

Restructuring of Non-Performing Financing of Murabaha Contracts in Sharia Banks

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Abstract: This study aims to determine the implementation of the restructuring of non-performing financing (NPF) in murabaha contracts occurring in Bank Syariah Mandiri (BSM). This study is qualitative with case study method. The data validation uses a triangulation technique in which the data are checked between interviews with the key informant and the secondary data, which are examples of NPF and standard operating procedures. The analysis technique uses data reduction, display data and data verification. The results show that in the implementation, Bank Syariah Mandiri always evaluates how the customers are conditioned by their faith and financial condition, then they can decide which strategies will be used. The handing of NPF is done by rescuing or restructuring in three ways, rescheduling, reconditioning and restructuring.

1 INTRODUCTION

Banks are financial institutions that collect funds from over-funded groups and distribute them to groups lacking funds. Understanding banks according to Law number 10 of 1998 on Amendment of Act Number 7 of 1992 concerning Banking, "a bank is a business entity that collects funds from the public in the form of savings and distributes it to the community in the form of credit and or other forms in order improving people's lives".

According to Karim (2013: 97), "based on the purpose of its use, sharia bank financing products are divided into four groups, namely financing by buying and selling principle, lease principle, profit sharing principle and financing with complementary agreement". One of the financing products with the principle of sale and purchase is murabaha financing. According to Lathif, "the high amount of financing with the murabaha contract is because the prudential principle of the bank can be applied relatively tightly and standard so that the level of risk of loss is very small" (Lathif, 2015: 2).

Implementation of financing does not always go smoothly. Some of the things that can lead to non-performing financing include changes in economic conditions, mismanagement of banks and the

condition of customers. The problem affects the reduced revenue of Islamic banks as it is reserved to cover the NPF and the costs incurred by handling the financing. To overcome the problem, the bank may restructure its financing. Restructuring is a way to help customers meet their obligations and save the bank from non-performing financing thus reducing losses to banks.

2 LITERATURE REVIEW

2.1 Sharia Banking

Based on Law number 21 of 2008 concerning sharia banking, what is referred to as sharia banking is anything that concerns a sharia bank and sharia business unit, covering institute, business activity, way and process in conducting its business activity. While a sharia bank is a bank that runs its business activities based on sharia principles and according to its type consists of Sharia Commercial Bank and Sharia Rural Bank.

Sharia banks according to Antonio and Perwataatmadja are divided into two, namely the bank that is in accordance with sharia principles and the bank with the procedure referring to the

provisions of Al-Qur'an and Al-Hadith. (Muhammad, 2005: 1). The purpose of establishing a sharia bank is as an effort of the Muslims to base their economic activities on the guidance of Al-Qur'an and Al-Hadith.

2.2 Murabaha

Murabaha financing is a form of buying and selling of goods at the original price with the profit (margin) agreed by the seller and the buyer. Since the benefits are agreed upon by both parties, the seller must notify of the original price and the added benefits (Karim, 2013: 113).

According to Ismail (2011: 139) murabaha is a sale and purchase contract of certain goods, where sellers mention the purchase price of goods to the buyer then sell it by requiring the expected profit in accordance with a certain amount. Murabaha transactions are allowed, as written in Al-Qur'an letter of Al-Baqarah (2) verse 275 which means: "... Allah has justified the sale and purchase and forbids usury ..." (Ministry of Religion, 1998: 86).

The following hadith also explains the permissibility of murabaha in Islam. Rasulullah Saw said, "Three things in it are blessings: suspension sell, muqaradha (mudharaba), and mixing wheat with flour for home use, not for sale" (Ibn Majah).

2.3 Financing Quality

Assessment of existing quality in the form of financing is done based on factors related to customer performance.

The classification of financing quality (murabaha) is based on the time of payment and fulfillment of the requirements made by the period of financing, as mentioned (Djamil, 2012: 69):

1. Current, the financing is done on time and in accordance with the terms of the contract.
2. In special attention, there are arrears of principal installment and or margin up to 90 days.
3. Substandard, there are arrears of principal installments and margins that have passed 90 days up to 180 days.
4. Doubtful, there are arrears of principal installments and margins that have passed 180 days up to 270 days.
5. Loss, there are arrears of principal installment and margin that have passed 270 days.

2.4 Non-Performing Financing (NPF)

A financing is said to be non-performing if the quality of the financing is in the category of substandard, doubtful and loss (Djamil, 2012: 66). NPF is one of the instruments of performance assessment of a sharia bank which is an interpretation of the assessment on productive assets, especially in the assessment of non-performing financing (Popita, 2013: 405). NPF is obtained from the comparison between the amount of financing in substandard quality (collectability 3), doubtful (collectability 4) and loss (collectability 5) with the total amount of financing (Purwanto, 2011: 24).

2.5 Handling

Financing that is categorized as non-performing will be handled by way of rescue and settlement.

2.5.1 Rescue

Financing rescue is a technical term commonly used for efforts and steps taken by banks to overcome the financing problems faced by debtors who still have good business prospects, but have difficulty paying principal and/or other obligations (Djamil, 2012: 82).

Based on Bank Indonesia Circular Letter no. 13/18/DPbS dated October 22, 2008 concerning Financing Restructuring for Sharia Commercial Banks and Sharia Business Units, the methods of restructuring are as follows:

- a. Rescheduling is changes in payment schedule of customers' liability or terms, excluding extension of mudharaba or musharaka financing that fulfill current and maturity and not due to decreasing ability of customers.
- b. Reconditioning, that is, a change in some or all of the financing requirements without adding to the remaining principal amount of the customer's loan to be paid to the bank, among others:
 - 1) Reduction of repayment schedule
 - 2) Change of installment amount
 - 3) Change of time period
 - 4) Changes in profit-sharing projection in mudharaba or musharaka financing
 - 5) Giving discount
- c. Restructuring, namely changes in financing requirements, among others includes:
 - 1) Additional funding of bank financing facility
 - 2) Conversion of financing contract
 - 3) Financing conversion into a term sharia securities, financing conversion into temporary

equity participation in a customer company, which may be accompanied by rescheduling or reconditioning.

2.5.2 Settlement

If the restructuring of the financing is still problematic, Islamic banks will take action to solve the non-performing financing. Various ways are used by Islamic banks, among them (Usanti, 2013: 112):

- a. Settlement through warranty is done if based on a re-evaluation, the customer's business prospect is absent and/or the client is uncooperative.
- b. Settlement through the National Sharia Arbitration Board (BASYARNAS), if the settlement can not be settled by deliberation.
- c. Settlement through litigation/court, if the customer does not have good intentions to fulfill his obligations, while the customer still has assets that are not controlled by the bank and deliberately hidden.
- d. Clear the book and delete the bill. Clear the book is removing a book of loss financing from the bank balance sheet, without removing the claim rights. Clear billing is removing the customer's unresolvable obligations, while eliminating the claim rights.

3 RESEARCH METHOD

The research method is a qualitative approach with case study research method. The type of case study research used is descriptive because it is appropriate to answer the "how" and "why" questions (Yin, 2014: 9). The formulation of this research problem is "how is the implementation of the restructuring of non-performance financing achieved in Murabaha at Bank Syariah Mandiri?".

The credibility/validation test of data uses triangulation techniques, namely the use of different data collection techniques on the same source. Data analysis is conducted through three activities, namely reduction of data, data presentation, conclusions/verification (Sugiyono 2014: 91).

4 DISCUSSION

NPF according to BSM financing policy is a financing that is not expected to repay in part or in whole, or the debtor can not repay its obligations in accordance with the agreed schedule. Included as

NPF is a financing facility whose collectability is still classified, but due to certain reasons and based on the Bank's assessment it is assumed that the debtor can not fulfill its obligations on time. Restructured financing remains classified as NPF until the debtor is fully capable of fulfilling its obligations on time up to three liability payments after being classified as current (Bank Syariah Mandiri, 2005)

The handling procedures in Bank Syariah Mandiri, among others:

1. A special unit of NPF management.
2. Analysis of NPF rescue/settlement.
3. Technique of evaluation/analysis to problem of NPF.
4. Step selection/strategy setting.
 - a. Determination of priority scale.
 - b. Qualitative evaluation (general criteria).
 - c. Quantitative evaluation.

After the assessment, the next steps are among these:

1. Rescheduling.

Bank Syariah Mandiri Sidoarjo does not carry out rescheduling of murabaha contracts, because the installment of murabaha transaction is a fixed installment, which if it is done the extension will decrease its installment. While rescheduling is a handling of non-performing financing by changing the time period without changing the number of installments (Aktanto, interview, July 8, 2015).

2. Reconditioning.

Reconditioning is the process of restructuring handling by changing installment schedule and installment amount (Aktanto, interview, June 11, 2015). Under BSM's NPF settlement policy, reconditioning is a rescue of financing by altering part or all of the financing requirements, not only on changes to the financing schedule, duration and/or other terms as long as it does not concern the maximum change of financing. These changes include rescheduling of principal installments and profit/margin sharing, margin determination, profit sharing, lower bank fees and penalties, self financing review to be met and changes to other financing requirements (including collateral exchange).

3. Restructuring.

According to Bank Syariah Mandiri's NPF policy, restructuring is an effort by banks to restructure the financing so customers can meet their obligations. Restructuring in Sharia Banks is the process of handling NPF by changing the number of installments of financing.

Restructuring can be done for customers who still have good faith to pay off their obligations, based on quantitative verification it is the best alternative.

Restructuring of bank financing is done to ease the customer in the payment of obligations. Restructuring can be done in three ways, namely rescheduling, reconditioning, and restructuring. Bank Syariah Mandiri Sidoarjo carries out these three handlings of non-performing financing based on Bank Indonesia regulation and Bank Syariah Mandiri NPF policy.

The implementation of rescheduling and reconditioning is in accordance with Bank Indonesia Regulation no. 13/9/PBI/2011 and Bank Indonesia Circular Letter no. 13/18/DPbS, which is to change the installment schedule and the number of installments.

Implementation of restructuring is based on Bank Indonesia Regulation no. 13/9 / PBI / 2011 and Bank Indonesia Circular Letter no. 13/18 / DPbS, where restructuring is a change of financing requirements which in practice at BSM Sidoarjo is done by changing the installment amount without changing the schedule of the graduation.

The execution of the salvation is in accordance with the Qur'an verse of the letter of Al Baqarah (2) verse 280 which means "And if (the debtor is) in distress, so give respite until He widen. and charity (some or all of that debt), it is better for you, if you know." (Ministry of Religious Affairs, 1998: 87)

As well as the Hadith of the Prophet Muhaammad Pbuh, "The one who releases a Muslim from the troubles of the world, Allah will release his troubles on the Day of Resurrection; and Allah always helps His servant as long as she (loves) to help her brother " (Muslim).

5 CONCLUSION

Based on the results of research conducted, the conclusions obtained include:

1. Implementation of restructuring NPF of murabaha at Bank Syariah Mandiri Sidoarjo shall be conducted after assessment of the customer and stated that the customer has good faith and good business prospect and financial condition of the customer.
2. Implementation of restructuring NPF of murabaha at Bank Syariah Mandiri Sidoarjo is by reconditioning and restructuring.

3. The implementation of rescheduling and reconditioning in accordance with Bank Indonesia Regulation no. 13/9/PBI/2011 and Bank Indonesia Circular Letter no. 13/18/DPbS, and Fatwa DSN MUI No. 48/DSN-MUI/II/2005 is to change the installment schedule and installment amount, yet in practice rescheduling for murabaha financing can not be done.
4. Implementation of restructuring is based on Bank Indonesia Regulation no. 13/9/PBI/2011 and Bank Indonesia Circular Letter no. 13/18 / DPbS, where restructuring is a change of financing requirements which at BSM Sidoarjo is done by changing the installment amount without changing the schedule of the graduation.

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