

SETTLEMENT OF PROBLEM FINANCING AFTER THE COVID-19 PANDEMIC AT BANK SYARIAH INDONESIA, BANDA ACEH

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Abstract

This research examines the Analysis of Troubled Financing Restructuring and the Urgency of Post-Covid-19 Agreement Renewal at BSI Aceh. The purpose of this research is to find out the implementation of post-covid-19 problem financing restructuring at Bank Syariah Indonesia (BSI) Aceh Branch, and to find out the urgency of renewing the post-covid-19 financing contract at BSI Aceh, to find out the Handling of Post-Covid-19 Financing Restructuring at BSI Aceh. This research uses a qualitative method with a descriptive approach. The research took place at BSI Aceh branch. The data sources used in this research are primary data sources and secondary data sources. The data collection methods used are observation, interviews, and documentation. The data analysis technique used in this research is descriptive analytical technique. The results showed that BSI in Aceh in providing financing restructuring to customers due to the Covid-19 Pandemic is based on Financial Services Authority Regulation Number 16/POJK.03/2014, which can only be given to customers who have difficulty fulfilling their obligations to the bank due to their business being affected by Covid-19. The stages of restructuring are rescheduling, re-conditioning and re-structuring. All these stages are carried out in order to fulfil the purpose of the initial contract of a customer with the bank, namely to give birth to a legal effect or mutual intention that is intended and which the parties want to realise through making a contract.

Keywords: Akad, Bank Syariah Indonesia, Banda Aceh, Financing, Settlement,

INTRODUCTION

The impact of the COVID-19 pandemic has significant implications for the global economy. On 2 March 2020, President Joko Widodo announced that Indonesia had the first two positive cases of COVID-19. As a result, the exchange rate for one US dollar against the Indonesian rupiah fell by 16.19% from IDR 14,265 to IDR 16,575 on 23 March 2020.

Furthermore, on 7 April 2020, the Ministry of Manpower (MoM) reported that the direct impact of COVID-19 had affected more than one million workers across Indonesia. The pandemic has resulted in many workers being laid off or furloughed. As a result of the pandemic, many companies are struggling to operate and are reducing their workforce to cut costs. As a result, the unemployment rate has risen sharply, affecting the economy as a whole.¹

According to Sri Mulyan, the current COVID-19 crisis is much more severe than the 1997-1998 and 2008-2009 crises. The causes of the current recession cannot be minimised. The Ministry of Finance reports that COVID-19 has had multiple economic impacts, including an increased risk of income loss, especially for low-income families and workers in the informal sector. Small and medium-sized enterprises are finding it difficult to operate normally, leading to an increase in bad debts.²

Small and medium enterprises (SMEs) have a significant impact on the Indonesian economy and are a major contributor to its growth. When SMEs face problems such as non-performing loans or financing, it can affect the overall health of the Indonesian economy. As a result, the government is taking measures to address these issues, such as State Council Law Amendment (Perppu) No. 1 of 2020 and Financial Services Authority Regulation No. 11/POJK.03/2020. These policies aim to prevent financial crises by organising public financing and providing economic stimulus measures. Financial institutions are responsible for implementing restructuring mechanisms based on the ability to repay debt. However, the implementation of these policies varies among financial institutions.³

¹Jokowi, Pemutakhiran! 1.4 Juta Pekerja Di-PHK & Di-PHK, Jakarta Sebagian Besar <https://www.cnbcindonesia.com/news/20200409201441-4-151017/update-14-juta-pekerja-diberhentikan-PHK-jakarta-paling-diakses> Kamis, 22 September 2022.

² According to Ms Indrawati, the COVID-19 pandemic is far more complicated than the economic crisis Indonesia experienced in 1998. Article accessed via finance.detik.com website on Thursday 22 September 2022.

³ In an article entitled "Economic Stimulus for the Banking Sector in Facing the 2019 Coronavirus Disease Pandemic in Indonesia" published in the *Journal of Legal Standing*,

OJK recently announced its decision to extend its credit and financial restructuring policy for another year. This decision was taken after careful consideration of recent debtor restructuring agreements and taking into account the mitigation plans discussed at the OJK delegation meeting. This restructuring extension policy is a preventive measure to avoid a deterioration in the quality of creditors undergoing restructuring. However, the expansive action is carried out selectively by considering the assessment of financial institutions to avoid moral hazard. This is to ensure that debtors are ready and able to carry out economic activities through adaptation, even under the prevailing pandemic conditions.⁴

In addition, the policy also includes exclusion from the calculation of non-current assets (bad debts) when assessing bank stability, managing recovery financing approvals, checking compliance with capital deposit buffers, and assessing bank quality.⁵

Indeed, the existence of regulations such as POJKI11/POJK.03/2020 can only provide a framework to overcome the problems faced by financial institutions, especially during the pandemic. However, financial institutions remain responsible for effectively implementing these regulations and managing the risks associated with providing financial support to SMEs and other borrowers.

An increase in the number of borrowers entering into restructuring agreements may lead to liquidity risks and a decline in bank profitability, especially if the restructuring agreement is unsuccessful or if the borrower fails to fulfil its obligations. Financial institutions need to carefully assess the creditworthiness of their borrowers and monitor their performance during the restructuring period to minimise this risk.

The decision to extend the restructuring policy until March-April 2022 indicates that the impact of the pandemic on the financial sector is likely to be long-lasting. As such, financial institutions must continue to proactively manage these risks and collaborate with the government and other relevant parties to promote economic recovery.

Bidari and Nurviana discuss the economic stimulus carried out by the Indonesian banking sector to deal with the COVID-19 pandemic. They outline the various measures taken by the government and Bank Indonesia to strengthen the banking sector, such as loan repayment relief programmes, credit guarantees and liquidity easing. The article also discusses the impact of the COVID-19 pandemic on the banking sector and the Indonesian economy as a whole.

⁴ Chairul Fahmi, 'The Impact of Regulation on Islamic Financial Institutions Toward the Monopolistic Practices in the Banking Industrial in Aceh, Indonesia', *Jurnal Ilmiah Peuradeun* 11, no. 2 (30 May 2023): 667-86, <https://doi.org/10.26811/peuradeun.v11i2.923>.

⁵ Muhammad "Manajemen Bank Syariah", p. 59

The bank's financial statements recorded a significant decline in net profit (BUKU) 1 and BUKU 4 from 56.5% to 37.14%. In addition, the company's total net profit growth in 2020 fell to minus 33.08 per cent year-on-year. As a result, the bank's return on assets also fell.

As an Islamic financial institution, the distribution of credit is at the core of its business, which is carried out through profit sharing, buying and selling, leasing, financing and credit schemes based on contracts or agreements between Islamic financial institutions or Islamic business units and related parties who require financing at a particular time. However, financial institutions that do not follow sound financial principles in the allocation of their financing are faced with various risks that need to be considered to prevent the financing from becoming problematic or known as Non-Performing Financing (NPF). NPF is an example of a situation where the possible risk of default caused by internal and external factors of the financial institution needs to be considered when approving a credit report. Financial institutions work with the government and other stakeholders to promote economic growth and support economic recovery.⁶

Fathurrahmani Djamil explains that internal and external factors influence the activities of an Islamic bank. Internal factors refer to events or situations that occur in the performance of the company, such as management, internal policies and human resources. External factors are factors that come from outside the company and are not related to the performance or management of the company itself, such as economic, political and social conditions.

It should be noted, however, that internal and external factors are not the same for all banks. Each bank has different characteristics and challenges, so a detailed analysis of some of the factors affecting the bank is required. Islamic banks must be able to identify and manage these factors effectively to improve business performance and support sustainable growth.⁷

Hamli Syaifullah's research found that the presence of non-performing loans or NPF is significantly negatively correlated with the growth of Islamic banking wealth in the short term, but the correlation becomes insignificant in

⁶ The book "Financial Statement Analysis" by Hery discusses how to analyse financial statements. The book explains that the financial statements presented by a company contain financial information that is very important to study and analyse. A good understanding of financial statements can help investors and company owners make the right decisions. Page 23 of the book discusses the importance of a good understanding of the income statement and balance sheet.

⁷ Fathurrahman Djamil, *Hukum Ekonomi Syariah*, (Jakarta: PT.Grafika Persada, 2029)., p. 83.

the long term. This suggests that Non Performing Financing (NPF) can be a drag on a bank's growth in the short term, but if managed effectively and in a timely manner, it can be overcome in the long term.

However, Bank Indonesia and OJK regulations require banks to maintain a healthy level of credit quality with an NPF ratio below 5 percent in Bank Indonesia Policy No. 13/1/PBI/2011 on Stability of Commercial Banking. Exceeding this threshold can negatively affect a bank's credit rating and send bad signals to the market and customers. Therefore, effective credit management and risk management are considered very important for banks in dealing with NPF risk.⁸

The increase in financial transactions may appear to be more complicated for Islamic financial institutions and Islamic business units. Therefore, Islamic financial institutions and Islamic business units need to improve their capacity and efficiency in managing the credit risk of financing in order to maintain business continuity and minimise potential losses.⁹ One way to manage credit risk is to assess the profitability of the financing when applying for a loan. In addition, banks must pay attention to market conditions and diversify credit risk by expanding the financing portfolio across different industries. All these steps must be taken to avoid excessive risk and ensure healthy business continuity for Islamic financial institutions and Islamic business units. As financial transactions evolve, Islamic financial institutions and Islamic business units are becoming increasingly sophisticated. Therefore, they need to improve the quality of credit risk management and minimise potential losses.

In some cases, a customer's ability to pay may have deteriorated but they still have good business potential and are able to meet their financial obligations after going through the restructuring process. Islamic financial institutions and Islamic business units can implement financing arrangements to reduce the potential loss of non-performing financing.

Restructuring, also known as rescue financing, is a step taken by banks to help debtors overcome financial problems. One of the available restructuring methods is to change the schedule, which makes it easier to meet customer obligations. Bank BSI Aceh, for example, uses restructuring to help customers who are having difficulty meeting their obligations.

⁸ Syaifullah, H. "Pengembangan SDM Syariah Melalui Perguruan Tinggi: Studi Kasus di Program Studi Manajemen Perbankan Syariah FAI UMJ". *Jurnal Sumber*, Vol.2 No.1, 2020. 304 (365.661), 435-021.

⁹ Chairul Fahmi, 'THE DUTCH COLONIAL ECONOMIC'S POLICY ON NATIVES LAND PROPERTY OF INDONESIA', *PETITA: JURNAL KAJIAN ILMU HUKUM DAN SYARIAH* 5, no. 2 (1 November 2020): 105–20, <https://doi.org/10.22373/petita.v5i2.99>.

The restructuring procedure for non-performing murabaha financing in Islamic banks is in accordance with Bank Indonesia Regulation No. 13/9/PBI/2011. Murabaha financing is one of the Islamic financial products that the public is interested in, and in this article, we will discuss issues related to the restructuring and conversion of murabaha financing contracts into other contracts such as bai' bitsaman ajil, mudharabah or musyarakah with reference to DSN-MUI Fatwa No. 49/DSN-MUI/II/2005. Based on the above description, the author would like to discuss the implementation of non-performing loans after the CO-19 pandemic at Bank Syariah Indonesia Banda Aceh Branch.

DATA AND METHODS

The research conducted is descriptive qualitative research, which aims to provide a detailed description and in-depth analysis of social phenomena, events, activities, attitudes, beliefs, perceptions, thoughts at both individual and group levels.¹⁰ Primary data sources refer to data obtained directly from the source, which in this case are BSI Aceh Branch employees and clients affected by Covid-19 who have received financial restructuring. In addition, this research uses secondary data, which refers to pre-existing data that has been processed by other parties in the form of publications. The secondary data sources used by the researchers consist of books, Bank Indonesia regulations, Financial Services Authority regulations, financial reports, journals and previous dissertations.

RESULTS AND DISCUSSION

A. The Definition of non-performing loans

There has been a debate among academics on the definition of finance, which has significant implications for the applicable references and regulations. There are two different views on the definition of finance, namely Muhammad's view and Cashmere's view. According to Muhammad, financing is the distribution of funds to support a proposed investment, either by oneself, others or a partnership. Meanwhile, according to Kashmir, financing is the provision of cash with an agreement between the bank and the

¹⁰ Muhammad Siddiq-Armia, *Penentuan Metode Dan Pendekatan Penelitian Hukum*, ed. Chairul Fahmi (Indonesia: Lembaga Kajian Konstitusi Indonesia (LKKI), 2022).

client, where the client must repay it within a certain period of time, with compensation or profit sharing agreed.¹¹

Financing basically refers to the raising of funds to support investment activities, both by individuals and other companies.¹² It also refers to the funds that financial institutions, such as Islamic banks, provide to their customers. According to Kasmir, the concept of credit between Islamic and conventional banks is almost the same, but the main difference lies in the way profits are calculated. Conventional banks generate profits through interest on loans, while Islamic banks use a profit-sharing method or a mutually agreed fee.¹³

In the banking world, there may be problems with the financing offered by the bank, such as poor performance or overdraft. Islamic banks call this situation non-performing finance. According to Siamat, non-performing financing occurs when the customer has difficulty paying his debts due to uncontrollable factors, and this can be measured by the ability to collect. Kuncoro and Suhardjono, on the other hand, define non-performing financing as a condition where the customer is unable to meet all or part of the financial obligations contractually agreed with the bank. According to Bank Indonesia's regulations, non-performing financing is divided into three categories: poor quality, uncertain and non-performing.¹⁴

B. Types of financing

Theoretically, scholars have categorised the different types of financing used in Islamic financial institutions, including mudharabah and musyarakah financing, as well as sale and purchase and leasing. These are some of the types of financing commonly used by Islamic financial institutions:

1. Mudharabah Financing

Mudharabah financing is a form of partnership between a bank and a client who runs a business. In this partnership, the bank provides all the funds for the client's business, while the client is responsible for managing the business without any interference from the bank. However, as the owner of the capital, the bank has the right to advise and control the client's transactions. The bank is also entitled to a share of the profits according to the agreement

¹¹ Kasmir, *Dasar-dasar Perbankan* (Jakarta: PT. Raja Grafindo Persada, 2002), p. 26.

¹² Chairul Fahmi, *HUKUM DAGANG INDONESIA* (Banda Aceh: Bandar Publishing, 2023), <https://bandarpublishing.com/hukum-dagang-indonesia/>.

¹³ Kasmir *Bank dan Lembaga Keuangan Lainnya* (Jakarta: PT. King Grafindo Persada, 2014), p. 40.

¹⁴ D Kiamat, *Manajemen Lembaga Keuangan* (Jakarta: LPFE UI, 2005), p. 50.

made beforehand. If the company suffers a loss, the bank is fully liable, unless the loss was caused by the client's negligence.

2. *Murabahah Financing*

In Murabaha financing, the bank acts as the seller, informing the customer of the purchase price of the goods and adding the profit as part of the cost of sale. This financing can be in the form of cash or instalments.¹⁵

3. *Musyarakah Financing*

Musyarakah or Shirkah is a form of agreement or cooperation between two or more companies or shareholders to pool their capital in a project. Under this agreement, each party has the right to participate in the project, either through representation or the right to withdraw capital. Profits from the project are shared according to the agreement and the amount of capital invested by each party.

4. *Istishna Financing*

Istishna' is a type of contract where the buyer (Mustashni') and the seller (Shani') agree to order the production of goods according to certain conditions desired by the buyer. Istishna' is one of the financing options that can be offered by Islamic banks when the object of sale is not yet available, such as B. construction projects or manufacturing companies. According to Karim's definition, istishna is a special contract to order the manufacture of products with certain characteristics agreed upon by both parties.¹⁶

5. *Salam Financing*

Salam is a type of financing where the bank buys goods with certain specifications and provides an advance payment, and then resells them to other parties at a mutually agreed delivery time. Before buying the goods from the first customer, the bank offers the goods to the second customer at a fixed selling and buying price agreed in advance by both parties. This type of financing is usually used to support production and meet demand within a specified period.¹⁷

¹⁵ Adiwarmarman Karim *Fiqh Bank Syariah dan Analisis Keuangan* (Jakarta: PT. Raja Grafindo Persada, 2014), p. 25.

¹⁶ Adiwarmarman Karim *Fiqh Bank Syariah dan Analisis Keuangan*, p. 60.

¹⁷ Sunarto Zulkifli, *Panduan Praktis Transaksi Perbankan Syariah* (Jakarta: Zikrul Hakim, 2003), p. 55.

C. Financing Principles

Before providing financing, it is important for banks to evaluate the financial status of prospective customers who have applied for financing. To conduct this evaluation, the marketing department must adhere to some key principles that relate to the overall condition of the prospective customer. In Islamic banking, the assessment principles consist of:¹⁸

1. **Character:** Character assessment is a method used by banks to evaluate the personality and integrity of a potential borrower. The purpose of this assessment is to determine whether or not the borrower is trustworthy and able to meet his obligations.
2. **Capacity:** Capacity is assessed subjectively by analysing the customer's ability to pay. This analysis is based on the customer's past financial records and current business facilities such as stores, employees, equipment, plant and methods of operation.
3. **Capital:** Capital assessment is a method used to evaluate the financial strength of potential customers. This assessment is based on the overall position of the company as indicated by financial ratios and capital composition. **Agunan:** Penilaian agunan adalah metode yang digunakan untuk mengevaluasi nilai agunan yang diberikan oleh calon nasabah. Evaluasi ini bertujuan untuk memastikan bahwa jika peminjam gagal dalam pembayaran mereka, agunan dapat digunakan untuk menutupi kewajiban yang belum dibayar.
4. **Circumstances:** A condition assessment involves an analysis of the economic situation in the community and its impact on the type of business the potential client operates. External conditions can have a significant impact on a potential customer's business..
5. **Sharia:** A Shari'ah assessment is carried out to ensure that the transactions financed by the bank comply with Shari'ah principles. According to the DSN fatwa, the manager must not violate Islamic law in his actions related to mudharabah..

The value of financing is also assessed using the 7P credit analysis method which includes:

1. **Personality,** banks evaluate the past behaviour and personality of prospective customers, as well as their attitudes, emotions and actions in dealing with various problems.
2. **Party,** Prospects are classified based on their capital, loyalty and character to determine the type of financing facility they can receive.

¹⁸ Kashmir *Analisis Laporan Keuangan* (Jakarta: PT. King Grafindo Persada, 2009), p. 25.

3. Purpose, the bank determines the purpose of the financing, including whether it is for consumption, production or trade.
4. Prospect, the bank assesses the prospective customer's future business prospects, including whether the business is competitive or not, to ensure that the financing will benefit the bank.
5. Payment, accounting is used as a benchmark to evaluate how the customer will repay its financing obligations, including the source of the customer's income.
6. Profitability, the Bank analyses the prospective customer's ability to generate profits, and measures the profits earned, including financing obtained from the bank.
7. Protection, the Bank evaluates the guarantee of goods, people, or insurance provided by prospective customers to protect the financing provided by the bank.¹⁹

D. Factors Causing Problematic Financing

Difficulties in obtaining bank finance can be caused by internal and external factors. Internal factors are caused by internal problems of the bank, especially management problems. These factors can affect the financial position of the bank, such as B. Poor buying or selling policies, ineffective cost management, inappropriate receivables policies, excessive investment in fixed assets and insufficient capital. While external factors arise from events outside the bank, such as natural disasters, fluctuations in financial conditions, technological developments and market changes. Banks cannot control these factors and they can cause problems in obtaining funding.²⁰

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¹⁹ Kashmir *Analisis Laporan Keuangan* (Jakarta: PT. King Grafindo Persada, 2009), p. 29.

²⁰ Dendawijaya Lukman, *Manajemen Perbankan* (Bogor: Ghalia Indonesia, 2005), p. 32.

²¹ Sutojo Siswanto, *Manajemen Terapan Bank* (Jakarta: PT Pustaka Binaman Persindo, 1999), p. 40.

E. Customer financial factors

Defaulting customers can lead to financial factors that cause financing problems, such as a sharp increase in debt, an increase in debt without a corresponding increase in assets, a decrease in net income, a decrease in sales, an increase in general and administrative expenses, a reduction in the rotation of receivables due to an increase in the average age of receivables, and a concentration of receivables with certain parties.

Customer inconsistency can cause operational problems for the business, such as deteriorating relationships with business partners, delays in the supply of raw or auxiliary materials, loss of key customers and disruption to marketing distribution. Some customers may have bad intentions from the start and plan not to repay the financing they have received. This can cause financing problems for the bank.

Financial problems can also be affected by family problems such as divorce, death, prolonged illness or overspending by family members. In contrast to Sutojo, Kashmir argues that there are two factors that cause bottlenecks in financial facilities. First, there are internal factors, i.e. obstacles created by the bank itself. One of the causes of congestion is the bank's inaccuracy in verifying the authenticity of documents and incorrect calculation of ratios. Collusion between analysts and clients can also lead to biased analysis. Second, external factors are obstacles created by the client. This factor can be further divided into two categories, namely intentional and unintentional factors. Intentional factors occur when customers deliberately refuse to pay their instalments so that their financing becomes stuck. While unintentional factors occur when customers want to pay instalments but are unable to do so due to financial difficulties such as poor financial condition.²²

F. Financing Quality Classification

Banks experience problems with the collectability of financing when customers are unable to pay their basic bills and profit margins. To solve this problem, banks categorise the collectability levels of financing to ensure that payments are made smoothly. There are five types of collectability used by banks, namely

1. *Current or collectibility 1*

collectibility 1 or financial date is given if the customer pays the capital on time, has an active account and continuous transfers and cash collateral.

²² Kashmir *Analisis Laporan Keuangan* (Jakarta: PT. King Grafindo Persada, 2009), p. 35.

Kuncoro and Suhardjono state that financing can be said to be on time if it meets the requirements of timely payment, good account history, no delays, and financing requirements. In addition, the customer's relationship with the bank must be good and the customer must provide correct financial information, complete financial documents and strong collateral.²³

2. *Special mention or collectability 2*

According to Rivai and Arifin, financing can be classified as collectability 2 or requires special attention if there is a delay in principal payments that has not exceeded 90 days. In addition, in the case of rare payment errors and relatively active account changes and new loan promotions, financing can also be classified in this category.²⁴

3. *Below standard or collectability 3*

Rivai and Arifi classify financing as "bad" if the customer has principal installment arrears exceeding 270 days, new loans are used to cover operating losses, and market conditions, laws, and collateral are not disbursed at fair value. Meanwhile, Kuncoro and Suhardjono (2002) define bad debts as having arrears in principal or profit-sharing installment payments exceeding 270 days and not having financing documentation and collateral ties. According to Untung, poorly collectible financing is not classified as current, substandard, or doubtful (categories 1-3), but meets the doubtful criteria and remains unresolved for 21 months. If there is no effort to repay or rescue the financing, then the financing settlement is sent to the District Court or the State Receivables Agency (BUPN) or the compensation has been submitted to the credit insurance company.²⁵

4. *Doubtful or collectability 4*

Financing that is considered unsafe must meet several requirements, such as: B. payment of principal payments with a maturity of more than 180 days, continuous overdrafts and defaults of more than 180 days, and mandatory legal documents for financing and guarantees (Rivai and Arifin, 2010). According to Kuncoro and Suhardjono, financing is considered uncertain if the capital or profit-sharing bill is delayed by 180-270 days. Financing is considered in default when there are repeated overdrafts to cover

²³ Kuncoro & Suhardjono, *Manajemen Perbankan (Teori dan Aplikasi)* (Yogyakarta: BPFE, 2002), p. 48.

²⁴ Veithzal Rivai dan Arviyan Arifin, *Perbankan Syariah*, p.30.

²⁵ Kuncoro & Suhardjono, *Manajemen Perbankan (Teori dan Aplikasi)....*, p. 50.

business losses or liquidity deficits, weakened client-bank relationships, unreliable financial information, incomplete financial documents, weak collateral or breach of financial covenants. According to Untung, financing that does not meet the criteria of current or worse financing mentioned in points 1 and 2 can still be considered unsecured if the financing is still available and the collateral value is at least 75% of the customer's debt. . However, if the financing cannot be repaid but the collateral still covers 100% of the customer's debt, this is also considered as unsecured financing.²⁶

5. *Crash or collectability 4*

According to Rivai and Arif, financing is considered "bad" if the customer does not pay the principal for more than 270 days, new loans are used to cover operational losses and market conditions, laws and guarantees are not paid at fair value. According to Kuncoro and Suhardjono, financing is classified as bad if there is a delay in capital or profit sharing payments of more than 270 days and there is no appropriate documentation or financial collateral. Financing with poor occupancy status is not considered current, poor or unsafe (categories 1-3) according to Untung, but it is considered unsafe if the financing has not been repaid for 21 months and there is no attempt to do so or financial rescue. If this is the case, the financial statement is sent to the district court or debt collection agency (BUPN) or the compensation is sent to the credit insurance company.²⁷

G. Financing Problem Solving

To avoid losses, banks need to have a strategy for dealing with non-performing loans. One option is to offer easy payments or instalments to disaster clients. In addition, banks can collect collateral from customers who deliberately fail to pay. It is important for banks to address the issue of misselling in order to avoid financial losses. In difficult financial situations, banks need to have strategies in place to ensure that losses do not occur. Some of the ways to deal with problem financing are to restructure, reorganise, consolidate and seize collateral.

1. To overcome the customer's payment difficulties, the bank may offer a period of assistance or installments with delays or corrections. Restructuring provides relief by extending the financing or repayment

²⁶ Veithzal Rivai dan Arviyan Arifin, *Perbankan Syariah*, hlm.34.

²⁷ Kuncoro & Suhardjono, *Manajemen Perbankan (Teori dan Aplikasi)....* p. 60.

- period, while restructuring changes the financial terms to help customers pay installments by suspending payments at a certain time.
2. Restructuring involves rearranging all the customer's obligations, taking into account good business conditions, customer solvency and temporary liquidity problems. Another option is to change the financial limit, i.e. the maximum cost limit for the customer to utilize the financing provided by the bank.
 3. A combination of methods can also be applied by looking at the non-performing financing and combining the above three methods to achieve a better solution.
 4. As a last resort, if all the above measures are unsuccessful, the Bank may forfeit collateral to customers who are unable or unwilling to fulfill their obligations. Realized collateral can be disbursed to cover the bank's loan, provided that the collateral value is higher than the customer's creditworthiness to cover bad debts or defaults..²⁸

H. Financing Restructuring

Banks engage in restructuring to help finance customers who are struggling to meet their obligations. It is a strategy used to improve the financial position of customers who are experiencing difficulties in repaying their loans or who have potential financial problems. Initially, restructuring was reserved for dealing with non-performing loans, but it is now used more widely. The concept of restructuring is rooted in the idea of improving and maximising performance.

According to Bank Indonesia Regulation No. 8/12/PBI/2006, issued on 10 July 2006, financing restructuring refers to efforts made by banks to improve financing, receivables or ijarah activities for debtors facing difficulties in meeting their obligations. The main purpose of restructuring is to help customers facing business difficulties by restoring their ability to carry out their business activities and meet their obligations to the bank. Bank Indonesia uses several criteria, such as the existence or difficulty in paying obligations, good faith and cooperation, and good business prospects, to optimise the restructuring of financing for customers.

Islamic banking also adheres to the precautionary principle in restructuring financing, as outlined in Article 2 paragraph (1) of PBI No. 10/18/PBI/2008. Furthermore, SEBI No. 10/34/DPBS/2008 stipulates that Islamic banks must strictly apply prudential, sharia, and accounting principles when restructuring financing.

²⁸ Kasmir *Analisis Laporan Keuangan* (Jakarta:P T. King Grafindo Persada, 2009), p. 45.

I. Legal Basis for Restructuring Problem Financing

Islamic banking is a financial institution that collects funds and distributes them directly to the public. It uses deposit accounts such as current accounts, savings or deposits from savers or surplus shares to raise funds. In addition, Islamic banks also provide financing to the public by applying the principles of Mudharabah and Musyarakah. This is why Islamic banks are called intermediary banks.²⁹

Bank Indonesia issued Bank Indonesia Regulation No. 8/12/PBI/2006 dated 10 July 2006, which states that financial restructuring is a bank's effort to improve the financing, beneficiary or ijarah activities for debtors who have difficulties in meeting their obligations. The main purpose of restructuring is to help customers in business difficulties by restoring their business continuity and ability to repay the bank. Bank Indonesia applies several criteria such as Ability or difficulty to meet obligations, honesty and cooperation of customers, and good business prospects to maximise the financial restructuring of customers.

The prudential principle also plays an important role in Islamic banking. This principle includes compliance with applicable laws and regulations and the implementation of an effective internal control system. In the context of turnaround financing, the principle of operational stability may include an assessment of a customer's ability and intention to repay its debts in a timely manner before a turnaround policy is implemented.³⁰

In order to reduce financing risks, Islamic banks must implement risk management, which includes restructuring financing. However, rules and laws must be followed to avoid major losses. The precautionary principle must be followed, which includes assessing the customer's character, source of capital, collateral, business prospects and sound 5C financing. Islamic banks are also required to comply with Shariah principles by following the fatwas of the Indonesian Ulema Council and applying Shariah principles in finance. The Sharia Supervisory Board oversees the operations of Islamic banks to ensure that they comply with Islamic principles and procedures. When restructuring financing, Islamic banks must prioritise risk management, solvency principles

²⁹ Irfan Harmoko. "MEKANISME RESTRUKTURISASI PEMBIAYAAN DALAM AKAD PEMBIAYAAN MURABAHAH DALAM UPAYA PENYELESAIAN PEMBIAYAAN BERMASALAH Irfan Harmoko, SE.I., MM." *Jurnal Qawanin* Vol.12 No.2 (2018): 61-80.

³⁰ Khalid, dkk., "Implementasi Pembiayaan Akad Murabahah Setelah Konversi PT Bank Aceh ke PT Bank Aceh Syariah". *Jurnal Mercatoria* Vol. 11 No. 2 Tahun 2018.

and Shariah compliance to avoid risks and losses for the bank and its customers.³¹

Islamic banking must adhere to Shariah principles of finance, such as Following the fatwas of the Indonesian Ulema Council and optimising the application of Shariah principles. To ensure compliance with these principles, Islamic banks are supervised by the Sharia Supervisory Board, which oversees all technical activities of Islamic banking in accordance with Islamic procedures and principles. When restructuring financing, Islamic banks must apply Sharia principles and applicable laws so as not to violate laws and regulations. Failure to do so may create risks for the bank and its customers. In order not to violate laws and regulations, Islamic banks must apply these principles when restructuring financing. Failure to do so may result in potential harm to the bank itself and its customers. Therefore, Islamic banks must pay attention to risk management, prudential principles and Shariah compliance in order to maintain financial stability and avoid losses.

J. Financing Restructuring Procedure

Article 5 of Bank Indonesia Regulation No. 10/18/PBI/2008 lists several conditions that must be met before a loan can be restructured. On the one hand, clients must be able to demonstrate their ability to repay after the extension. They must also have good business prospects for the future. The restructuring process must be supported by adequate analysis and documentation. Section 6 of the Regulations stipulates that a maximum of three restructurings may be carried out during the term of the original financial agreement and that at least six months must have elapsed since the previous restructuring period before the next restructuring is carried out. It is important to note that the rules only apply to clients who have a sustainable income-generating business. The aim is to ensure that restructurings are conducted in a responsible and sustainable manner and are beneficial to both the customer and the bank.³²

To save non-performing financing through restructuring, some steps that can be taken include:

1. Changing the payment schedule or period of custom financing.

³¹ Ova Uswatun Nadia and Chairul Fahmi, 'COMPENSATION ON COPYRIGHT DUPLICATION IN PERSPECTIVE OF THE CONCEPT OF ḤAQ AL-IBTIKĀR: A STUDY ON PT ERLANGGA BANDA ACEH CITY', *JURISTA: Jurnal Hukum Dan Keadilan* 4, no. 2 (20 December 2020): 77-145, <https://doi.org/10.1234/jurista.v4i2.27>.

³² Mukhibad, Hasan, Ahmad Nurkhin., "Pengungkapan Etika Bisnis Islam dan Manajemen Laba - Bukti dari Bank Syariah di Indonesia", *Jurnal Keuangan Islam* Vol. 8 No. 2 (2019)

2. Financial terms such as payment plan, installment amount, terms and deductions are examined, as long as they do not increase the customer's obligation to the bank.
3. Reorganize by offering additional financing to customers to keep their business running.

Finally, According to Article 1 of Bank Indonesia Regulation No. 7/2/PBI/2005, a person who has debts and has difficulty paying them but still has good business prospects and is able to fulfill their obligations after restructuring is eligible for restructuring. This process includes several options such as: B. providing additional financing options from the bank, changing the financing arrangement, exchanging the financing for medium-term Islamic securities, or exchanging the financing for a temporary equity interest in the client company.

CONCLUSION

BSI Aceh has successfully implemented the restructuring of non-performing financing post COVID-19, which follows the bank's administrative stages. The first stage is ongoing, followed by customers expressing their good faith by making a statement and requesting restructuring, and finally, customers willing to make an addendum contract with additional articles that include time changes and lower installments. This restructuring is supported by OJK which has eased credit restructuring through OJK Regulation No. 11/POJK.03/2020 on National Economic Stimulus, as a counter-cyclical policy during the pandemic. The regulation, which took effect on March 13, 2020, has been very helpful for MSMEs facing a decline in sales while still being responsible for credit payments to BSI Aceh. The positive impact of financing restructuring can also be seen in the installment payments made by customers, who have found restructuring to be an effective solution during the pandemic. In terms of financial performance, BSI Aceh made a profit of IDR 1,952 billion in 2019, increased by 12% in 2020 to IDR 2,187 billion, and increased by 38.4% in 2021 to IDR 3,028 billion.

BSI Aceh has emphasized the importance of renewing financing contracts post-COVID-19 to allow for changes in the financing structure, such as switching from term financing to installment financing. This urgency arises from the potential of debtors being unable to repay their debts to banks due to the pandemic. To address this issue, POJK No. 11/2020 provides an opportunity to restructure credit or financing by considering the criteria of

debtors affected by Covid-19 and sectors affected by the pandemic. Restructuring can be done normatively by delaying the debtor's payment or restructuring the financing agreement. After the pandemic, a notary will be in charge of making a credit restructuring or financing agreement between creditors and debtors affected by Covid-19. The POJK does not specify the restructuring method, and the form of the agreement/contract will depend on the specific circumstances.

BSI Aceh's approach to financing post-Covid-19 restructuring is guided by a number of regulations issued by the Financial Services Authority during the pandemic. These regulations include POJK No. 11/2020, which provides counter-cyclical measures against the impact of Covid-19 on the economy; POJK No. 34/2020, which outlines BPR and BPR policies; and POJK No. 48/2020, which amends existing regulations of the FSA. These regulations provide a framework for BSI Aceh to implement measures such as loan restructuring and assistance to customers affected by the pandemic.

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