

Research Article

Analysis of the Mechanism for Handling Problem Financing in the Status of Sharia Mortgage Collectability using the Restructuring Method

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ABSTRACT

In this research, the restructuring method was used at Bank Sumut Syariah KCP Kota Baru to see how the collectability status of Sharia Home Ownership Credit (KPR) handled problematic financing. Non-Performing Financing (NPF) is an important issue in the sharia banking industry, including sharia mortgage financing products. This research uses a qualitative study with a case study approach. Data was collected through interviews and observations. The research results show that Bank Sumut Syariah KCP Kota Baru implemented several strategies in handling problematic financing for Sharia KPR by rescheduling or rescheduling. By implementing a comprehensive handling mechanism, Bank Sumut Syariah KCP Kota Baru seeks to minimize financing risks. It is hoped that this research will provide theoretical and practical contributions to the progress of the sharia banking industry, especially in dealing with the risk of problematic financing in sharia housing credit (KPR) products.

Keywords: Problem Financing; Restructuring; Collectability

1. INTRODUCTION

The development of sharia banking in Indonesia has experienced significant growth in recent years. One of the superior products is Sharia Home Ownership Credit (KPR). Bank Sumut Syariah KCP Kota Baru Marelan, as one of the sharia financial institutions in North Sumatra, plays an active role in distributing Sharia KPR financing to the community. However, like other financing, Sharia KPR is also not free from the risk of problematic financing. Factors such as economic fluctuations, changes in government policies, and customers' financial conditions can affect customers' ability to fulfill their obligations. This has the potential to increase the level of Non-Performing Financing (NPF) which could have a negative impact on bank performance and health (Aida Sania Asri, 2016).

In dealing with problematic financing, Islamic banks are required to have effective handling mechanisms that comply with sharia principles. One method that is often used is financing restructuring. This method aims to help customers who are experiencing payment difficulties but still have good business prospects and the intention to complete their obligations. The collectability status of financing is an important indicator in assessing the quality of financing and determining appropriate handling steps. Therefore, an in-depth analysis of the mechanism for handling problematic financing, especially through restructuring methods, is very necessary to understand its effectiveness in improving the collectability status of customers.

Sharia mortgages have experienced significant growth in recent years. In North Sumatra in particular, public interest in sharia-based home financing products is increasing. This is driven by awareness of the principles of Islamic finance and the desire to avoid usury. Indonesian people are increasingly aware of the existence and benefits of Sharia KPR. This is driven by increasing understanding of the principles of Islamic finance and the desire to avoid usury in financial transactions. Banks are companies that collect funds from the public in the form of savings and then distribute them to the public with credit, financing, or other means to improve people's quality of life. Banks must have sufficient capital, maintain and manage the quality of their assets well, run their business based on the principle of prudence, generate sufficient profits to maintain business continuity, and always have liquidity to be able to fulfill their obligations. In addition, a bank must consistently comply with various regulations, which basically focus on the principle of prudent banking. (Simatupang & Jannah, 2023).

As part of the financial system, banking is very important for the life of a country, especially developing countries like Indonesia. Banks carry out their main function as institutions that can collect and distribute funds to the community efficiently. As a result, they have a significant strategic role. Sharia Banking, according to Law no. 21 of 2008, covers everything related to Sharia Banks and Sharia Business Units, including institutions, business, and methods and procedures for running their business (Arieffiandi et al., 2016). Indonesia is a country with the 4th largest population in the world, so housing stock is needed as one of the primary human needs. According to Erick Thohir as Minister of BUMN, as many as 81 million people in Indonesia do not own a house. This should get the attention of all governments to create policies regarding home ownership, and not just the government, banks in Indonesia have also created products related to home ownership, one of which is KPR products. Financing usually comes from Islamic bank assets, so their value must be maintained. Article 2 of the regulations on sharia banking requires sharia banks to carry out their operations according to sharia principles, be careful and have economic democracy. In terms of the prudential principle, bank soundness standards are applied, because Islamic bank health regulations are also made by conventional banks, ignoring them will cause major losses.

KPR is a financial instrument that allows people to own a home without having to pay in full at first. In the economic and housing context, KPR has an important role in providing access to housing for many people, especially those who have limited capital, especially in densely populated areas such as Marelán where the accommodation and location are very suitable for living. Sharia mortgages have developed rapidly in recent years. (Maya Andriani, 2015). Indonesian people are increasingly aware of the existence and benefits of Sharia KPR. This is driven by increasing understanding of the principles of Islamic finance and the desire to avoid usury in financial transactions. Sharia banks continue to innovate in offering competitive Sharia KPR products. Some innovations include more flexible financing schemes, competitive margins, and additional features that are attractive to consumers (Fathia Zuhra Nasution, 2023).

Murabahah contracts based on buying and selling are another option for sharia mortgages. The murabahah concept, which is usually used in sharia banking, is a trading concept based on buying and selling where payments are made in full or in installments. Sharia banks act as sellers in this contract, selling assets to their customers in installments or in full. In a murabahah contract, the Islamic bank sells goods to customers based on profits agreed by both parties. However, for sharia mortgage contracts that use the murabahah system, sharia banks must inform customers about the price of the house they buy from the developer. After both parties reach an agreement regarding the profit margin, the Islamic bank then determines the profit it will receive (Dela Prianti, 2023).

Financing collectibility is key in maintaining the health of the banking sector and overall economic stability. Good collectibility shows that the borrower regularly and can pay installments according to schedule. Collectability refers to the degree of possibility that funds invested in securities or other investments will be re-credited, as well as the state of principal and interest payments on loans. In general, financing collectability can be divided into five types: current or collectability 1. substandard or collectability, 2. doubtful or collectability, 3. special attention or collectability 4, and bad or collectability 5. Every bank must always maintain the collectability of its company to prevent bad credit or problems. This is because if the company's collectability is not maintained properly, there will likely be liquidity (the bank's ability to meet short-term needs), solvency (the bank's ability to meet long-term needs), profitability (the bank's ability to gain profits from profit sharing), and profitability (the bank's ability to gain profits from long-term profits). (Dinda Mutiara Rizki Sy, Tubagus Rifqy Thantawi, 2021).

Financing carried out by creditors who do not meet the payment schedule determined at the time of the contract is less effective financing in sharia banks. The quality of this funding is based on the customer's compliance risk or discipline in fulfilling their obligations. According to Bank Indonesia Regulation Number 9/9/PBI/2007 and Number 10/24/PBI/2008, which explains how to determine the quality of repayment based on basic values and a business perspective, then assessed based on the customer's performance and ability to repay (Haidar Ali, 2021).

Table 1. The number of customers who restructured based on the collectibility of KPR products

No	Year	Group 2	Group 3
1.	2020	38 Customer	-
2.	2021	33 Customer	-
3.	2022	40 Customer	-
4.	2023	5 Customer	-
5.	2024	13 Customer	1 Customer

Source: Data from Bank Sumut KCP Syariah Kota Baru Marelán

Based on the **Table 2**, it shows that the number of customers who carried out restructuring in 2020, there were 38 customers who carried out restructuring in collectability 2, in 2021 there were around 33 customers who carried out restructuring in collectability 2, in 2022 there were 40 customers who carried out restructuring in collectability 2, in 2023 there were 5 customers who carried out restructuring, as of July 2024 there were 14 customers who carried out restructuring, 13 customers carried out restructuring in collectability 2 and 1 customer did so in collectability 3.

To overcome problematic financing and minimize the associated risks, financial institutions such as banks often adopt restructuring methods. Restructuring is the practice of changing the terms of an existing loan to suit the situation of a borrower experiencing difficulties. Restructuring can involve extending the term of the loan, reducing the interest rate, reducing the principal, or even eliminating part of the debt. (Siti Mar'atul Hurriyah, 2022).

The restructuring efforts carried out by Bank Sumut Syariah KCP Kota Baru Marelán occurred when the customer reached the 2nd class of KOL. Regarding this matter, customers who apply for restructuring must wait for approval from the relevant division, namely the product owner division. In Sharia KPR products, customers must wait for restructuring permission from the Sharia Business Unit division. The highest leadership of the product owner division, namely the Sharia Business unit, allows restructuring, so customers can carry out restructuring. And from the table above it can be concluded that in 2020-July 2024 almost 99% of customers carry out restructuring when they are in collectability-2, this is because when customers are in collectability-2, the Bank usually makes an offer to carry out the restructuring process because usually customers who are in collectability 2 are still able to continue Sharia KPR financing. And the risk they accept is that if they are unable to continue their financing, then they will be classified as collectability-3 and will automatically make BI Checking bad and may no longer be able to make loans from various banks in Indonesia.

Table 2. The number of problematic financing customers who cannot restructure in KPR products

No.	Year	Group 3	Group 4	Group 5
1.	2020	8 Customer	3 Customer	5 Customer
2.	2021	3 Customer	3 Customer	4 Customer
3.	2022	2 Customer	2 Customer	6 Customer
4.	2023	4 Customer	4 Customer	3 Customer
5.	2024	9 Customer	-	9 Customer

In 2020, there were 16 customers who were caught in problematic financing, in 2021 there were 10 customers who were caught in problematic financing, in 2022 there were 10 customers who were caught in problematic financing, in 2023 there were 11 customers who were caught in problematic financing and in July 2024 there were 18 customers who were caught in problematic financing.

Table 2, explains that the total number of customers involved in problematic financing is divided into several collectabilities, namely collectabilities 3, 4 and 5. These 3 collectability groups are no longer able to carry out restructuring. When a customer is in the three collectability groups, the bank can only provide several options, including insurance claims. Previous research on "Implementation of Restructuring Policy for Problematic Financing of Home Ownership Credit Products at PT. Bank Sumut" by Khairul Amri DKK is more focused on restructuring policies and obstacles in implementing restructuring. (Amri et al., 2024).

The difference between this research and previous research lies in the discussion, such as the mechanism for handling problematic financing using restructuring, and the author discusses specifically problematic financing, collectability status and restructuring. It is hoped that this research will be able to contribute to improving strategies for handling problematic financing more effectively, as well as increasing understanding of the dynamics of financing restructuring in the context of sharia banking. The research results can also be a reference for banking practitioners, regulators and academics in efforts to improve the quality of sharia financing risk management.

Based on the sequence explained above, the author tries to evaluate and find out the mechanism for handling problematic financing on the collectability status of Sharia KPR using the restructuring method with the research title "Analysis of the mechanism for handling problematic financing on the collectability status of Sharia KPR using the restructuring method at Bank Sumut Syariah KCP Kota Baru Marelán". Therefore, this research focuses on how Bank Sumut Syariah KCP Kota Baru Marelán uses restructuring methods to handle financing problems related to collectability status.

2. RESEARCH METHOD

Convenience The research method applied is descriptive qualitative, where this research does not include quantitative calculations, but instead produces descriptive data in the form of written or spoken words from informants involved in Sharia KPR financing, as well as behavior that can be observed in the field. The research report will reflect the results of the research through quotations of data obtained through interviews, personal documents and related official documents. The main objective of this research is to study and understand the mechanisms used by PT. Bank Sumut Syariah, especially

in KCP Kota Baru Marelan, to handle problematic financing related to sharia housing credit products. The research will cover strategies implemented by banks to prevent problematic financing from occurring in Housing Finance Liquidity facilities. The main aim is so that financing for Sharia KPR products does not become a source of problematic financing. The data collected in this research comes from interview scripts with related parties, as well as official documents related to PT policies and procedures. Bank Sumut Syariah related to Sharia KPR financing. It is hoped that this research will produce a comprehensive picture of how Bank Sumut Syariah KCP Kota Baru Marelan handles problematic financing.

3. RESULTS AND DISCUSSION

Sharia mortgages use murabahah contracts or sale and purchase agreements, to provide credit to buy a house. In this agreement, the bank buys the house the customer wants, then sells it to the customer at the purchase price and profit margin agreed between the bank and the customer. When banks not based on sharia principles provide loans to other people, this is called non-performing financing. Islamic banks must review financing carefully before releasing funds. Bad financing is financing provided to customers who cannot repay or pay installments on time according to the agreement between the financial institution and the debtor.

Bank Sumut Syariah KCP Kota Baru Marelan applies the restructuring method as the main solution in dealing with problematic Sharia KPR financing. This restructuring was carried out with the aim of helping customers who experience payment difficulties, while maintaining the quality of bank assets. The application of this method is based on sharia principles, especially the principle of ta'awun (mutual assistance) and the principle of not burdening (*la dharara wa la dhirar*). The Bank seeks to provide respite to customers who have good intentions but are experiencing difficulties, while still maintaining compliance with applicable sharia banking regulations. After analyzing the causes of late payments, the bank will provide restructuring options to offer customers.

Rescheduling

The aim of rescheduling is to provide convenience to customers in payment installments by adjusting their payment ability to their current financial situation. This means changing the customer's payment schedule or term without increasing the remaining payment obligations to the bank. The results of the interview showed that Bank Sumut Kcp Syariah Kota Baru Marelan carried out rescheduling to maintain debtor financing. This was done because the customer was unable to pay the scheduled principal installments of the financing, which resulted in the rescheduling of the financing repayment. This is adjusted to cash flow projections, which come from the customer's business capabilities.

The rescheduling application process begins with the customer with good intentions requesting leniency in installments that have not been paid until they are due. In addition, customers must show that their business is still running despite experiencing a decline in income. After seeing proof of business, the bank will consider the customer's application for relief. Next, the bank makes an agreement and the bank and customer negotiate the amount and installment period. Due to the declining business situation, even though sources of income are still available, customers are still not on time with their payments. Therefore, negotiations between banks and customers must really pay attention to the customer's ability to reschedule.

Rescheduling is an important step in the efforts of Bank Sumut Syariah KCP Kota Baru Marelan to handle problematic Sharia KPR financing. This method provides customers with the opportunity to improve their payment performance, while also helping banks maintain asset quality and reduce the risk of losses. Implementing appropriate rescheduling and in accordance with sharia principles can be a profitable solution for both parties. For example, a customer who purchases a Regular KPR with a term of 5 years with installments of 2 million per month, in the first to third years the customer always pays the installments smoothly, but entering the fourth year the customer is unable to pay due to a business crisis so the customer asks for restructuring so that the monthly installment becomes 1 million per month. Usually in this case, North Sumatra Bank KCP Syariah Kota Baru Marelan provides a stimulus for extending the term, so that when the customer is given a 2 year extension, then the installments are restructured to 1 million provided that the remaining payment period becomes 4 years, in this way Bank Sumut KCP Syariah Kota Baru Marelan provides solutions to customers who have financing problems. The maximum additional restructuring period is 7 years from the initial agreement.

Restructuring mechanism based on collectability status

Of course, each bank has a policy regarding restructuring mechanisms or procedures. Therefore, banks must have regulations and standard operating procedures (SOP) for funding restructuring. At Bank Sumut, KCP Syariah Kota Baru Marelan has established a restructuring policy based on its collectability status. Starting from KOL-1 to KOL-5, of course the terms and conditions for each collectability category are different. The following is the restructuring mechanism at the North Sumatra KCP Syariah bank in the new city of Marelan based on the collectability category.

1. 1st Collectability (Current)

In this phase, customers are still making payments on time (no problems). However, sometimes there have been several cases at the North Sumatra KCP Syariah Bank, Kota Baru Marelan, where customers felt that in the following months the customer's finances were unstable, with installment fees in accordance with the murabahah agreement. Customers can report to the bank to apply for restructuring. Because in the 1st collectability phase, the bank cannot detect problematic financing while the customer is only in the 1st collectability phase. The restructuring process, starting from filing, analysis and applying for permits to the Sharia Business Unit division, is all carried out by the bank. When the Sharia Business Unit division grants restructuring permission, the bank will execute the customer financing.

2. 2nd Collectability (Special Mention)

In this phase, it is usually the bank that makes the offer, especially to customers who are more than 60 days late in paying, so it is the bank's job to ask why they are late in paying, usually in the case of the second collectability problem there are non-routine cases of problems experienced by the customer, for example: an accident occurs, the customer's parents are sick, children's school entrance fees. These cases do not occur every month. In the case mentioned earlier, the customer does not have to restructure, but the customer has to pay next month. The second collectability can be restructured when the customer is unable to pay in the long term, for example the customer is laid off, and the customer goes to work in a new place, automatically the customer's income will not necessarily be the same as the previous income. And it can be restructured, and the permits are still the same, namely the Sharia Business Unit division.

3. 3rd Collectability (Substandard) - 5th Collectability (Loss)

For this phase, the restructuring method is more optional, for example the customer proposes a better restructuring. However, the North Sumatra bank KCP Syariah Kota Baru Marelan has other options, one of which is a bad insurance claim, and the second is that the customer's collateral is sold, but not for auction. Sell it well, that is, find a buyer for the collateral. If no one buys it, then the bank will submit an auction. Next, when submitting an auction, the bank can write off and put it into Belence's off. To carry out this phase of restructuring, permission is required from 3 divisions, namely: UUS Division, Credit Rescue Division and Supervision Division. So the requirements are more or less difficult and those who propose restructuring are not from the bank unit, the unit only provides suggestions. In phases 1 and 2, the unit is the one who carries out the analysis. However, in this phase there is a separate team, namely the RO team or billing team. They are the ones who created and proposed the 3 divisions. It takes 3 months to restore collectability to smooth or KOL-1. For example, the restructuring is in month 8, then to return to KOL-1 (Current) you have to pay until month 11.

4. CONCLUSION

The application of the restructuring method by Bank Sumut Syariah KCP Kota Baru Marelan has proven to be an effective strategy in dealing with problematic Sharia KPR financing. Through a comprehensive approach, the bank succeeded in balancing efforts to save financing with the principles of prudence and sharia compliance. The restructuring methods applied include rescheduling and reconditioning. The restructuring mechanism based on banking collectability status can be described as being classified as Performing Loan (PL), Substandard, Doubtful and Loss. Bank Sumut KCP Syariah Kota Baru Marelan sets a restructuring policy based on different collectability categories. The bank cannot detect problematic financing while the customer is only in the 1st collection phase. Meanwhile, in the 2nd phase, the Bank offers to carry out the restructuring process, and in the 3rd phase it is more optional, the customer chooses restructuring or chooses to sell the collateral to a buyer. By implementing this return requirement method, Bank Sumut Syariah KCP Kota Baru Marelan seeks to balance and improve the quality of financing and increase collectability, but also maintain good relationships between the bank and customers in the long term.

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