



## Analysis of Credit Restructuring Implementation the Period of Social Order in the Era of the Covid-19 Pandemic in Banking in Cliff City

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### ABSTRACT

The government anticipates the impact of the economic slowdown caused by the pandemic through economic stimulus through the Financial Services Authority (OJK) by issuing Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020 concerning National Economic Stimulus. This regulation relates to policies that support economic growth stimulus that can be carried out by banks. One of them is the policy of restructuring credit or financing. This study aims to analyze the implementation of credit restructuring during the social order era of the covid-19 pandemic at Bank Sumut Tebing Tinggi Branch. This study uses a qualitative approach, where the data used are primary data and secondary data. Primary data were obtained from in-depth interviews with the head of the marketing section and the credit account officer (AO) of Bank Sumut, Tebing Tinggi Branch. Secondary data were obtained from various literatures such as laws, regulations and bank statements. The results of the study indicate that the implementation of credit restructuring at Bank Sumut Tebing Tinggi Branch is carried out in accordance with applicable laws and regulations and is carried out through delays in payment of principal and loan interest installments, extension of credit period, Scheduling of payment of principal and/or loan interest installments and Reduction fine.

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### 1. Introduction

The coronavirus disease 19 (Covid-19) pandemic is not only a global health problem, but also has an impact on the economy, including the Indonesian economy [1]. The government through the ministry of finance admits that Covid-19 has had a huge impact on Indonesia. Indonesia is experiencing a very heavy domino effect, where health hits social, social hits the economy and the economy will definitely affect the financial sector, especially from bank and non-bank financial institutions[2]. To counteract the impact of COVID-19, the government is preparing to anticipate the impact of the economic slowdown caused by the pandemic through economic stimulus. The economic stimulus is not only direct cash assistance to affected communities, but also in the form of relaxation and restructuring programs for business actors and their business organs[3].

The COVID-19 pandemic has resulted in an increase in the ratio of non-performing loans (NPLs) of banks, the Financial Services Authority (OJK) noted that throughout July 2020, banking NPLs rose to 3.22 percent from the previous month of only 3.11 percent [4]. Therefore, the government's efforts to prevent massive Non-Performance Loans (NPLs) in banks are to provide credit restructuring. This is in accordance

with the results of research conducted by Ridwan [5] which states that credit restructuring has an effect on banking Non-Performance Loans (NPLs) because credit restructuring is intended to help customers who are experiencing financial burdens in order to fulfill their obligations.

The government through OJK has issued Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020 concerning National Economic Stimulus[6]. This regulation relates to policies that support economic growth stimulus that can be carried out by banks. One of them is the credit restructuring policy. However, the problem is that the government does not further define the restructuring, and even returns to the policies of their respective banks. The regulation provides more dominant flexibility for creditors to assess and offer forms of restructuring, so that there is the potential for an imbalance in the form of restructuring between creditors and debtors.

The credit restructuring provided in practice certainly has problems and solutions need to be found to overcome them. Therefore, the Minister of Finance said that the relief for delaying installment payments and interest subsidies refers to Government Regulation in Lieu of Law Number 1 of 2020 concerning State Finances and Financial System Stability for Handling the Covid-19 Pandemic[7]. Therefore, to see the restructuring carried out by banks, it is necessary to conduct more in-depth research on the implementation of credit restructuring during the social order of the Covid-19 pandemic era.

The purpose of this study is to analyze the implementation of credit restructuring based on POJK No.11/POJK.03/2020 and analyze problems related to the implementation of credit restructuring for debtors during the social order era of the covid-19 pandemic.

## **2. Research Methods**

### **2.1 Type of Research**

This type of research is qualitative research. Qualitative research is used to examine the condition of natural objects where the researcher is the key instrument [13].

### **2.2 Data Collection Techniques**

In qualitative research, respondents or research subjects are referred to as informants, namely people who provide information about the data that the researcher wants related to the research being carried out.

The data used in this study are primary data and secondary data. Primary data were obtained from in-depth interviews with the head of the marketing section and the credit account officer (AO) of Bank Sumut, Tebing Tinggi Branch. Secondary data were obtained from various literatures such as laws, regulations and bank statements.

### **2.3 Technical Data Analysis**

Data analysis techniques in this study were carried out through data collection, data reduction, data display and verification/conclusion. Meanwhile, to test the validity of the data is done by triangulation method.

### **2.4 Research Stages**

The research conducted is descriptive qualitative research by carrying out systematic and logical steps through making research questions, data collection, data reduction, data display, and conclusion/verification. However, if it is deemed not appropriate or lacking in depth, the researcher will conduct re-interviews with the informants so that clarity is found. The next step is to answer the research problem until a conclusion is found from the research results.

## **3. Results and Discussion**

The impact of the Covid-19 pandemic is felt quite large in the economic sector. Business actors experienced financial difficulties which also affected the banking sector because business actors and the public had difficulty paying loan principal and interest installments. Not only working capital loans by business actors, consumer loans also experience credit problems because people experience changes in income, people experience difficulties in paying principal installments and loan interest. One of the Countercyclical policies

based on the Financial Services Authority Regulation Number 11/POJK.03/2020 in the credit world is the restructuring of credit affected by COVID-19, either directly or indirectly.

### **3.1 Credit Restructuring at Bank Sumut Tebing Tinggi Branch**

The 2019 coronavirus disease (Covid-19) pandemic has a direct or indirect impact on debtor performance and capacity, thus potentially disrupting banking performance and financial system stability that can affect economic growth. Therefore, to encourage the optimization of the banking intermediation function, maintain financial system stability, and support economic growth, the government issued an economic stimulus policy as a countercyclical impact of the spread of Covid-19. One of the economic stimulus policies is to provide credit restructuring to debtors.

Based on the results of an interview with the Marketing Section Leader of the Bank Sumut Tebing Tinggi Branch, he stated that "The implementation of credit restructuring for debtors affected by the COVID-19 pandemic refers to the Financial Services Authority (OJK) Regulation Number 11 of 2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of Spreading Corona Virus Disease 19 and Bank Indonesia Regulation Number 14/15/2012 concerning Asset Quality Assessment for Commercial Banks". Based on the above regulations, there are several ways to restructure credit, such as:

- a. Decrease in loan interest rates,
- b. Extension of credit period,
- c. Reduction of loan interest arrears,
- d. Reduction of loan principal arrears,
- e. Addition of credit facilities; and/or
- f. Conversion of credit into temporary equity participation.

The description of the form of credit restructuring [14] is as follows:

#### **a. Decrease in loan interest rates.**

The decrease in interest rates is expected to provide relief to debtors so that the amount of interest that must be paid by the debtor is smaller than the previously determined interest rate, this is intended so that the debtor's income can be allocated to pay part of the principal and partly to continue and develop the business. Deeds that need to be made and updated regarding the decline in interest rates are making amendments to the credit agreement.

#### **b. Extension of credit period.**

The extension of the credit period can provide an opportunity for the debtor to continue his business. Operating income that should be used to pay off maturing debts can be used to strengthen the business and within a certain period of time be able to pay off all of its debts

#### **c. Reduction of loan interest arrears.**

The rescue of non-performing loans with credit restructuring that can be done is to lighten the debtor's burden by reducing arrears in loan interest or completely eliminating loan interest arrears. Debtors are freed from the obligation to pay arrears of credit interest in part or in full. The rescue step by removing part or all of the arrears on credit interest is expected that the debtor will have the ability to continue his business so as to generate income that can be used to pay off the principal debt which cannot be completely erased by the creditor.

#### **d. Reduction of loan principal arrears.**

Reduction of loan principal arrears is a very large bank sacrifice because the bank's assets in the form of principal debt are not returned and are losses that are borne by the bank.

#### **e. Addition of credit facilities.**

The addition of credit is carried out with the hope that the debtor's business will run again and develop so that it can generate income that can be used to repay old debts and additional new loans. In providing additional credit facilities, careful, accurate and accurate analysis must be carried out regarding the debtor's business prospects because the debtor bears the old debt and the new debt. The addition of credit facilities is followed by additional terms so that additional terms must be formulated in a new credit agreement. If the addition of the new facility is required to provide additional collateral, then additional collateral must be bound, the form of which depends on the object that is the additional collateral.

#### **f. Conversion of credit into temporary equity participation.**

Conversion of credit into capital means that a number of credit values are converted into shares in the debtor company, this is called a debt equity swap. Regarding the amount of the share value derived from the credit conversion, it depends on the agreement between the creditor and the debtor. Thus, the bank owns a

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number of shares in the debtor's company and the debtor's debt is paid off. The number of shares owned by the bank depends on the results of the assessment of the agreed share value.

The implementation of the credit restructuring is regulated by the Financial Services Authority (OJK) in accordance with the applicable terms and conditions. The implementation of credit restructuring is given to debtors affected by COVID-19, so that not all debtors can enjoy the credit restructuring program in accordance with the Financial Services Authority (POJK) regulation Number 11 of 2020.

### **3.2 Implementation of Credit Restructuring at Bank Sumut Tebing Tinggi Branch**

Based on the results of an interview with AO Credit Bank Sumut Tebing Tinggi Branch, the forms of credit restructuring carried out by Bank Sumut Tebing Tinggi Branch for debtors affected by the covid-19 pandemic, among others:

#### **3.3 Delay in payment of loan principal and interest installments.**

The postponement of the payment of the principal and interest installments of the credit for different periods according to the results of the assessment carried out by the bank on the ability of the debtor. Delaying credit installment payments does not mean the debtor does not pay the credit installments that have been passed, but delaying credit installment payments means delaying the credit maturity while extending the credit agreement period. This is intended to provide relief to debtors to manage their finances amidst the difficulties experienced as a result of the COVID-19 pandemic.

##### **a. Extension of credit period.**

The extension of the credit period is a form of credit restructuring that aims to make it easier for the debtor to fulfill his obligations, because the extension of the term can provide an opportunity for the debtor to continue his business. Operating income that should be used to pay off loans can be used to strengthen the business and within a certain period of time be able to pay off all debts.

##### **b. Scheduling of principal and/or interest installment payments.**

Scheduling of principal and/or interest installment payments is adjusted to the cash flow of the debtor. This is expected to provide an opportunity for debtors to reorganize their business cash flow so that they can pay their credit installments in the future.

##### **c. Reduction of fines.**

Reduction of fines is the application of payment obligations below the amount that should be for the total value of the payment of fines that have not been fulfilled.

The implementation of credit restructuring for debtors affected by the COVID-19 pandemic at Bank Sumut Tebing Tinggi Branch has been going well, this can be seen from the data showing that in 2020 there were 48 applications for credit restructuring affected by the COVID-19 pandemic with a value of Rp. 30,716. 577,357, and all received for restructuring. Meanwhile, in 2021 there were 14 applications for credit restructuring affected by the COVID-19 pandemic with a value of Rp. 4,385,802,879, but there was 1 application that was not approved with a value of Rp. 13,800,000. The rejection of the application was due to not meeting the requirements to receive credit restructuring affected by the COVID-19 pandemic.

### **3.4 Barriers to the Implementation of Credit Restructuring at Bank Sumut Tebing Tinggi Branch.**

The implementation of credit restructuring for debtors affected by the COVID-19 pandemic at Bank Sumut Tebing Tinggi Branch did not fully run smoothly. Based on the results of an interview with AO Kredit Bank Sumut Tebing Tinggi Branch, stating "There are several debtors who are in arrears in making installment payments, but when offered for credit restructuring they still refuse on the grounds that they do not want to extend the credit period". This happens to debtors whose credit terms are almost finished, so the debtor does not want to increase the credit period by conducting credit restructuring.

## **4. Conclusions**

From the discussion of the research results that have been described, it can be concluded that the implementation of credit restructuring for debtors affected by the Covid-19 pandemic at Bank Sumut Tebing Tinggi Branch can be carried out properly in accordance with the provisions of applicable laws and regulations.

The forms of credit restructuring that are carried out are delays in payment of loan principal and interest installments, extension of credit terms, Scheduling of payment of principal and/or loan interest installments and Reduction of fines.

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