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Social interaction as a method to solve non-performing loan in bank X of Medan Area, Indonesia

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ABSTRACT

Clients' non-performing loan is one of the problems faced by a Bank. The differences in character, culture, and people's socio-economy influence a Bank, through its collectors, to solve the problem of this non-performing loan. The objective of this research was to find out social interaction done by Bank X in solving the non-performing loans of non-performing clients. The research used a qualitative method. The data were gathered by conducting interviews with nine informants – five clients, one collector, and three managers of Bank X in the area of Medan. The result of the research showed that in solving non-performing loan, Bank X did social interaction approach by conducting cooperation in achieving Agreement between collectors and clients, accommodation by understanding clients' socio-cultural character in order to adjust to clients and to decrease the tension, and contravention by disgracing clients in front of their neighbors.

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Introduction

Indonesian economy is in the growing phase because people's welfare is not fully fulfilled. The shortage of employment is not balanced with the large number of job seekers who are unemployed. Therefore, people begin to find alternatives in finding their own businesses in order to survive. The problem is that they do not have capital to start their businesses. One of the efforts to obtain capital in starting their business is by borrowing money from a bank (Manurung, 2014; Saragih & Nasution, 2015). Until the present time, channeling funds from non-bank financial institution for working capital and consumption is also intensively done for investment. Therefore, it can be said that financial institutions, either bank or non-bank financial institution can participate actively in distributing the sense of justice to the people (Wiwoho, 2014).

The relationship between people as clients and a bank is to need each other relationship. Interaction pattern established in the relationship between domination and subordinate or capitalism and marginal is the characteristics of quasi-capitalism. In this case, a Bank provides money to be managed by the second party (subordinate), with interest while debtors use the money. However, this relationship undergoes problems when debtors are not able to pay off the loan according to the agreed time; this condition is called non-performing loan (henceforth, NPL). The problem of NPL ranks the highest position (55%). This percentage is the comparison between NPL and the total credit given by a Bank. The ratio of NPL toward the total loans in South Korea is 16%, in Malaysia it is 24%, and in Thailand it is 52% (Pato, 2013).

Based on some studies, it was found that some factors which cause NPL consist of five principles in giving credits: Character, Capacity, Capital, Condition of Economy, and Collateral. It was found that collateral had significant influence on NPL (Nursyahriana, Hadjat, & Tricahyadinata, 2017). Besides that, there are some other causes of NPL such as weakness in administration, weakness in

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human resources, and the factor of debtors (Irwansyah, 2013). The factors of selecting, internal bank, level of success, self-management, responsibility, external, and debtors' character (Darussalam, 2013), economic condition, government's policy, clients' good faith, and so on (Tamangkel, 2016). Concerning the enabling factors of the NPL, it is necessary to solve this problem. The objective of the research was to analyze how social interaction between clients and bank management became a method used to solve non-performing loan in Bank X in the area of Medan.

Literature Review

Abu Ahmadi points out that social interaction is reciprocal influence of individuals on groups in their attempts to achieve their goals. In other words, it is a two-way process in which any individual/group stimulate other individuals and change participants' behavior (Ahmadi, 1991). Soerjono Soekanto points out that social interaction is a dynamic social relationship related to the interpersonal relationship with human groups. According to Soerjono Soekanto, the types of social interaction can be cooperation, accommodation, and controversy or conflict (Sihotang, 2017).

Cooperation

Cooperation exists when people realize that they have the same interest and, at the same time, they have adequate knowledge and self-control to fulfill that interest. An awareness of the same interest and the existence of an organization become the important factors in a good cooperation.

Accommodation

Accommodation is an adjustable process between one person and the other one or between one group to the other one in order to decrease, to prevent, or to cope with any tension or chaos (Muslim, 2013). It indicates a situation in which there is equilibrium in interpersonal or among groups of people related to social norms and social values in that community (Sihotang, 2017)

Contravention

Contravention is a social process which exists among competition and contravention or conflict. It realizes in hostile attitude, either implicitly or explicitly such as impeding, instigating, slandering, betraying, provoking, and intimidating toward someone or a group or certain cultural elements of a certain group of people. This attitude can change to hatred or hostility although it does not become a contravention or conflict (Muslim, 2013).

Research and Methodology

This study was conducted in Bank X, one of the Banks in Medan. It was focused on micro credit, special NPL. The data were gathered by conducting in-depth interviews with some informants as the employees of Bank X and clients who borrowed money from the Bank. They consisted of one spv manager, three collectors, and five debtors as NPL clients. Based on the data from the Bank, it was found that there were 285 clients on the Bank with their various types of business: clothing vendors, internet providers, workshops, wholesalers, etc. The informants were taken by using purposive sampling technique and conducting interviews with five selected debtors.

Based on the data obtained in the field, the clients could be categorized into two groups: current debtors and problematic debtors. The researchers interviewed informants (current debtors) to find out some data on the strategy of paying off their debts, how they could pay off the debts, and the obstacles they had to face in becoming debtors in Bank X. In-depth interviews were also conducted with non-current debtors, especially on why they had not pay the installment and some other obstacles. In order to obtain accurate data, the researchers also interviewed the collectors and the managers of micro credit economy division to find out the patterns of interaction with debtors. Finally, some source persons who had knowledge or experience of banking system, especially the management of private banks in Medan, were also interviewed. All of the researcher's activities above were concerned with the implementation of banking policy on treating debtors, viewed from the social aspect. The data obtained from interviews, observation, and documentation were then interpreted and analyzed to become a unit related to the social theories and facts.

Result and Discussion

System of Credit

One of the attempts made by a business person or anyone is generally by borrowing money for business capital from a Bank. This is the easiest way to get money for capital investment or business capital since it is difficult to borrow money from families, relatives, friends, or neighbors. The process of requesting for loan has created a social interaction in the form of cooperation between a client and banking mechanism. Nevertheless, the most important thing in the interaction is the ability to pay installment and the mortgage lodged to the Bank as the collateral. Giving credit by a Bank has its own mechanism; it is started from submitting request for credit to the Bank. The first thing the Bank should consider is the borrower's ability to pay the interest. Interaction pattern between debtor-to-be and the Bank can be interpreted that "I help you, and you have to give collateral and credit installment according to the contract." It means that a Bank as a financial institution provides capital in the form of loan for every debtor; therefore, the debtor has to pay an amount of money and the capital which been given. This pattern is called 'cooperation economic interaction pattern'.

Characteristics of Debtors

The method of approaching people needs patterns and some techniques so that an idea can be accepted by different communities. Let alone if the objective of the approach is related to the obligation of the approached people which often brings about resistance. There are some steps which have to be understood by collectors: first of all, they have to understand the characteristics of the debtors. There are various types of debtors' characteristics which can be categorized from their residences, their culture, or their economic condition. It is not easy to approach debtors who are reluctant to pay their debt; it takes time to do it. Some debtors have full responsibility and have good faith to pay off their credit, but some others are reluctant to pay off their debts and they are not willing to settle their non-performing loan. They are reluctant to pay off the debt and to settle their non-performing loan because when they firstly get credit from the Bank they did not use mortgage or collateral since they participate in the program of Bank X in which debtors are not required to give collateral to Bank X.

Since there is no collateral or mortgage submitted to the Bank, debtors feel that they do not have any burden in the credit gotten from Bank X, and the Bank does not have any "power" to confiscate debtors' properties, for it is not mentioned in the contract. In consequence, the Bank has the risk of suffering financial loss since it is considered failed to manage its money which has been lent to debtors. On the other hand, the debtors who are not willing to pay off their loan also have the risk of getting red sign from Bank Indonesia as blacklist debtors so that they cannot get any loan from any banks anymore.

Social interaction in banking system always pays attention to social aspect with various good communicative approaches with debtors. Basically, violent action done by collectors as "creditors" toward debtors which often occurs has violated the standard procedure specified by the Bank as 'creditor.' In this case, a creditor has to understand the characteristics of debtors without using the third party.

Collector's Communication Pattern

Communication pattern is meant as a form or a pattern of relationship between two or more people in the process of the sending and the receiving of message accurately so that the message can be understood (Djamarah, 2004: 1). In the process of dunning done by collectors toward debtors, the established communicative pattern is very important because the interaction is established by the collectors toward debtors through exchanged symbols which will determine whether a collector through the message he is conveying can make a debtor pay off his debt. The development of banking with all its facilities has established the profession of collector. The main reason for a Bank to use collectors' service is to draw unpaid loan, especially because of the high rate of non-performing loan. It seems that using collectors is unavoidable; it is a must for a bank. There is, of course, another way to solve non-performing loan- by litigation, but it takes along time and a lot of money which is sometimes no balanced with the result.

In this research, it was found that there were some basic things in the pattern of social interaction with debtors. There are usually failures in the implementing process of communication due to weakness of communication itself. Therefore, it is necessary develop and improve the communication in order to achieve an effective goal. In the process of claiming for payment done by collectors toward debtors, the established communication is the result of interaction they have developed in which both parties change messages to each other. In the interaction which occurs between collectors and debtors, collectors want to get maximum claim for payment while debtors want collectors' understanding about their real condition. When collectors do interaction in the form of communication, the communication is used as stimulation to get good and directional feedback from debtors according to target of both collectors and debtors. Direct communication in this research was related to how the collectors of Bank X in Medan formulated various aspects to maximize the profession of collectors in the process of claiming for payment micro credit from debtors according to the Standard Operating Procedure (SOP) which had been established by Bank X such as the reasons for selecting collectors and the criteria or requirements which had been fulfilled by the collectors-to-be.

In the process of claiming for payment or dunning of micro credit, collectors interact with debtors directly. Direct communication is a communication is done face to face, and it can also be done by telephone. Before collectors carry out their job in dunning, they start the process by developing contacting debtors by calling them up through telephones. Face to face communication can mean as a two-way communication. It is a kind of discussion in which collectors and debtors give their attention to each other and listen attentively to each other. In a face to face communication, the response to the communication can be detected immediately so that the communicators have the same idea to change their communication style and the feedback can occur directly and immediately.

Based on the result and the discussion above, it can be concluded as follows:

First, direct communication from the result of the interviews with both collectors and debtors, it is found that both of them have no feeling of being harmed. The result of the interview with debtors shows that they are ready to receive the visit of collectors. They will tell the collectors about their real condition, and they will pay the installment although it is a little bit late and not in due time. The result of the interview with the collectors reveals that the Standard Operating Procedure and the regulation of the company prohibit them to visit debtors directly without contacting them via telephone or SMS.

Secondly, in its process, both collectors and debtors interact to each other by using verbal and non-verbal communication. Non-verbal communication is a supporting element used when there is an obstacle in verbal communication. Obstacle in verbal communication

is usually about the dialect (local language) which is difficult to understand even though it can be solved with the combination of Indonesian and dialect. As time passes by, the process of adaptation runs smoothly so that finally collectors begin to understand local language and the begin to get used to the condition in facing debtors. In reality, what is done by collectors in the process of claiming for payment of micro credit from debtors of Bank X in Medan is about their limitation in mastering a local language. In this case, they usual solve it by using non-verbal communication which includes facial, gestural, or postural messages.

Thirdly, interaction pattern which occurs can consist of two-way communication between collectors and debtors. The pattern of face to face communication done by debt collectors in the process of claiming for payment of micro credit toward debtors of Bank X in Medan has the difference between internal group and external group. In the internal group, they use scheme of all channels and in the external group collectors are used as the channel.

Social Interaction between Debtors and Creditors

The patterns of interaction in collector's claim for payment toward debtors of Bank X in the area of Medan can be in the form of cooperation, competition, assimilation, and even contravention or conflict. Resolution can possibly be made for a conflict. Probably the resolution can be accepted for the time being which is called accommodation which means that both parties are not fully satisfied. The patterns of the interaction of collector's claim for payment toward debtors of Bank X in the area of Medan are as follows:

Cooperation

Cooperation occurs among individuals and their groups (in-group) and the other groups (out-group). The cooperation may become stronger when there is an external threatening danger or any external actions which bother traditional or institutional loyalty instilled in the groups, in individuals, or people's class. Cooperation can be aggressive when a group feels disappointed in the long term due to dissatisfaction since its principal desire cannot be fulfilled because there are impediments from other groups. This condition will be more crucial when that group feel offended or harmed by the trustworthy system or in one of the sensitive parts of culture. The cooperation is often used to settle the claim for payment on debtors' debt in Bank X done by collectors toward debtors in which there is a win-win solution according to the agreement between the two parties (collectors and debtors). The method of cooperation between collectors and debtors is by facilitating a relief by reducing fine on delay, giving the agreed time limit or deadline of the dun, exempting fine on delay, and giving reduction of payment.

The pattern of cooperation interaction between collectors and debtors is done by administrative resolution in Bank X office of Medan. Good cooperation between collectors and debtors will yield good result in settling the claim for payment of credit from Bank X. In reality, cooperation with an interaction in it will be the realization for mutual interest in settling any problems and yielding what has been expected. Interaction established by debt collectors to get maximal result in claiming for payment from debtors by doing cooperation is an accurate way in settling dun from debtors. There are, of course, some debtor who are reluctant to cooperate for settling the problem of dunning their debt with various reasons such as their business is bankrupt, they have to pay for their children's school fees, one of the family members is sick so that they need a lot of money to take care the sick, the debt is used by other people, etc.

Accommodation

In the interaction pattern, there is an accommodation or adaptation. In the beginning, collectors do their job in claiming for payment toward debtors of Bank X in the area of Medan by visiting debtors' homes or business offices to get the description about the debtors' real condition. When they have known the condition of the debtors, they begin to approach the debtors by doing accommodation method. Debtors have various characteristics so that collectors do accommodation in order to reduce the tension between them and the debtors. In this case, the role of culture is very important in influencing interaction which will be used by collectors in dunning. For example, a debtor who is Bataknesse will tend to be harsh (but not rude), he feels that he is the right one and thinks that law is weak, he does not care for other people, and he will think of himself. In order to avoid tension in doing the dun to debtors, interaction pattern of accommodation is needed. This type of interaction is very useful in changing the tension to good reconciliation; therefore, adapting to various cultures of debtors is important. There is, of course, competitiveness among debt collectors themselves in doing the dun to debtors. On the other hand, debtors also undergo high competitiveness in their businesses so that they need more capital by borrowing a lot of money to extend their businesses to get maximal earnings.

The pressure done by debt collector in doing the claim for payment from debtors is also based on competition interaction among debt collectors. The same is true to debtors; if they do not pay off their debt they will get difficulty in borrowing money from the bank; therefore, they have to cooperate with the Bank to meet their need for competition. Debtors want to do 'top up' which means that they can borrow again from Bank X in the area of Medan after having paid off six installments. One of the services offered by Bank X is by visiting debtors through collectors to get a claim. Good interaction is a win-win solution such as debtors who pay off their debt on time will enable to debtors borrow again from Bank X.

Contravention

Competition is principally a social process which exists between competition and contravention or conflict. Contravention is mainly identified by the phenomena of uncertainty about a person or a plan and a hidden hostility, hatred, or hesitation on a person's personality. This feeling can also develop toward any possibility, utility, necessity or evaluation on a suggestion, idea, trust, doctrine,

or plan suggested by individuals or groups. Interaction in contravention dun is commonly undergone by collectors in doing interaction of claiming for payment to the debtors of Bank X in the area of Medan. Principally, contravention is a hidden mental attitude toward other people or cultural elements of a certain group of people. This hidden attitude can change to hatred even though it will not become a contravention of conflict. For example, the coming of collectors to debtors' houses will disgrace or humiliate debtors in front of their family members and neighbors. This situation will eventually cause them to hate the collectors even though there will be no contravention or conflict between them.

Conclusion

NPL in Bank X cannot automatically be settled in violence by collectors even though debtors have misused the credit by not willing to pay off their debt with unreasonable reasons. Collectors whose job is to collect debt from debtors should have a sense of justice by not doing violent action. Good cooperation can create harmony, especially in settling debt problems, so that there will be no party gets harmed (win-win solution). Therefore, Bank X implements social interaction in settling its clients' NPL problems. Social interaction is done in the form of cooperation by making mutual agreement between the two parties by giving facility in reducing fine of delay, giving agreed deadline of claiming for payment, exempting fine on delay, and giving reduction of payment. Collectors visit debtors' houses or business offices in order to get debtors' real condition. Social interaction with contravention by visiting debtors' homes will cause the debtors and their family members feel ashamed or disgraced in front of their neighbors; in consequence, they will hate the collectors even though this feeling does not cause contravention or conflict between the two parties. Nevertheless, solution for this problem should be made by making a regulation on the method of dunning NPL, and training for collector should be provided about dun interaction done by collectors so that their job is in accordance with Standard Operating Procedure (SOP).

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