

Analysis of Factors Causing Bad Debts and Efforts to Overcome and Resolve Bad Debts

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ABSTRACT

CV. Jakaharta Palembang is a distributor company of household supplies which in its business activities sells products, such as: stella, hit, mitu, glue mouse stamp elephant, fogo, proclin, carrera sponge and others. The payment system for purchasing goods at CV. Jakaharta Palembang can be done in cash or credit. The existence of a credit system sale gives rise to accounts receivable and bad debts. The purpose of this study was to determine the factors that cause bad debts and efforts to overcome and resolve bad debts at CV. Jakaharta Palembang. The following are the results of research on the factors that cause bad debts at CV Jakaharta Palembang from internal and external parties. From internal parties, such as: not yet implementing a payment system in installments or in installments, not yet applied grouping based on the age of accounts receivable and weak collection techniques. While external factors, such as: bad character, declining financial conditions and failure of the business they operate. Efforts to overcome bad debts that have been made by CV. Jakaharta Palembang by visiting the store, finding solutions and making a warning letter. While the efforts to resolve bad debts that have been made by CV. Jakaharta Palembang by rescheduling and reconditioning. For future research, it is suggested that in order to reduce bad debts above 3% at CV. Jakaharta Palembang, it can be done by applying payments in installments, hiring debcollectors and providing discounts who want to pay off their debts.

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1. INTRODUCTION

Accounts receivable is a bill that occurs between a company and another party in which there is a credit sales transaction (Agustin, 2019). Usually receivables that can be collected from customers within a period of 30 days to 60 days. If within that period the customer does not pay off the receivable, the company has a bill, so the company does not immediately receive the receivable as cash (Ermawijaya, 2020). Can result in obstruction of cash flow turnover which affects the effectiveness of the company. Another impact of this receivable is that it causes the emergence of bad debts (Logor et al., 2020).

Bad debts are a risk for sales companies that are given on credit to customers for the survival of the company (Permatasari, 2019). If the company experienced uncollectible

receivables even though the company had scrutinized customers in detail and the company did not expect this to happen (Setiawan, 2010). Therefore, the company lists receivables based on their age to facilitate the calculation of outstanding receivables and then calculates the allowance for receivable losses that will be charged at the end of the period for possible uncollectible receivables.

The factors that cause bad debts consist of internal factors and external factors (Kiy Demak et al., 2018). Internal factors mean that in carrying out the analysis, the analyzer is less skilled or may be wrong in making calculations, it can also occur due to collusion from the credit analysis party with the creditor so that the analysis is carried out subjectively and resourcefully (Tampi et al., 2019). While external factors come from customers who are carried out due to deliberate elements such as delaying payment of debts or intending not to pay their obligations and non-deliberate elements such as, customers have the ability to pay, but are unable to due to disaster (Wibowo, 2015).

CV. Jakaharta Palembang is a distributor of household supplies which in its business activities sells payments in cash and credit when purchasing goods. CV Jakaharta sells products, such as: stella, hit, mitu, glue mouse stamp elephant, fogo, proclin, carrera sponge and others. With the sale of goods on credit, CV. Jakaharta Palembang has a number of overdue receivables which can result in the emergence of bad debts each year.

At CV Jakaharta Palembang, there are two ways of selling, namely, cash sales and credit sales to provide convenience to customers in selling goods and making the company get more customers. However, this does not make all customers consequent in making payments on their accounts receivable at the agreed time. So that the company experiences disruption in the smooth flow of cash and capital turnover due to lost opportunities to seize a wider market.

To see more clearly the condition of the amount of bad debts at CV. Jakaharta Palembang, the following supporting data is presented in the following table:

Table 1. Receivables and Bad Debts CV. Jakaharta Palembang 2019-2021

Year	Total Receivables	Uncollectible Receivables	Percentage %	Description
2019	Rp. 100.152.035	Rp. 38.250.225	38,1%	large
2020	Rp. 125.883.075	Rp. 42.501.962	32,6%	large
2021	Rp. 158.349.108	Rp. 51.750.693	33,7%	large

Sumber : CV. Jakaharta (2022)

In the table above CV. Jakaharta Palembang has problems with trade receivables. The condition of bad debts at CV Jakaharta Palembang in 2019-2021 is categorized as quite large because it exceeds 3% which exceeds the company's provisions regarding the percentage of bad debts. So that there is no control of bad debts tertagih pada CV. Jakaharta Palembang, for that we must reduce the ratio of bad debts below 3% by classifying the age of accounts receivable. So that CV Jakaharta Palembang experiences quite large bad debts every year.

The obstacles to bad debts found in the field are customers deliberately not paying, customers closing businesses and moving houses even though there are still arrears of overdue receivables that have not been resolved. Obstacles like this can cause losses to CV Jakaharta Palembang. Apart from causing losses, it can also hamper the smooth flow of cash and disrupt capital turnover. So the techniques used to avoid bad debts, such as: reminding the due date of payment via whatsapp or sms, sending letters, telephone billing, bringing directly to the store, to delay ordering goods for the next period.

2. RESEARCH METHOD

The object of research at CV. Jakaharta Palembang is bad debts. The reason for researchers to conduct research on CV. Jakaharta Palembang is because based on previous surveys, CV. Jakaharta has a problem with bad debts in 2019-2021 which is categorized as quite large because it exceeds 3% of the standard measurement of bad debts.

The time used by researchers for this research was carried out from the date of issuance of the research permit in a period of approximately five months, two months of data collection and three months of data processing which included presentation in the form of a thesis and the guidance process took place. The research place is on Jalan Pangeran Ayin No. 98, Talang Buluh, Talang Kelapa District, Banyuasin Regency, South Sumatra.

Research boundaries are very important in bringing closer to the subject matter to be discussed. This is so that there is no confusion or confusion in interpreting the research results. The research limitations used in this study are as follows:

- a. The research was only conducted at CV. Jakaharta Palembang and focused on bad debts.
- b. Research was only conducted on the causes of bad debts and efforts to overcome and resolve bad debts.

The data analysis used in this research is analysis with qualitative methods (Sugiyono, 2019), namely analyzing the causes and efforts to resolve and overcome bad debts at CV. Jakaharta Palembang. The data required in this study are secondary data. Secondary data is data collected from previous data. In this study using interviews

Population is a generalization area consisting of objects / subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. (Manurung, 2018). In this study, the population used is the financial statements from the establishment of the company until 2021. The sample is part of the number and characteristics of the population. (Manurung, 2018). In this study, the sample used is information/data on bad debts from 2019-2021 contained in the financial statements.

The analysis technique that will be used in this research is qualitative analysis technique. Where the purpose of this analysis is to describe systematically, factually and accurately about the facts and relationships between the phenomena investigated. (Wibowo, 2018). Based on these data, the process of analyzing this research is carried out starting from collecting data, managing data, analyzing data and drawing conclusions. The steps include the following:

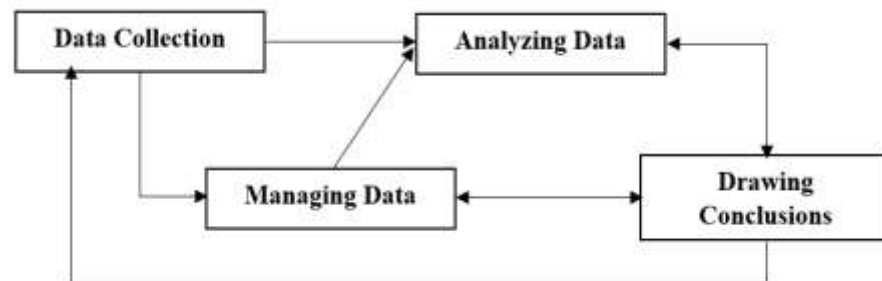


Figure 1. Analysis Technique

3. RESULT AND DISCUSSION

Uncollectible Receivables at CV. Jakaharta Palembang

Based on accounts receivable data at CV. Jakaharta Palembang to find out the due date which will be classified based on the age of the receivables. The following is the position of trade receivables based on the age of receivables at CV. Jakaharta Palembang.

Table 1. Bad Debt Data CV. Jakaharta Palembang 2019 – 2021

No	Customer Name	Year	Quantity
1	Marni Store	2021	Rp. 7.099.072
2	Lia Agam Store	2021	Rp. 4.140.575
3	Prima Jaya Store	2021	Rp. 6.997.106
4	Sukses Niaga Store	2021	Rp. 5.903.032
5	Metro Store	2021	Rp. 5.816.619
6	Aang Store	2021	Rp. 8.293.821

Total			Rp. 38. 250. 225
7	Lebak Store	2020	Rp. 7.784.705
8	Edi Store	2020	Rp. 7.899.373
9	Mahkota Store	2020	Rp. 9.748.096
10	Cahaya Store	2020	Rp. 8.974.180
11	Selamat Store	2020	Rp. 8.095.608
Total			Rp. 42.501.962
12	Marini Store	2019	Rp. 9.645.744
13	Taufik Store	2019	Rp. 10.761.644
14	Waluyo Store	2019	Rp. 10.156.215
15	Prima Jaya Store	2019	Rp. 9.686.612
16	Rezeki Store	2019	Rp. 11.500.474
Total			Rp. 51. 750. 693

Source: Data Processed by Researchers (2022)

In Table 1, there are bad debts at Toko Marni of IDR.7,099,072, Toko Lia Agam of IDR.4,140,575, Toko Prima Jaya of IDR.6,997,106, Toko Sukses Niaga of IDR.5,903,032, Toko Metro of IDR.5,816,619, Toko Aang of IDR.8,293,821 in 2021. In 2020 there are also bad debts at Toko Lebak of Rp.7,784,705, Toko Edi of Rp.7,899,373, Toko Mahkota of Rp.9,748,096, Toko Cahaya of Rp.8,974,180 and Toko Selamat of Rp.8,095,608. In 2019 there are still bad debts at Toko Marini amounting to Rp.9,645,744, Toko Taufik of Rp.10,761,644, Toko Waluyo of Rp.10,156,215, Toko Prima Jaya of Rp.9,686,612 and Toko Rezeki of Rp.11,500,474.

Table 2. Uncollectible Accounts Receivable Data Based on Age of Receivables CV. JakaHArta Palembang Year 2019 - 2021

No	Customer Name	Year	Quantity	Age of Receivables Category
1	Cahaya Store	2021	Rp. 7.099.072	91 - 180 Day
2	Lia Agam Store	2021	Rp. 4.140.575	91 - 180 Day
3	Prima Jaya Store	2021	Rp. 6.997.106	181 - 365 Day
4	Sukses Niaga Store	2021	Rp. 5.903.032	181 - 365 Day
5	Metro Store	2021	Rp. 5.816.619	181 - 365 Day
6	Aang Plastik Store	2021	Rp. 8.293.821	181 - 365 Day
Total			Rp. 38. 250. 225	
7	Lebak Store	2020	Rp. 7.784.705	> 2 Year
8	Kita Store	2020	Rp. 7.899.373	> 2 Year
9	Topek Store	2020	Rp. 9.748.096	> 2 Year
10	Marini Store	2020	Rp. 8.974.180	> 2 Year
11	Selamat Store	2020	Rp. 8.095.608	> 2 Year
Total			Rp. 42.501.962	
12	Marni Store	2019	Rp. 9.645.744	>2 Year
13	Taufik Store	2019	Rp. 10.761.644	> 2 Year
14	Waluyo Store	2019	Rp. 10.156.215	> 2 Year
15	Prima Jaya Store	2019	Rp. 9.686.612	> 2 Year
16	Rezeki Store	2019	Rp. 11.500.474	> 2 Year
Total			Rp. 51. 750. 693	

Source: Data Processed by Researchers (2022)

In Table 2, based on the age category of accounts receivable there are Marni Stores 91 - 180 days (Doubtful), Lia Agam Stores 91 - 180 days (Doubtful), Prima Jaya Stores 181 - 365 days (Doubtful), Sukses Niaga Stores 181 - 365 days (Doubtful), Metro Stores 181 - 365 days (Doubtful) and Aang Stores 181 - 365 days (Doubtful).

In 2020 based on the age category of accounts receivable there are Lebak Stores >2 Years (Bad / Uncollectible), Edi Stores >2 Years (Bad / Uncollectible), Mahkota Stores >2 Years

(Bad / Uncollectible), Cahaya Stores >2 Years (Bad / Uncollectible) and Selamat Stores >2 Years (Bad / Uncollectible).

In 2019 based on the age category of receivables, there are Marini Stores >2 Years (Bad / Uncollectible), Taufik Stores >2 Years (Bad / Uncollectible), Waluyo Stores >2 Years (Bad / Uncollectible), Prima Jaya Stores >2 Years (Bad / Uncollectible) and Rezeki Stores >2 Years (Bad / Uncollectible).

Table 3. Percentage of Estimated Uncollectible Receivables CV. Jakaharta Palembang 2019 - 2021

Age of Receivables	Total	Percentage of Estimated Uncollectible	Estimated Uncollectible
91 – 180 Day	Rp. 11.239.647	30%	Rp. 3.371.894
181 - 365 Day	Rp. 27.010.578	50%	Rp. 13.505.289
More than 365 Days	Rp. 94.252.655	80%	Rp. 75.402.124
	Total		Rp. 92.279.307

The calculation results in Table 3, show that for the age group 91 - 180 days the presentation of uncollectible estimates of 30% of the company's receivables amounted to Rp. 3,371,894, the age group 181 - 365 days the presentation of uncollectible estimates of 50% of the company's receivables amounted to Rp. 13,505,289, and the age group of more than 365 days the presentation of uncollectible estimates of 80% of the company's receivables amounted to Rp. 75,402,124.

The recording that will be carried out by researchers with accounts receivable loss expenses with an accounts receivable age of 91 - 365 days is that researchers use the allowance for accounts receivable method, while for accounts receivable ages of more than 365 years (for>2 years) researchers use the direct write-off method, based on the journal recording above:

Table 4. Journal of Allowance for Uncollectible Receivables Age of Receivables 91 - 365 Days

Description	Debit	Credit
Bad Debt Expense	Rp. 16.877183	
Allowance for Uncollectible Accounts		Rp. 16.877183

Table 5. Journal of Bad Debt Write-off Accounts Receivable Age More than 365 Days

Description	Debit	Credit
Allowance for Uncollectible Accounts	Rp. 75.402.124	
Accounts Receivable		Rp. 75.402.124

Internal Analysis of Factors Causing Bad Debts at CV. Jakaharta Palembang Internally

Internal factors are one of the factors causing bad debts at CV Jakaharta Palembang which cause many losses. The following is an explanation of the factors that cause bad debts internally at CV Jakaharta Palembang:

a. Lack of Customer Assessment

It is too easy to provide credit purchases without selecting customers on a 5C basis, namely by analyzing character, capacity, capital, collateral and condition.

b. Weak Collection Techniques

At CV Jakaharta Palembang only applies sales as receivables collectors. Sales at CV. Jakaharta Palembang double their duties as introducing products and selling products, therefore the collection of receivables is not optimal.

c. No Payment in installments or in installments.

Payment in installments or installments has not been applied, therefore at CV. Jakaharta Palembang there are large uncollectible receivables.

d. No Grouping Based on Age of Receivables.

Lack of supervision of receivables in terms of past due agreements, resulting in uncollectible accounts that are quite long.

- e. There is no guarantee from the customer.

One of the causes of the amount of bad debts at CV. Jakaharta Palembang is the absence of collateral in purchasing goods on credit.

Analysis of Factors Causing Bad Debts at CV. Jakaharta Palembang Externally

- a. Bad Character of the Customer

In collecting receivables, there are various character traits of customers that are encountered, such as being angry when collected, avoiding when visited, customers do not keep promises in accordance with the agreement and others which result in these receivables being delayed in payment.

- b. Customer Financial Decline

The decline in customer finances is one of the causes of bad debts at CV Jakaharta Palembang. This can be caused by economic factors because the cost of living continues to increase while the business being undertaken is not progressing, causing delays in payment.

- c. Customer Business Failure

The next factor that causes bad debts at CV Jakaharta Palembang is customer business failure caused by customers who do not apply financial management such as recording cash outflows, business development strategies and others.

- d. Lost Contact

One of the causes of bad debts arises because there is no contact that can be contacted from the customer so that it is likely that the bad debts cannot be collected again.

Efforts to Overcome Bad Debts at CV. Jakaharta Palembang

- a. By Visiting the Customer's Store

By visiting the customer's shop to confirm that the receivable is due in the hope that the customer can make a payment.

- b. Finding Solutions Between Customers and Companies

Finding the best solution between the customer and the company by giving a postponement of the agreed payment date with the intention of providing an opportunity for the customer to pay the receivable.

- c. Making a Letter of Reprimand

If by visiting the customer's shop and giving a setback date according to the agreement there is no clarity, CV. Jakaharta Palembang gives a letter of reprimand so that the customer can immediately pay off his debts.

Efforts to Settle Bad Debts at CV. Jakaharta Palembang

- a. Rescheduling

Efforts to save bad debts that have matured by changing the collection date of the accounts receivable agreement with a repayment schedule.

- b. Reconditioning

Efforts to rescue bad debts that have matured by changing the date of collection of the accounts receivable agreement with a repayment schedule, for the time being the company will not provide additional credit or additional orders of goods before the customer pays off the debt.

4. CONCLUSION

The conclusion of this study, the things that cause the amount of uncollectible accounts on CV. Jakaharta Palembang does not analyze 5C (character, condition, capital, collateral and capacity), does

not apply down payments or payments in installments, does not apply a debcollector and does not take firm action against customers.

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