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The Influence of Internal Control System of Accounts Receivables on Bad Debts

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ABSTRACT

This study aims to examine the influence of the accounts receivable internal control system on bad debts at the Swasti Sari Savings and Loan Cooperative in Kupang during the period of observation. The research employs a quantitative descriptive approach with simple linear regression analysis. Both primary and secondary data are utilized, collected through interviews, questionnaires, and documentation. The research variables consist of the accounts receivable internal control system as the independent variable and bad debts as the dependent variable. The findings indicate that although the internal control system of accounts receivable contributes to the management of bad debts, its influence is not statistically significant. This suggests that bad debts are also affected by other factors beyond the internal control system examined in this study. Therefore, it is recommended that the cooperative continue to improve the effectiveness of its accounts receivable internal control system while considering additional factors that may influence bad debts. Future studies are encouraged to incorporate other relevant variables to obtain a more comprehensive understanding of the determinants of bad debts.

Keywords: Accounts Receivable, Bad Debts, Cooperative, Internal Control System, Savings and Loan

INTRODUCTION

A cooperative is a legal entity operating in the economic sector. The development of cooperatives in Indonesia is based on Law Number 17 of 2012 concerning Cooperatives, which regulates the values and principles of cooperatives, granting legal entity status, capitalization, management, cooperative savings and loan activities, and the role of the government. Cooperatives are established by individuals or cooperative legal entities with the assets of their members as capital and run businesses in accordance with cooperative values and principles to meet collective aspirations and needs in the economic, social, and cultural fields (Ribas, Pedroso, Vargas, Picinin, & Freitas Júnior, 2022). The Indonesian economy is built on joint efforts based on the principle of family (Pulungan & Sardjono, 2021; Rizaldi, 2022). This article is the basis of democracy, and production is carried out by everyone and everything is under the leadership or ownership of community members. From this definition, it can be said that cooperatives are driven by the power of members as owners, managers, and users.

Law Number 17 of 2012 concerning cooperatives explains that cooperatives aim to advance the welfare of members in particular and society in general to achieve member welfare. To run its business, the cooperative collects funds from its members and redistributes them in the form of loans. These loans then become receivables for the cooperative. The cooperative's receivables are one of its current assets, so a sound management system, including internal control, is essential.

An internal control system is a process involving management and employees to ensure the effective and efficient achievement of organizational goals. This process also encompasses the reliability of financial reporting, the protection of state assets, and compliance with applicable regulations (Šestanj-Perić & Keglević Kozjak, 2020). Implementing this internal control system is also crucial for savings and loan cooperatives, including the Swasti Sari Kupang Savings and Loan Cooperative.

The Kopdit Swasti Sari Kupang Savings and Loans Cooperative is a non-bank financial institution headquartered in Kupang City. Its business activities include savings and loans. This means that its members entrust their money to the Kopdit Swasti Sari Savings and Loans

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Cooperative in the form of principal savings, mandatory savings, and other savings. After three months or one year, members are entitled to borrow money. This lending activity generates receivables for the Kopdit Swasti Sari Kupang Savings and Loans Cooperative.

Accounts receivable are a crucial current asset for cooperatives. However, they also carry significant risks that can significantly impact the cooperative's finances (Putra, 2020). Accounts receivable risk needs to be managed through an internal accounts receivable control system (Shubita, 2021). An effective internal accounts receivable control system is essential to mitigate these risks. One credit risk that should be minimized through an internal accounts receivable control system is credit delinquency (accounts receivable).

The following is data on Cooperative Receivables arrearsSavings and Loans Credit UnionSwasti Sari Kupang from 2021-2023:

Table 1. Cooperative Receivables Data Savings and Loans Credit Union Swasti Sari Kupang

Year	Amount of Receivables (Rp)	Bad Debts (Rp)
2021	727.667.269.559	386.334.010
2022	757.562.589.315	375.842.178
2023	831.392.865.529	258.272.946

Source: Data Processed, 2025

Based on Table 1 above shows that receivables at the Swasti Sari Kupang Savings and Loans Cooperative increased year by year from 2021 to 2023. This is evident from the receivables figures, which show that in 2021, receivables amounted to Rp727,667,269,559, in 2022, receivables amounted to Rp757,562,589,315, and in 2023, receivables amounted to Rp831,392,865,529. On the other hand, bad debts decreased from 2021 to 2023, suggesting that the internal receivables control system was not functioning optimally.

Researchers found similar research from (Rusmawati & Maharani, 2020) which researched the effectiveness of the system. internal control receivables which is applied to treatment loss receivables not collectible concluded that internal control system the company has effective in accordance with the internal control model COSO (Committee Of Sponsoring Organizations) yang using the elimination method *(allowancem method)* the company will make An estimate of uncollectible receivables without having to wait for the receivables to become truly uncollectible. However, the research was conducted at PT. Surya Wenang Indah Manado, and the author has not found any research conducted at a cooperative.

LITERATURE STUDY

Internal Control System

According to (Adagye, 2015), internal control is a set of policies and procedures to protect company assets or wealth from all forms of misuse, guarantee the availability of accurate company accounting information, and ensure that all legal/statutory provisions (regulations) and management policies have been complied with or implemented properly by all company employees.

According to (Ettredge, Li, & Sun, 2006), the internal control system includes various techniques, procedures, and practices implemented by a company to obtain an efficient and reliable accounting information system that helps management plan and control business activities and maintain the security of company assets.

According to (Skora, Svichkar, & Zahorelska, 2022), internal control is defined as follows: "Internal control is an organization's programs and methods used to maintain or protect assets, produce accurate and reliable information, increase efficiency, and encourage compliance with management policies."

Accounts receivable

These receivables arise from the sale of goods or services to members on credit and will be repaid in less than one year. Therefore, these receivables are classified as current assets.

According to (Shubita, 2021), receivables are a company's claim for money, goods, and services from another party resulting from past transactions. Bills without a written promise are called receivables, while bills with a written promise are called bills of exchange. According to

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(Anorbayevich, 2025), receivables are defined as the amount that can be collected in the form of money from another person or company.

Bad Debts

Bad debts or bad debts are losses in receivables for cooperatives due to a number of receivables that are not paid by the debtor. According to (Surikova, Kosorukova, Krainova, & Rasskazova, 2022), bad debts arise due to the risk of receivables that cannot be paid by the company's debtors for various reasons, such as the analysis of the age of receivables. The more accounts receivable given, the greater the number of unpaid receivables.

Framework of thinking

In this study, the author will analyze the influence of the Internal Control System of Receivables (X) on Bad Debts at the Kopdit Swasti Sari Savings and Loan Cooperative, Kupang Head Office (Y). The author uses five (5) indicators for the Internal Control System of Receivables (X). Meanwhile, forBad Debts at the Kopdit Swasti Sari Savings and Loans Cooperative, Kupang Head Office (Y) using two (2) indicators.

For more details, please see the following image:

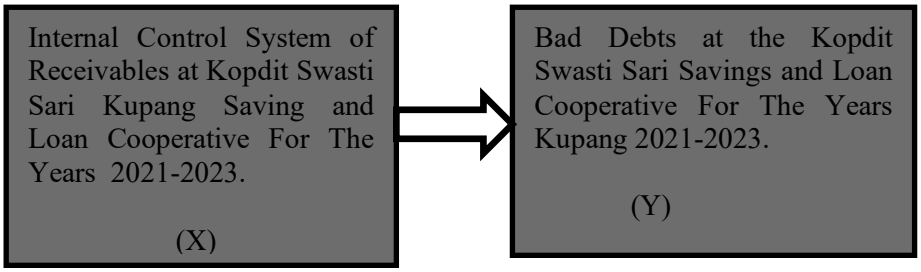

Figure 1. Thinking Framework

METHOD

This research was conducted at the Swasti Sari Kupang Savings and Loans Cooperative located at Jl. Sumba No. 3 C, Fatubesi Village, Old Town District, Kupang City, East Nusa Tenggara. The population in this study was all problem receivables and questionnaires were distributed to 33 administrators and managers at the Swasti Sari Kupang Savings and Loans Cooperative.

According to (Sugiyono, 2018), a sample is a subset of a population that serves as a source of data in a study, with the population representing a subset of the total number of characteristics. Total sampling is a sampling technique where the sample size is equal to the population (Amin et al., 2023), which is 33 individuals. The sample in this study consisted of questionnaires distributed to 33 respondents at the Swasti Sari Kupang Savings and Loans Cooperative in 2021-2023.

According to (Sugiyono, 2017), data types can be classified into two, namely:

a. Qualitative data is data that is not in the form of numbers or figures, namely: a brief explanation of a good internal control system for receivables can help reduce bad debts.

b. Quantitative data is data collected in this research in the form of numbers or figures: receivables data, total receivables and bad debts of the Swasti Sari Kupang savings and loan cooperative during 2021-2023.

The data sources used in this research are:

a. Primary data is data collected directly from respondents through questionnaires.

b. Secondary data is secondary data from the financial report section of the Kopdit Swasti Sari Kupang Savings and Loan Cooperative.

The techniques used to collect data in this study are:

1. Interviews are a method of collecting data by asking free questions, both structured and unstructured, with the aim of obtaining broad information about the research object.

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2. A questionnaire is a data collection method that uses a list of questions to ask respondents to answer by giving them a questionnaire. Therefore, the author uses a scale.*liked* as the measuring scale. All variables will be measured using a Likert scale with a scale of 1 to 5. Each alternative answer is given a value as follows: 1 = strongly disagree, 2 = disagree, 3 = undecided, 4 = agree, and 5 = strongly agree.
3. Documentation is a data collection technique carried out by researchers to collect documents related to the problem being studied in the form of financial report files of the Swasti Sari Kupang Savings and Loans Cooperative, which are related to the amount of receivables and bad debts.

The analysis technique used is quantitative descriptive analysis with a simple linear regression analysis approach with Simple linear regression is based on the functional or causal relationship between independent variables and dependent variables. Measurement of the relationship between one variable and another can use simple linear regression analysis. The influence or not of the independent variable (X) on the dependent variable (Y) can be tested using simple linear regression analysis. In this study, a simple linear regression analysis was conducted to see the effect of the internal control system of receivables on bad debts at the Swasti Sari Kupang Savings and Loan Cooperative.

A simple regression equation can be seen as follows:

$$Y = a + bX$$

$$a = \frac{(\sum Y)(X^2) - (\sum X)(XY)}{n(\sum X)^2 - (\sum X)^2}$$

$$b = \frac{n(\sum XY) - (\sum X)(\sum Y)}{n(\sum X)^2 - (\sum X)^2}$$

With the following information:

Y= Bad Debt

X= Accounts Receivable Internal Control System

a = Constant

b = Regression coefficient (increase or decrease value).

In this descriptive study, several tests were carried out, namely as follows:

1. Validity Test

According to (Sugiyono, 2017), to obtain high-quality research results, a series of studies must be carried out properly. Validity testing is carried out to measure whether the data obtained after the research is valid data using the measuring instrument used (questionnaire). If the validity test for each question is greater than (>) 0.30, then the question item is considered valid.

2. Reliability Test

According to (Sugiyono, 2017), reliability is the level of reliability of a research instrument. A reliable instrument is one that, when used repeatedly to measure the same object, will produce the same data. Reliability testing will be able to show the consistency of respondents' answers contained in the questionnaire. Reliability testing is carried out by examining statement items that have been declared valid in the validity test and will determine their reliability. The reliability of a variable construct is said to be good if it has a Cronbach's alpha value greater than (>) 0.60, thus concluding that the research instrument is reliable.

3. Statistical Test t

The t-statistic test essentially shows how much influence one explanatory/dependent variable individually has in explaining the dependent variable. The test is conducted using a significance level of 0.05 (a = 5%). The conditions for rejecting or accepting a hypothesis are as follows:

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a. If the value of $t_{count} > t_{table}$ and the Sig. t value < α = 0.05, it can be concluded that partially the independent variable has a significant effect on the dependent variable.

b. If the value of $t_{count} < t_{table}$ and the Sig. t value > α = 0.05, it can be concluded that partially the independent variable does not have a significant effect on the dependent variable.

4. Test of the Coefficient of Determination r^2

According to (Ghozali, 2018), the coefficient of determination is used to measure the extent to which a model can explain variations in the dependent variable. The coefficient of determination value is between zero and one. The r value^{2}a small value means that the independent variable's ability to explain the dependent variable is limited, while the r value is^{2}which is close to one means that the independent variable is able to provide almost all the information needed to predict the dependent variable.

RESULTS AND DISCUSSION

Research result

Data quality testing is carried out through validity testing and reliability testing. The validity test shows that all variables have valid values, while the results of the reliability test show that the research questionnaire used is reliable.

Simple Linear Regression Analysis

Simple linear regression analysis is a simple linear regression analysis technique used to calculate the effect of the Internal Control System for Receivables (X) on Bad Debts (Y). The following is a description of the results of simple regression testing and*output table* testing using the SPSS version 21 program. Can be seen below:

Table 2. t-test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Prob.
	B	Std. Error	Beta		
(Constant)	39.314	18.191		2.161	.039
Accounts Receivable Internal Control System (X)	.145	.384	.067	.376	.709

Source: Data Processed, 2025

Based on table 2, the t value can be seen. .In the table above, the value obtained is 0.376, while the t value is$_{table}$of 2.040, it can be determined that 0.376<2.040 means that there is no influence of the internal control system of receivables on bad debts.

Table 3. Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874[a]	.764	.734	3.806

a.Predictors: (Constant), Accounts Receivable Internal Control System (X)
Source: Data Processed, 2025

Based on table 4. above, the R Square value is 0.764 or 76.4%. This means that the Internal Control System of Receivables has an effect on Bad Debts of 76.4%, while the remaining (100%-76.4% = 23.6%) other variables were not examined in this study.

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Discussion

This study examines the effect of the accounts receivable internal control system on bad debts at the Swasti Sari Savings and Loan Cooperative, Kupang Head Office. Based on the results of the statistical analysis, the findings indicate that the accounts receivable internal control system does not have a significant effect on bad debts. Although the regression analysis shows a positive relationship between the two variables, the hypothesis testing confirms that the relationship is not statistically significant. This implies that the effectiveness of the internal control system alone is insufficient to explain variations in bad debts within the cooperative.

The absence of a significant influence suggests that the existing accounts receivable internal control system may not be optimally implemented or may function more as a formal administrative mechanism rather than as an effective risk management tool. In cooperative financial institutions, internal control systems are expected to ensure proper credit assessment, monitoring, and collection processes. However, when bad debts persist despite the presence of internal controls, it indicates potential weaknesses in practical implementation, such as inadequate credit evaluation, limited monitoring of member repayment behavior, or ineffective enforcement of collection policies.

Furthermore, this finding indicates that bad debts are influenced by multiple factors beyond internal control mechanisms. Factors such as members' financial conditions, economic instability, credit culture, management commitment, and loan policy enforcement may play a more dominant role in determining the level of bad debts. In the context of savings and loan cooperatives, member-based relationships and social considerations often influence credit decisions, which may reduce the strictness of internal controls and weaken their effectiveness in mitigating credit risk.

The results of this study are consistent with the argument that internal control systems, while essential, do not automatically guarantee effective bad debt management if they are not supported by strong managerial oversight, risk-based credit policies, and consistent supervision. Internal controls must be integrated with proactive credit risk management strategies, including periodic credit reviews, early warning systems for delinquent accounts, and clear sanctions for non-performing borrowers.

This study also supports previous research suggesting that the effectiveness of internal control systems depends not only on their design but also on their implementation and organizational commitment. Although previous studies, such as those referencing the COSO framework, indicate that a well-designed internal control system can effectively manage uncollectible receivables through estimation and allowance methods, the findings of this research suggest that such effectiveness may not be fully realized in practice at the cooperative under study. This discrepancy may arise due to differences in institutional capacity, human resource competence, or adherence to internal control procedures.

Overall, the findings highlight that the accounts receivable internal control system at the Swasti Sari Savings and Loan Cooperative has not yet functioned as an effective instrument in reducing bad debts. This underscores the need for management to not only strengthen the structure of internal controls but also enhance their operational execution. Improvements should focus on reinforcing credit analysis procedures, strengthening monitoring mechanisms, and increasing accountability in receivable management.

Future research is encouraged to incorporate additional variables such as credit policy quality, borrower characteristics, economic conditions, and management performance to provide a more comprehensive understanding of the determinants of bad debts. By adopting a broader analytical framework, future studies can better explain the complex factors influencing bad debt levels in cooperative financial institutions.

CONCLUSION

Based on the results of the analysis and discussion regarding the impact of the accounts receivable internal control system on bad debts at the Kopdit Swasti Sari Savings and Loan Cooperative, Kupang Head Office, several conclusions can be drawn. First, the regression analysis indicates that the accounts receivable internal control system has a positive relationship with bad debts, meaning that changes in the internal control system are associated with changes in the level

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of bad debts. However, this relationship does not necessarily imply effectiveness in reducing bad debts. Second, the results of the hypothesis testing show that the accounts receivable internal control system does not have a statistically significant influence on bad debts. This finding suggests that improvements or changes in the internal control system alone are not sufficient to significantly affect the level of bad debts at the cooperative. Third, although the internal control system contributes to the variation in bad debts, a substantial portion of bad debts is influenced by other factors that were not examined in this study. Therefore, bad debts cannot be explained solely by the effectiveness of the accounts receivable internal control system. Overall, this study concludes that while the accounts receivable internal control system plays a role in managing receivables, it is not the sole determinant of bad debts. It is recommended that the cooperative strengthen its internal control practices while also considering other factors that may affect bad debts. Future research is encouraged to include additional variables to provide a more comprehensive understanding of the determinants of bad debts.

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