



Determining Factors of Financial Performance Recovery in BRI During the Covid-19 Pandemic

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Bank Rakyat Indonesia (BRI) succeeded in loan restructuring in the Micro Small Medium Enterprises (MSMEs) segment. Loan restructuring has succeeded in pushing BRI to achieve the highest financial performance. This study aims to determine the success factors of BRI's loan restructuring. The research object is the Credit Restructuring and Recovery Division. This study applies a qualitative case study. Interviews and documentation were used to collect the data. The findings indicate that the critical success factor in dealing with the crisis is ability to adapt to policies change. The debtor's criteria and loan restructuring cycle are critical success factors of BRI's loan restructuring before the restructuring policy is set. The combination of three main components, namely interest rates, extending loan terms, and payment delays, are a determining factor for the success of loan restructuring. There are five components that support the success of loan restructuring, namely loan marketing, loan guarantee, personal values, information and communication, and other party cooperation.

INTRODUCTION

The Coronavirus Disease (Covid-19) pandemic has significantly impacted various sectors, including the banking sector. Business uncertainty, the decline of purchasing power, and disruption of economic activity constantly stopped bank lending. These also led to a decrease in loan collectability and increased credit risk. Eventually, these conditions affect the decline in bank financial performance. In response to this situation, the government has issued economic stimulus for the Covid-19 pandemic through Financial Services Authority Regulation (POJK) No.48/ POJK.03/2020 regarding amendment of POJK No.11/POJK.03/2020 that concerns the national economic stimulus as a countercyclical policy on the impact of the Covid-19. The regulation aims to prepare anticipatory and further steps to optimize banking performance, maintain financial system stability, and support economic growth. In implementing this regulation, banks apply internal policies to help the debtors.

In particular, this regulation is considered a solution for the Micro, Small, and Medium Enterprises (MSMEs) segment. The reason is that MSMEs may be insolvent or go bankrupt due to limited funds. Before the pandemic, loan restructuring had become one of the solutions to save businesses from bankruptcy. That is why the volume of loan restructuring has increased significantly during the pandemic. During this situation, the loan restructuring phenomenon is considered to affect the resilience of banking liquidity. Therefore, further studies need to be taken to analyze the determinants of loan restructuring implementation to achieve harmony between debtor needs and bank liquidity.

State-owned banks dominate the loan restructuring, with 61.79% of the total structured loans in the MSMEs segment (OJK, 2020a). Bank Rakyat Indonesia (BRI) is a state-owned bank with the most considerable loan restructuring contribution, with more than 12 million MSME debtors and 80% of business market segmentation from the MSME segment. By the end of 2020, BRI had performed loan restructuring for 2,9

million MSMEs affected by the pandemic with an outstanding of Rp186.6 trillion (BRI, 2020b). 84.7% of MSME debtors experienced a negative impact due to the pandemic. 61.1% of debtors were able to save their business by stimulus policy. Based on data 57.9% of debtors have already implemented stimulus to fulfill their payment obligations (BRI, 2020c). In general, state-owned banks are stimulants that help debtor business recovery through loan restructuring. It has an impact on profit contraction in 2020. This situation is faced by all banks, including BRI.

Before established a loan restructuring policy, a framework is needed to regulate debtor's criteria and the loan restructuring cycle. This framework is used as the basis for achieving efficiency. Obstacles related to interest rates can be seen in slowing lending due to high costs. This causes a decrease in the ability to disburse credit which affects the rate of economic growth. Another obstacle relates to the element of "trust" in the fulfillment of loan obligations. There was an increase in bad debts due to the inability of debtors to settle their payment obligations. (Sihombing, 2021) states that the loan term reflects the level of credit risk. The longer the loan period, the higher the credit risk level. Arrears in payments are also obstacles that affect credit quality. However, delaying payments is a challenge in itself because it involves bank sacrifices, namely reducing potential income. These obstacles encourage the need to adapt new strategies that are in accordance with conditions during the Covid-19 pandemic. The strategy adaptation is aimed at optimizing BRI's profitability and saving debtors' businesses.

Consistency, in term rescuing the MSME segment has succeeded in restoring BRI's financial performance. The revival of the MSME segment as the foundation of the national economy has pushed BRI to achieve the highest financial performance recovery, which is not experienced by other banks in Indonesia. BRI has excelled in generating profitability during the Covid-19 pandemic. In the midst of efforts to recover financial performance, BRI's loan restructuring has achieved the highest success rate compared to other banks. Taking into account the

various obstacles and risks of loan restructuring, the success of BRI, especially in the MSME segment, prompted this research to examine the determinants of the success of BRI's loan restructuring which encouraged the recovery of BRI's financial performance during the Covid-19 pandemic. BRI's best practice analysis can be used to achieve financial performance recovery, decide appropriate decisions, and find out the alternatives in managing banking performance.

Bank Indonesia Regulation (Peraturan Bank Indonesia (PBI)) No. 14/15/PBI/2012 regulates credit settlement and the potential risks inherent in each bank loan portfolio in general situations (Bank Indonesia, 2012). Meanwhile, the Covid-19 pandemic is considered a condition that was forced to occur without knowledge and beyond control. PBI No.14/15/PBI/2012 is considered no longer to overcome all crisis conditions during the pandemic that occurred outside the control of the community. It takes a legal basis that regulates the situation, explores the debtor's solutions that are available because of the payment for the debtor's payment. POJK No.48/POJK.03/2020 was issued to fill legal voids and overcome national economic problems while still taking into account the existing legal basis.

SWOT analysis in the context of the Covid-19 pandemic is used to reformulate credit strategies that are relevant to the existing situation. Banks develop a creative strategy as a form of adaptation during the pandemic to reduce credit risk. Bank classifies all risks according to the nature of the activity, including credit risk. Helms and Nixon (2010) states that SWOT analysis is used as a basis for analysis for organizational planning in producing recommended strategic actions. The simplicity of SWOT analysis makes it easy to assess alternatives and complex decisions. The determination of the bank's mission, goals, strategies, and policies will always correlate with strategic decision making by the bank. Therefore, the bank's recovery plan contains an analysis of strategic factors that affect loan restructuring during the Covid-19 pandemic.

In order to mitigate credit risk, banks implement creative strategies to survive in today's uncertain conditions. The Bank classifies each risk based on the existing segments, including credit risk. World Bank (2021) states that one form of risk management is through loan restructuring. Good loan restructuring is driven by regulations that facilitate the needs of banks and debtors. Rasbin (2021) states that loan restructuring is a credit risk mitigation. It can suppress NPL and encourage economic recovery and growth after Covid-19. SWOT analysis can be used to easily revise the Bank Business Plan based on the current situation. So that banks can expand the credit distribution without excessive bad loans. The new way of bank adaptation can encourage banks to afford a good performance and perform as intermediary functions to support national economic growth in the new normal era. Relationship Manager (RM) as a business consultant helps to ensure a smooth restructuring.

Dardac et al. (2011) states that credit activity affects bank losses. Regulators are taking steps to stabilize the economic and financial environment. The research of Dardac et al. (2011) is in line with the relevant conditions during the Covid-19 pandemic. The role of regulators in responding to the Covid-19 pandemic is proven by the issuance of POJK No.48/POJK.03/2020 which helps facilitate the needs of banks and debtors in an effort to rescue bad loans. Ghosh and Saima (2021) states that banks with low capital adequacy, low liquidity ratio, low performance, and higher NPLs are more vulnerable to the shocks caused by the pandemic. The research of Ghosh and Saima (2021) is relevant to the situation during the pandemic, namely the decline in credit quality has an impact on bank performance, one of which is NPL. Banks must make rescue efforts, one of which is through loan restructuring. Policy governments are taking measures to support the MSMEs segment to mitigate impact of the pandemic, including interest rate and bridge loans. Aftab et al. (2021) recommend several steps for the revival of MSMEs, one of which is through loan restructuring. This is relevant to the situation during the pandemic. Loan restructuring has an

impact on improving credit quality and rescuing bad loans.

Antiningrum (2003) states that the external situation, which is reflected by the opportunity and threat components, and the internal situation, which is reflected by the strength and weakness components, need to be considered in formulating the company's strategy. The company's internal situation comprises marketing and distribution, research and development, production and operational management, resources, employees, and finance and accounting. The company's external situation is socioeconomic, technological and government, and industrial environmental conditions. Dewi (2009) and Banin (2014) states that the key success factors in implementing loan restructuring include components such as:

Distribution of credit granted by banks that provide competitive interest rates. However, the provision of various interest rates can fluctuate according to the national economic situation. An interest rate adjustment strategy is needed for the restructuring to be successful. This is carried out by implementing additional loan terms, including repayment schedule and changing payment installment. Things to be considered in order for the restructuring to be successful are the debtor's capacity and business prospects.

Banks must always be innovative and creative in credit marketing because people are increasingly observant in choosing funding institutions. Things to be considered in order for the restructuring to be successful are the product life cycle and distribution channels. The purpose of selling collateral is to accelerate credit settlement to reduce credit risk. Things to be considered in order for the restructuring to be successful is the regulation of credit guarantees.

The success of loan restructuring cannot be separated from the knowledge and experience of a bank employee. Improving the quality of human resources includes training and development programs. The limited quality of human resources can hinder the loan restructuring process. Loan restructuring faces obstacles if verification is not carried out properly, including the completeness and correctness of information. Inadequate

technology is one of the barriers for banks to obtain accurate and comprehensive information.

To overcome obstacles in the loan restructuring process, an approach was taken with third parties other than the debtor. Through intense communication and cooperation, it is necessary to have good faith continuously from each party – both the debtor and the bank. The research by Dewi (2009) and Banin (2014) show that these factors are implemented as a successful strategy for loan restructuring. These factors are also suspected to be a determining factor in the success of the loan restructuring strategy carried out by BRI during the Covid-19 pandemic.

The emphasis of the turnaround concept is on the further development of critical resources in the company, such as markets, products, services, and processes – which have a good track record. This development ensures future revenue streams (Tenkasi and Kamel, 2016). Smith and Graves (2005) states that the turnaround process consists of 2 (two) parts, including:

This process aims to stabilize the company's financial condition and internal atmosphere by gathering shareholder support based on an efficiency-oriented strategy. The decline in the company's performance stems from inefficient operations. The company adopts a recovery strategy in line with an efficiency-oriented strategy, such as cost-cutting and asset reduction. When the company's strategy is no longer relevant, the company makes appropriate adjustments to the market conditions faced by adopting a strategy in line with entrepreneurial oriented strategy.

RESEARCH METHODS

The research strategy applies a case study. This study examines the latest but limited and specific case on BRI's experience in dealing with the Covid-19 phenomenon which is closely related to loan restructuring. This study applies a qualitative approach with the fundamental characteristics of narrative power, study in scientific situations, direct contact in the field, inductive thinking, holistic perspective, developmental perspective, dynamic, unique

case orientation, neutral-empathetic data acquisition, design flexibility, and circular (Poerwandari, 2009). This research strategy and approach can answer the research problems regarding the determinants of BRI's success in loan restructuring to achieve recovery in BRI's financial performance.

To obtain valid data, semi-structured interviews and documentation were used to collect data. Data sources were obtained from 4 (four) team leaders by online interview through the Zoom Meeting. The documentation method was used to support and strengthen the respondent's arguments during the interview. Data validity checking technique in this research is done by a triangulation. Creswell (2015) states that in qualitative research, triangulation is carried out on different data sources to increase the accuracy of the research. In this study, triangulation was carried out when comparing the results of interviews with data sources in the form of documents. Triangulation is used to compare several different interview results to ensure the similarity of theme information and mutually reinforce the quality of the information. This study uses a thematic approach to identify, analyze, and report on patterns or themes in qualitative data (Braun and Clarke, 2006). In the interview process, a series of patterns or themes emerge from the informants' statements. The themes that often arise are descriptions of events and experiences of resource persons regarding the implementation of loan restructuring during the Covid-19 pandemic. Through these themes, the analysis can reflect the realities of the loan restructuring process in the field. The data analysis technique in this study was carried out in 3 (three) stages (Miles and Huberman, 1994), as follows:

The results of the thematic analysis are selected and classified based on a predetermined theme. In order to produce conclusions, the data are summarized by removing inappropriate information and organizing the data comprehensively.

Presentation of data in this study using matrices, graphs, tables, and charts. This presentation provides convenience in drawing

conclusions and taking relevant actions for debtors who have different business conditions. Conclusions are drawn continuously throughout the study. Conclusions resulting from the first interview after the second interview was conducted. However, drawing conclusions between the two interviews can lead to different conclusions. Therefore, it is necessary to collect further information in order to produce a final conclusion that can be made.

The object of research is BRI as a single case study and the Credit Restructuring and Recovery (CRR) Division for the MSMEs segment as a single unit analysis. The consideration for choosing the case study at BRI was because BRI achieved the highest financial performance among other state-owned banks in 2020, had more than 12 million MSME debtors with the division of business segments in the MSME segment reaching 80%. So that this segment is the largest part of BRI's loan restructuring distribution. The selection of the analysis unit for the CRR Division was because the research focused on the success of loan restructuring during the pandemic.

RESULTS AND DISCUSSION

One of the critical success factors in dealing with the crisis is the ability of banks to formulate adaptive strategies refers to government policies. BRI's strategy in mitigating credit risk begins with mapping debtors to ease the formulation of suitable schemes for debtors. The debtor mapping helps BRI determine the position of the SWOT component in revising the Bank's Business Plan. Using SWOT analysis, it is easier for BRI to describe the current situation to establish strategies and internal policies right on target. This finding is in accordance with OJK (2021) that adaptation related to the preparation of adaptive strategies is carried out by implementing supporting policies in stimulating economic growth for MSME debtors affected by Covid-19.

BRI adapts the company's strategy by formulating a recovery plan to anticipate financial stress conditions that endanger business

continuity. BRI strategies adaptation is based on policy changes and situations during the Covid-19 pandemic. The strategic response shows it "Business Follows Stimulus." BRI is active in implementing the National Economic Recovery (PEN) program. It maintains credit quality by adequate supervision. In addition, the adaptation of BRI's strategy is shown in the aspect of work adjustment. BRI applies a new work pattern called "the BRI new way of working". This concept is intended to improve employees' quality of work and life (work-life integration). It consists of implementing productivity everywhere, implementing flexible working, health protocols, and going productive digital campaigns.

The adapted strategy also aims to support the Work From Home policy by adjusting the pattern of the communication network. BRI has a different policy delivery pattern than the previous year, namely through communication channels, including formal means such as official letters, and non-formal means such as infographics, e-flyers, videos, SMS blasts, WhatsApp blasts, and platforms Bristars. This communication strategy adaptation is supported by the availability of call center team services, specifically in the field of Human Capital (BRI, 2020a). This strategy adaptation has had a positive impact on loan restructuring and has increased the loyalty of debtors affected by Covid-19.

Indonesian Bankers Association (IBI) (2015) states that the debtor's criteria are essential in lending consideration. So, it can reduce inefficiencies due to repeated loan restructuring. The suitability of the debtor's criteria is utilized so that credit distribution is more focused on the segment complexity. The debtor's criteria, namely the debtor's declining profit, the debtor's good business prospects, and the debtor's positive intention to cooperate. The determination of these criteria is in accordance with Kasmir (2010) that the assessment of credit applications by debtors is based on the 6C (Character, Capacity, Capital, Condition of Economic, Collateral, and Constraint) principles.

IBI (2015) states that loan quality is more important than loan growth. Therefore, the loan restructuring cycle is one of the determinants of success in loan restructuring at BRI. The loan quality awards on the completeness and depth of the comprehensive cycle. Each stage is formed to fulfill the objective of obtaining adequate assurance that the bank knows the debtor well. The more familiar the bank's debtors are, the more the bank will gain confidence to provide appropriate loan stimulus. The loan restructuring cycle implemented by BRI, namely initiatives, negotiations, analysis and evaluation, decisions, documentation, and monitoring. In accordance with Puspitaningtyas (2012), BRI evaluates loan restructuring based on the 7P (Personality, Party, Purpose, Prospect, Payment, Profitability, and Protection) principles. The suitability of restructuring with the debtor's criteria and the loan restructuring cycle is a determining factor for the success of loan restructuring before the restructuring policy is determined. The loan agreement covers all parties and regulates conditions until the loan is repaid. Thus, consistent with IBI (2015), BRI has confidence that the loan agreement is complete to mitigate the risks through the debtor criteria and the loan restructuring cycle.

The Implementation of the BRI Loan Restructuring Scheme. First is the interest rate component has proven to be one of the determining factors for the success of loan restructuring because it has been applied in every scheme for each debtor segment. However, in contrast to what is states by Banin (2014), the strategy of providing credit through offering interest rates by each bank is very competitive even though it is still adjusted to the state of the economy. In its application at BRI, the rate of reduction in interest rates depends on the business conditions and the ability of the debtor to make payments. Moreover, the segmentation of debtors between banks in Indonesia is different. As a result, the decrease in interest rates is also different, as it is adjusted to the bank's business conditions and the results of negotiations that benefit both parties; the bank and the debtor.

In terms of loan restructuring before Covid-19, Performing Loan (PL) were subject to rules for reducing interest rates below the best lending rate without a maximum percentage limit. Meanwhile, for the Non-Performing Loan (NPL), the rules for reducing interest rates are applied based on the debtor's cash flow analysis. After the Covid-19 pandemic, the restructuring policy states that loans that can be restructured are PL categories with a maximum interest rate reduction of 5% from the best lending rate.

BRI has set a maximum credit limit for Covid-19 loan restructuring of Rp10 billion, where it takes only one restructuring to be categorized as Performing Loan. Meanwhile, before Covid-19, it takes a minimum of 3 (three) payments to be said to have improved credit collectability. This finding is in accordance with OJK, 2020b that loan restructuring applies to all debtors affected by Covid-19. Therefore, the provision of special treatment can still be carried out regardless of the credit ceiling limit, but still based on the accuracy of paying principal and/or interest. The alignment of loan restructuring with the interest rate component shows that this component has become one of the determining factors that have a direct impact on the recovery of BRI's financial performance.

Second is Loan Term Component, the findings of this study reveal that there is no time limit for the extension of restructured loans. However, loan restructuring will continue to pay attention to business prospects, debtor repayment capacity, and the potential decline in the value of credit guarantees. This finding is in accordance with Dewi (2009) and Banin (2014) that the loan term is one of the determining factors for the success of loan restructuring. BRI applies this component when conducting a loan restructuring analysis phase based on the ability and business prospects of the debtor. The loan term component is applied if the RM assesses that the debtor is still able to make installment payments according to the initial credit agreement.

According to Dewi (2009) and Banin (2014), deciding the loan term in the BRI loan restructuring scheme is one of the determining factors for the success of loan restructuring.

Therefore, BRI implements this component according to the debtors' ability or cash flow and pays attention to their business prospects. The extension of the loan restructuring period until March 2023 provides BRI an opportunity to help debtors more proactively in rescuing businesses that still have good prospects but need a longer time to return to normal. BRI conducts regular and periodic monitoring and evaluation to minimize loan restructuring failures. The suitability of the loan term components has proven to be one of the determining factors for the success of loan restructuring. The implementation of this component has a direct impact on improving credit quality

The third scheme is Credit Marketing Method Component. As an effort to maintain prudential banking principles, the loan restructuring process is carried out while maintaining social distancing. The entire process of credit initiatives and decisions is conducted electronically (photos/ scanned letters) using email or the WhatsApp application. On-the-spot activities are carried out virtually based on the work area zone using digital applications or electronic communication facilities, such as telephone or video calls or Zoom based on the precautionary principle. This finding is in accordance with Dewi (2009) and Banin (2014) that the credit marketing method in BRI is one of the determining factors for the success of loan restructuring. Therefore, BRI analyzes the influence of external and internal situations on the strategy of providing credit relaxation to determine the impact on NPL.

Innovative and creative steps in credit marketing were carried out when Relationship Manager (RM) carried out business mentoring and consulting activities. RM is responsible for maintaining and building good relations with debtors. RM helps offer credit relaxation through education. On a regular basis, RM maintains close relationships, monitors business conditions, and carries out effective communication. This is a marketing series that includes coaching or education, evaluation, and monitoring by RM to debtors. This finding is in accordance with Dewi (2009) that to continue producing comprehensive

and selective analysis, BRI must encourage RM, Account Officers (AO), and Credit Approval Officers to sharpen credit analysis and ensure that the loan restructuring application process is carried out quickly and easily. The alignment of loan restructuring with the components of credit marketing methods explains that this component is one of the determining factors for the success of loan restructuring. This component provides an overview of RM's role in offering credit relaxation by maintaining communication and deepening understanding of debtors.

The fourth scheme is Credit Guarantee Component. Restructured loans must apply for guarantees. This finding is in accordance with Dewi (2009) that the lending strategy can reduce the NPL ratio, which results in several managerial implications. For that reason, BRI provides various alternative options for debtors to repay their loans, conducts surveys on businesses and credit guarantees, and analyzes recorded financial statements and credit guarantees. Every time a new credit review, credit extension, loan restructuring, supplementation, and addition of credit facilities are carried out, a credit guarantee must be reassessed. Credit guarantee assessment can be carried out internally by BRI for a maximum credit guarantee value of Rp5 billion. Higher than that, the assessment is carried out with the help of an appraisal or the Public Appraisal Service Office (KJPP) of BRI partners. For auction purposes, the assessment is valid for 1 year, while for purposes other than auction, the assessment is valid for 2 years. Overall, credit guarantees are still assessed internally by BRI.

One of the most essential elements in lending is the bank's "trust" in the debtors. If analyzed more deeply, this trust arises when all requirements have been met when applying for loan restructuring, one of which is credit guarantees. This finding is in accordance with Kasmir (2010) that before credit is disbursed, to ensure debtor commitment, RM should conduct a credit analysis including background, business prospects, credit guarantees, and other factors. BRI identified different levels of risk. In line with Sihombing (2021), the credit term reflects the

level of credit risk. The longer the credit period, the higher the level of inherent risk. To anticipate this, BRI analyzes loans comprehensively and is protected by credit guarantees as a last resort in the event of default. The alignment of loan restructuring with the credit guarantee component explains that this component has contributed to credit rescue efforts in order to achieve recovery in BRI's financial performance. BRI has adequate confidence that the loan restructuring provided is truly safe and appropriate.

The next scheme is Personal Values Component. Regarding the loan restructuring after Covid-19, there was no special socialization carried out by BRI to their employees. The socialization has been carried out by the regulator to all banks and has been forwarded to all work units. The Head Office is tasked with providing socialization to Regional Offices online using the Zoom application. Through this socialization, the Head Office gives directions and appeals to continue to act selectively so that there are no "stowaways". The success of credit distribution cannot be separated from the knowledge and experience of the bank officials. Due to time constraints and the impact of the Covid-19 pandemic, the level of loan restructuring has increased significantly compared to that in the previous years. Therefore, BRI simplifies the analysis and review process. An increase in personal value is needed to produce a loan restructuring analysis that is simpler, but still selective and comprehensive. The analysis is still based on the 6C and 7P principles to produce a comprehensive and selective assessment in choosing which credits deserve a relaxation.

The coordination line for delegation of authority and education by the Head Office is carried out online using the WhatsApp application. In conducting loan restructuring analysis, employees are required to serve debtors adequately and professionally. The quality of employees can affect loan restructuring decisions. BRI provides several trainings, including Brilliant Specialist Development Program (BDPSP) and Brilliant Banking Officer Program (BBOP) for RM of NPL, as well as

Enhancement Special Request for the Consumer Section, CA (Credit Administration), and RM of NPL for Special Branch Offices (BRI, 2020b). A deeper analysis reveals that this is BRI's effort to improve the quality of employees so that the loan restructuring analysis process produces the right decisions and does not jeopardize the repayment of loans. That way, BRI employees have adequate character, ability, and competence in carrying out loan restructuring policies and still refer to the profit target for each work unit.

Credit Approval Officer of BRI conducts a risk assessment on each debtor's credit. So, the decision on loan restructuring is the responsibility of the Credit Approval Officer. This finding is in accordance with IBI (2015), that Credit Approval Officer must meet the qualifications so that the restructuring process runs smoothly. The alignment of loan restructuring with the personal values component suggests that this component has become one of the important determining factors in creating harmonization of actions from each employee. This component illustrates the harmonization created between functions at BRI which can minimize the level of fraud that is detrimental and harmful during the loan restructuring process.

Information and Communication Component . BRI (2020c) states that its loan restructuring has received a positive response from debtors. There were 57.9% of MSME actors who felt helped and were able to pay off their credit obligations with the loan restructuring stimulus. Debtor satisfaction is inseparable from the communication factor carried out comprehensively by BRI. The online system implemented as a result of the Large-Scale Social Restrictions (PSBB) policy did not become a barrier for BRI to save debtors' credit. Therefore, BRI optimizes digitalization in conducting loan restructuring. In contrast to Dewi (2009) which states that technology is one of the barriers to information and communication systems, BRI managed to utilize technology in establishing and maintaining communication and relationships with debtors.

The rapid development of the digital era has encouraged BRI to strengthen its digital system.

The monitoring function is used to ensure the success of loan restructuring. Monitoring can be done with debtors and/or their families, business partners, and debtor suppliers. This finding is in accordance with Dewi (2009) and Banin (2014) that mismatch of reports and actual conditions can hinder the restructuring process. BRI minimizes this risk by conducting an on-the-spot survey. To minimize such risk, BRI actively continues to develop more effective information and communication systems in maintaining relationships with debtors.

The alignment of loan restructuring with the information and communication components suggests that this component has become one of the important determinants for the loan restructuring analysis process. This component illustrates that the existence of adequate information and communication facilities can help BRI in making the loan restructuring process easier and faster.

The last scheme is Other Party Cooperation Component. Approaches with third parties are needed to overcome obstacles in the loan restructuring process. This finding is in accordance with Dewi (2009) that debtor information is a crucial factor in determining the level of risk. The accuracy of the information affects whether or not a debtor is eligible or bankable. This component is used in assessing their character based on the 6C and 7P principles. Therefore, BRI validates information by collaborating with third parties, such as business partners, family, consultants, suppliers, and other parties.

If analyzed more deeply, BRI's efforts were made because there were indications that the use of credit was not in accordance with the original purpose of applying for restructuring. For example, the misuse of credit relaxation for those affected by Covid-19 by debtors in the palm oil sector. The initial purpose of submitting a loan restructuring application was to improve and save business operations, by developing productive assets (allocation of funds for fertilizer and replanting). However, in reality, the loan was

used for business expansion (buying new land) in which profit is uncertain. The alignment of loan restructuring with the components of cooperation with external parties shows that this component is one of the deciding factors for the success of loan restructuring. This component illustrates if cooperation with external parties is used optimally, it can minimize loan restructuring failures caused by misuse of opportunities by BRI debtors.

The Success of BRI Loan Restructuring During the Covid-19 Pandemic. BRI carries 3 (three) main components as key success factors of BRI's loan restructuring, namely interest rates, extending loan terms, and payment delays. The implementation of these components has a direct impact on improving credit quality and financial performance ratios. For an example of the first scheme is a debtor whose turnover has decreased below 30%. Most debtors were given a stimulus with only one component: a reduction in interest rates or an extension of the credit period. This decision is based on the condition that the debtor can still fulfill his obligations according to the installment amount or loan period specified at the beginning of the initial agreement. An example of a third scheme is a debtor whose turnover has decreased between 50%-70% in the hawker business sector. The proper loan restructuring scheme extends the loan term and lowers interest rates. This decision is based on the results of negotiations between the two parties by considering that debtor's obligations will be fulfilled if a stimulus is given to the number of installments with a more extended period.

Another example of the fourth scheme is a debtor whose turnover has decreased more than 75%, one of which was in the transportation sector. Because of the Community Activity Restrictions (PPKM) policy and the lockdown, their operations were disrupted, triggering profit decline. This causes an impact on the debtor's obligation to pay installments. Under these conditions, the debtor is given a stimulus to extend the loan period, lower interest rates, and delay payments. This decision is based on the consideration if a payment delay is provided for 12 (twelve) months, the debtor will focus more on

saving his business. Therefore, when business prospects get better, debtors can fulfill their obligations. Implementing these components provides more significant incentives for BRI to expand more loans to MSMEs. This can be seen from the debtor's ability to fulfill its loan obligations from 48.9% (without stimulus) to 57.9% (with stimulus) (BRI, 2020c). In addition, these components are in line with OJK's projection that loan growth will increase compared to 2020.

The application of each element can result in a good credit agreement. In line with IBI (2015), a good loan agreement must balance the needs and interests of the bank and debtor. In this case, BRI applies the best practice to optimize loan savings by referring to the net present value. The finding is in accordance with Tenkasi and Kamel (2016) that the emphasis of turnaround is on further development of key resources in the company, such as markets, products, services, and processes, which have a good track record. In line with Smith and Graves (2005), BRI carries out the category of recovery strategy using an entrepreneurial orientation.

This orientation is used when the company's strategy is no longer relevant. BRI made changes to suit the conditions faced by adopting entrepreneurial oriented strategies. The implementation of loan restructuring is one of the steps to recover BRI's financial performance. As states by Smith and Graves (2005), this situation shows a turnaround effort that BRI carries out a recovery strategy using an entrepreneurial orientation. This strategy is used when the company's strategy is no longer relevant. Therefore, BRI must make appropriate changes to the current conditions by adopting entrepreneurial-oriented strategies.

CONCLUSION

This study aims to analyze the determinants of the implementation of loan restructuring policies in the context of recovering financial performance by BRI during the Covid-19 pandemic. One of the critical success factors in dealing with the crisis is BRI's ability to adapt strategies that are adaptive to changes in

government policies. BRI's strategic adaptation has had a positive impact on the implementation of loan restructuring, in the form of ease of access in the implementation of loan restructuring and automation of credit collectibility during the Covid-19 pandemic. The ability to adapt strategies has been proven to increase the loyalty of debtors affected by Covid-19.

The determination of debtor criteria by BRI keeps loan restructuring practices under selective screening. Debtor criteria are used as the basis for BRI in providing loan restructuring decisions that are in accordance with the debtor's condition. This minimizes inefficiencies due to repeated and failed loan restructuring. In addition to the debtor criteria, BRI's loan restructuring cycle helps maintain the quality of credit decisions to remain comprehensive. Thus, the suitability of The debtor's criteria and loan restructuring cycle are critical success factors of BRI's loan restructuring before the loan restructuring policy is set. It makes it easier for BRI to gain confidence that the credit agreement is complete, thereby minimizing bank risk.

BRI carries 3 (three) main components as a determining factor for the success of loan restructuring. The granting of credit decisions is carried out by applying one or more of these 3 (three) components. The combination of components is evidence of the success of loan restructuring, including interest rates, loan terms, and delays in payments. In addition to the main components, there are other components that are supporting factors in BRI's loan restructuring. These components include credit marketing methods, credit guarantees, personal values, information, communication, and cooperation with outside parties. The determination of the main components and support for the implementation of loan restructuring is evidence of BRI's adaptation to the impact of the Covid-19 pandemic.

Limitations in this study come from external factors and internal factors. The pandemic condition limits the space for conducting interviews. Interview sessions with online systems are less able to build strong relationships with respondents. Another

limitation was found in the unit of data analysis. Limitations were found in permitting interviews with the Policy Division. However, the CRR Division has helped in understanding the topic, although it is not done in depth because the topic is not the work capacity of the CRR Division. In addition, the corporate segment is not part of the research object. Therefore, the conclusion of the research regarding the success of BRI's loan restructuring cannot represent the overall achievement of the implementation of loan restructuring at BRI.

This research produces recommendations for various parties. BRI can use this study as material for consideration in formulating further strategies during the transition period when POJK No.48/POJK.03/2020 is revoked, and the regular loan restructuring policy is reinstated as applied before the pandemic. BRI must be proactive in protecting the needs and interests of BRI and debtors. The policy stimulus issued by the regulator will not last forever. Moreover, the stimulus for loan restructuring policy will further narrow the interest income margin in posts. BRI may apply other components with several new elements, such as changes in loan schemes and supplemental loans. However, these 2 (two) components require more robust and in-depth analysis. These components are carried out for debtors with extreme rescue efforts.

Banking industry players can take advantage of BRI's best practices as reference material in determining strategies and policies in the banking sector. Based on the consideration of the bank's internal conditions, BRI's best practice can become the basis of knowledge and provide additional perspectives in formulating strategies and policies. This study is expected to be the basis of analysis to achieve financial performance recovery, a reference for appropriate decision-making on credit risk mitigation, and an alternative source in managing and responding to banking financial performance.

Suggestions are expected to be input for further research in the future. To find out the overall performance of the organization, you can choose all existing segments as objects of research. This is done with the hope that the

conclusions drawn can represent the entire organization. In addition, data collection techniques can be collaborated with observation techniques so as to get more information needed from various work points of view.

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