



Analysis of Handling Non-Performing Financing at Indonesian Sharia Bank KCP Muara Bungo

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ABSTRACT

This research focuses on Handling Non-Performing Financing at Bank Syariah Indonesia KCP Muara Bungo. The type of research used in this research is qualitative research with a descriptive approach. The research object in this study is employees as financing providers from Bank Syariah Indonesia KCP Muara Bungo. The results of the study show that the handling of problematic financing is carried out by Bank Syariah Indonesia KCP Muara Bungo, namely coaching and supervision, restructuring, transfer of assets. This is in accordance with the theory, but in the restructuring stage it is still not in accordance with the theory, the 5C Re-Analysis before carrying out the restructuring was not carried out. The solution to this problem is to carry out a 5C Back Analysis before carrying out a restructuring in order to find out which businesses are eligible and which are not eligible for restructuring.

Keywords: *Handling of Financing, Non Performing Financing, Indonesian Sharia Bank*

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INTRODUCTION

Economic growth in Indonesia is currently increasing over time, this has resulted in demand for funding needed by society also increasing, both funding for productive needs and for consumptive needs (Lubis et al., 2024). Here, it is the banking world that plays a role as a financial institution that has an important role in the life of a country, especially in the economic and financial sectors. Banks are financial institutions whose job is to be an intermediary institution between people who have excess funds and people who lack funds. For people who have excess funds, they will flock to collect their funds to meet the financing needs of people who lack funds. (Yusman, 2022)

Islamic banking is a bank that operates in accordance with the principles of Islamic law, by referring to the Al-Quran and Sunnah as the basic legal and operational basis (Veithzal Rivai dan Arviyan Arifin : 2010). Islamic banks or hereinafter referred to as Sharia Banks are banks that operate without relying on interest (Marlina et al., 2021; Rizal et al., 2023). Sharia banking according to article 1 paragraph 1 of Law No. 21 of 2008 is everything related to Shariah Banks and Shariah Business Units, including institutions, business activities, as well as methods and processes in carrying out their business activities. Further in article 1 paragraph 7 it is mentioned that Bank Syariah is a bank that conducts its business activities based on Sharia principles (Undang-Undang Perbankan Syariah : 2008)

Among the products above, the product that is popular and often used in sharia banking is a financing product based on the principle of buying and selling goods with a profit or what can be called Al-Murabahah. Al-Murabahah can be applied in financing products from banks to customers. This product is more popular and often used because it is considered easy to apply and not too complicated compared to other financing products in sharia banking.

Risk management is a method used by Islamic banks as a method, or science that studies various types of risks, how they occur and manages these risks with the aim of avoiding losses (Amriyah et al., 2024; Sugianto et al., 2024). To deal with possible risks, Islamic banks are allowed to carry out supervision both actively by directly examining customer files, but passively by receiving reports from customers. This provision causes the bank to face very high risks because all losses will be borne by the bank. as shahibul maal (investor), unless it is proven that the loss was an intentional negligence by the mudharib.(Supriatna et al., 2020)

Another impact is the emergence of moral hazard by mudharib. Financing risks arise when customers are unable to repay loans to the bank within the specified time period. Financing risk or what is called non-performing finance (NPF) will affect bank profits and directly affect bank financing. A high NPF level indicates an unhealthy bank condition. based on data released by the sharia financial services authority, as of March 2023, Bank Syariah Indonesia's financing performance reached IDR 213.28 trillion with a gross Non-Performing Loan (NPF) value at the level of 2.36% (Otoritas Jasa Keuangan: 2023). If the credit disbursed experiences congestion, the steps taken by the bank are an effort to save the credit in various ways, of course depending on the customer's condition. This means that banks must have the right strategy to minimize problematic financing. One solution is that Bank Syariah Indonesia requires an auction process to resolve problematic financing.(Agung Prabowo et al., 2023)

In the case of bad financing, the Bank needs to make rescue efforts, so as not to cause losses in the future. For example, the rescue is carried out by providing relief in the form of a period of time or installments, especially for customer members who are affected by a disaster. If in this case they cannot be saved, the bank can take action, namely by confiscating goods from financing customers. Thus, if problems occur in the financing system, it would be best to handle it so that the Bank does not experience

losses. Actions that need to be taken to handle problematic financing include Rescheduling, Reconditioning and Restructuring

Rescuing problematic financing is a step that must be taken by all financial institutions, both sharia and non-sharia. This effort is very important to maintain service quality and prevent financial losses. When the financing that has been distributed has problems, banks or financial institutions can experience difficulties in maintaining financial stability, especially if customers who receive financing cannot fulfill their obligations. Therefore, rescuing problematic financing must be a priority to maintain the credibility and sustainability of bank operations.

Financing is one of the main sources of income for financial institutions, so if the financing that has been provided cannot be recovered, banks will face the risk of significant losses. If the quality of the financing provided is poor or does not meet customer expectations, this can affect the bank's reputation and attractiveness in the eyes of potential customers. Therefore, rescuing problematic financing must be carried out with full attention and a mature strategy so that banks can continue to develop and provide the best service to the community..

RESEARCH METHODOLOGY

In this research, the author used descriptive qualitative research methods. Qualitative research is research that uses a natural setting with the aim of interpreting phenomena that occur and is carried out by involving various existing methods. Erickson stated that qualitative research seeks to discover and describe narratively the activities carried out and the impact of the actions carried out on their lives (Anggito & Setiawan, 2018)

The research location in this research is Bank Syariah Indonesia KCP Muara Bungo Jln. Prof. Moh. Yamin, West Bungo, Pasar Muara Bungo District, Bungo Regency, Jambi Province, Indonesia. There are two types of data sources used in this research, namely Primary Data, namely data directly obtained from the main data source at the research location or research object through interviews in the field, to obtain the data needed by the author based on the research objectives. In this case, the desired data is the mechanism for handling non-performing financing at Bank Syariah Indonesia KCP Muara Bungo.

RESULT AND DISCUSSION

Analysis of the Risk of Problematic Financing at Bank Syariah Indonesia KCP Muara Bungo

Bank Syariah Indonesia KCP Muara Bungo continues to take steps to overcome problematic financing, such as guidance and supervision, restructuring, and also transferring assets if they are truly unable to pay or customers disappear. However, after the handling carried out by the Sharia Bank, the customers and also the Sharia Bank

received a positive impact from the handling carried out, the impacts resulting from the treatment carried out by the Sharia Bank for the customers included:

- a. Customers are more motivated and enthusiastic in running their business, because of the supervision carried out by Sharia Bank.
- b. Customers feel that it is easier to pay installments because the time to make installment payments is longer and the installment value is lower because the margin value is reduced
- c. Feel more at ease because the collateral can be saved.

The explanation of the positive impact shows that customers are more motivated in running their business if there is supervision carried out by Sharia Bank. So sharia banks are expected to continue to supervise customers' businesses in order to minimize the occurrence of financing problems. Then the restructuring also has a positive impact on customers, namely making it easier for customers to pay installments because the time given to repay the financing becomes longer and the value of the installments becomes less.

Apart from that, customers will feel calmer because their collateral can be saved. Security of collateral provides a greater sense of protection for customers, which in turn can increase their trust in financial institutions. This is important because the customer's calmness in carrying out financing obligations will have a positive impact on the smoothness of installment payments. When customers feel their collateral is safe, they tend to be more focused and committed to fulfilling their obligations on time.

The theory underlying handling problematic financing shows that this step can make it easier for customers to pay installments. With good management, customers will be more motivated to continue their business and pay installments on time. On the other hand, this rescue effort also secures the customer's collateral, which functions as collateral in the event of difficulties in payment. As a result, lighter installments and more conducive financing conditions can be created, providing benefits for both parties.

Risk in the banking context refers to potential events that can affect a bank's income and capital, both predictable and unpredictable. These events can have a negative impact on the bank's financial stability, so it is important to identify risks systematically. In the banking world, risk does not only come from external conditions, but also from internal factors that can arise in various aspects of bank operations and business.

To be able to establish an effective risk management process, the first step that needs to be carried out by banks is to identify risks correctly. This includes recognizing and understanding all existing risks, as well as those that may arise from new business activities carried out by the bank. Banks must also pay attention to risks originating from related companies, such as affiliates or other entities that have a relationship with the bank. With a deep understanding of various potential risks, banks can design appropriate mitigation strategies to maintain financial and operational stability.

Financing risk arises when the bank cannot recover the principal installments and/or interest from loans that have been given, or from investments that are being made. The inability to collect this financing can threaten the bank's financial stability and reduce its liquidity. If these risks are not managed well, banks will face significant losses that can affect their operations and reputation.

The main cause of credit risk is often related to bank policies that make it too easy to provide loans or make investments. This usually occurs due to pressure to utilize existing excess liquidity, so banks tend to provide loans with looser terms. This haste often results in inaccurate credit assessments, without carefully taking into account the various potential risks that could arise from the business being financed. As a result, banks are at risk of facing problematic financing which can be financially detrimental.

Then the impact that this has on Sharia Banks is that they can maintain the profits or profits obtained in financing, although not all financing can be saved because there are some customers who are naughty and run away from responsibility. This is not in accordance with theory because in theory it says that after the snacks are made the profit generated will be maximum but at Bank Syariah Indonesia KCP Muara Bungo it is still less than optimal.

The solution that can be used for this is to re-analyze the customer's character before restructuring, if the customer complies with the 5C Analysis then restructuring can be carried out and if the customer does not comply with the 5C Analysis then restructuring cannot be carried out.

Factors Causing Problems with Financing at Bank Syariah Indonesia KC Muara Bungo

Problematic financing is the number one enemy in a sharia financial institution, its existence affects business profitability and reduces the level of quality of productive assets. According to Faturrahman Djamil, the causes of financing problems are divided into 2, namely internal factors and external factors. Internal factors are factors that occur within the company itself and the most dominant are managerial factors. This can be seen from several things such as weak sales and purchase policies, weak financing supervision, and inappropriate receivables policies. Meanwhile, external factors are factors that occur outside the company's conditions, such as changes in economic conditions, changes in technology, natural disasters, pandemics and so on.

The steps that need to be taken in dealing with problematic financing first need to be researched into the causes of problematic financing. When the problematic financing is caused by external factors such as natural disasters, the bank no longer needs to do further analysis. What is necessary is how to help the customer to immediately obtain a replacement from the insurance company. Internal factors that need to be examined are those that occur due to managerial reasons. If the bank has carried out careful supervision from month to month, from year to year, then problematic financing arises, more or less related to the weakness of the supervision itself. Except when the supervision activities have been carried out well, there are still

financial difficulties, it is necessary to examine the reasons for problematic financing in more depth.

From the data presented above, the internal factors of Bank Syariah Indonesia's problematic financing include errors in financing analysis, lack of supervision, lack of coordination of the financing committee. Meanwhile, external factors are macroeconomic conditions, weak market purchasing power, customer character

Weaknesses in analyzing financing are very influential in financing problems. Weaknesses in financing analysis can be caused by financing analysis not being based on accurate data, incomplete financing information and inaccurate analysis. Based on research, financing analysis is not based on accurate data, incomplete financing information and inaccurate analysis can be one of the factors of problematic financing because if the financing analysis is not researched in detail, it can cause the bank to be deceived by customers, the bank will not be able to know the profit. or losses in the customer's business and not knowing the customer's business capital, in cases like this it is necessary to analyze more carefully. Banks must be more careful in analyzing financing so that incomplete financing analysis does not occur. Supervision of businesses that carry out financing really needs to be done. Because the income received by customers depends on how well the business runs. If the business can run well, the installments will be able to be paid without any obstacles, thereby minimizing the occurrence of bad credit. So there needs to be supervision by the bank regarding the business run by customers. so that banks can monitor business movements carried out by customers, and reduce the risk of bad credit.

The committee coordination problem is a problem that can have fatal consequences. If there is a lack of coordination, there will be misunderstandings between the two parties, causing discrepancies in the data obtained from one party to the other. This will result in increased financing risks

Apart from that, financing problems also occur as a result of external factors such as pandemic conditions which have become a scourge in the banking world. which is one of the causes of bad credit or problematic financing. The occurrence of social restrictions has caused people's space to move to be limited, therefore many customers' businesses have experienced a decrease in turnover and this has had an impact on financing.

Furthermore, due to weak market purchasing power, this factor is still related to macroeconomic conditions because with a decrease in purchasing power, the lack of supply causes limited public movement which causes weak market purchasing power. Apart from that, this is made worse by the ongoing disaster situation and we don't know when it will stop. It can be said that the regional character is that a low-income region cannot meet the 5C requirements, but several errors occurred in analyzing the 5C so that customers who should not have passed data verification passed verification.

How to Handle Financing Problems at Bank Syariah Indonesia KCP Muara Bungo

Financing handling is a technical term that can be used in banking circles regarding the efforts and steps taken by banks in an effort to overcome financing problems faced by debtors who still have good business prospects, but are experiencing difficulties in paying principal or other obligations, so that debtors can fulfill return to his obligations. According to Faturrahman Djamil, financing restructuring is an effort made by banks to help customers complete their obligations, including through:

- a. Rescheduling, namely changing the customer's obligation payment schedule or time period.
- b. Reconditioning, namely changes to part or all of the financing requirements, including changes to the payment schedule, number of installments, time period and discounts as long as they do not increase the customer's remaining obligations that must be paid to the bank.
- c. Restructuring, namely changes to financing requirements, not limited to rescheduling or reconditioning.

Supervision of financing in sharia financial institutions is very necessary, this aims to observe, control funds, and smooth the implementation of financing, so that financing problems cannot arise. For sharia financial institutions, problematic financing is no longer a strange thing because every financial institution has experienced problematic financing. Therefore, each financial institution has its own strategy for dealing with problematic financing. Bank Syariah Indonesia KC Muara Bungo is no exception and also has several strategies for resolving problematic financing.

The handling carried out by Bank Syariah Indonesia KCP Muara Bungo in handling problematic financing is:

- a. Guidance and supervision
The guidance provided by the bank to customers is to provide knowledge regarding the obligations that must be paid. By giving a warning letter to the customer to remind them of their obligations that must be paid. By carrying out supervision, the bank will know the condition of the customer's business, whether the business is running smoothly or whether there are problems. So that banks can provide assistance to customers and avoid financing problems
- b. Re-structure and Re-schedule
- c. Rescheduling and recalculation are the methods most often used by Islamic banks to overcome problematic financing, because by rescheduling the customer will have time to repay the financing and have time to earn income through their business.
- d. Transfer of assets (take over)
Transfer of assets will occur if the customer who is financing is truly unable to pay the installments or the customer runs away or disappears, before this happens the sharia bank will continue to find out about the customer's condition. If there really is no other way then diversion is the last option.

From the explanation above, the strategy used by Bank Syariah Indonesia KC Muara Bungo is in accordance with Faturrahman Djamil's theory. Namely restructuring, reconditioning, rescheduling, financing that has problems but still has hope of being saved. And transfer assets or take over collateral if the financing really cannot be saved. However, the restructuring stage is not in accordance with theory because restructuring is carried out when the 5C Analysis has been carried out back to the customer. Customers who receive restructuring must pass the 5C Return Analysis. Meanwhile, Bank Syariah KC Muara Bungo did not carry out a 5C analysis again when carrying out restructuring. So that many naughty customers get restructuring which results in less than optimal profits obtained by the bank. The solution that can be used is that Sharia Banks must re-analyze the 5Cs before carrying out restructuring in order to minimize customers who have bad character.

CONCLUSION

Handling the risk of problematic financing carried out by Bank Syariah Indonesia KCP Muara Bungo, namely coaching and supervision, restructuring, asset transfer. This is in accordance with theory, but at the restructuring stage it is still not in accordance with theory, the 5C Re-Analysis before restructuring was not carried out. The solution to this problem is to carry out a 5C Re-Analysis before restructuring to find out which businesses are worthy and which are not worthy of restructuring.

The factors causing financing problems at Bank Syariah Indonesia KCP Muara Bungo are two internal factors and external factors. The internal factors are weak financing analysis, weak financing supervision, and lack of financing committee coordination. External factors include weak macroeconomic conditions, social restrictions, weak market purchasing power, regional income characteristics.

The impact of handling problematic financing carried out by Sharia Bank is that when there is supervision, customers are more motivated in running their business, customers feel it is easier because the installment schedule becomes longer, and the installment value becomes smaller, customers are calmer because their collateral can be saved. Sharia banks can maintain financing profits even though they are less than optimal. This is not in accordance with theory because in theory the impact should be on the bank, namely getting maximum profits. The solution to this problem is to pay attention to the 5C Analysis in restructuring in order to minimize bad customer characteristics and maximize Sharia Bank income.

AUTHORS' CONTRIBUTION

Author: Conceptualization; Project administration; Validation; Writing - review and editing.

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