

Non-Performing Finance in Sharia Financial Institutions in Indonesia: A Case Study of BPRS Adeco (Aceh Development Corporation)

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Abstract. High level of Non-Performing Finance (NPF) has become one of the risks faced by intermediary financial institutions, including Islamic banks. Indonesia's Financial Authority found that NPF ratio of Islamic banks is relatively higher (4,12%) than one of the conventional banks (OJK, 2017). Literature indicates the influence of the bank's internal and external factors on high NPF. This study aims to analyze the factors that influence the high level of NPF and its settlement and strategies to reduce the level of NPF in Sharia Rural Banking (BPRS/Bank Perkreditasi Rakyat Syariah). Taking BPRS Adeco (Aceh Development Corporation) located in Langsa City District, Aceh, as a case study, this research takes a qualitative approach. Through a survey to 26 BPRS Adeco employees and semi-structured interviews with four employees, this study found three factors leading to an increase in the NPF ratio, namely weak bank's financing risk management, changing economic conditions and regulations, and the conditions of customers who are vulnerable to socio-economic change.

Keywords: Islamic Rural Banking, Non-Performing Finance, Finance Risk Management

Abstrak. Tingkat Non-Performing Finance (NPF) yang tinggi telah menjadi salah satu risiko yang dihadapi oleh lembaga keuangan perantara, termasuk bank syariah. Otoritas Keuangan Indonesia menemukan bahwa rasio NPF bank syariah relatif lebih tinggi (4,12%) dibandingkan bank konvensional (OJK, 2017). Studi terdahulu menunjukkan pengaruh faktor internal dan eksternal bank terhadap NPF tinggi. Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi tingginya level NPF dan solusinya, serta strategi untuk mengurangi tingkat NPF di Bank Perkreditasi Rakyat Syariah (BPRS / Bank Kredit Syariah). Penelitian ini menjadikan BPRS Adeco (Perusahaan Pembangunan Aceh) yang berlokasi di Kabupaten Kota Langsa, Aceh sebagai kasus, dengan menggunakan kualitatif. Melalui survei terhadap 26 BPRS Karyawan Adeco dan wawancara semi-terstruktur dengan empat karyawan, penelitian ini menemukan tiga faktor yang menyebabkan peningkatan rasio NPF, yaitu lemahnya manajemen risiko bank, perubahan kondisi dan regulasi ekonomi, dan kondisi konsumen yang rentan terhadap perubahan sosial ekonomi.

Kata kunci: BPRS, Non-Performing Finance, Manajemen Risiko Keuangan

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Introduction

Since the late period of New Order regime in the 1990s, Indonesia's banking industry has entered a new stage of development by the establishment of Bank Muamalah Indonesia, a commercial bank based on *sharia* values by avoiding *riba* (interest), *gharār* (uncertainty), and *maysir* (gambling). Based on Law of the Republic of Indonesia Number 21 of 2008 on bank, banks are defined as banks that carry out their business activities based on Sharia principles. banks consist of Sharia Commercial Banks, Sharia Business Units (UUS/Unit Usaha Sharia) and Sharia Rural Banks (BPR/Bank Perkreditan Rakyat). Sharia Bank is a financial institution that carries out its activities in accordance with the provisions of the Quran and Hadith so that people who adhere to Sharia values persuasively prefer Banking to fulfill their daily needs, both consumptive and productive needs. Some Muslim economic scholars argue that the more developed the Sharia Banking industry in a country, the better the country's economic growth because it can help people to meet their needs and release the community from the interest system applied by conventional banks.

As financial institutions, banks function to collect and channel funds to the public in order to improve equity, economic growth and national stability towards increasing the welfare of the people. Banking is a vehicle that is able to collect and channel public funds effectively and efficiently towards improving people's living standards. The funds are in the form of consumptive financing and productive financing. In everyday life, people have needs that must be fulfilled, which include primary, secondary and tertiary needs.

There are times when the people do not have enough funds to fulfill all of their life needs so that they borrow from fellow citizens and financial institutions such as conventional banks and banks. In the process of financing distribution to be able to meet the needs of the community, financial institutions such as banks and conventional banks carry a high risk of credit or financing risk. Data from Financial Services Authority (Otoritas Jasa Keuangan/OJK) shows that the NPF of national banking is 4.12%, relatively higher than the NPF of conventional banks at 2.96% (Uly, 2017). This shows that the credit risk management of conventional banks is better than the financing risk management of banks.

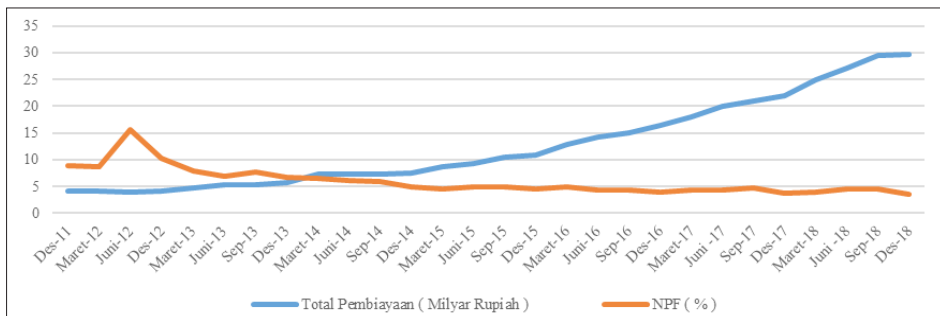
In Langsa City, Nanggroe Aceh Darussalam, several banks run their activities in accordance with Sharia principles. One of which is the BPRS ADECO (Aceh Development Corporation) with the total assets of IDR 46, 420,337,000. In helping the community to be able to meet their needs, the BPRS ADECO offers *sharia*-based products, including *murabahah* and *Mudārabah* products.

According to Ascarya (2013), *Murabahah* is the sale and purchase of goods at the original price with the agreed-upon profit. In the *murabahah* contract, the seller must notify the cost of the goods he/she buys and determines an additional level of profit. In the process of payment, customers can pay in cash or debt (installments). Whereas *Mudārabah* is a contract of cooperation between two parties in which the first party (*mālik, ṣahīb al-māl, LKS*) provides all capital, while the second party (*‘amīl, mudbārib, customers*) acts as the manager. In this case, business profits are divided among them according to the agreement set forth in the contract (National Sharia Council, 2000).

In its operation, financing distribution is the main activity of BPRS ADECO, which contains risks that can affect the health of the bank. One of which is the increase in non-performing financing (problematic financing). In channeling funds to customers based on *sharia*, each bank must have rules and stages before providing financing. The rules are applied by the bank to avoid risks that might occur later; one of which is the risk of default. Therefore, it is important for the banks to assess 5Cs to get customers who are truly eligible to be given financing. The 5Cs include character (capital/character), capital, capacity (ability), collateral (guarantee) and condition (Lailiyah, 2014).

Even though the BPRS ADECO has assessed 5Cs before financing, there are still customers who fail to fulfill their obligations to the bank. This is not in line with the expectations of BPRS ADECO. BPRS ADECO hopes that the 5Ca assessment prior to the provision of financing will be able to minimize the risk of financing, but it is not.

BPRS ADECO’s Financing Chart and NPF Ratio



Data Source: Financial services authority

From the graph above, it can be seen that in June 2012 the total amount of financing reached the lowest level at IDR 3.063.000 3862 but its NPF ratio

reached the highest level of 15.62%. This is above the average national NPF ratio of whole BPRSs at 6.39% (Indonesia Bank, 2012), as well as above the maximum value of NPF set by the Bank of Indonesia at 7 %, stated in the Attachment of the Bank of Indonesia Circular Letter No. 9/29 /DPbS, 7 December 2007. However, in December 2018, with the amount of financing reaching the highest number of IDR 29,786,770,000, its NPF ratio was only 3.60%. This is far below the average national NPF ratio of the whole BPRSs at 9.30% (Financial Services Authority, 2018), and also below the maximum value set by Bank Indonesia at 7%.

At the moment, when the total financing is at the lowest level, the NPF ratio of BPRS ADECO is at the highest level. Meanwhile, when the total financing is at the highest level, the NPF ratio is quite low, which is below 7%. This means that BPRS ADECO has well responded to the alarming high NPF in 2012 and restructured its financing risk management. This step has successfully lowered its NPF ratio gradually and improved its financing risk management. Yet, this raises some questions of how BRPS ADECO has handled the problem of high NPF; and what strategies has been implemented to settle the issues of non-performing financing and lower its high NPF ratio as well as strengthen its financing risk management.

Literature Review

High ratio of NPF and a big number of delinquent financing customers has become a common problem for financial institutions. According to Hidayatullah (2014), financing, which is part of the important role of banks in channeling funds to the public or companies, is carried out through a process of analyzing the feasibility of financing to the realization of disbursement of funds. Realization of financing is not the last stage of the financing process. After the realization of financing, bank officials need to monitor and supervise the utilization of such fund of financing. The involvement of bank officers in monitoring and supervising financing is a necessity, in order to save public funds that have been trusted to be managed by banks.

Although *sharia* commercial banks and *sharia* business units have implemented various strategies to avoid financing problem, in practice, banking still faces problematic financing. The research conducted by Hidayatullah aims to find out factors causing problematic financing, and strategies to tackle and settle them. The findings indicate that the causes of problematic financing are related to internal and external factors of the bank, business failure factors and management incapacity factors. The rescue efforts carried out by banks are financing rescheduling, reconditioning (return requirements), and restructuring.

Investigating high NPF of micro-credits of Bank Jatim, Mojokerto Branch from 2012-2013 and its strategies to lower the NPF, Savitri et al. (2014) found that the Bank of East Java Mojokerto Branch used to have poor credit risk management. So, its non-performing loans increased during those periods. To overcome this, the bank of East Java, Mojokerto Branch implements several strategies that include actively supervising the board of commissioners and directors; setting tight credit policies and procedures, building good information systems; strengthening credit risk management, and controlling credit risks.

Studying BMT (microfinance) Sidogiri, Hasanah, et al. (2015) found that BMT Sidogiri has faced risks arising from its financing. This occurred because some customers found difficulties in paying the installments of their financing funds from the BMT. To respond to this problem, BMT Sidogiri has established risk management system to minimize the risks by implementing some strategies tailored to the specific nature of the risks.

Research conducted by Azharsyah and Arinal (2017) indicates that the factors causing troubles in *murabahah* financing come from 1) customers, 2) internal banks and 3) fictitious factors. The implemented policies are very comprehensive, from prevention to completion. The technical settlement is carried out by the on-spot method, subpoena, billing, restructuring, sale of collateral, and write-off as well as stipulation of fines

Turmudi (2016) states that the management of the settlement of troubled financing can be done by: first, implementing risk control standards, and preventing the risk through the analysis of the character and capacity of the customers; and Second, by rescheduling, reconditioning, restructuring, settlement through collateral, and write off.

Based on the above literature review, no one has examined the strategies carried out by banking in order to reduce the NPF ratio. As is happened in the BPRS ADECO, wherein June 2012, the NPF ratio reached 15.62%, which was ranked at 4. With $13\% < \text{NPF} \leq 16\%$, the bank's financial performance was categorized 'not good'. Whereas in the December 2018, the NPF ratio level was 3.60%, which was ranked as 1. With $\text{NPF} \leq 7\%$, the bank financial performance is categorized "very good". Therefore, the paper intends to fill out the gap in the literature so that the results of this study can be used as a reference by banks in Indonesia, especially banks, to reduce the high NPF ratio. This research aims to determine what factors lead to the increase of NPF ratio in June 2012, what policies applied by the BPRS ADECO to overcome financing problems, as well as what strategies undertook by BPRS ADECO to reduce the ratio of NPF. This research is expected to be a framework or model for other banks in facing problematic financing.

Method

The method used in this research is qualitative study with a case study approach, using both primary and secondary data. The primary data (main source) is collected from the survey to all BPRS ADECO employees and interviews with the director and account/financing officer of BPRS ADECO. Whereas, secondary data was collected from relevant materials in the form of books, journals, and others.

The data was collected in July-August 2017 and revisited in December 2018. The survey was carried out to all 26 (twenty-six) employees of BPRS ADECO from 10 July-August 2017. The interviews were conducted to the director and 3 (three) account officers from the financing department in July 2017 and updated in December 2018.

Data of Respondents

Table 1. work position of the respondents

Position	Frequency	Percentage
Head of section financing	1	3.8
Account Officer	6	23
Financing administration	2	7.8
Remedial	1	3.8
Internal audit	1	3.8
Head of section operations	1	3.8
Head of the section cash office	1	3.8
Costumer service	2	7.8
Teller	3	11.6
General administration and HRD	3	11.6
Security	3	11.6
Accounting	1	3.8
Office service	1	3.8
Total	26	100

Table 2. Working experience of employees

Length of working experience	Frequency	Percentage
1-5 years	16	61.5
6-10 years	10	38.5
Total	26	100

Result and Discussion

Causes of non-performing financing

BPRS ADECO is one of the banks in Langsa City, which its operation is based on *sharia* principle. In carrying out its activities as a *sharia* financial institution that collects and disburses funds to the public, BPRS ADECO offers several *sharia*-based financing products, including *murabahah* and *Mudārabah* products. However, the *murabahah* products have been dominant among other financing schemes in BPRS ADECO.

Being the most favorable products, the *murabahah* products with installment payment system become the main activity of BPRS ADECO. However, such products expose the bank to a very high risk that can affect the health of the bank. One of which is the increase in the ratio of Non-Performing Financing (NPF). The risk of increasing NPF ratio is an issue that cannot be avoided by the BPRS ADECO. To mitigate such risk, BPRS ADECO conducts a 5Cs assessment for every potential customer.

Despite such a strategy, in the period of June 2012, its NPF ratio increased quite high, reaching 15.62%. This is above the maximum value set by the Bank of Indonesia, which is 7%. The survey indicated that the factors that influenced the increase in the NPF ratio in the June 2012 period are as follows:

Table 3. Factors leading to non-performing financing

Factors	Frequency	Percentage
Changing economic conditions and regulations	26	100
Weak bank financing management	20	96
Conditions of customers who are vulnerable to change	24	92

1. Changing economic conditions and regulations

The most contributing factors to the BPRS ADECO's financing problems during June 2012 were the changing of economic conditions and regulation. In this case in the development of Langsa Town Square. In 2012, Surez Kumar, the managing director of PT Son Langsa Mandiri, a local company, decided to build a shopping center named Langsa Town Square (LATOS) in Langsa City. LATOS development in Langsa City aimed to improve the economy of the people of Langsa City. However, before these goals can be realized, there were those who felt disadvantaged by the construction of LATOS in Langsa City. These include the informal side-street traders who lost their place because of the LATOS construction.

As these informal side-streets traders are the customers of BPRS ADECO, it was also affected. BPRS ADECO suffered losses in June 2012. The NPF ratio reached 15.62% because 70% of its customers were traders in the Langsa City market. It can be concluded that changing in socio-economic conditions of customers have negatively influenced the financing performance of BPRS ADECO. This confirms previous research conducted by Hidayatullah (2014) on banks, revealing that one of the causes of problematic financing is a distressing economic situation.

Initially, the traders can fulfill their obligations to BPRS ADECO without any obstacles. However, after they were removed and could not open their booths in the Langsa City market, and they could not fulfill their obligations to BPRS ADECO. In this case, the BPRS ADECO was disadvantaged by the construction of LATOS by not getting the instalment repayment from the traders.

2. Lack of good financing risk management

The second factor that contributes to the financing problems during June 2012 is the lack of good financing risk management. This includes the lack of diversification of funds, poor management of financial portfolios, incomplete SOP, and weak 5Cs analysis.

a. Lack of Diversified Segments of Funds

The survey revealed that one contributing factor of BPRS ADECO's high NPF ratio is the lack of diversified funds as its market segment of financing was too focused on one particular segment of SMEs (Small Medium Enterprises). BPRS ADECO prioritized the financing the traders at the Langsa City market to improve their standard of living. However, this has a negative impact on the bank, which is the increase in problematic financing in June 2012. So, when the segment was experiencing problems, BPRS ADECO did not get the return from these customers.

This finding confirms previous research conducted by Hidayatullah (2014) on banks, finding that one of the causes of problematic financing is excessive investment in one sector.

b. Incomplete SOP (Standard Operating Procedure)

Standard Operating Procedure (SOP) is a guideline or a reference in carrying out tasks in accordance with the policies set by an institution. In carrying out their duties, employees at the BPRS ADECO use SOP as their guideline in daily activities, so that the objectives of the BPRS ADECO can be realized. In the period of June 2012, ADECO BPRS did not have a flowchart, namely the scheme of the stages in approving financing. Due to the absence of the flowchart, the Accounting Officer did not have complete guidelines on financing. Therefore, in the period of June 2012, the amount of financing was problematic, and the NPF ratio increased. The results of this study confirm previous research conducted by Astuti (2015) at BMT XYZ, finding that one of the causes of problematic financing is the absence of policies on good financing.

c. Weak 5Cs Analysis

The increase in the NPF ratio in June 2012 was due to the weak human resources that are able to conduct strong 5Cs analysis and assessment towards potential character, capital, capacity, collateral and conditions before providing financial assistance to them. Such weak 5Cs analysis is reflected in: (1) lacking of background checking of prospective customers, (2) being too aggressive or rushed to disburse the financing funds, (3) being excessive of confidence in the solvency of potential customers, and (4) lacking of experience among the account officers in conducting 5Cs analysis.

The results of this study confirm previous research conducted by Astuti (2015) at BMT XYZ, finding that one of the causes of problematic financing is the incapability of the officers to conduct financing analysis professionally, mainly due to the low knowledge and experience of account officers in carrying out these tasks.

3. Conditions of customers who are vulnerable to change

The development of LATOS, besides having a bad impact on BPRS ADECO, also has had an impact on the market traders of Langsa City, who were also the customers of the BPRS ADECO. Many of the traders were unable to adjust with the LATOS development. However, some of them were able to deal with the situation,

so that the construction of LATOS did not have such a big impact on some of them. The development of LATOS has had a major impact on traders who lack experience in running businesses, have weak psychological resilience for changes in micro—and macro—economic conditions, and come from low economic status. The construction of LATOS in Langsa requires the traders in the Langsa City market to be more effective and have high competitiveness to be able to survive with the existing situation. However, many of the traders did not have such high competitiveness, resulting in their difficulties to pay the installments.

Policies to Settle Non-Performing Financing

To uncover these conditions, the BPRS ADECO immediately took a stand by making policies to settle the problematic financing. The bank must manage the problematic financing so that the problematic financing is at a reasonable level and does not cause losses to the bank any longer. This is because the biggest contribution in bank income comes from financing disbursement (Savitri, et al., 2014). A policy made by the BPRS ADECO is to improve communication and guidance to customers; this is done in the following ways:

1. Rescheduling

BPRS ADECO gives away leniency or extension of the installment period to the customers in accordance with the customer's ability. This extension is not followed by the rise in profit margins as long as the customers do not have any attention to pay the installments. The extension provided by BPRS ADECO is adjusted to the customers' ability based on their monthly incomes. This is because the customers' income has decreased and made them unable to pay the instalment. Therefore, BPRS ADECO adjusts the period extension with the customers' income each month to ease the burden on the troubled customers.

The results of this study are supported by the research conducted by Shobirin (2016). It says that if the financing can still be expected to run well again, then the BMT can provide relief-relief such as delaying the installment schedule (rescheduling). However, if the congestion is due to negligence, violation or fraud from the customer, the BMT can request that the customer to immediately settle their obligation, including delivering the goods pledged to the BMT. If an out-of-court settlement cannot be fulfilled, the BMT can take a legal action. In this case, two legal institutions can be considered, namely the district court or arbitration body.

2. Reconditioning

BPRS ADECO removes some parts or all of the bank's profit margin and extends the installment period to ease the burden of the customers in paying the installments. In the elimination of margins, the bank provides two options for troubled customers, which are to pay all their debt in cash by selling their own collateral or in instalments again.

The results of this study are supported by research conducted by Ibrahim & Rahmati (2017). If financing can still be expected to run well again, then from the bank will provide relief-relief such as the requirement back (reconditioning); the changes in some or all of the financing requirements including changes in payment schedules; the number of installments (could be as low as possible by considering the customers' economic condition); the time period; and the payment of installments.

3. Restructuring

Restructuring is the addition of financing to re-run the customers' business. In carrying out a business, it is not always the customers' business that develops and advances. Sometimes the customers' business experiences a setback which can result in a decrease in their income and failure to fulfill their obligation to BPRS ADECO. The setback is caused by the lack of capital to run the business.

To anticipate the setbacks, BPRS ADECO injects or adds capital to the customers to be able to run their business optimally. So, the customers can increase the profits and the BPRS ADECO obtains the return from the customers.

The same thing was found by Azhari (2012), stating that the cause of a setback in the costumers' business is the lack of capital. In this case, financial institutions could provide a loan, perhaps in the form of al-qardhul hasan, *murabahah* or *Mudārabah* financing. These can help the customers' business to progress and avoid setbacks.

Strategy in reducing NPF ratio

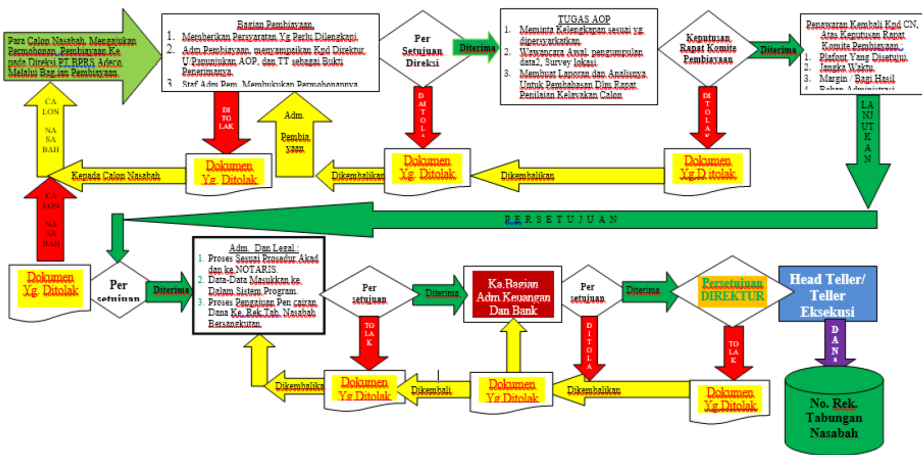
To reduce the high NPF ratio that occurred in June 2012, the BPRS ADECO made strategies to be able to reduce the high NPF ratio. The strategies made are as follows:

1. Improvement banking finance management

In perfecting financing management in the BPRS ADECO, the bank did so by improving SOPs, increasing 5Cs analysis, varied market segmentation, and intensive billing.

a. SOP improvements

The first strategy is the improvement of the SOP concerning financing. BPRS ADECO improves the SOP by creating a complete flowchart related to the stages before providing financing to prospective customers. The complete and regular flowchart will make employees of BPRS SRO AO have clear guidelines that can be used as a guide before providing financing to prospective customers. A complete SOP will support the bank's operational performance to be better and directed so that the vision and mission of the BPRS ADECO can be achieved.



b. Improved 5Cs Analysis

To be able to reduce the high NPF ratio that occurred in June 2012, the AO of Financing in the BPRS ADECO carried out a deeper 5C assessment to get prospective financing customers who were truly eligible for financing. The methods carried out by the AO of Financing in the BPRS ADECO are as follows:

1) Personal interview

The first thing that is done by the AO is to obtain financing customers that are truly feasible to be given financing by interviewing the customer clients. In this personal interview, the AO asked the prospective customers regarding the amount of financing they want, the purpose of financing, their profession, their earning per month, whether they have ever financed by other banks, their business condition, their guarantee, whether the guarantee is in their possession, and the condition of the guarantee. This is done by AO to assess character, capital, capacity (ability), and collateral (collateral) of prospective financing customers.

2) Information or network

The bank prioritizes prospective customers who are brought or recommended by existing customers, who have applied for financing in the BPRS ADECO with a smooth category. In this way, employees of ADECO SRO AO will obtain correct and accurate information about prospective customers related to character, capital, and capacity (ability) from old customers who recommend these new prospective customers. So, an ADECO BPRS AO employee, besides interviewing the new prospective customer, can also interview the old customer to get confidence that the prospective customer is eligible for financing.

3) Bank to bank information

An AEC BPRS AO employee also conducts a Debtor Information System (SID) study related to prospective financing customers. The information is related to find out whether the customers have a loan at another bank, and to find out the customers' reputation in paying the installments to the bank. In conducting the research SID, employees of AO BPRS ADECO communicate with the other banks to look for information related to their capacity (ability) to meet their obligation to bank.

4) Not accepting prospective customers from one agency if there are three problematic clients in the agency

Installment payment system for customers originating from an agency, namely salary deductions through the agency's treasurer. If in one agency there are three troubled customers, the BPRS ADECO will not accept new prospective customers from the agency. This is because the treasurer of the agency does not carry out its duties in accordance with the agreement in advance with the BPRS ADECO.

5) Location survey and survey of business premises

To obtain financing in the BPRS ADECO, prospective financing customers must complete the requirements stipulated by the BPRS ADECO. After BPRS ADECO receives the requirements, the AO of Financing in the BPRS ADECO will survey the location of the residence of the prospective financing customers. The purpose of the location survey is to get information about the conditions of residence of prospective customers and obtain information about collateral or collateral belonging to the customer.

In addition to this, the AO Funding employee at the BPRS ADECO also visits the prospective customer's business premises. This is done to assess the extent of the ability of the prospective customer in running the business. Also, AO employees also assess the self-financing that the prospective customer has in running his business.

c. Variable market segmentation

Funding risk cannot be eliminated by the BPRS ADECO, but the BPRS ADECO can minimize this risk through varied market segmentation. One of them is the market segmentation of BPRS ADECO in channeling funds to the public, namely civil servants (PNS). This is because civil servants have a fixed certainty and salary each month. Thus, the possibility of a financing risk will decrease because if the customers from civil servants, then, they must represent their salary withdrawal to the bank.

d. Intensive billing

Daily quotes are made to make it easier for customers to pay their installments to the BPRS ADECO. A daily installment payment system will make the burden and responsibility of customers feel lighter and smaller. By reducing the number of installments, the percentage of BPRS ADECOs to get back their receivables from customers will be greater. Thus, the strategy made by the BPRS ADECO to reduce the high NPF ratio that occurred in the June 2012 period will be successful.

2. Strengthening human resources in risk management and change

The quality improvement of human resources is carried out by conducting internal training on banking products, *sharia* banking risk management, and constraints and opportunities for banking. The training conducted by the BPRS ADECO aims to improve quality, so that by increasing the quality of HR, the profit will also increase.

In addition, the BPRS ADECO also included or sent several employees to participate in training made by Bank Indonesia (BI), the Financial Services Authority (OJK), the Indonesian Credit Bank Association (PERBARINDO), and the Bank Association Indonesia (ASBISINDO). The materials discussed in training included the following:

- a. Bank Indonesia: Settlement of Problem Customers
- b. OJK: Customer Complaint Settlement Service
- c. PERBARINDO: Work Ethics
- d. ASBISINDO: Products that are Relevant to Age Development

3. Management of assistance to customers

Management consulting assistance is assistance and professional management offered by banks to customers in the management and business

development. The bank provides consultation and guidance to motivate customers to be more enthusiastic and never give up in running their business. This was done by the BPRS ADECO because 70% of its customers were MSME (Micro, Small and Medium Enterprises); customers whose majority did not understand management. Therefore, the bank provides consultation and guidance on the issue, so that it has a good impact on the customer and also for the bank. which is to get back the receivables and reduce the high NPF ratio. Management of assistance provided by BPRS ADECO to customers includes providing consultation related to customers' business prospects, risks that might be faced by customers in carrying out their business, strategies in minimizing risks, and mental readiness to face changes.

From the researchers' point of view, the policies made by the BPRS ADECO have been very good and are in accordance with Sharia provisions. When the problematic customer is experiencing a setback in his business, the bank does not suppress and does not add to the burden on the troubled customer, but provides relief to the troubled customer according to his ability at that time. In this case, the policy made by BPRS ADECO is in accordance with the commands of Allah SWT in the Quran Surah Al Baqarah.

The Word of Allah SWT in al Quran sura al Baqarah verse 280:

وَإِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ ۚ وَإِنْ تصَدَّقُوا حَيْرَ لَكُمْ إِنْ كُنْتُمْ تَعْلَمُونَ

“And if (the person who owes it) is in trouble, then give a period until he has gained spaciousness. And if you give up, it is better for you if you know. (Surat al-Baqarah: 282).”

The paragraph above explains the provision of long-term concessions to debtors who are in trouble. If there are people who are indebted but have not been able to repay their debts because they are experiencing difficulties in their economy, Allah SWT instructs His servants to be patient and extend the period until he is able to pay it. And also Allah SWT advised His servants to give away their debt, this was to ease the burden of those who owed it.

In completing the problematic financing in June 2012, BPRS ADECO of Langsa City also practiced what was ordered by the messenger of Allah along that Allah SWT would help his servant in the hereafter later if the servant likes to help others during his lifetime.

Prophet Muhammad's hadith narrated by Muslims:

مَنْ فَرَّجَ عَنْ مُسْلِمٍ كُرْبَةً مِنْ كُرْبِ الدُّنْيَا، فَرَّجَ اللَّهُ عَنْهُ مُسْلِمٍ كُرْبَةً
مِنْ كُرْبِ يَوْمِ الْقِيَامَةِ، وَاللَّهُ فِي عَوْنِ الْعَبْدِ مَا دَامَ الْعَبْدُ فِي عَوْنِ أَخِيهِ
(رواه مسلم).

“The person who releases a Muslim from his troubles in the world, Allah will release his troubles on the Day of Judgment, and Allah will always help His servants as long as he (likes) helps his brother. (Narrated by Muslim).”

The Prophet suggested to his people to help one another in the goodness of their fellow Muslims during their life in this world, moreover helping their brothers who were in trouble or being hit by calamities. The Prophet asserted that anyone who likes to help a Muslim who is struck by a disaster, then the reward is Allah SWT will help these muslims on the Day of Judgment.

Conclusion

One of the risks facing financial institutions is when the customers find it difficult to repay their financing installments. Using BPRS ADECO as a case study, this paper has analyzed the factors influencing the high level of NPF, its settlement and strategies to lower such NPF in Sharia Rural Banking, which used to experience high NPF ratio in June 2012. It finds three factors leading to such high NPF: firstly, changing economic conditions and regulations; secondly, poor risk financing management such as lack of financing segment diversification, weak financing portfolio management, incomplete SOP, and weak analysis of 5Cs; thirdly, customer conditions that are vulnerable to change.

The policy carried out by BPRS ADECO in resolving problematic financing is intensifying communication to its delinquent customers. These include persuasive communication, rescheduling, reconditioning, and restructuring.

The strategies made by the BEC ADECO to reduce problem financing in the period of June 2012 included the improvement of bank financing management, the improvement of the quality of human resources in risk management and change, and the improvement of assistance management to customers.

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