Ratio Legis Journal
ISSN 2830-4624
published by
Master of Law, Faculty of Law
Universitas Islam Sultan Agung

The Role of Factoring Companies in Improving the Smoothness of Economic Activities of Partner Companies

Fajar Nugraha[1) & Aryani Witasari[2)
[1) Faculty of Law, Universitas Islam Sultan Agung (UNISSULA), Semarang, E-mail: Fajar14nugraha@gmail.com
[2) Faculty of Law, Universitas Islam Sultan Agung (UNISSULA), Semarang, E-mail: aryaniwitasari@unissula.ac.id

Abstract. *In facing the challenges of globalization and economic dynamics, entrepreneurs of various scales play an important role in improving the welfare of the nation. Tight business competition encourages companies to provide optimal services, including ease of payment, although this can slow down cash flow due to credit sales. In the midst of urgent operational needs, many companies need fast and efficient financing, such as that offered by non-bank financial institutions, especially factoring companies. Factoring helps small and medium businesses get fast funds, overcome credit management, and focus on production and sales. This practice is supported by Articles 28A and 28D of the 1945 Constitution and is regulated by Presidential Regulation No. 9/2009 and POJK No. 29/POJK.05/2014. This study aims to examine the role of factoring companies in improving the smoothness of economic activities of partner companies. The approach method used is normative juridical, by reviewing library materials and secondary data related to relevant regulations and literature. Data were collected from primary, secondary, and tertiary legal materials through library research and document studies, then analyzed qualitatively with descriptive analysis methods. Based on the research results, it can be concluded that factoring companies have a significant role in driving economic growth by increasing liquidity, reducing credit risk, and increasing operational efficiency of partner companies. The factoring company's strategy in order to improve the smoothness of partner companies' economic activities through offering flexible financing solutions, improving technology and innovation in services and implementing training and development of human resources.*

Keywords*: Activities; Business; Economic; Financing; Partners.*

1. Introduction

In the era of globalization and economic development of the nation, the role of society in the economic and development sectors is becoming increasingly important, especially for entrepreneurs, both large, small, and medium, to be successful and able to survive in facing various challenges and risks. The tight competition between companies today forces companies to provide maximum service to customers, one of which is by facilitating payment terms through credit sales (receivables). However, credit sales can slow down the company's cash flow, because new funds will be received after the receivables are due, while the company still needs cash for operations. Financial institutions in Indonesia are divided into two, namely bank and non-bank financial institutions. Bank financial institutions generally provide loans, credit, and other services, with the main function of serving financing and facilitating the payment system. However, the current development in Indonesia to meet their interests, people prefer non-bank companies because the process is easier and the funds needed are disbursed more quickly by the financing company so that they can be used immediately. And one of the non-bank financing companies is factoring.

Factoring institutions can be a solution to various business constraints, especially for small and medium enterprises, by offering easier and faster financing alternatives than banks. Factoring helps companies manage credit more efficiently, allowing receivables sellers to focus on increasing production and sales. Article 28A and Article 28D of the 1945 Constitution provide a basis for human rights that are relevant to factoring practices in the context of the right to life and legal certainty. Article 28A states that everyone has the right to live and maintain their lives, which in factoring practices means that companies can obtain the liquidity needed to ensure the continuity of their operations, pay employee salaries, and avoid bankruptcy. This supports the rights of employees and other stakeholders to maintain their lives through stable and sustainable employment. Meanwhile, Article 28D guarantees recognition, guarantees, protection, and fair legal certainty as well as equal treatment before the law. In the context of factoring, it shows that the transaction must be carried out with transparency and based on a legally valid agreement, ensuring that all parties involved receive fair treatment and legal certainty, so that economic rights are protected and guaranteed. More detailed regulation on factoring is regulated in the laws and regulations, namely Presidential Regulation Number 9 of 2009 concerning Financing and OJK Regulation Number 29/POJK.05/2014 concerning the Implementation of Financing Company Business. The largest factoring financing companies in Indonesia include PT. Federal International Finance (FIF), PT. Adira Dinamika Multi Finance, Tbk., PT. Summit Oto Finance, PT. Wahana Ottomitra Multiartha (WOM) and PT. Bussan Auti Finance (BAF). This study aims to examine the role of factoring companies in improving the smoothness of economic activities of partner companies.

2. Research Methods

The research method used in this study is normative juridical, which focuses on secondary data analysis through text and literature studies. This secondary data includes primary legal materials such as laws and government regulations, secondary legal materials such as doctrines, literature, journals, and tertiary legal materials including dictionaries, websites, e-books, and online legal journals. Data collection techniques are carried out through library research and document studies that include analysis of legal materials from various sources, including university and regional libraries. Data analysis is carried out qualitatively with a descriptive analysis approach, using a deductive-inductive thinking framework to examine legal problems in accordance with the procedures regulated in the legislation.

3. Results and Discussion

3.1. The Role of Factoring Companies in Improving the Smoothness of Economic Activities of Partner Companies

For companies engaged in trade or sales, the main obstacle that can be a threat is the large number of credit sales that cannot be collected or are stuck. The large number of stuck credits will disrupt the circulation of goods and financial turnover, especially if the credit is no longer able to be paid by its customers.[1]To overcome problems regarding bad debts and credit administration which are quite complex, it can be handed over to a company that is capable of doing so, namely a factoring company whose main activity focus is to move in the field of debt collection.

In this case, factoring is a financial transaction when a company sells its receivables (e.g. bills) by giving a discount. There are several differences between factoring and bank loans. First, the emphasis in factoring is on the value of the receivables, not the company's creditworthiness. Second, factoring is not a loan, but rather a purchase of assets (receivables). Third, bank loans involve two parties, while factoring involves three parties. The three main parties involved in the factoring process include the seller (client), the buyer (customer), and the financing party/factoring company (factor), regarding the details of each party will be described as follows:[2]

1) Seller (Client)

A seller is a company or entity that sells goods or services and has accounts receivable from a buyer. In the context of factoring, the seller acts to increase

[1]Annisa'u Roudlotul Jannah (2018). Analysis of the Implementation of Factoring Risk Management at BNI Syariah Jember. Jember: Jember State Islamic Institute. p. 3

[2]Muhammad Sutomo Wijaya & Iza Hanifuddin. "The Existence of Factoring Agreements for Business Actors from Legal and Economic Perspectives". Masohi Journal Vol 2, No 01 (2021), p.61, url: https://www.researchgate.net/publication/369620878 accessed on June 01, 2024

liquidity by converting outstanding receivables into cash. Sellers often face challenges in managing cash flow because they have to wait for payment from the buyer which may take several months. By selling receivables to a financing institution, the seller can immediately obtain cash that can be used for operational needs, business expansion, or to meet other financial obligations.

2) Buyer (Customer)

The buyer is the party who purchases goods or services from the seller and is obliged to pay the receivables at a specified time. The buyer receives goods or services from the seller based on a purchase agreement that usually includes a payment term (e.g. 30, 60, or 90 days). In a factoring scheme, the buyer is not directly involved in the transaction between the seller and the financing party, but the buyer must be aware that the payment of the receivables is transferred to the financing party. The buyer still pays the full amount stated on the invoice, but the payment is made directly to the financing party according to the instructions given by the seller.

3) Financing Party (Factor)

A financing party or factor is a financial institution that provides factoring services by purchasing receivables from sellers at a discount, providing cash immediately to the seller, and then taking over the right to collect receivables from the buyer. The role of the financing party includes several important activities, which will be described as follows:[3]

a. Credit Evaluation and Assessment Party

The financing party will first evaluate the potential of the client's receivables, before finally deciding to approve the purchase of receivables. The financing party assesses the risks associated with the receivables to ensure that the buyer is able to pay.

b. Financing and Payments

After approving the transaction, the financing party provides cash to the seller (client) by deducting a small portion of the nominal value of the receivable as a service fee.

c. Accounts Receivable Collection and Management

The financing party takes over the process of collecting receivables from the buyer. The financing party is responsible for ensuring that the buyer pays according to the agreed time period.

[3]Arifin, Agus. (2018). Financial Management. Yogyakarta: Zahir Publishing. Pp. 29-30

d. Risk Management

In a non-recourse factoring scheme, the financing party bears the risk of default by the buyer, providing additional protection for the seller.

Through the explanation, it can be seen that factoring is a very useful mechanism in helping companies manage cash flow, reduce credit risk, and improve operational efficiency. Through collaboration between sellers, buyers, and financing parties, business processes can run more smoothly and stably.

In a broader perspective, factoring companies have a significant role in driving economic growth in Indonesia, especially in supporting the smooth operation of partner companies. In Indonesia, micro, small and medium enterprises (MSMEs) are the backbone of the economy, as shown by data in 2018 stating that MSMEs contributed around 61% of Gross Domestic Product (GDP) and provided employment for more than 97% of the workforce in the business world.[4] Despite their significant contribution, MSMEs often still face obstacles in accessing adequate financing from traditional financial institutions, such as banks. This is where the role of factoring companies becomes very important. Factoring companies provide fast and flexible financing solutions by purchasing accounts receivable and providing immediate cash to partner companies.[5]

With the increased liquidity provided by the factoring company, the partner company can improve its cash flow, which of course can have a positive impact on the finances of the partner company because it will increase the partner company's ability to meet short-term obligations such as salary payments, raw material purchases, and other operational costs. Adequate liquidity allows companies to take new business opportunities and invest in business development. This is especially important for MSMEs that often operate with tight profit margins and urgent needs for stable cash flow.[6]

In addition to increasing liquidity, factoring companies also help in reducing credit risk for partner companies. In many cases, factoring companies take over the risk of default by the debtor, especially in non-recourse factoring schemes.[7]By selling receivables to a factoring company, the partner company can transfer credit risk to a party that is better able to manage and bear the risk. This provides additional protection for the company from potential financial losses due to bad debts, so the

[4]Dedy Sasongko, MSMEs Rise, Indonesian Economy is Leveraged, https://www.djkn.kemenkeu.go.id/artikel/baca/13317 accessed on June 06, 2024

[5]Oswari, Teddy. “Factoring as an Alternative for Small and Medium Enterprises (SMEs) Capital with the Determination of Two Interest Cost Methods”. National Social Scientific Seminar (PESAT 2007) Gunadarma University 21-22 August 2007. P. 2, url: https://www.researchgate.net/publication/228505589 accessed on June 02, 2024

[6]Rijanto, Erwin.(2015). Business Profile of Micro, Small, and Medium Enterprises (MSMEs). Jakarta: Bank Indonesia. p. 32

[7]Kasmir. (2013). Banks and Other Financial Institutions. Jakarta: Rajawali Press. p. 274

company can focus more on core business activities without worrying about collecting receivables.

Furthermore, the operational efficiency of the partner company is also increased with the help of factoring companies. Factoring not only provides financing but also manages the receivables collection process, which can reduce the administrative burden of the company. Thus, the company can allocate resources and manpower to more productive and strategic activities, improving competitiveness and overall operational performance. This role is very important in a competitive business environment, where efficiency and productivity are the keys to success.

The role of Factoring Companies in helping to improve the smooth running of economic activities of Partner Companies can also be seen in several specific aspects, such as Increasing Liquidity, Reducing Credit Risk, and Operational Efficiency.

1) Increased Liquidity

One of the roles of factoring companies in order to improve the smoothness of the economic activities of the partner company is through increasing liquidity. Increasing liquidity is one of the main benefits of using the services of a factoring company, which directly contributes to the financial and operational stability of the partner company. In the business world, the time lag between the delivery of goods or services and the receipt of payment from customers can greatly affect the company's cash flow. This process often takes months, depending on the agreed payment terms. In this context, factoring companies play a crucial role by purchasing outstanding receivables from the partner company and providing immediate cash. This step involves selling receivables to the factoring company at a certain discount, where the factoring company immediately provides cash after purchasing the receivables. Then, the factoring company is responsible for collecting payments from customers, ensuring that the partner company receives funds without delay.

Obtaining immediate cash through factoring provides several significant benefits to the partner company. First, the company can meet various operational needs such as employee salary payments, raw material purchases, rent payments, and utility costs, all of which are essential to maintaining smooth daily operations.[8]In addition, the cash can be used to pay debts due to creditors or suppliers, avoid late fees, and maintain the company's credit standing. Timely payments can also improve relationships with suppliers, who may offer early payment discounts or better payment terms in the future.

[8]Devi Cahyani (2014). Factoring Analysis as an Alternative Financing to Smooth Cash Flow at TB Hansa Stationery and Photocopy Kediri. Kediri: Nusantara PGRI University Kediri. Page 9

Stable and predictable cash flow is key to effective financial planning. By using the services of a factoring company, a partner company can ensure that it has consistent access to cash, which contributes to cash flow stability. This cash flow stability allows the company to conduct short-term and long-term financial planning more accurately. The company can plan operational expenses, investments, and debt payments with the certainty that funds will be available when needed. Additionally, with sufficient liquidity, the company can avoid relying on short-term loans with high interest rates that are often used as a temporary solution to cash flow problems. Unstable cash flow can lead to operational failures and threaten business continuity, but with access to stable cash, the company can mitigate these risks and ensure that business operations continue to run smoothly.

Furthermore, adequate liquidity also provides companies with greater flexibility and responsiveness in responding to changing market conditions and capitalizing on business opportunities. With cash on hand, companies can quickly increase production or expand services to meet increasing market demand. This flexibility is critical in fast-moving and competitive industries. Additionally, companies with sufficient liquidity can pay suppliers early and receive early payment discounts or rebates for large purchases, which can reduce production costs and increase profitability.[9]

The benefits of increasing liquidity through factoring are not only felt in the short term but can also contribute to the long-term growth of a company. Because, with a stable cash flow, the company can focus on more aggressive growth strategies such as market expansion, product diversification, or increasing production capacity. Good liquidity allows companies to invest in research and development (R&D) to create new products or services, open new market opportunities, and increase the company's competitiveness.[10]In addition, adequate liquidity allows companies to make faster and bolder business decisions, increasing their ability to compete in a dynamic market. Thus, increasing liquidity through factoring has a significant positive impact on partner companies, helping to achieve short-term and long-term goals more effectively, and driving sustainable business stability and growth.

2) Credit Risk Reduction

Credit risk reduction is one of the key roles played by factoring companies in supporting the smooth running of the economic activities of partner companies. Credit risk is the possibility that a debtor will not be able to fulfill its obligations to

---

[9]Lanemey Brigitha Pandeirot & Elvis Ronald Sumanti. “Liquidity and Profitability of Manufacturing Companies in Asean+3”, Journal of Business and Accounting Vol 23, No 2 (2021), p. 230 url: https://jurnaltsm.id/index.php/JBA/article/view/981/634 accessed on June 04, 2024

[10] Ahmad Firman & H. Muhammad Hidayat. (2023). Strategic Management “Developing Competitive Advantage in the Business World”. Makassar: Nober Press. p. 10.

pay receivables to creditors on time in accordance with the agreed terms.[11]This risk can cause liquidity problems and financial losses for the company that owns the receivables. In the context of factoring, credit risk is a major concern because the inability of the buyer (customer) to pay the receivables can affect the cash flow and financial stability of the company.

In deciding to take an offer of receivables sold by the seller (client), of course there are several methods and considerations that will be carried out by the factoring company, this is certainly done to ensure the smooth running of the company's cash flow and the smooth payment by the buyer (customer). So that in the end the factoring company is able to carry out its function to be present as a company that plays a role in helping the economic activities of the partner company and getting profit from the business being run.

One method used by factoring companies in deciding to purchase a receivable is to conduct an in-depth evaluation and assessment of the buyer's creditworthiness before purchasing the receivable from the seller (client). This process involves analyzing financial statements, checking the buyer's payment track record, using credit ratings provided by credit agencies, and assessing the buyer's payment capacity based on its cash flow and income.[12]This thorough evaluation helps the factoring company assess the risks associated with the buyer and ensures that the factoring company only takes on receivables from companies that have a good payment track record.

In addition, factoring companies offer two main types of schemes that can help reduce credit risk, namely recourse and non-recourse factoring. In a recourse factoring scheme, the seller remains responsible for the receivables if the buyer defaults. The factoring company can sue the seller for any losses incurred due to default. While this does not completely eliminate the risk for the seller, recourse factoring often has lower costs due to the lower risk for the factor. In contrast, in a non-recourse factoring scheme, the factoring company bears the full risk of default. If the buyer defaults, the factoring company cannot sue the seller for losses. Non-recourse factoring provides full protection for the seller against credit risk, although it usually comes at a higher cost. This scheme will be very beneficial for sellers who want to significantly minimize credit risk.

[11]Sri Wahyuningsih. “Analysis of Credit Risk Level at Pesada Credit Union Cooperative”. Warta Dharmawangsa Medan Journal Vol 15, No 2 (2021). p. 249, url: https://jurnal.dharmawangsa.ac.id/index.php/juwarta/article/view/1227/1036 accessed on June 01, 2024

[12]Jannati Al Fitri, Cindy Oktaviani, Uma Paradisha & Dwi Desi Yayi Tarina. “Legal Consequences of Debtor Default in Factoring Transactions and Legal Protection for Factoring Companies”. Faculty of Law, Veteran National Development University, Jakarta, (2022), p. 9. url: https://www.researchgate.net/publication/366033216 accessed on June 06, 2024

Furthermore, factoring companies can also diversify their receivables portfolio by purchasing receivables from various industries and sectors. This diversification is useful for reducing the concentration risk that occurs when too many receivables come from one industry or a particular group of buyers. By spreading the risk, factoring companies can reduce the negative impact of payment failure by one or more buyers. This diversification not only increases the stability of the factoring company's business but also provides additional security for the partner companies.

With the credit risk reduction mechanism implemented by the factoring company, the partner company gets various benefits, including financial protection from potential losses caused by buyer default, cash flow stability because receivables payments are made immediately by the factoring company, and greater focus on business growth without having to worry about receivables collection. In addition, the seller can maintain a good business relationship with the buyer without the pressure to collect payments aggressively, which can damage the long-term relationship.

3) Operational Efficiency

Operational efficiency is also one of the key elements in business success, and factoring companies play a vital role in improving this efficiency for partner companies. One of the key aspects of operational efficiency is the outsourcing of accounts receivable collection tasks. By taking over the collection process, factoring companies reduce the administrative burden that is usually imposed on partner companies. Through a trained and experienced team, factoring companies will be able to manage collections from buyers (customers) more efficiently.[13]This allows the joint venture company to focus more on strategic and productive tasks, such as product development and marketing strategy.

In addition, the partner company can also increase focus on core business activities by using the services of a factoring company. By freeing itself from the responsibility of collecting receivables, the company can focus more on revenue-generating activities, such as production, sales, and customer service. Allocating more time and resources to these activities helps improve overall productivity and operational efficiency. The company can be more flexible in allocating resources to meet customer demand and meet changing market challenges.[14]

By utilizing the services of a factoring company, it can also help reduce significant operational costs for the partner company. The receivables collection process often requires additional costs, such as labor costs, legal costs, and communication costs. By using the services of a factoring company, these costs can be reduced or eliminated, because the factoring company will bear the collection costs. This

[13]Martono. (2010). Banks and Other Financial Institutions. Yogyakarta: Ekonisia. p. 140
[14]Ibid., p. 139

efficiency helps the partner company reduce its operational costs. So based on several things, it can be seen that by using the services of a factoring company, it will greatly help the operational efficiency of the partner company in carrying out its economic activities, so that the partner company can focus more on various things that are more essential for the benefit of generating profit for the company.

Factoring companies play an important role in improving the smooth running of the economic activities of partner companies through the principles of legal certainty that ensure that financial transactions run smoothly and safely. In this context, the theory of legal certainty provides a basis that all rights and obligations between the factoring company and the partner company are clearly regulated in a valid, detailed, and enforceable contract. With consistent and transparent legal rules, partner companies can sell receivables with confidence that they will receive timely payment, while the factoring company has legal guarantees to collect the receivables. This legal certainty reduces the risk of uncertainty that can hinder business operations, ensures that each party understands their responsibilities and rights, and provides an efficient dispute resolution mechanism in the event of a dispute. As a result, partner companies gain better liquidity, allowing them to run business operations more smoothly and stably, invest in growth, and increase competitiveness in the market. Overall, the legal certainty offered through the factoring mechanism supports economic stability and growth by reducing financial and operational risks, and providing a strong foundation for safer and more efficient business transactions.

Factoring companies, as non-bank financial institutions, play a vital role in improving the smooth running of the partner company's economic activities by providing liquidity and improving cash flow. Through receivables financing services, factoring companies purchase the company's trade receivables, providing cash that can be immediately used for operations or investment. This is in line with the theory of economic development law which emphasizes the importance of financial access and easy credit for economic growth. By ensuring stable cash flow, companies can focus on business development, increasing productivity, and contributing to overall economic growth. In addition, factoring companies also take over credit risk, thereby reducing the financial and administrative burden of partner companies, which in turn drives efficiency and innovation. Thus, the role of factoring companies not only strengthens the financial stability of partner companies but also supports broader economic dynamics and growth.

3.2. Factoring Company Strategy to Improve the Smoothness of Economic Activities of Partner Companies

The establishment of a strategy by a company is a vital foundation in achieving its long-term success. Strategy describes a directed plan to achieve the company's goals and provides guidance for the appropriate use of resources, intelligent decision-making, and adaptation to changes in the dynamic business environment.

Business strategy can help companies establish a clear vision and mission.[15]The vision provides a view of the company's long-term direction, while the mission sets out the specific goals that must be achieved to realize the vision.

Business strategy also helps a company identify, evaluate, and manage risks associated with its operations. These include market risks, such as changing industry trends or increased competition, operational risks, such as internal system or process failures, and financial risks, such as market fluctuations or customer bankruptcies. By analyzing and understanding these risks, a company can take proactive steps to minimize their negative impacts, such as developing a plan to diversify its investment portfolio.[16]

Strategy setting allows a company to remain responsive and adaptive to changes in the ever-changing business environment. By monitoring market trends, regulatory changes, and technological developments, a company can identify new opportunities and emerging threats, and make necessary strategic adjustments. The flexibility and adaptability of strategy allows a company to remain relevant and competitive in a rapidly changing market, while maintaining focus on its long-term goals.[17]

This certainly also applies to factoring companies. The determination of business strategies by factoring companies will play a very important role in the sustainability of the Factoring Company's operations. By determining the right strategy, factoring companies can gain a deep understanding of customer credit profiles and optimize the receivables assessment and collection process. A good strategy also helps companies respond to changes in the business environment and regulations, while ensuring proper compliance and financial sustainability. In addition to the interests of running a business, the determination of business strategies by factoring companies can also be directed to help partner companies in carrying out their economic activities.

By offering innovative financial solutions, factoring companies help partner companies manage liquidity, accelerate cash cycles, and reduce credit risk.[18]The factoring company's strategy in order to improve the smooth running of the economic activities of the partner company can be implemented in several forms, such as offering flexible financing solutions, improving technology and innovation in services, and implementing human resource training and development.

1) Flexible Financing Solution Offering

[15]Op. cit., p. 41
[16]Hairul. (2020). Risk Management. Sleman: Deepublish. Page 55
[17]Saragih, Darwin. (2024). Operational Management Strategy and Best Practices. Malang: PT. Literasi Nusantara Abadi Group. p. 25
[18]Ibid., p. 211

Offering flexible financing solutions by factoring companies is a key strategy that can improve the smooth running of the economic activities of partner companies. In the context of factoring, this flexibility allows companies to customize services according to the financial and operational conditions of each client, offer various types of financing schemes, and adjust terms to meet the unique needs of each company. With this approach, factoring companies can provide optimal benefits to partner companies, helping to manage cash flow, reduce credit risk, and improve operational efficiency.

One of the key aspects of flexible financing solutions is the ability to offer different types of factoring. For example, in recourse factoring, the seller remains liable if the buyer defaults on the receivables, which results in lower service fees due to the lower risk to the factoring company. In contrast, non-recourse factoring involves transferring the credit risk entirely to the factoring company, providing more security for the seller but at the cost of higher service fees. Additionally, maturity factoring allows payments to be made on the receivables' maturity date, aiding in long-term cash flow planning.[19]By offering these options, factoring companies can tailor services to meet the seller's specific needs.

Flexibility in financing offers also includes adjusting the financing structure. Factoring companies must be able to adjust the financing amount according to the unique needs of the seller, ranging from small amounts for SMEs to larger amounts for large companies. Financing terms such as interest rates, service fees, and financing terms can also be adjusted based on the risk profile and needs of the seller. This flexibility allows the seller to choose the most profitable scheme and cash flow, providing financial stability and increasing competitiveness in the market.

In addition, the integration of additional services such as credit management and collections is also an important part of a flexible financing solution. Factoring companies can offer credit management services that include ongoing credit assessment of buyers and monitoring of their creditworthiness. This service helps sellers reduce risk and make better decisions regarding their receivables. Collection and debt recovery services can also be provided, helping sellers focus on core operations without worrying about the collection process. This creates a more efficient and productive business environment.

In addition to flexibility in the type and structure of financing, it is also important to provide flexibility in the use of funds. Funds obtained through factoring can be used for various operational needs such as purchasing raw materials, paying salaries, and production costs. Flexibility in the use of funds helps sellers maintain

[19]Barbara Gunawan. "Factoring: An Alternative to Obtain Business Funds, Journal of Accounting and Investment". Journal of Accounting and Investment Vol 2, No 2 (2001). p. 140, url: https://journal.umy.ac.id/index.php/ai/article/view/622/778 accessed on June 07, 2024

smooth operations and allows sellers to address financial challenges more effectively. In addition, the funds can also be used for business expansion or investment in new projects, providing opportunities for faster growth and increased competitiveness in the market.

Ultimately, the flexible financing solution offered by factoring companies is a crucial element in supporting the smooth running of the economic activities of partner companies. By providing a variety of services that can be tailored to the specific needs of the seller, factoring companies not only help in overcoming liquidity problems but also support the long-term growth and stability of the company. This flexibility allows sellers to choose the solution that best suits their conditions, so they can focus on business development without being burdened by cash flow problems. This strategy, if implemented properly, can make a significant contribution to economic stability and growth, especially for the MSME sector which is the backbone of the Indonesian economy.

2) Technology Enhancement and Innovation in Services

Factoring companies play an important role in supporting the smooth running of the economic activities of partner companies, especially in the context of increasing liquidity and reducing credit risk. One of the key strategies adopted by factoring companies is the use of technology and innovation in services. The application of modern technology allows factoring companies to improve operational efficiency and provide more responsive services to partner companies.[20] A sophisticated receivables management system allows for automatic recording, processing, and tracking of receivables, speeding up the process and minimizing the potential for errors. A digital platform for receivables submission and processing also helps partner companies access factoring services more easily and transparently. Through this platform, partner companies can submit receivables online and follow the financing process more efficiently, which ultimately helps improve the company's liquidity.

Integration with financial and banking systems is also important in improving service efficiency. By connecting the factoring system to the banking system, payments from partner companies can be processed directly and automatically. This not only speeds up transaction completion but also ensures the accuracy and security of the payment process.

By using modern technology and adopting the latest innovations, factoring companies can improve operational efficiency, reduce credit risks, and provide

[20]Lastuti Abubakar & Tri Handayani. “Strengthening Regulations and Agreements: Efforts to Optimize Factoring as an Alternative for Corporate Financing”, Journal of Legal Issues, Volume 49, No. 3 (2020), p. 281 url: https://ejournal.undip.ac.id/index.php/mmh/article/view/29380/17731 accessed on June 07, 2024

better services to partner companies, thereby significantly improving the smooth running of partner companies' economic activities.

3) Human Resource Training and Development

Procurement of training and development of human resources (HR) is the next important step in the factoring company's strategy to strengthen the smooth running of the economic activities of the partner company. Basically, investment in HR refers to the company's efforts to improve the skills, knowledge, and capacity of employees in order to provide superior services to clients and manage the company's operations more efficiently.[21]In the context of factoring companies, HR training and development plays a central role in strengthening the company's foundation to address the various challenges and opportunities in the industry.

First of all, training and development helps to improve staff skills and knowledge related to the factoring process in depth. By comprehensively understanding the ins and outs of the factoring process, staff can be more effective in carrying out their duties, from credit risk assessment to receivables management. Improved skills also include effective communication with clients, which allows staff to respond quickly to client needs and concerns, and provide appropriate solutions in a timely manner.

In addition, training also plays an important role in improving the quality of customer service. Well-trained staff have the ability to provide more personalized and responsive service to clients. Staff are not only able to provide timely solutions, but also able to build strong relationships with clients, which is the foundation of successful cooperation. This is important because client satisfaction not only creates loyalty but also contributes to the company's reputation and long-term business growth.

Furthermore, training also provides an opportunity for staff to improve their understanding of risk management. This is important because factoring companies face various risks related to credit and collection. With a better understanding of these risks, staff can identify potential risks early, take appropriate precautions, and formulate strategies to manage risks effectively. This helps the company to minimize losses caused by unexpected credit risks.

Human resource training and development also provides opportunities for innovation and increased operational efficiency. Well-trained staff can provide valuable input into the development of new processes or the implementation of new technologies that can improve productivity and operational efficiency.[22]This

[21]Marayasa, Nyoman. (2023). Human Resource Development: Facing the Challenges of Change and Achieving Shared Success. Bekasi: PT Dewangga Energi Internasional. p. 143
[22]Ibid., p. 30

helps factoring companies to remain competitive in an ever-changing market and meet increasingly complex customer demands.

Human resource training and development is an important investment for factoring companies. It helps ensure that the company has a skilled, competent and fully engaged staff who can provide the best service to clients, manage risk effectively and produce positive results for the overall growth and success of the business.

In theory, legal certainty is important because factoring companies play an important role in mitigating credit risk through flexible financing solutions. By offering various types of factoring such as recourse and non-recourse factoring, companies can provide certainty regarding credit assessment and collection, thereby minimizing the uncertainty that may be experienced by the partner company. In addition, the integration of technology in the financing process helps improve transparency and operational efficiency, which ultimately supports long-term economic stability and growth for the partner company. Thus, this strategy not only strengthens the business relationship between the factoring company and the partner client, but also supports a more predictive and legally secure business environment.

The strategies adopted by the Factoring Company in improving the smooth running of the economic activities of the Partner Company reflect important principles in the theory of economic development law. In this context, establishing a targeted business strategy helps build a strong foundation for long-term growth by optimizing risk management, improving operational efficiency, and promoting innovation. By offering flexible financing solutions, the factoring company not only helps address liquidity issues but also supports the financial stability and economic growth of the partner company. Technological advancements and innovations in services provide an additional boost by speeding up processes and increasing accessibility, while human resource training and development ensure that the company has trained resources to manage risks and provide better service to customers. Overall, this strategy not only meets current operational needs but also creates a solid foundation for sustainable and inclusive economic development for the partner company.

4. Conclusion

Factoring companies play an important role in driving economic growth by facilitating the operations of partner companies through increasing liquidity, reducing credit risk, and increasing operational efficiency. This role is supported by the application of the principles of legal certainty theory and economic development law, which provide a clear and enforceable legal basis and support business stability. Through business strategies involving flexible financing solutions, technological improvements and innovations in services and implementing training and human resource development, factoring companies not only improve the financial performance of partner companies, but also contribute to overall economic stability and growth.

5. References

Journals:

Barbara Gunawan. "Anjak Piutang: Sebuah Alternatif Memperoleh Dana Usaha, Jurnal Akuntansi dan Investasi". *Jurnal Akuntansi dan Investasi* Vol 2, No 2 (2001). p. 140, url : https://journal.umy.ac.id/index.php/ai/article/view/622/778

Jannati Al Fitri, Cindy Oktaviani, Uma Paradisha & Dwi Desi Yayi Tarina. "Akibat Hukum Wanprestasi Debitur Dalam Transaksi Anjak Piutang Dan Perlindungan Hukum Bagi Perusahaan Anjak Piutang". *Fakultas Hukum Universitas Pembangunan Nasional Veteran Jakarta*, (2022), p. 9. url : https://www.researchgate.net/publication/366033216

Lanemey Brigitha Pandeirot & Elvis Ronald Sumanti. "Likuiditas dan Profitabilitas Perusahaan Manufaktur di Asean+3". *Jurnal Bisnis dan Akuntansi* Vol 23, No 2 (2021), p. 230 url : https://jurnaltsm.id/index.php/JBA/article/view/981/634

Lastuti Abubakar & Tri Handayani. "Penguatan Regulasi dan Perjanjian: Upaya Optimalisasi Anjak Piutang sebagai Alternatif Pembiayaan Perusahaan", *Jurnal Masalah-Masalah Hukum*, Jilid 49, No 3 (2020) , p. 281 url : https://ejournal.undip.ac.id/index.php/mmh/article/view/29380/17731

Muhammad Sutomo Wijaya & Iza Hanifuddin. "Eksistensi Perjanjian Anjak Piutang Bagi Pelaku Usaha Dari Sisi Yuridis Dan Ekonomis". *Jurnal Masohi* Vol 2, No 01 (2021), p.61, url : https://www.researchgate.net/publication/369620878

Sri Wahyuningsih. "Analisis Tingkat Resiko Kredit pada Koperasi Credit Union Pesada". *Jurnal Warta Dharmawangsa Medan* Vol 15, No 2 (2021). p. 249. url : https://jurnal.dharmawangsa.ac.id/index.php/juwarta/article/view/1227/1036

Teddy Oswari. "Anjak Piutang Sebagai Alternatif Permodalan Usaha Kecil Menengah (UKM) dengan Penetapan Dua Metode Biaya Bunga". *Seminar Ilmiah Nasional Bidang Sosial (PESAT 2007) Universitas Gunadarma* 21-22 Agustus 2007. P. 2, url : https://www.researchgate.net/publication/228505589

Books:

Agus Arifin. 2018. *Manajemen Keuangan*. Zahir Publishing, Yogyakarta

Ahmad Firman & H. Muhammad Hidayat, 2023. *Manajemen Strategi "Mengembangkan Keunggulan Bersaing dalam Dunia Bisnis"*, Nober Press, Makassar

Annisa'u Roudlotul Jannah, 2015. *Analisis Penerapan Manajemen Risiko Anjak Piutang (Factoring) di BNI Syariah Jember*. Jember : Institut Agama Islam Negeri Jember.

Devi Cahyani, 2014. *Analisis Anjak Piutang Sebagai Alternatif Pembiayaan Untuk Memperlancar Arus Kas Pada TB Hansa Stationery dan Foto Copy Kediri*. Kediri : Universitas Nusantara PGRI Kediri.

Erwin Rijanto, 2015. *Profil Bisnis Usaha Mikro, Kecil, dan Menengah (UMKM)*, Bank Indonesia, Jakarta

Kasmir, 2013. *Bank dan Lembaga Keuangan Lain*, Rajawali Press, Jakarta

Martono, 2010. *Bank dan Lembaga Keuangan Lain*. Ekonisia. Yogyakarta

Nyoman Marayasa, 2023. *Pengembangan Sumber Daya Manusia: Menghadapi Tantangan Perubahan dan Meraih Kesuksesan Bersama*. PT Dewangga Energi Internasional. Bekasi

Etc:

Dedy Sasongko, *UMKM Bangkit, Ekonomi Indonesi Terungkit*, https://www.djkn.kemenkeu.go.id/artikel/baca/1331