

Evaluation of the Implementation of Credit Restructuring during the Covid-19 Pandemic at Bank Mandiri Ternate Branch

Fanti Farjianti Buamona^{1*}, Abdul Hadi Sirat², Suwito³

^{1*,2,3} Universitas Khairun, Jl. Pertamina Campus II Unkhair Gambesi, South Ternate City

ARTICLE INFO



Correspondence Email:

fantifajriantibuamona@gmail.com

Keywords:

Covid-19; Bad Debt; Micro, Small and Medium Enterprises (MSMEs).

DOI:

<https://doi.org/10.33096/jmb.v10i2.672>

ABSTRACT

This study aims to evaluate the implementation of credit restructuring by Bank Mandiri Ternate branch during the Covid-19 pandemic in 2020-2021 and analyse the inhibiting factors in its implementation. This research uses a descriptive qualitative method with a phenomenological approach. Primary data was obtained through observation, interviews, and documentation, while secondary data was obtained from searching related documents. This research involved three informants from BMCT and four informants who are KUM and KUR business actors associated with the credit restructuring programme. The results showed that the implementation of business credit restructuring at Bank Mandiri Ternate Branch was in accordance with OJK regulations and Bank Mandiri's internal policies related to handling non-performing loans due to the Covid-19 pandemic. Although inhibiting factors in the implementation of the restructuring programme were heard, customers did not feel it as an obstacle because they felt helped by the existence of this programme which helped relieve their financial burden. On the other hand, there are also obstacles felt by the bank, especially related to social distancing rules that affect the implementation of restructuring.

ABSTRAK

Penelitian ini bertujuan untuk mengevaluasi pelaksanaan restrukturisasi kredit oleh Bank Mandiri cabang Ternate selama pandemi Covid-19 tahun 2020-2021 serta menganalisis faktor-faktor penghambat dalam pelaksanaannya. Penelitian ini menggunakan metode deskriptif kualitatif dengan pendekatan fenomenologi. Data utama diperoleh melalui observasi, wawancara, dan dokumentasi, sementara data sekunder diperoleh dari penelusuran dokumen terkait. Penelitian ini melibatkan tiga informan dari BMCT dan empat informan yang merupakan pelaku bisnis KUM dan KUR yang terkait dengan program restrukturisasi kredit. Hasil penelitian menunjukkan bahwa pelaksanaan restrukturisasi kredit usaha di Bank Mandiri Cabang Ternate telah sesuai dengan peraturan OJK dan kebijakan internal Bank Mandiri terkait penanganan kredit bermasalah akibat pandemi Covid-19. Meskipun faktor penghambat dalam pelaksanaan program restrukturisasi terdengar, namun nasabah tidak merasakannya sebagai hambatan karena mereka merasa terbantu dengan adanya program ini yang membantu meredakan beban finansial mereka. Di sisi lain, ada juga hambatan yang dirasakan oleh pihak bank, terutama terkait dengan aturan menjaga jarak sosial yang mempengaruhi pelaksanaan restrukturisasi.



This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

INTRODUCTION

Banking as an intermediary institution has an important role in a country's economy, where with its function as an intermediary institution the role of commercial banks is very strategic to bridge the capital needs between fund owners and fund borrowers. The role of commercial banks, especially in terms of lending to the real sector, is influenced by various variables. Because the greater the credit capacity of a bank, the greater the ability to distribute credit. Banking activities include three activities, namely raising funds, channeling funds, and providing other bank services. The activity of raising funds and channeling funds is the main activity of the bank while providing other bank services is only a supporting activity. The activity of raising funds is in the form of

collecting funds from the public in the form of demand deposits, savings, and deposits.

Credit is a type of facility provided by financial institutions, namely banks, to other entities through loan and borrowing agreements. The recipient of credit, also known as the borrower, commits to repay the loan amount within a specified period of time, accompanied by interest payments (Zhang & Zhang, 2016). Credit is based on mutual trust and involves the act of borrowing, lending, and deferred payment in economic activities (Bezemer et al., 2014). It is a means of fructification of available and interested funds from clients (Sîrbulescu et al., 2015). Credit plays a strategic role in national development, especially in economic activities, as it collects and distributes public funds (Martin & Memmott, 2014). Credit facilities present themselves in various forms, including overdrafts, which involve negative balances in a customer's current account, as well as the assumption of receivables in factoring activities, and the assumption or purchase of credit from other parties. The utilization of credit plays a significant role in supporting the advancement of Micro, Small, and Medium Enterprises (MSMEs) and Medium Credit Enterprises (SMEs), ultimately facilitating the smooth flow of goods and services within society. Trust is an important element in the provision of credit facilities, as the lender must have confidence that the loan will be repaid according to the agreed terms. A written agreement is also essential, outlining the rights and responsibilities of all parties involved and signed by everyone (van der Cruisen et al., 2023).

Restructuring is a process undertaken by banks to assist viable businesses in continuing operations and meeting their obligations. It involves various approaches to ease debt repayment and ensure that the debtor's debt remains manageable. The motives for restructuring can vary, including operational and financial synergies, diversification, and economic reasons (Mavlutova et al., 2021). Different jurisdictions have different mechanisms for restructuring distressed companies, such as the UK's restructuring moratorium and restructuring plan (Payne, 2018). Finding adequate funding sources is crucial in the restructuring process, and there are various funding sources available, both direct and indirect, that can contribute to achieving the strategic objectives of restructuring (Milovanović et al., 2018). Debt restructuring frameworks play a vital role in facilitating successful debt restructurings and supporting liquidity or new financing for financially distressed businesses (Mba, 2019). Restructuring in the construction industry involves modeling business processes to optimize efficiency and meet market needs, with the aim of increasing competitiveness (Chukunova & Taranukha, 2017).

The aim is to help debtors continue their business and repay the principal amount and accrued interest. The shape and form of restructuring regimes are still debated, with questions arising about whether to retain pre-distressed management or appoint new officials, and whether to incentivise new financing through restructuring regimes or allow market participants to handle it themselves (Mba, 2019). In some cases, external experts are engaged to assist with restructuring, and a contingent approach is required in creating a restructuring strategy (Milovanović et al., 2018). Credit restructuring can take on various forms, such as reducing interest rates, extending the repayment period, reducing interest and principal arrears, or even increasing the credit facilities. It is important to note that restructuring is not granted arbitrarily, but rather, it must conform to the terms and conditions established by the bank.

Lending is a form of business carried out by banks to process capital owned and customer deposits to provide loans to other customers by taking advantage of interest payments from

customers or debtors for providing credit. Apart from getting profits, credit also has a big risk for financial institutions. since the beginning of March 2020 the Covid-19 pandemic has entered Indonesian territory. The covid-19 pandemic which makes economies around the world unstable and has a hard impact on society and non-financial institutions or financial institutions, the Covid-19 pandemic also has a significant impact on the decline in the national and global economy.

In light of the economic challenges brought about by the Covid-19 pandemic, the Financial Services Authority (OJK) has implemented Regulation No. 11/POJK.03/2020 as a vital component of the national economic stimulus program (Wahyuni et al., 2023). The primary objective of this regulation is to extend credit relief to customers who have been adversely affected by the pandemic. Within the framework of this regulation, financial institutions have been granted the authority to provide credit relaxation measures, such as loan restructuring and payment moratoriums, to borrowers who are encountering financial hardships due to the pandemic. This endeavor is aimed at alleviating the financial burden on affected individuals and businesses, thereby ensuring their financial stability during these arduous times. OJK's proactive approach through the implementation of Regulation No. 11/POJK.03/2020 is indicative of the government's unwavering commitment to safeguarding the economic well-being of the community and supporting business entities in managing the financial repercussions of the ongoing pandemic.

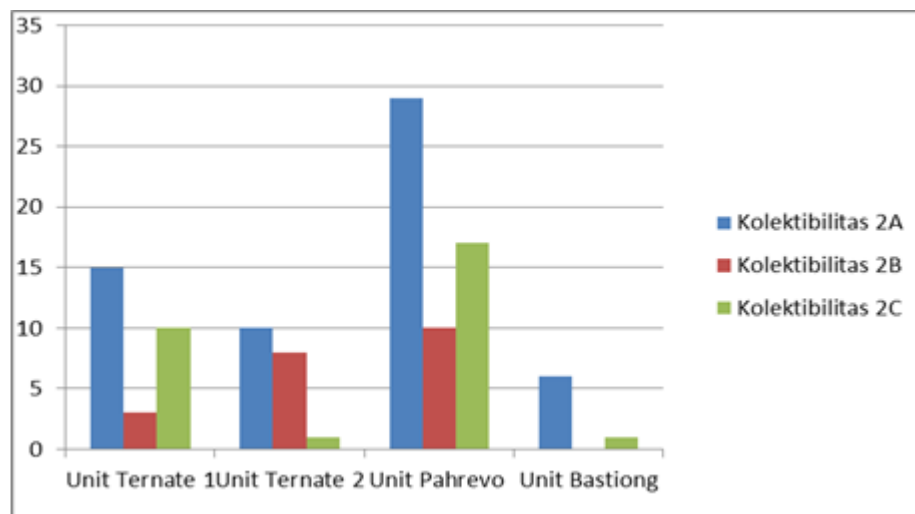


Figure 1 Credit customer graph 30 May 2020

As illustrated in Figure 1, the data derived from the conclusion of May 2020 unveils a remarkable upsurge in overdue payments among the clientele of business loans across all four divisions of the three branches situated in Ternate City. This escalation in arrears is a source of apprehension. More specifically, there were 123 customers who encountered delays in their payments exceeding one month, which serves as evidence of a substantial number of enterprises grappling with financial hurdles during that particular timeframe.

Moreover, the data demonstrates that 99 customers endured delays in their payments surpassing two months, underscoring the gravity of the financial predicaments experienced by numerous borrowers throughout Ternate City. Furthermore, there were 86 customers who faced payment delays surpassing three months, indicating an extended period of financial strain for these

establishments. In totality, the count of customers with payment delays of less than four months reached a total of 308, thus accentuating the urgency of addressing these financial complications and implementing measures to bolster businesses in their quest for financial stability. This data underscores the necessity for proactive strategies and financial support mechanisms to alleviate the economic repercussions of such circumstances on businesses in Ternate City.

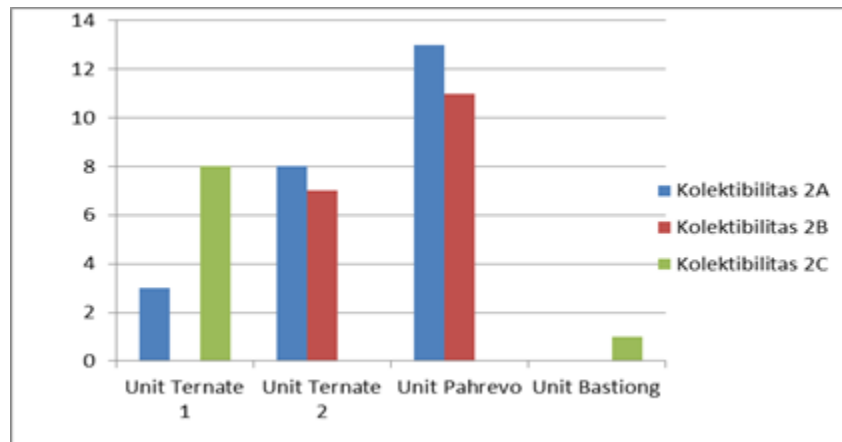


Figure 2 Graph of credit customers 30 April 2021

Figure 2 depicts a decline in the quantity of clientele who encounter tardy credit remittances. On the 30th of May, 2020, a total of 308 patrons experienced belated credit payments. However, in April of 2021, the tally of individuals undergoing delayed credit payments within Bank Mandiri's commercial realm significantly dwindled to a mere 51 clients. Additionally, among these 51 patrons, 24 individuals were characterized under collectibility category 2A, denoting that they encountered a 1-month deferment in payment. Meanwhile, there exist 19 customers with collectibility 2B, signifying a 2-month postponement in remittance. Furthermore, there are 8 patrons who have exhibited delinquency in their payments for a span of 3 months. This dataset illustrates the efficacy of Bank Mandiri's endeavors in mitigating the number of customers grappling with delayed remittances. This decline may serve as an indication of enhancements in credit risk management and the efficacy of policies enforced by the bank to address the predicaments faced by customers in relation to credit payments.

The increasing number of customers who experienced non-performing loans in 2020 at Bank Mandiri became a problem faced by Bank Mandiri during the pandemic at that time where the disruption of the performance and capacity of debtors in carrying out their credit obligations was caused by the spread of COVID-19, potentially referring to bank performance, and business development. And to avoid increasing this, bank mandiri imposed a restructuring programme on some bank mandiri customers who experienced non-performing loans during the pandemic, and as described in table 1.3 where the number of customers with non-performing loans at Bank mandiri in 2021 decreased (Ramadhan et al., 2023). Thus, an evaluation is carried out regarding the implementation of the credit restructuring program to later be able to see whether the restructuring program that is running is effective in accordance with the rules issued by the OJK and bank mandiri itself, and in the process of implementation whether there are any inhibiting factors.

RESEARCH METHODS

This investigation design employs descriptive qualitative research methodologies. As stated by González-Díaz (2022) qualitative descriptive research aims to depict and elucidate existing phenomena, encompassing both natural and human-engineered facets, with a particular emphasis on attributes, quality, and interconnections among activities. The researcher opted for the phenomenological methodological approach in order to explicate and evaluate the facts, circumstances, or symptoms that manifested during the execution of the restructuring program at Bank Mandiri. Moreover, descriptive research does not administer treatment, manipulation, or alteration to the variables under scrutiny; instead, it portrays the condition as it stands. The sole intervention employed is the research itself, which is conducted through observation, interviews, and documentation. This investigation will be conducted at the Bank Mandiri Ternate Branch, where the restructuring program is implemented and overseen. The primary sources of data comprise of firsthand information collected by the researcher regarding the repercussions of the credit restructuring programs on debtors. This data was procured through direct interviews with various employees and debtor clients at Bank Mandiri Ternate who were adversely impacted by the COVID-19 pandemic. Secondary data, acquired by the researcher, will encompass information relevant to the research subject, such as a concise historical overview and the location's history.

RESULTS AND DISCUSSION

The process of restructuring, which aims to revive Micro, Small, and Medium Enterprises (MSMEs), is signaling a positive indication of the nation's economic reemergence following the adverse effects of the Covid-19 pandemic. This indicates a promising trajectory for both the MSME sector and the broader economy as a whole. The revitalization of MSMEs through the restructuring endeavors represents a crucial facet of the nation's economic recovery journey. It demonstrates the tenacity of these enterprises in adapting to challenging circumstances and their resolve to surmount the setbacks caused by the pandemic. The buoyancy among participants in the MSME sector is evident, manifesting in their renewed assurance in the future prospects of their enterprises. This renewed buoyancy aligns with the favorable growth patterns observed across diverse sectors of the economy. As the MSMEs regain their stability, they contribute significantly to the creation of employment opportunities, generation of income, and overall economic steadfastness.

Moreover, the recuperation of the MSME sector carries broader implications. It fosters a sense of economic steadiness and assurance, instilling trust and optimism in the business community and consumers alike. Consequently, the positive sentiment and expansion within the MSME sector permeate throughout the entire economy, reinforcing the belief that the nation is on a trajectory towards a robust economic revival from the challenges posed by the Covid-19 pandemic. At BMCT, the execution of the restructuring has been conducted in accordance with the regulations put forth by OJK, which serve as the legal foundation for the implementation of the restructuring. Furthermore, the rules established by Bank Mandiri's own regulatory bodies have been adhered to. This is further substantiated by the findings of a study, which revealed that customers enrolled in the restructuring program have complied with the procedural guidelines. These guidelines dictate that registered customers should have no outstanding payments or, if there are any, they must not exceed a 90-day period. Additionally, the survey conducted at the business location indicates that

customers registered in the restructuring program are still able to maintain business continuity, despite operating in areas affected by the Covid-19 pandemic, as declared by local authorities. Overall, customers enrolled in the restructuring program have encountered challenges due to a decline in income or revenue caused by disruptions associated with Covid-19.

The research observations also indicate that the implementation of BMCT restructuring is highly effective from the standpoint of the customer. As a debtor, one argues that the restructuring alleviates concerns regarding credit payment delays. Similarly, from the perspective of the banking institution itself, the creditor also perceives the restructuring as quite effective. This is evident in the reduction of the collectability rate at Bank Mandiri, as fewer customers are registered with non-performing loans. The decline in collectability rates at Bank Mandiri, resulting in fewer customers with mass loans, can be attributed to several factors. One possible reason is the implementation of the Risk Profile, Good Corporate Governance, Earnings, and Capital (RGEC) method, which assesses the health of banks (Anik & Ningsih, 2020). In addition, the lack of clear information provided to customers regarding the nature of banking products, such as Bank Aceh Co-Brand Bank Mandiri credit cards, can lead to legal issues and customer dissatisfaction (Salda & Ridha, 2021).

Throughout the process of restructuring, it is imperative to acknowledge the existence of inhibitory elements that can considerably impact the successful execution of the program. Interestingly, these obstacles are not exclusively encountered by the debtors; they possess wider implications throughout the entire process. It is worth noting that while the customers undergoing restructuring may perceive the program's endeavors to alleviate their financial burdens as supportive, there are intricate dynamics at play that affect both creditors and the overall implementation of the initiative. One aspect to take into account is that the debtor, the customer seeking financial relief, may not always perceive or comprehend the challenges confronted by creditors and the implementation team. From the customer's viewpoint, the program represents a crucial lifeline, particularly when their income has been declining due to various factors, including the economic consequences of the pandemic. From their perspective, the program does indeed serve as a source of support.

However, it is crucial to acknowledge that creditors encounter their fair share of obstacles in their endeavor to extend support to customers. The initial hurdle arose when the government imposed regulations at the onset of the pandemic to enforce social distancing and limit physical interactions within communities. Although these measures were vital for public health, they unintentionally impeded the implementation process of restructuring.

One pivotal stage of the restructuring procedure entails conducting on-site surveys at the customer's business premises. This step is essential to determine whether the business is still operational and has the potential to recover. However, the communication dynamics during this phase presented a significant challenge. Adhering to social distancing measures restricted face-to-face interactions, thereby necessitating the use of online communication platforms such as chat platforms and WhatsApp to conduct surveys and gather crucial data. While the shift to online communication was necessary to comply with safety regulations, it introduced its own set of obstacles. Concerns regarding data accuracy, privacy, and the ability to comprehensively assess the customer's business situation remotely became prominent. Moreover, the digital divide in certain areas, limited internet access, and varying levels of digital literacy among customers further

complicated the process. In conclusion, while the restructuring program offers indispensable support to customers facing financial distress, it is essential to recognize the multifaceted challenges faced by creditors and the implementation team. Balancing customer assistance with regulatory compliance and the practical limitations imposed by the pandemic era underscores the intricate nature of the restructuring process. Effectively addressing these challenges becomes imperative to ensure the long-term success of the program and its positive impact on both debtors and creditors.

Furthermore, there are customers who are contacted by the bank to be offered restructuring but decline to enroll in the program. They believe that they are still capable of making installment payments and object to the extension of the credit period. Apart from these obstacles in the restructuring implementation process, there are also obstacles that arise after the restructuring process concludes. Interviews with the bank reveal that some customers who have completed the restructuring process become delinquent again. Interestingly, this is not due to a decline in their business, but rather a deliberate delay in payments by the customers themselves.

CONCLUSION

The conclusion of the research findings regarding the assessment of the implementation of the relaxation policy for MSME financing affected by the Covid-19 pandemic by Bank Mandiri Ternate Branch can be summarized as follows. Firstly, the restructuring carried out by BMCT has been conducted in compliance with government regulations, specifically the Regulation of the Financial Services Authority of the Republic of Indonesia number 11/POJK.03/2020. Secondly, the relaxation policy implemented by BMCT has significantly aided customers of microfinance (KUM) and people's business credit (KUR) who have been impacted by the Covid-19 pandemic. This assistance includes prompt information dissemination about relaxation measures, a simplified application process, and the provision of waivers such as reduced installment fees and extended repayment terms. However, challenges such as intense business competition and escalating raw material costs remain hurdles in the restructuring efforts of BMCT.

In terms of recommendations, several points should be taken into consideration. Firstly, BMCT should enhance supervision and exercise selectivity in customer selection to mitigate potential financing issues. Secondly, the resolution of MSME loans with relaxation measures should adhere to relevant regulations to support economic growth. Thirdly, BMCT should develop more robust strategies to address future pandemic situations or similar emergencies. Fourthly, business entities, including MSMEs, should foster innovation and produce goods and services that align with market demands. Lastly, this research can serve as a basis for subsequent studies with alternative focuses and perspectives, ultimately enhancing the comprehension of restructuring in comparable circumstances.

REFERENCE

- Anik, A., & Ningsih, S. (2020). Analisis Tingkat Kesehatan Bank Mandiri Syariah Dengan Metode Risk Profile, Good Corporate Governace, Earnings and Capital. *Jurnal Ilmiah Ekonomi Islam*, 6(3), 724–730.
- Bezemer, D., Grydaki, M., & Zhang, L. (2014). Credit is what credit does: A functional differentiation of the credit-growth relation. *University of Groningen*.

- Chukunova, I. V., & Taranukha, N. L. (2017). Modeling of Business Processes During the Restructuring of a Construction Company. *Bulletin of Kalashnikov ISTU*, 20(4), 51. <https://doi.org/10.22213/2413-1172-2017-4-51-54>
- González-Díaz, R. R. (2022). *Qualitative Research Methodology Applied to Studies in Administrative Sciences* (pp. 1–16). https://doi.org/10.1007/978-981-16-5063-5_1
- Martin, L., & Memmott, M. (2014). *Different Types of Credit and How They Impact You*.
- Mavlutova, I., Babenko, V., Dykan, V., Prokopenko, N., Kalinichenko, S., & Tokmakova, I. (2021). Business restructuring as a method of strengthening company's financial position. *Journal of Optimization in Industrial Engineering*, 14(Special Issue), 105–115. <https://doi.org/doi.org/10.22094/joie.2020.677839>
- Mba, S. U. (2019). Conclusion and Final Remarks. In *New Financing for Distressed Businesses in the Context of Business Restructuring Law* (pp. 281–285). Springer International Publishing. https://doi.org/10.1007/978-3-030-19749-0_7
- Payne, J. (2018). Debt Restructuring in the UK. *European Company and Financial Law Review*, 15(3), 449–471. <https://doi.org/10.1515/ecfr-2018-0014>
- Ramadhan, N. A., Sjiabat, P., Nerva, S. A.-G., & Fahros, T. F. (2023). Analysis of Non-Performing Loans at Permata Bank for the 2008-2022 Period. *Asian Journal of Applied Business and Management*, 2(2), 229–238. <https://doi.org/10.55927/ajabm.v2i2.4041>
- Salda, M., & Ridha, M. (2021). Legal Protection Against Customers Using Bank Aceh Co-Brand Bank Mandiri Credit Card Products After Bank Aceh Syari'ah Conversion. *Syiah Kuala Law Journal*, 5(1), 88–108.
- Sîrbulescu, C., Ocnean, M., & Tonea, E. (2015). The loan, main banking product offered by the commercial banks. *Scientific Papers: Animal Science and Biotechnologies*, 48(1).
- van der Cruisen, C., de Haan, J., & Roerink, R. (2023). Trust in financial institutions: A survey. *Journal of Economic Surveys*, 37(4), 1214–1254. <https://doi.org/10.1111/joes.12468>
- Wahyuni, S., Pujiharto, P., & Handayani, E. (2023). How the Rules of no.11/POJK.03/2020 Banking Restructuring Policy Improve Financial Performance? (Empirical Study of Islamic Banks in Indonesia). *Review of Economics and Finance*, 20, 895–901. <https://doi.org/10.55365/1923.x2022.20.101>
- Zhang, K., & Zhang, F. (2016). *Report on the Construction of the Social Credit System in China's Special Economic Zones* (pp. 153–171). https://doi.org/10.1007/978-981-10-0542-8_6
- Milovanović, D., Vučenović, S., & Mišić, I. (2018). Sources of Financing in the Process of Enterprise Restructuring Focusing on Transitional Countries. In *Entrepreneurship in Post-Communist Countries* (pp. 61–75). Springer International Publishing. https://doi.org/10.1007/978-3-319-75907-4_5