominantly used in the leasing sector (Widyawati, 2019). Previous research provides a conclusion that special repayment strategies are carried out by delaying and changing the number of installments, extending the period, reducing interest and principal arrears, increasing credit facilities, and converting credit into temporary equity participation (Putri & Mukhlis, 2022). Some of the context of these problems is

the main basis for researchers in conducting this research with the title of the effectiveness of special repayment strategies in overcoming bad credit at the leasing company PT Mega Auto Central Finance

### **Research Focus**

Based on the background of the problem, the formulation of this research problem is how the level of effectiveness of the implementation of special repayment strategies in overcoming bad credit at PT Mega Auto Central Finance?

### **Research Objectives**

Based on the formulation of the problems described above, the purpose of this study is to analyze the level of effectiveness of the implementation of special repayment strategies in overcoming bad credit at PT Mega Auto Central Finance.

## **THEORITICAL BACKGROUND**

### **Effectiveness**

Effectiveness is the result of utilization in terms of achieving previously desired goals that can have an impact on the organization. Effectiveness is defined as an activity that is carried out and has the expected impact and results. Effectiveness is a concept that broadly covers various factors inside and outside an organization related to the degree of success of an organization in achieving its goals or objectives (Aryani et al., 2020). Effectiveness is related to activities carried out by an organization or an institution to measure goals and benefits in order to get good results and in accordance with expectations. A program will be said to be effective if it meets the set deadline. The level of effectiveness is measured by several indicators such as program understanding, on target, on time, goal achievement and real change (Anis et al., 2021). So, a program can be said to be effective if the program has the results of solving a problem so that the organization reaches the desired target.

### **Leasing**

Leasing is an alternative financing solution that can complement bank loans. This is because banks tend to provide short-term credit for working capital, while leasing offers an alternative long-term solution (Widyawati, 2019a). In a leasing company, agreements and guarantees are required for the repayment of goods or money lent. Article 1313 of the Civil Code states that an agreement is an act of binding oneself to another person. The term agreement in question relates to an agreement between two or more parties which gives rise to the rights and obligations of the parties when entering into the agreement (Badriyah et al., 2019). This is done in order to prevent default by the debtor and maintain good cooperation. In providing capital goods credit, ownership of the goods is still with the leasing party, while the tenant uses the capital goods and must pay according to the agreement.

### **Bad Debt**

Bad credit is a serious problem in a financial company, both banks and non-banks, where the debtor is unable to pay his obligations to the company according to the

previous agreement (Telaumbanua, 2022). Bad credit is also a situation where there are many debtors who neglect the agreed letter of agreement (Atikah, 2018). So, bad credit is an action taken by the debtor by not paying obligations according to the time specified or agreed at the beginning of the agreement, causing fines or interest every month. In responding to this, the right strategy is needed in debt repayment. Based on the results of observations and preliminary interviews with researchers, there are several acts of default committed by debtors of PT Mega Auto Central Finance (PT MACF) such as negligent consumers so that installment payments are past the due date and when the debtor is negligent and defaulted, the property rights of the collateral have become the property of the leasing party.

### **The Importance of Special Repayments in Leasing Companies**

Special repayment is a method taken to alleviate non-performing loans in finance which is dominantly used in the banking sector and leasing parties (Putri & Mukhlis, 2022). Previous research says that there are several forms of special repayment strategies such as delaying and changing the number of installments, extending the period, reducing interest and principal arrears, increasing credit facilities, and credit converted into temporary equity capital (Putri & Mukhlis, 2022). This strategy has various contributions in solving bad credit problems and reducing the burden on debtors. Basically, special repayment is a technique or way so that the agreed collateral is not confiscated by debt collectors so that in the end this strategy can create a balance between the two parties.

### **RESEARCH METHOD**

The method used in this research is a descriptive qualitative approach which is a research procedure that produces descriptive data in the form of written or spoken words from observable informants (Ahmad & Muslimah, 2021). The research data sources are primary data and secondary data. The stages of this research method consist of information collection, reduction, and selection. Data collection techniques used interviews and observations with several employees of PT Mega Auto Central Finance (MACF) and secondary data obtained from books and journals. This research uses qualitative analysis techniques according to Milles and Huberman which consist of data collection, data reduction, data presentation and conclusion drawing (Ahmad & Muslimah, 2021).

### **RESULT AND DISCUSSION**

This research was conducted at the office of PT Mega Auto Central Finance (MACF) on Jalan Pak-Pak Number 167, Sidikalang. This office is headed by Mr. Elrico Sinaga. PT MACF is a non-bank company engaged in financing. PT Mega Auto Central Finance (MACF) Sidikalang's role is to offer new and used motorcycle financing, offer multipurpose financing, provide solutions to people who need financing with an easy, fast and safe process, and guarantee the confidentiality and security of debtor data. PT Mega Auto Central Finance (MACF) has a vision to become the preferred and trusted financing company by consumers in providing financing solutions with the best and

reliable services so as to provide satisfactory results for stakeholders. While the mission of this company is:

1. Provide diverse and complete financing services to meet customer needs.
2. Build a reliable business network with the latest technology so that services to customers, dealers and related parties can be provided quickly and precisely.
3. Build mutually beneficial relationships with customers and dealers.
4. Provide the best service to customers.
5. Provide the best added value to stakeholders including shareholders, employees, customers and the surrounding community.

The motto of PT Mega Auto Central Finance (MACF) Sidikalang is to provide financing services for all. In this study, researchers found data and information that is important and useful in knowing the actual situation at PT Mega Auto Central Finance (MACF). The discussion will be based on information collected in the field through observations and interviews with employees of PT Mega Auto Central Finance (PT MACF) to find out how effective the special repayment strategy is in overcoming bad credit. There are several research informants, namely:

1. Head of Post, as the leader of PT Mega Auto Central Finance (PT MACF) to achieve the company's target.
2. Collector Coordinator whose job is to coordinate all collectors to carry out their duties properly so that the company reaches its target.
3. Administration, whose job is to input all data into the system.
4. Collectors who handle special repayments, who are in charge of implementing special repayment strategies to reduce consumers who have arrears.

### **Service Implications of PT Mega Auto Central Finance (PT MACF) for the Community**

Service quality is one of the criteria for public services. To avoid problems in the future, service providers and service recipients must implement service procedures properly, including complaints. Based on the results of an interview with the Head of the Coordinator Section, Mr. Paulinus Tambunan on October 25, 2023, he said that the services provided at PT Mega Auto Central Finance (PT MACF) have followed the company's SOP, where this company is very instrumental in providing diverse and complete financing services to meet the needs of the community with the best service. There are several steps taken, namely submission, checking slik (NIK and KTP) at OJK to find out the character of the debtor through the history of installment payments that appear on OJK slik. If he is cooperative and has never been in arrears in his history, then the marketing team will conduct a survey of work, income, arrears, and expenses. If the debtor is eligible, they will sign a loan contract on stamp duty as the basis of the agreement. The file is submitted to the administration department for input into the system.

Based on the results of interviews with the data input party, Mrs. Irma Sihotang on October 26, 2023, said that the file input process must be carried out quickly and thoroughly. When the debtor applies for a loan, the money will go to the debtor's

account after the contract number is issued. The input process will also make it easier for debtors to pay installments online such as through indomaret, alfamart, post office, brimo, shoope by simply entering the contract number given by the administration. Based on the results of these interviews, it can be seen that PT Mega Auto Central Finance (PT MACF) is present in the community to meet the business financing needs of the community. This service also includes motorcycle loans which according to SOP are easier and more practical. Leasing companies can help business customers who need funds for working capital, where the debtor opens or expands his business by borrowing funds to the leasing party. Therefore, leasing aims to channel funds to the community in running a business to revive the economic sector (Fauzi, 2018).

### Bad Credit Conditions

One of the main causes of losses for leasing companies engaged in financing is the high level of bad credit. Bad credit is a situation where debtors, both individuals and business entities, are unable to pay installments or pay off their debts to the lender on time so that the company cannot reach its target. The implications of bad credit are very large for PT Mega Auto Central Finance (PT MACF) because it has an impact on the decline in company performance. Based on the results of an interview with the Head of the Post, Mr. Elrico Sinaga on October 26, 2023, he said that the cause of bad credit in this company is external factors where debtors have disasters such as accidents, crop failure, sick children, declining business, unsold merchandise, so that they are constrained in making credit payments. It is even worse when debtors over credit to their families without the knowledge of the company so that debtors feel relieved of responsibility. When consumers do not pay credit, it greatly affects the company's performance. For example, if the company does not reach the predetermined target, it will receive a warning from the center so that employees do not get incentives or bonuses.

Based on the results of the interview, the factors that cause bad credit are internal factors including human resources (employees), weak information systems and supervision in applying for credit, binding of credit collateral without sufficient collateral, excessive interference in making credit decisions, such as interference from leasing parties on the basis of kinship between the two parties (debtors and creditors). Meanwhile, external factors include failures / disasters that befall the debtor so that it makes the debtor lose money and directly affects credit payments, the absence of good faith on the part of the debtor which causes non-current credit payments, credit loans without family knowledge, and misuse of credit by debtors (Syahbathie, 2019).

Table 1: Sorting scheme of bad debts at PT Mega Auto Central Finance (PT. MACF) according to the number of arrears.

No	Bucket	<i>Over due</i>
1	<i>Non Over due</i> (Non OD)	Not yet due
2	OD 1-30	Past due date, but not yet 1 month

No	Bucket	<i>Over due</i>
3	OD 31-60	Consumers in arrears 1 to 2 months
4	OD 61-90	Consumers in arrears 3 months
5	OD 90 UP/ upper bucket	Consumers in arrears > 4 months

Source: PT Mega Auto Central Finance

### **Implementation of the Special Repayment Strategy**

Based on the results of an interview with Mr. Elrico Sinaga on October 26, 2023, it is said that the special repayment strategy was implemented in 2014 when it was still located in Medan, but when in 2016 the company moved its location to Sidikalang and most debtors were willing to pay obligations and fines so that the special repayment strategy was not applied very often by the company. Meanwhile in 2020, during the covid-19 pandemic, the community experienced economic instability so that there were many debtors who experienced bad credit. The debtors are also not willing to pay all arrears and fines, so the special repayment strategy is carried out on 90 UP consumers.

In line with this statement, in an interview with Mr. Hotman Marpaung as the implementer of the special repayment strategy on October 26, 2023, he said that the special repayment strategy is very beneficial for debtors who have bad credit, because debtors only pay part of the arrears of installments and fines. On condition that it must be submitted directly by the debtor. The method of implementation, namely starting from calculating all arrears and fines, then coordinating with the debtor how much the total obligation must be paid after being given a special settlement. After approval, the debtor must make a signed statement on a stamp regarding the reasons for bad credit, then pay the arrears according to the provisions after the discount. The special settlement input process is carried out for seven days. After that, the debtor can pick up the motorcycle BPKB by bringing the original Identity Card.

In maintaining the balance of the company to keep running smoothly, PT Mega Auto Central Finance (PT MACF) implements a special repayment strategy for delinquent debtors. In 2020 the data on consumers who experienced bad credit at PT Mega Auto Central Finance (PT. MACF) was around 36% and after the company implemented a special repayment strategy the number of consumers who experienced bad credit decreased to 29%. This policy is in line with previous research which says that special repayment strategies are carried out by delaying and changing the number of installments, not based on a decrease in credit interest rates, extending the credit period, reducing credit interest arrears, reducing credit principal arrears, adding credit facilities, and / or converting credit into temporary equity participation (Putri & Mukhlis, 2022). The special repayment strategy is very beneficial for the debtor and the company. For debtors, this strategy can reduce arrears so that they can take their motorcycle BPKB. Meanwhile, for the company, if there are fewer debtors with bad credit, it will make it easier to achieve their targets.

### **Effectiveness of the Special Repayment Strategy**

Special repayment strategies provide benefits for debtors in paying bills. This strategy has various types of bad credit problem solving such as delaying, changing, reducing, extending credit terms to reduce the burden on debtors. Based on the results of observations, the special settlement strategy is very effective in implementing the company in overcoming bad credit. Where the debtor is willing to follow the special repayment process that is applied. This has a positive impact on the level of bad debts and defaults at PT Mega Auto Central Finance (PT MACF). Based on some of the results of these interviews and observations, the special repayment strategy in overcoming bad credit at the leasing company PT Mega Auto Central Finance (PT MACF) has been effectively carried out because it can provide its own benefits. This is because this strategy is right on target and timely in achieving goals and real changes to reduce bad credit.

### **CONCLUSION**

Based on the description contained in this study, starting from the results of observations, interviews, and documentation, there are the following conclusions:

1. The bad credit rate of PT Mega Auto Central Finance (PT MACF) is still relatively high. Bad credit is caused by external factors such as declining business, unsold crops that cause arrears and fines.
2. In overcoming this, the company applies a special repayment strategy that can benefit consumers in redeeming BPKB at a low price or discount. Special repayment or restructuring policy is a strategy to relieve non-performing loans in finance which is dominantly used in the banking sector and leasing parties to solve bad credit problems by relieving credit in accordance with company policy.
3. The implementation of the special settlement strategy starts from calculating all arrears and fines, then coordinating with the debtor how much the total obligation must be paid after being given a special settlement, after agreeing, the debtor must make a signed statement on stamp duty regarding the reasons for bad credit, then pay the arrears according to what has been given a discount. The special settlement input process takes seven days. After completing the input process, they can take the motorcycle BPKB by bringing their original KTP.
4. The special repayment strategy implemented by the company PT Mega Auto Central Finance (PT MACF) in overcoming bad credit is very effective because it can relieve consumer arrears, so as to reduce the number of those experiencing bad credit to reach 29% lower than the previous year.

Based on this description, there are several suggestions for researchers as follows:

1. PT Mega Auto Central Finance (PT MACF) further improves services to the community so that the level of bad credit can be overcome.
2. Increase the effectiveness of the special repayment strategy.
3. Implement a good and targeted approach to the community as the main consumer.



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