

SETTLEMENT OF PROBLEM FINANCING THROUGH THE EXECUTION OF MORTGAGE AUCTIONS AT THE STATE WEALTH AND AUCTION SERVICE OFFICE AT BANK ACEH SYARIAH SISINGAMANGARAJA BRANCH OFFICE

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Abstract

The decline in the customer's business triggers non-performing financing where the customer is not good at managing his business so that he cannot fulfill his obligations to pay existing financing, and the lack of prudence in analyzing customer data is also a negligence for the bank so that it increases the amount of non-performing financing every year. This research was conducted in order to find out what factors cause non-performing financing, and how the settlement strategy is in bank aceh syariah. This research uses a descriptive qualitative research method with a case study approach to gain an in-depth understanding of the case under study, namely the settlement of problematic financing in a mortgage auction through KPKNL. While the data source of this research uses primary data, namely those obtained during interviews and observation activities to related informants, while secondary data is in the form of documents and previous literature. The results of the study found that the factors causing problematic financing are internal factors, namely the bank itself, and external factors that exist in the customer service. And the settlement carried out by Bank Aceh Syariah is by deliberation, billing, rescheduling, re-requirement, rearrangement, and execution of collateral.

Keywords: *Problem Financing, Financing Settlement, Mortgage Auction*

INTRODUCTION

According to Syafi'i Antonio, in his book "Islamic Bank: From Theory to Practice," provides a comprehensive view of Islamic banking, namely Islamic banking strictly prohibits usury, which is defined as interest on money lent. This is one of the main pillars that distinguishes Islamic banking from conventional banking. Islamic banking also expressly prohibits usury, which is defined as interest on money lent. This is one of the main pillars that distinguishes Islamic banking from conventional banking.

Islamic banks carry out three main functions which are accepting deposits, lending funds, and fund transfer services. Islamic banking is an important sector in the economy because it increases the economic growth of a country. Islamic banks as capital providers in the form of providing financing by channeling their funds to customers to run a business (Masruroh and Subagiyo 2019). According to research (Wiwoho 2014) The function of this financial institution is to provide services as an intermediary between capital owners and the money market which is responsible for channeling funds from investors to companies that need these funds.

Financing based on sharia principles is the provision of money or bills that are equated with it based on an agreement or agreement between a bank and another party that requires the financed party to return the money or bill after a certain period of time in return or profit sharing. In conducting financing, Islamic banks need a financing analysis so that Islamic banks can be sure that the financing provided can be returned by their customers (Nasution 2018).

So it can be concluded that non-performing financing is financing whose quality is in the substandard, doubtful, and loss categories, where financing is provided by Islamic banks to customers who need funds but in its implementation things happen such as substandard financing, customers have difficulty making installments, installment payments are not on time, and so on so that this can have a negative impact on both parties (Destiana 2018)

According to research (Madjid 2018) Non-performing financing is financing whose quality is in the substandard, doubtful and loss categories. In another sense, non-performing financing is Non-Current Financing ranging from substandard to bad debt.

Table 1. List of Problem Financing of Bank Aceh Syariah KC Sisingamangaraja from 2019 to 2023

No.	Year	Number of customer	Category
1.	2019	51	Macet
2.	2020	81	Macet
3.	2021	92	Macet
4.	2022	133	Macet
5.	2023	141	Macet

Source: interview with Mr. Dicky Syahputra as Legal & PPA officer

Based on the table above, it can be seen that Bank Aceh Syariah's non-performing customers in the last five years have fluctuated every year. In 2019 there were 51 non-performing financing customers in the bad debt category, in 2020 there were 81 people, in 2021 there were 92 people, in 2022 there were 133 people, and in 2023 there were 141 people.

Several studies related to non-performing financing have shown different results. From several research results, it shows that the causes of non-performing financing are caused by internal and external factors, and this is also supported by research (Afifah, Hadiati, and Said 2022), (Sudarto 2020), (Iswandi 2022), (Rahayu and Yuniarti 2023), and (Ibrahim and Rahmati 2017). However, in the research of ibrahim & rahmawati, there are other factors, namely fictitious, which are also supported by the statements of Bank Aceh Syariah employees.

Based on the results of these studies, there are also different treatments. According to the research results (Afifah, Hadiati, and Said 2022) handling of problem financing at KSPPS BMT Bahtera Pekalongan with telephone notifications, giving collection letters, rescheduling, extending the period, extending the installment period, re-requirements, rearrangements, confiscation of collateral and execution of collateral, and will not cooperate with problematic members for the long term.

Research (Sudarto 2020) handling of problematic financing with intensive collection, giving warning letters, rescheduling and restructuring. Research (Iswandi 2022) handling of problematic financing with the stages of collection, restructuring and redemption. Research (Rahayu and Yuniarti 2023) handling of problem financing through (3R) problem financing through rescheduling, reconditioning, and restructuring. Research (Ibrahim and Rahmati 2017) handling of non-performing financing through the on the spot method, collection, subpoena, restructuring, selling collateral, writing off, setting fines, and forming special teams.

However, the results of an interview with an account officer, namely Mrs. Wenmy Andalusia, the factors that cause problematic financing are external factors such as customers misusing financing, disasters outside the customer's power, customers who are not good at managing their business (business) and are also reinforced as the results of interview transcripts with AO: If for internal factors, there are none and for fictitious factors too, we can check it in SLIK so it is minimal, the business wants to go down sometimes the bussines fall down which causes late payments, and for private employees

themselves such as teachers, most of whom are suddenly laid off, but if they are laid off, there will be insurance too but maybe some are not reported, usually business yes if for productive such as companies.

And the results of interviews with legal officers, namely Mr. Dicky Syahputra, the factors that cause problematic financing are internal, external, and fictitious factors and are also reinforced as the results of interview transcripts with Legal & PPA officers: internally, the lack of accuracy in analyzing customer finances which causes customers to be untested in terms of business existence defense in all changes in the global economy, and the lack of periodic monitoring also causes problematic financing. For external factors, it is usually from the agency where the customer works and from the decline in business sales turnover. And this fictitious factor can occur due to external parties who want to benefit by utilizing customers as debtor objects.

At Bank Aceh Syariah Sisingamangaraja Branch Office in handling problem financing, namely through rescheduling, namely changing the customer's payment schedule or time period. Then there are reconditioning, namely changes in part or all of the financing terms without increasing the remaining principal of the customer's obligations to be paid to the bank. Which includes changes in payment schedules, changes in the number of installments, changes in the period of time, changes in the ratio in mudharabah or musyarakah financing, changes in profit sharing projections in mudharabah or musyarakah financing, and / or providing discounts. Finally, restructuring, namely changes in financing terms, which include, among others, the addition of bank financing facility funds, conversion of financing contracts, conversion of financing into medium-term sharia securities, and/or conversion of financing into temporary equity participation in the customer's company. And the last stage is the Mortgage Auction.

In dealing with the problem of customers who experience problematic financing, will make efforts to save the problematic financing by converting the contract. However, not all customers can be converted into a contract, only customers who meet certain qualifications set by Bank Aceh Syariah. Customers who are considered to have the potential to maintain their cooperation with Bank Aceh Syariah KC Sisingamangaraja will be given the conversion option in the event of experiencing problematic financing. Vice versa, customers who according to the assessment are no longer suitable to maintain their cooperation are not given the option of converting financing in the form of restructuring.

The criteria for customers who need attention in restructuring are customers who have decreased payment capabilities and customers have good business potential or clear sources of installment payments and are able to fulfill obligations after restructuring. This kind of customer is one of the considerations in converting the contract. However, for customers who are already unable to pay off their financing, Bank Aceh Syariah KC Sisingamangaraja will take the legal route, namely the auction of mortgage rights.

However, in practice, problems occur when customers who are already in the bad debt category and do not have good faith in paying installments, which have been given by the bank SP 1, 2, and 3 letters to discuss (mediation) related to the settlement of problematic financing, then the last way the bank does is to send a notification letter that the customer's collateral will be registered for auction through KPKNL because the customer does not heed the call from the bank. When the notification letter was sent, the customer came to fulfill the summons and appealed to the bank so that the collateral was not auctioned, in other words, the customer asked for relief, and in the end the bank re-deliberated the customer's request with the board of directors. And the results of the deliberations the bank granted the customer's request not to auction the collateral but the customer must fulfill the conditions that had been deliberated.

There are several auctions that occur at the State Property and Auction Service Office (KPKNL), but there are also some requests from customers and the Bank allows and judging from the customer's ability to continue, the Bank forgives the customer to resume financing. But there are those who give up completely, so they are processed by Bank Aceh Syariah through the State Property and Auction Service Office (KPKNL), before registering with the KPKNL, the bank usually conducts a collateral reassessment

first, and this collateral reassessment is not carried out only when there will be an auction process but every year there will be a collateral reassessment in order to find out the market price of the collateral every year.

And the results of the customer's collateral auction whose Mortgage Rights binding value does not match the market value assessed by a third party such as KJPP and the price of the collateral value is insufficient, the bank will make a commitment to the customer and explain that the price of the collateral is not sufficient to cover the remaining financing, then the bank will make a commitment letter to the customer to complete the shortage of the remaining financing in accordance with the grace period agreed by both parties. If the money from the sale of collateral is excessive, the bank will return it to the customer because the bank only receives the value of its financing obligations.

Based on some of the studies above, it shows that the occurrence of problematic financing is caused by internal, external, and fictitious factors, while the handling of problematic financing has different results between one study and another. These results motivate researchers to reaffirm the results of previously conducted research. With the problems and research gaps above, the researcher is interested in studying more deeply in order to obtain an overview of the factors that cause problematic financing, handling or settlement actions against problematic financing on the object of mortgage rights in this study through the State Property and Auction Service Office.

The similarity between researchers and previous researchers is that they both use field research, and discuss the settlement of problematic financing, but what distinguishes them is the location of the research site and the type used. Researchers use the type of problematic financing settlement in the execution of a mortgage auction through kpkn, while previous researchers only discussed the settlement of problematic financing. Based on the research problems described above, the researchers are interested in researching with the research title Analysis of Problematic Financing Settlement in the Execution of Mortgage Auctions through the State Property and Auction Service Office at Bank Aceh Syariah Sisingamangaraja Branch Office.

LITERATURE REVIEW

Non-Performing Financing

Financing based on sharia principles is the provision of money or bills that are equated with it based on an agreement or agreement between a bank and another party that requires the financed party to return the money or bill after a certain period of time in return or profit sharing. In conducting financing, Islamic banks need a financing analysis so that Islamic banks can be sure that the financing provided can be returned by their customers (Nasution 2018).

Non-performing financing is financing whose quality is in the substandard, doubtful, and non-performing categories, where financing is provided by Islamic banks to customers who need funds but in its implementation things happen such as substandard financing, customers have difficulty making installments, installment payments are not on time, and so on so that this can have a negative impact on both parties (Destiana 2018).

Based on the provisions of article 12 paragraph (3) of Bank Indonesia Regulation No. 7/2/PBI/2005 concerning the assessment of the quality of bank assets, the quality of financing is divided into 5 (five) collectibilities consisting of: current, special mention, substandard, doubtful and loss financing. This is assessed based on the customer's financial condition and ability to pay their obligations (ISWI HARIYANI, 2010).

Problem financing according to the Islamic view is a situation where the customer does not keep the financing schedule and does not fulfill the conditions stated in the agreement. So it can be concluded that non-performing financing is financing whose quality is in the substandard, doubtful, and non-performing categories, where financing is provided by Islamic banks to customers who need funds but in

its implementation things happen such as substandard financing, customers have difficulty making installments, installment payments are not on time, and so on so that this can have a negative impact on both parties (Anggreni, Syakir, and Anggraini 2024).

Customers can be categorized as defaults if they have entered collectability 3 (doubtful) where customer handling will be taken over by the legal & PPA team. According to Bank Indonesia in PBI No. 7/2/PBI/2005 (Gubernur Bank Indonesia 2005) The assessment and quality of financing is divided into 5 (five) collectability categories, namely:

1. Current (collectability 1) is financing that has no margin or principal installments in arrears, and loans or installments are paid when not due or on time. Future installment payments are expected to be smooth or on schedule or not in doubt.
2. Sub-standard (collectability 2) is financing in which margin payments and principal installments may be or have been disrupted due to unfavorable changes in the customer's finances, either due to adverse economic or political policies. At this stage there is no apparent loss to the bank.
3. Doubtful (collectability 3) is financing in which the entire loan payment is in doubt, so that it has the potential to cause losses to the bank, it is just that the size of the loss and its timing cannot yet be determined. Careful and appropriate action must be taken to minimize losses that may occur
4. Bad debt (collectability 4) is financing that is considered uncollectible, the bank will bear the loss on the financing provided. From the above categories, financing can be divided into problem financing and non-problem financing. Financing is not problematic if it is included in the current category, while what is called problematic financing if it is included in the substandard, doubtful, and loss categories.
5. Bad debt (collectability 5) is the lowest collectability classified as Non-Performing Loan (NPL) which represents principal and interest installments not paid by the debtor with delinquent principal and/or interest payments of more than 180 days.

In general, the problem of bad financing is influenced by causal factors, these factors are internal factors. According to Nova Sari's research (Sari 2014) The factors that cause problematic financing from internal factors include the lack of technical ability of employees, the bank is too pursuing targets, imperfect customer financial evaluation and weak customer supervision and monitoring. According to research (Rakhmawati and Makhrus 2021) The external factors of non-performing financing are the decline in the customer's business or income, the customer's character changes, the customer adds to the financing burden elsewhere, and the misuse of financing funds. According to research (Mustaidah and Fauzan 2021) Fictitious financing is the manipulation of financing applications or deliberate fraud committed by users/customers in taking financing. This happens when the user/customer applies for financing, but the designation is for someone else.

Problematic Financing Resolution

Resolving problematic financing is an important thing to do in financing at Bank Aceh Syariah in order to avoid defaults that can harm the company. So that with that there are several strategies carried out by Bank Aceh Syariah to overcome the problem of problematic financing. The settlement of non-performing financing at Bank Aceh Syariah requires strategic steps in accordance with the operations of Bank Aceh Syariah. There are several resolution efforts that can be made such as:

1. Deliberation

Deliberations are carried out if the customer is still in good faith and has the willingness to pay his obligations. The bank will survey the field to see if the customer's business is really

experiencing difficulties. This step is taken first before resolving through legal institutions (Husna 2023)

- a. Billing
 - b. Provide a summons letter SP. I, SP 2 and SP 3 to discuss financing settlement
 - c. Collecting directly door to door to the customer's house
 - d. Send a notification letter that the customer's collateral will be registered for auction because the customer does not heed the call from the Bank.
2. Rescheduling
Rescheduling financing is one of the ways that can be done in reducing the number of problematic financing. (Akbar 2023)
 3. Restructuring
Has the meaning of securing financing by changing some parts or all of the conditions between the bank and the customer in financing. This rescue effort is intended to adjust the customer's ability with conditions that facilitate the customer, namely changes in payment schedules, time periods, profit sharing rates, and so on. (Dela and Anggraini 2021).
 4. Restructuring
Changes in financing terms that involve the addition of financing facilities and the conversion of all or part of the arrears of margin installments into new financing principal which can be accompanied by rescheduling or re-requirements. This is done by adding (top up) financing. This is done if the customer's business still has the potential to grow, while the customer is experiencing obstacles due to disasters or other things that affect the customer's business (Afifah, Hadiati, and Said 2022)
 5. Execution of Collateral
After the restructuring process has been carried out by Bank Aceh Syariah, but it cannot save problematic financing, the next method used by Bank Aceh Syariah in resolving problematic financing is by taking over collateral or confiscating customer collateral.

Mortgage Auction

Regulation of the Minister of Finance of the Republic of Indonesia Number 93/PMK.06/2010 article 1 Auction is the sale of goods open to the public with written and/or oral price offers that increase or decrease to reach the highest price, which is preceded by an Auction Announcement (Lelang 2010).

Mortgages is an institution of land security rights that serves as a guarantee for the repayment of the debtor's debt to the creditor in connection with the loan/credit agreement concerned. Mortgage rights are indivisible, unless agreed in the Deed of Granting Mortgage Rights. Mortgage Rights can be encumbered on Property Rights, Business Use Rights, and Building Use Rights, as well as Use Rights on State land which according to applicable provisions must be registered and by their nature can be transferred.

The granting of Mortgage Rights must fulfill the specialty requirements, such as the name and identity of the holder and grantor of the Mortgage Rights, the domicile of the parties, a clear designation of the debt or debts secured by the Mortgage Rights, the value of the mortgage, and a clear description of the object of the Mortgage Rights. Mortgage Rights have an executorial title with the words "For the Sake of Justice Based on God Almighty" contained in the Mortgage Rights Certificate. The execution of the Mortgage Right is carried out like the execution of a decision that has permanent legal force, and the sale of the object of the Mortgage Right can be carried out under the hand if it will obtain the highest price that benefits all parties (Menteri Keuangan Republik Indonesia 2016).

The legal basis for buying and selling auctions has existed since the time of the prophet Muhammad SAW and is allowed as the hadith below:

حَدَّثَنَا هِشَامُ بْنُ عَمَّارٍ حَدَّثَنَا عَيْسَى بْنُ يُونُسَ حَدَّثَنَا الْأَخْضَرُ بْنُ عَجْلَانَ حَدَّثَنَا أَبُو بَكْرِ الْحَنْفِيُّ عَنْ أَنَسِ بْنِ مَالِكٍ أَنَّ رَجُلًا مِنَ الْأَنْصَارِ جَاءَ إِلَى النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يَسْأَلُهُ فَقَالَ لَكَ فِي بَيْتِكَ شَيْءٌ قَالَ بَلَى جِلسٌ تَلْبَسُ بَعْضُهُ وَنَبْطٌ بَعْضُهُ وَقَدْخٌ نَشْرَبُ فِيهِ الْمَاءَ قَالَ اثْنَيْنِ بِهَيْمًا قَالَ فَأَتَاهُ بِهَيْمًا فَأَخَذَهُمَا رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ بِيَدِهِ ثُمَّ قَالَ مَنْ يَشْتَرِي هَذَيْنِ فَقَالَ رَجُلٌ أَنَا أَخَذَهُمَا بِدِرْهَمٍ قَالَ مَنْ يَزِيدُ عَلَيَّ دِرْهَمٍ مَرَّتَيْنِ أَوْ ثَلَاثًا قَالَ رَجُلٌ أَنَا أَخَذَهُمَا بِدِرْهَمَيْنِ فَأَعْطَاهُمَا إِيَّاهُ وَأَخَذَ الدَّرْهَمِينَ فَأَعْطَاهُمَا الْأَنْصَارِي

"Hisham ibn Ammar reported that Isa ibn Yunus reported that Al Akhdlar ibn Ajlan reported that Abu Bakr al Hanafi reported that Anas ibn Malik reported that an Ansar man came to the Prophet (peace and blessings be upon him) and asked him. So he asked him: "Is there anything in your house?" He replied, "Yes. A saddle that we partly wear and partly spread out, and a glass that we drink water from." He said: "Give them to me." Anas said: "The man brought them until the Messenger of Allah (blessings and peace of Allah be upon him) took them in his hand and said: "Who wants to buy these two things?" A man said, "I will buy them for one dirham!" He asked again: "Who wants to add to it?" He repeated the question two or three times. Then a man said, "I will buy it for two dirhams." He then gave it to him, asked for the money, and gave it to the Ansar friend.

RESEARCH METHOD

To analyze the data using the field research method with a qualitative approach, the author uses a descriptive analysis method. This method includes several steps, namely formulating and interpreting the data obtained, compiling and clarifying the data, as well as analyzing and presenting it to provide a clear picture of the resolution of problem financing through the execution of a mortgage auction. The following are the detailed steps taken and the rationale behind using a qualitative approach: Data Collection Methods: First, Interviews; Conducting semi-structured interviews with key stakeholders such as financing account officers, legal and asset rescue officers and financial analysts. Interviews allow researchers to gain deep insight into participants' experiences and perspectives regarding the resolution of non-performing loans. According to Sugiyono (Sugiyono 2017) interviews are used as a data collection technique if you want to conduct a preliminary study to find problems that must be researched and also if the researcher wants to know things from respondents that are more in-depth and the number of respondents is small. Second, Observation; Participate in or observe daily operational activities at Bank Aceh Syariah Sisingamangaraja to understand the resolution of problematic financing. Non-participant observation can provide contextual understanding and reveal dynamics that may not be visible through interviews alone.

According to Fuad (Fuad and Nugroho 2014) documentation is one of the secondary data sources needed in a study. Studies are prepared because of a request from a researcher. Furthermore, documentation studies can be interpreted as data collection techniques through written materials published by the institution that is the object of research. Researchers use documentation techniques in data collection on the grounds that with documents, the necessary data will be easier to obtain from the research site and information through interviews will be more clearly proven in the form of documents. In this study, researchers used the data analysis technique from miles Huberman, namely:

1. Data Reduction

Data reduction is defined as the process of selecting, focusing on simplifying, abstracting, and transforming “rough” data that emerges from written notes in the field. In this study, researchers collected data from various interviews with research sources.

2. Data Presentation

Data presentation can also be interpreted as a process of making reports on the results of data and information that has been found by researchers. In this study, researchers tried to present data related to the results of interviews with research sources on what was considered to be a problem in the study.

3. Drawing Conclusions / Verification

In this study, researchers drew conclusions on the data that had been obtained from interviews, observations, and documentation from Ms. Wenmy Andalusia as a financing account officer, and Mr. Diki Syahputra as a legal team & asset rescue.

Conclusions were also verified throughout the research. The verification may be as brief as a thought that passes through the analyzer's mind as he writes, a review of the field notes.

RESULTS AND DISCUSSION

There are several auctions that occur at the State Property and Auction Service Office (KPKNL), but there are also requests from customers and the bank allows and judging from the customer's ability to continue, the Bank forgives the customer to resume financing. But there are those who give up completely, so they are processed by Bank Aceh Syariah through the State Property and Auction Service Office (KPKNL).

Factors of Problem Financing

Problem financing is often found in Islamic banks which can be caused by internal factors, namely the bank itself, external factors, namely from customers, as well as fictitious factors where there are parties who want to take advantage on behalf of others. The factors that cause problematic financing are as follows

1. Internal Factors

Factors causing the occurrence of non-performing financing from an internal perspective include lack of accuracy in analyzing customer finances and weak periodic monitoring of customer businesses. In-depth financial analysis causes customers to be untested in maintaining their business existence in the midst of various changes in the global economy. In addition, inadequate monitoring prevents the bank from knowing the progress of the customer's business in a timely manner, making it difficult to identify and overcome obstacles that may arise. Efforts to increase the accuracy of analysis and strengthen periodic monitoring are essential to minimize the risk of non-performing financing and ensure the sustainability of the customer's business.

2. External factors

Fluctuations in business often lead to late payments by customers, especially when their business is in decline. For private sector employees, such as teachers, sudden termination of employment (PHK) is also a contributing factor to late payments. While there is usually insurance that can help in cases of layoffs, not all instances are reported or claimed. Meanwhile, productive businesses, such as stable companies, tend to be better able to meet their payment obligations. It is important to pay attention to these dynamics in order to manage financing risks more effectively and ensure proper support for customers facing difficulties.

3. Fictitious factors

Fictitious factors in financing can occur when external parties try to gain profits by utilizing customers as debtor objects. However, to date, we have not encountered any cases of fictitious financing as we apply a very strict selection process. These meticulous preventive measures aim to ensure the integrity of every transaction and protect the interests of customers and financial institutions from potential fraud.

The results of the interview with the Account Officer, Ms. Wenmy Andalusia, show that non-performing financing is caused by external factors only. Some of these external factors include misuse of financing by customers, disasters that occur beyond the control of customers, and the inability of customers to manage their businesses. Ms. Wenmy also stated that there are no internal factors that cause non-performing financing, and fictitious factors are minimal as they can be checked in SLIK. She also highlighted that business downturns or sudden layoffs of private employees, such as teachers, can cause delays in payments. Although there is insurance for those laid off, not all of them may be reported.

Meanwhile, the Legal Officer, Mr. Dicky Syahputra, revealed that non-performing loans are caused by internal, external, and fictitious factors. According to him, internal factors include a lack of accuracy in analyzing the customer's finances, which results in the customer being unable to maintain business existence in the midst of global economic changes, as well as a lack of regular monitoring. External factors usually come from the agency where the customer works and a decrease in business sales turnover. In addition, fictitious factors can occur due to external parties who want to benefit by utilizing customers as debtor objects.

Thus, it can be concluded that non-performing financing at Bank Aceh Syariah is caused by various interrelated factors, both from external and internal aspects. It is hoped that the Bank will be more careful in analyzing more deeply and tighter monitoring in order to minimize the occurrence of non-performing financing which will cause its own losses for the bank.

Strategy for Resolving Problem Financing

Based on the results of research and interviews with the Financing Account Officer and Legal & PPA officers, Bank Aceh Syariah KC Sisingamangaraja has several policies to resolve problematic financing, namely:

1. Deliberation

Deliberation is carried out if the customer still has good faith and willingness to pay his obligations. The bank will conduct a field survey to ensure that the customer's business is really experiencing difficulties. This step is taken before considering settlement through legal channels.

2. Billing

- a. Provide summons letter SP. I, SP 2, and SP 3 to discuss the settlement of financing.
- b. Collecting directly door to door to the customer's house.
- c. Sending a notification letter that the customer's collateral will be registered for auction if the customer does not heed the call from the bank.

A statement from Ms. Wenmy, as the financing AO, supports this step: "For collection of collection 1, 2 in each AO division, the obstacle is that customers cannot be contacted, customers who do not live in Medan, and customers outside the city who are difficult to find."

3. Rescheduling

The rescheduling process depends on the decision of the financing committee and is seen from the customer's current payment ability. Rescheduling is done if the customer is unable to pay according to the initial contract but can pay according to current business income. Mrs. Wenmy explained, "Rescheduling is done once a year if the customer is due and has not been able to pay

the principal or profit sharing. The extension is only limited to two times, after which it is changed to installments and the customer's ability to pay is seen again."

4. Re-requirements

Changes in part or all of the terms of financing without increasing the remaining principal of the customer's obligations. This includes changes to the payment schedule, the number of installments, the period of time, the ratio in mudharabah or musyarakah financing, the projection of profit sharing, and/or the provision of discounts.

5. Restructuring

Changes in financing terms that involve the addition of financing facilities and the conversion of all or part of the arrears of margin installments into new financing principal, which can be accompanied by rescheduling or re-requirements. These changes include:

- a. Addition of bank financing facility funds.
- b. Conversion of the financing contract.
- c. Financing is converted into temporary equity participation in the customer's company.

Mrs. Wenny added, "For rearrangement, we re-check everything or add a new ceiling and pay off the old one, but this can add to the problem, so it's better to do restructuring."

6. Execution of Collateral

If restructuring cannot save the non-performing financing, Bank Aceh Syariah will take over or confiscate the customer's collateral. For customers who remain unable to pay after restructuring, the bank will execute the collateral amicably through mediation. If there is no good faith from the customer, the collateral will be sold through the State Property and Auction Service Office (KPKNL). Ms. Wenny explained that the reason the collateral was auctioned was because the customer's business was having problems, so they did not deposit the money that should have been paid to the bank. Before conducting the auction, the bank held deliberations with the customer. If the customer does not show good faith, then the bank sells the collateral to the KPKNL, if the collateral is not sold at the State Property and Auction Service Office (KPKNL), we withdraw the collateral and sell it under hand.

Based on the results of the research findings above, the strategy for resolving problematic financing through the execution of a mortgage auction at Bank Aceh Sisingamangaraja Branch Office is to execute auctions for the existing problem categories, namely mild, moderate and severe categories of all types of financing that can face all forms of problematic financing. To avoid problematic financing, the first step used by the Bank is by analyzing prospective customers who will apply for financing. Employees are expected to be able to read the characteristics of a prospective customer, because if employees accept customers who have bad characters, it will hinder the work process at the Bank and will cause problems in financing. In accordance with the regulations stipulated by Bank Indonesia Number 3/10/PBI/2001 concerning the Application of the Know Your Customer Principle to face all business risks and always apply the precautionary principle. According to my analysis as a writer, the regulations made by Bank Indonesia regarding the prudential principle towards customers must be applied by all banks to prevent problematic financing or risks that will occur, so it is necessary for employees to be aware of the importance of these regulations.

According to my analysis of financing products that often occur problematic financing at Bank Aceh Syariah, namely financing in large amounts, so what must be done by the Bank is to be able to analyze prospective customers who will conduct financing at Bank Aceh Syariah. The causes of non-performing financing for now there are two factors, the first is involuntary, namely from external factors, such as disasters that befall customers suddenly, such as house fires, earthquakes, accidents or death of

customers, businesses that were established went out of business, customers were laid off so that customers have not been able to pay the bank which resulted in default. And there are also deliberate factors, namely customers who deliberately run away without paying and disappear without their identity being found, this also happens a lot and causes losses incurred both for the Bank and other customers. In my opinion, a very large number of factors occur because of a disaster that causes the customer to default, and what the Bank should do in my opinion is a new regulation that requires customers to provide reasons that cause customers not to make payments.

To overcome problem financing, the Bank has entered into an agreement at the beginning of the contract with the customer. If the customer cannot pay in one month, the Bank will contact by telephone and ask what caused the customer to not be able to pay, if the customer concerned is cooperative and can promise when he will pay, the Bank will give time or what is commonly called restructuring. Second, if the customer is still unable to make payments in the following month without clear reasons and there is no confirmation regarding the delay in paying, the Bank will give a warning in the form of a visit to the customer's home by directly ascertaining how the customer's condition is, if it is experiencing an accidental disaster the Bank will still provide restructuring but if there is no good reason then the customer is required to pay immediately. And finally, if the customer in the following month is still unable to pay for improper reasons, the Bank will immediately appeal to the customer regarding the existence of problematic financing carried out by the customer. And if the Bank's appeal is accepted by the head office, the Bank can auction off the mortgage rights used as collateral for the customer. Here the Bank must have suffered a loss because it auctioned at a price that was certainly lower than the market price, which meant that it was sold immediately and the proceeds were used to sell the mortgage.

Bank employees who handle defaulting customers or problem financing are financing account officers if the customer is in collectability 2 and will be taken over by the Legal & PPA Division for customers in collectability 3 to 5 whose job is to find out about the truth of the customer why they have bad credit which hampers the financing process at the Bank. After that, the Account Officer reports to the section head of the financing division and the head of the financing section who will report the results of the visit to the leadership regarding the truth of the customer and the leadership will make a decision on how to resolve it.

The losses experienced by the Bank due to the immediate auction process which is certainly a relatively lower selling price, not only the Bank, the customer will also experience losses because this problematic financing results in his name being blacklisted at the Bank and automatically the goods or collateral that are collateral in the Bank become the property of the Bank which is used to settle customer arrears. The results of an interview with Mr. DA who experienced congestion when taking financing with a plafond of Rp. 600,000,000.00 and experienced default so that the mortgage in the form of a 4-door boarding house certificate with a land area of 450 M2 and a building area of 64 M2 with a price that has been retaxed collateral by the legal & PPA division worth Rp. 456,000,000.00. 456,000,000.00 located on Jl. Batang Kuis Village Pasar V Kebun Kelapa Kec. Beringin Kab. Deli Serdang, where the customer himself said that the price of the collateral sold was too low but he agreed in order to pay off the financing taken. In my opinion, all employees should be required to be aware of the existence of problem financing even though there is a bank in charge of handling it, so as to facilitate the process of resolving problem financing.

So it can be seen that Bank Aceh Syariah suggests deliberations with related parties to resolve problematic financing, and for customers who are unable to pay, the bank will execute a mortgage auction. In the implementation in the field, before submitting an application for auction to the (State Wealth and Auction Service Office), the bank has made proper warnings to debtors who have bad credit. This is evidenced by the first, second and third warning letters, which must be attached when submitting an application for auction. If after the summons there is no good faith from the customer to fulfill his

obligations and there are no reasons that can be taken into consideration, such as overmacht circumstances, then the customer is declared in default. Based on this condition, the bank then submits an application for auction to State Wealth and Auction Service Office to determine the implementation of the auction.

The Mortgage Auction can be carried out if there is an application from the auction applicant and the file has been declared complete and procedurally correct. In the procedure for submitting a Mortgage Rights auction, the bank must submit a letter requesting the determination of the auction schedule which is equipped with special documents. These documents include a photocopy of the financing agreement, a photocopy of the certificate of mortgage rights and the deed of granting mortgage rights, a photocopy of the certificate of land rights encumbered by the mortgage rights, a photocopy of the details of the customer's debt, a photocopy of the warning letter, a statement letter from the bank as the auction applicant stating responsibility in the event of a civil lawsuit and/or criminal prosecution, and a photocopy of the collateral valuation report.

Sometimes, situations occur where the value of the Mortgage Rights (HT) binding does not match the market value assessed by a third party, such as the Public Appraisal Services Office. If the collateral value is insufficient to cover the remaining financing, the bank will make a commitment with the customer and explain that the price of the collateral is not sufficient to pay off the remaining financing. The bank will draw up a commitment letter to the customer to settle the shortfall of the remaining financing in accordance with the deadline agreed by both parties. If the proceeds from the sale of mortgage rights exceed the remaining installments, the bank only receives the value of the financing obligation, and the rest will be returned to the customer.

This analysis shows that Bank Aceh Syariah has structured and transparent procedures in handling non-performing loans. By providing adequate warnings, ensuring that documents are complete at auction, and making clear commitments regarding the value of the collateral, the bank seeks to maintain fairness for both banks and customers. These procedures also help to minimize risks and ensure that the auction process runs in accordance with applicable rules, while providing the best solution in resolving non-performing loans.

CONCLUSION

It can be concluded that the factors causing problematic financing are internal and external factors. External factors occur due to the decline in business and unilateral termination of employment is the cause of non-performing financing where the customer no longer has the income to pay the financing he applied for at the bank, so the impact that occurs is delinquency in payments. Therefore, Bank Aceh Syariah strives for customers so that they do not experience congestion by providing restructuring for customers who are considered capable of continuing payments and auctioning collateral for customers who cannot be saved from their financing, are not in good faith and are unable to pay at the State Property and Auction Service Office. Internal factors occur from the bank which is the lack of prudence in analyzing customer data so that there is no possibility that can cause losses. The settlement carried out by Bank Aceh Syariah is by conducting deliberations, billing, rescheduling, re-requirements, rearrangement, and execution of collateral.

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