Enrichment: Journal of Management, 12 (4) (2022)

Published by: Instiute of Computer Science (IOCS)

Enrichment: Journal of Management

Journal homepage: www.enrichment.iocspublisher.org

Credit Restructuring During the Covid-19 Pandemic : Is it Consistent with Predictions ?

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ARTICLE INFO

Article history:

Received Aug 25, 2022
Revised Sep 05, 2022
Accepted Sep 26, 2022

Keywords:

Restructuring,
Financial,
Covid-19,
Banking,
Credit

ABSTRACT

Restructuring credit is one of the government's measures to anticipate the impact of the COVID-19 pandemic on the banking industry. This study aimed to determine whether the implementation of credit restructuring meets the predicted expectations. This research was a comparative type. This study employed three variables; Non-Performing Financing (NPF), Financial Deposit Ratio (FDR), and Capital Adequacy Ratio (CAR). The data was utilised quantitative, and the source was secondary information in the form of financial statements. The data was collected using documentation and literature review methods. This study's population consisted of all Islamic commercial banks in Indonesia, comprising 15 banks. The sampling technique employed purposive sampling with a total sample of 10 Islamic commercial banks. The findings revealed that the NPF and CAR values differed before and after credit restructuring. Meanwhile, FDR discovered the inverse outcome, with no difference in FDR before and after credit restructuring. The research result demonstrated that the credit restructuring that has been taking place throughout the COVID-19 pandemic had matched the predicted expectations, with the NFP of Islamic commercial banks decreasing and CAR increasing. On the other hand, credit restructuring has not been able to give a positive boost and can only stabilise the FDR of Islamic commercial banks in Indonesia.

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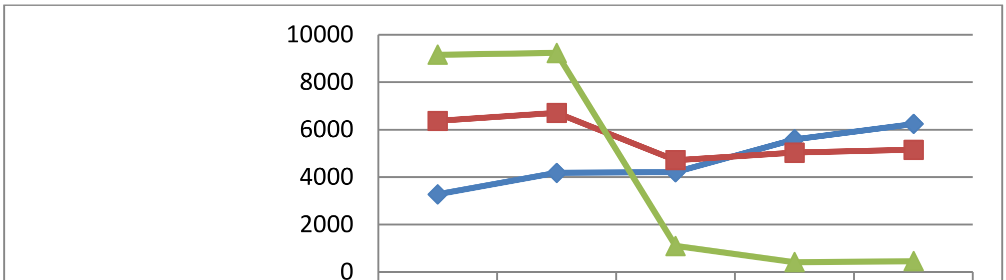
INTRODUCTION

The Covid-19 pandemic, which has been ravaging the world in general and Indonesia in particular since the middle of 2019, has had an enormous impact on human existence, particularly in the business sector. The COVID-19 pandemic has affected almost all businesses, ranging from the tourism sector, which has been paralysed due to social restrictions and visits, followed by the transportation sector, which is devoid of passengers, to the MSME sector, which has closed numerous of its businesses due to a decline in sales turnover. The COVID-19 pandemic also impacts the banking sector. The banking sector is a sector that collects monies from the public and returns them to the community in order to boost community productivity. Banking types in Indonesia are divided into two groups based on their principles: Islamic and conventional banking.

Islamic banking is a bank that bases its operations on Islamic principles; both Islamic banking and conventional banking faced significant pressure during the COVID-19 epidemic. One of the pressures that occurred was pressure on the finance provided, with an increase in the amount of funding classified as less to non-current, as indicated in the non-performing financing ratio (NPF). Non-performing financing is a ratio that evaluates the quantity of non-performing financing in a bank; the higher the NPF value, the more valuable non-performing financing is (Seto & Septianti, 2021). The following are the NPF data of Islamic banks in Indonesia before and during the COVID-19 pandemic.



	2016	2017	2018	2019	2020
Profit Sharing Financing	3272	4175	4205	5590	6238
Receivable Financing	6364	6698	4712	5027	5150
Lease Financing	9150	9230	1097	412	456

Figure 1. Total NPF of Islamic Banking in Indonesia (in Billions)

Based on the data in Figure 1, it is clear that of the three types of financing available at Islamic banks, namely profit-sharing financing, receivables financing, and lease financing, only the smallest value of lease financing experienced a decrease in NPF during the covid-19 pandemic. On the other hand, profit-sharing and receivables finance, the primary financing type for Islamic banks, tend to expand during the pandemic. Profit-sharing funding was just 4.205 billion before the epidemic (in 2018); however, it climbed to 5590 during the pandemic and 6,238 billion in 2020. Similarly, lease finance was 4.712 billion in 2019, with non-performing financing totalling 5,027 billion in 2019 and 5,150 billion in 2020.

As a regulator, the increasing volume of finance classified as less non-current concerns the government. This is owing to the potential consequences of unchecked non-current funding, such as the risk of default, decreased bank profitability, and liquidity issues.To anticipate substandard banking financing, the government issued a stimulus policy for economic growth through Financial Services Authority (OJK) regulation Number 11/POJK.03/2020, which includes a credit/financing restructuring policy. According to Article 1 of PBI 9 of 2011, restructuring financing is a shift in financing provided by banks to customers with problems paying credit payments. Credit restructuring seeks to reduce the number of non-performing loans (Hariyani, 2010) in the hope that banking financing conditions will remain stable and not interfere with banking performance during the COVID-19 pandemic.

Although credit restructuring is an excellent programme with a great goal, the facts on the ground indicate that not all creditors can benefit from it. Several studies have been conducted by

Winardi et al., which show that of the 44 customers who applied for restructuring, 9 (nine) did not receive a restructuring, contributing to the increase in NPLs. According to the findings of other studies, credit restructuring is quite effective; however, the number of banking NPLs continues to rise (Ningsih & Risetiadi, 2022) this indicates that there are still issues with restructuring implementation. Based on this, performing a study on restructuring during the pandemic is critical to determining if it satisfied the government's objectives as a regulator.

RESEARCH METHOD

This is a comparison study that compares the ratios of Capital Adequacy Quality, Non-Performing Financing (NPF), and Financial Deposit Ratio among Islamic commercial banks in Indonesia before and after financing restructuring. The data used is quantitative, that is, numerical data; the data source is secondary data in the form of financial reports retrieved via the ojk.go.id website. Documentation and a literature review were used to acquire data.

This study's population consisted of all 15 Islamic commercial banks registered with the Financial Services Authority (OJK). Purposive sampling, or sampling based on particular criteria, was used in this study. The following are some of the criteria for this research sample:

a. Include an OJK-registered Islamic Commercial Bank
b. Quarterly financial reports are available from 2017 through 2021.

10 (Ten) samples of Islamic commercial banks were obtained based on these parameters. This study's sample is as follows:

Table 1. Sample of Research

No	Islamic Commercial Bank	Year Founded
1	BCA Syariah	2010
2	Bank Bukopin Syariah	2008
3	Bank Muamalat	1991
4	Bank BTPN Syariah	2014
5	Bank Aceh Syariah	2016
6	Bank Aladin Syariah	1994
7	Bank Jabar Banten Syariah	2010
8	Bank Syariah Indonesia	2021
9	Bank Mega Syariah	2004
10	Bank Panin Dubai Syariah	2004

Hypothesis Development

Difference in NPF before and after financing restructuring

Non-performing finance (NPF) is a ratio that calculates the amount of non-performing loans in a bank. The bigger the NPF value reflects, the greater the potential for bad loans / uncollectible financing by the bank, which can impair profit accomplishment and bank performance. The amount of the NPF value is heavily determined by external factors/external conditions such as government policies and the bank's internal regulations. Several prior research looked at differences in NPF. NPL in various settings includes research by Akbar et al., 2021, who discovered changes in NPF at Regional Development Banks (BPD) before and during the covid-19 pandemic. A similar finding, which discovered disparities in the performance of NPF in typical state-owned banks in Indonesia (Wibowo & Galuh, 2022). (Hakim, 2021; Wibowo & Galuh, 2022).

Based on this, the researcher's first hypothesis is as follows:

H1 : The NPF of Islamic banks differs before and after financing restructuring.

Differencesin FDR before and after financial restructuring

The Financial Deposit Ratio (FDR) is a ratio that describes how effectively bank finance is distributed (Hasan & Parera, 2021; Yusuf & Surjaatmadja, 2018). A high FDR suggests that the possibility for high liquidity for banks will be bigger; however, this will impact prospects for banks to increase profits. Multiple earlier research that examined variances in FDR in various settings, and they discovered differences in FDR before and after being public (Hasan & Parera, 2021). The findings of this study are consistent with statement who found differences in FDR before and after the spin-off (Chotib & Utami, 2014; Kuncoro & Yulianto, 2018; Mazaya & Daud, 2020). At the same time, no difference in FDR (Rahmatika et al., 2020). Based on past research, the following hypotheses are offered in this study:

H2 : The FDR of Islamic banks differs before and after financing restructuring.

Differencesin CAR before and after financial restructuring

The capital adequacy ratio (CAR) is a ratio that determines how much capital the bank has available from internal activities. The capital adequacy ratio is critical for banks to ensure the stability of their operations and company and to predict when a circumstance may force them to spend their cash. Previous studies that investigated changes in CAR in various settings which discovered variances in CAR during the pandemic in four typical state-owned banks in Indonesia (Wibowo & Galuh, 2022). Based on this, the researcher's first hypothesis is as follows:

H3 : There are differences amongst CAR Islamic banks before and after restructuring.

RESULTS AND DISCUSSIONS

Results

Data Description

It is required to describe the data to provide an overview of the state of the variables evaluated in this study. The following are the findings from the data described in this study.

Table 2. Research Data Description

	N	Minimum	Maximum	Mean		Std. Deviation
	Stat	Statistic	Statistic	Statistic	Std. Error	Statistic
NPF_Before_Restructuring	80	0,00%	4,98%	1,8031%	0,18707%	1,67317%
NPF_during_Restructuring	80	0,00%	4,96%	1,5936%	0,18685%	1,67124%
FDR_Before_Restructuring	80	0,00%	99,23%	77,5770%	3,11602%	27,87049%
FDR_ during_Restructuring	80	38,33%	196,73%	92,1562%	3,04748%	27,25752%
CAR_Before_Restructuring	80	10,16%	241,84%	35,4478%	5,17813%	46,31461%
CAR_ during_Restructuring	80	12,12%	475,16%	54,3058%	10,78205%	96,43757%
Valid N (listwise)	80					

According to Table 2, the average NPF of Islamic commercial banks in Indonesia prior to restructuring was 1.80%; however, after restructuring, the average NPF reduced by 0.21% to 1.59%. The reduction in the NPF ratio suggests that credit restructuring can reduce the average non-performing financing of Indonesian Islamic commercial banks. In terms of liquidity, the average FDR before restructuring was 77.57%; however, following financing restructuring at Islamic commercial banks, the average FDR jumped by 15.42% to 92.15%. The increase in the average FDR of Indonesian Islamic commercial banks during restructuring demonstrates that restructuring can boost the liquidity of Islamic commercial banks in Indonesia.

Meanwhile, on the capital side, the average CAR ratio before the financing restructuring was 35.44%; however, it jumped from 19.14% to 54.30% following the financing restructuring. The increase in the CAR ratio during the reorganisation indicates that the restructuring has improved Indonesian Islamic banking capital, as demonstrated by the increase in the CAR ratio. Although financing restructuring can reduce the average NPF and increase the FDR and CAR of Islamic commercial banks in Indonesia, further testing through paired difference tests is required to determine whether the decrease in NPF and increase in FDR and CAR are the significant result of financing restructuring.

Normality test

Table 3. Normality Test Results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
NPF	,485	80	,000	,291	80	,000
FDR	,278	80	,000	,744	80	,000
CAR	,411	80	,000	,471	80	,000

A normality test determines if the study's data is typically distributed. The Kolmogorov-Smirnov and Shapiro-Wilk tests were employed in this investigation to determine normality. All variables, NPF, FDR, and CAR, are not normally distributed, according to the Kolmogorov Smirnov and Shapiro Wilk tests; this is obvious from the estimated significance values, which are all 0.000 or less than the 0.05 significance level. The Wilcoxon test answers the provided hypothesis since the data is not regularly distributed.

Paired Difference Test

A pairwise different sample test was used to answer whether there are differences in the performance of NPF, FDR, and CAR before and after the financing restructuring of Islamic commercial banks in Indonesia. The Wilcoxon test is a non-parametric test used to compare two paired samples of data. The Wilcoxon test results in this study are as follows:

Table 4. The Results of the Paired Difference Test

	NPF_during - NPF_before	FDR_during - FDR_before	CAR_during- CAR_before
Z	-2,655[b]	-1,748[c]	-4,847[c]
Sig.(2-tailed)	,008	,080	,000

Based on the Wilcoxon test results, it is known that the NPF significance value of 0.008 is less than 0.05, indicating that there is a difference in the NPF ratio before and during credit restructuring; in other words, credit restructuring has a significant impact on the NPF ratio of Islamic commercial banks in Indonesia, where the average NPF is decreased by 0.21%, and this value is significant.

Meanwhile, the FDR ratio got a significance value of 0.080 or larger than the significant level of 0.05, indicating that Ho2 is accepted and Ha2 is rejected, indicating that there is no difference in FDR before and during the restructuring of funding at Indonesian Islamic commercial banks. These findings explain why credit restructuring in Islamic commercial banks in Indonesia had no significant impact on the liquidity of Islamic banking in Indonesia; even though the average FDR of Islamic commercial banks increased by 15.42% compared to before the restructuring, this value did not provide a significant difference.

However, based on the Wilcoxon test results, the significance value of the CAR variable is 0.000 or less than the significant level of 0.05, indicating that Ho3 is rejected and Ha3 is accepted, indicating that there is a significant difference in the CAR of Islamic commercial banks in Indonesia before and after the restructuring. When there was a finance restructuring, there was an average increase in the CAR ratio of 19.15%, which was considerable.

Discussion

The Impact of Credit Restructuring on Islamic Commercial Banks' NPF in Indonesia

The ratio of non-performing loans in Islamic commercial banks is known as non-performing financing (NPF). The greater the NPF value, the greater the quantity of non-performing loans in Islamic commercial banks. According to the Wilcoxon test results, the sig NPF value of 0.008 is less than 0.05, indicating a difference in the NPF ratio before and during credit restructuring, with the NPF after credit restructuring decreasing from 1.80% to 1.50% compared to before the restructuring. This considerable fall in the NPF value indicates a decrease in non-performing loans; this decrease is due to the banking sector's constant rescheduling, restructuring, and reconditioning activities for potentially problematic loans. This also suggests that the government's goal of credit restructuring to minimise the quantity of non-performing loans in banking has been met (Hariyani, 2010). This finding is consistent with the findings of research who discovered changes in NPF before and after credit restructuring (Akbar & Kartawinata, 2021; Hakim, 2021; Wibowo & Galuh, 2022).

The Impact of Credit Restructuring on Islamic Commercial Banks' FDR in Indonesia

The Financial Deposit Ratio (FDR) is one of the risk profile indicator ratios; it is commonly used to assess the success of channelling cash or funding to banks. Based on the analysis, the Wilcoxon test significant value for the FDR variable is 0.080, indicating that there is no difference in the FDR of Islamic commercial banks in Indonesia before and during loan restructuring. The lack of differences in FDR is consistent with studies which conclude that there is no significant difference in FDR before and during credit restructuring and that FDR of Islamic commercial banks has increased during credit restructuring (Kholiq & Rahmawati, 2020; Rimbawan, 2022). Although the growth was minor prior to the credit restructuring, it suggests that the credit restructuring stabilised the liquidity of Islamic commercial banks. Apart from loan restructuring, sharia banking is also more selective in lending, ensuring that the effectiveness of funding distribution with FDR indicators is maintained.

The Impact of Credit Restructuring on the CAR of Islamic Commercial Banks in Indonesia

CAR is a ratio that assesses the capital adequacy of Indonesian Islamic commercial banks. According to the Wilcoxon test results, the sig CAR value is 0.000 or less than the significant level of 0.05, indicating that Ho3 is rejected and Ha3 is accepted, indicating a significant difference in the CAR of Islamic commercial banks in Indonesia before and after credit restructuring. When there was finance restructure, the average CAR ratio increased by 19.15%. The findings of this study agree with those who say that CAR differs (Armereo et al., 2020; Rimbawan, 2022; Wibowo & Galuh, 2022). The increase in the CAR of Islamic Commercial Banks following restructuring occurred since, at the time of restructuring, Islamic Commercial Banks received credit stimulus and were more cautious in lending, resulting in lower risk-weighted assets and an increase in the average amount of CAR held by Islamic Commercial Banks in Indonesia. Indonesia.

CONCLUSION

The study's findings revealed that the NPF and CAR values differed before and after credit restructuring. On the other hand, FDR discovered the reverse effect, with no difference in FDR before and after credit restructuring. These findings suggest that the loan restructuring that has been taking place during the COVID-19 epidemic has matched the expected expectations, with the NFP of Islamic commercial banks decreasing and CAR increasing. On the other hand, credit restructuring has not been able to give a positive boost and can only stabilise the FDR of Islamic commercial banks in Indonesia.

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