



## Rescue of Non-Performing Credit in Post Pandemi Covid-19 Village Credit Institutions in the Adat Ped Village, Nusa Penida District, Klungkung Regency

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### ARTICLE INFO

### ABSTRACT

#### Keywords

Tourism  
COVID-19  
Cedit  
Law

The tourism business is the mainstay of the Small Island of Nusa Penida as an inseparable part of the Island of the Gods, Bali. The existence of the COVID-19 Pandemic has made Bali tourism and is no exception also an impact on the tourism business in Nusa Penida. The people's economy in Nusa Penida experienced very severe shocks and even eroded almost all economic sectors; including the impact on the financial services sector owned by a traditional village called The village credit institution (The Village Credit Institution). The aim research is to know how are the efforts to save problem loans carried out by the Management of The Village Credit Institution Desa Adat Ped in the post-Covid-19 pandemic era. This legal issue will be studied using a normative legal approach complemented by a sociological approach carried out by The Village Credit INSTITUTION administrators throughout the Nusa Penida sub-district, Klungkung regency - Bali. Normative legal theory is concerned with the ends and justifications for the law as a whole and for particular legal rules. The result shows that Through Restructuring, namely efforts in the form of changing the terms of the credit agreement or converting all or part of the credit into company equity, which is carried out with or without Rescheduling and/or reconditioning.

How to cite: I Nyoman Sujana, Putu Ayu Sriasih Wesna, & I wayan Kartika Jaya Utama. (2022). Rescue of Non-Performing Credit in Post Pandemi Covid-19 Village Credit Institutions in The Adat Ped Village, Nusa Penida District, Klungkung Regency . Law Doctoral Community Service Journal, 2 (1), 36-42

### 1. INTRODUCTION

Ecotourism has been introduced in many areas with a high natural value to create a synergy between environmental conservation and local development. However, ecotourism initiatives that are socially and environmentally sustainable frequently struggle to achieve economic viability (Neger 2021). Both in wealthy and developing countries, tourism is an effective way to boost rural economies (Hall and Page 2014). Communities are made up of people who live in close proximity to one another and who share common racial or ethnic origins or cultural beliefs (Rasoolimanesh and Jaafa 2016). Collaboration among its members to achieve a common objective and improve the community is the basis of community involvement.

During the COVID-19 pandemic, the tourism industry in Bali and small islands like Nusa Penida, Nusa Ceningan, and Nusa Lembongan hit rock bottom. The COVID-19 pandemic has

devastated the economies of rural people who only rely on tourist visits. This situation continues even though the COVID-19 pandemic is starting to recover. Even though tourist visits have started to increase along with Bali being trusted as the host of the G-20, the income of the people in Nusa Penida is still just enough to meet their daily needs. In contrast, it still needs to be optimal for paying debt obligations at the the village credit institution. The economy of rural communities in Nusa Penida has started to improve, even though it is still restoring the confidence of tourism business players due to the trauma of COVID-19.

The economy has abruptly stopped due to the coronavirus (COVID-19) outbreak. High numbers of non-performing loans (NPLs), or loans in or near default, are likely to result from this. Because they harm bank balance sheets, slow credit expansion, and postpone economic recovery, high levels of NPLs are an issue (Aiyar

et al. 2015). After the 2008–2012 crisis, persistently high NPL ratios were a concern in a number of European nations, and the COVID–19 epidemic may bring this issue back.

Along with the situation and the purchasing power of the people of Nusa Penida due to the impact of COVID-19, in terms of carrying out daily the village credit institution operations, the village credit institution Management is obliged to be extra careful in extending credit to customary village residents who need it, because the national economy has not yet recovered. Particularly in Bali, including Nusa Penida, Lembongan, and Ceningan, which rely solely on the tourism industry. The challenges of managing the village credit institutions in the post-pandemic COVID-19 era are getting tougher, bearing in mind that there is no certainty when this pandemic will pass and that it will not give rise to new types of variants that create anxiety for tourism business players.

The village credit institution is an institution established for the benefit of public services, especially in the economic sector in the village with the aim of improving the welfare of the Pakraman village community itself with Governor Decree (SK) No. 972 of 1984 concerning the Establishment of Village Credit Institutions in the Province of the First Level Region of Bali (Putri 2015). The village credit institution, as the spearhead of the economic empowerment of traditional villages, is required to maintain its operational existence to avoid non-performing loans. Because the purpose of establishing an The village credit institution is to help strengthen the economy of conventional village communities, in the event of problem loans, credit settlement is not necessarily carried out, but credit rescue measures are taken. So that the noble purpose of establishing the the village credit institution is to provide happiness for all the people of the Traditional Village without discriminating between capable and disadvantaged family clans. Related to this, the Tri Hita Karana philosophy should be applied to create a balance in traditional villages.

According to Nurjaya, dkk. (2011), the village credit institution is a Village Credit Institution in Pakraman Village within the Province of Bali which is recognized and confirmed in a legal status by a Regional Regulation (Perda) as a form of financial business, with a special nature, because it only carries out business activities within the Village area.

Tri Hita Karana comes from the words Tri, Hita, and Karana. "Tri" means three, "Hita" means prosperous, good, happy, happiness sustainable, and "Karana" means the cause. So Tri Hita Karana means the three elements that cause the growth of goodness and prosperity. Thus Tri Hita Karana is a concept of welfare in the life of the people of the Island of the Gods/Bali-Indonesia, which consists of Parahyangan, Lemahan, and Pawongan. This conception is not unique but has universal values for life for Balinese-Indonesian people and people who exist on earth (Seregig, Hartono, and Waskito 2020). The Balinese-Indonesian people who are primarily involved in tourism have institutionalized this Tri Hita Karana philosophy in their business practices. For example, this can be seen from the element of weakness, where tourist areas that rely on ecotourism and their infrastructure have been maintained sustainably for future generations. Came in Likewise, the relationship between humans and other humans g one as the application of the Pawongan concept, in which Bali-Indonesian tourism actors have framed their business in good faith, where the Balinese who incidentally adhere to the majority of Hinduism in their daily lives have carried out their business by implementing a relationship of trust based on good faith. Do not like to hurt and believe in the "Law of Karmapala."

The local wisdom of the Balinese people, who are Hindus, is part of a culture that has significantly diverse forms. The diversity of local learning consists of values, rituals, folklore, ethics, aesthetics, orders, and prohibitions (Hartono 2017). These various forms of local knowledge are still alive. They become part of the behavior of the Balinese people in general because, according to belief, the Balinese people still believe in the existence of the karmapala law, where if we do good, we will get good results, and vice versa if we do evil or bad intentions. The results will not be good, so even in the tourism business world, local wisdom values are reflected in Hindu religious teachings such as Tri Kaya Parisuda, Catur Purusa Artha, and the teachings of Tat Twam Asi. , the very dominant influence in their business world. This includes entering into a credit distribution agreement by the the the village credit institution.

In connection with the distribution of credit to the community or customary village residents during the COVID-19 pandemic era, many

problem loans have continued to date. Even though the Covid-19 pandemic has begun to subside, the problem of saving credit is still an obstacle in traditional villages. The problem loans experienced by the the the village credit institution in the Adat Village Ped are faced with a dilemma, namely between saving the the village credit institution to maintain the existence of the the the village credit institution sustainably on the one hand, while on the other hand the the the village credit institution management is faced with the condition of the community or krama of the adat village itself who have lost a lot of jobs due to the COVID-19 pandemic, it is tough to be able to fulfill its obligations to the the village credit institution. In this case, the the the village credit institution management is increasingly confused in choosing between "rescue" and "settlement". The aim research is to know how are the efforts to save problem loans carried out by the Management of the the village credit institution Desa Adat Ped in the post-Covid-19 pandemic era.

## 2. METHOD

This legal issue will be studied using a normative legal approach complemented by a sociological approach carried out by the the village credit institution administrators throughout the Nusa Penida sub-district, Klungkung regency - Bali. Normative legal theory is concerned with the ends and justifications for the law as a whole and for particular legal rules.

## 3. RESULTS AND DISCUSSION

*"Kredit adalah penyediaan uang atau tagihan yang dapat dipersamakan dengan itu, berdasarkan persetujuan atau kesepakatan pinjam-meminjam antara bank dengan pihak lain yang mewajibkan pihak peminjam untuk melunasi utangnya setelah jangka waktu tertentu dengan jumlah bunga."*

"Credit is the provision of money or bills that can be equated with it, based on a loan agreement or agreement between the bank and another party that requires the borrower to pay off the debt after a certain period of time with an amount of interest."

Along with the evolution of financial transactions in the globalization era and the impact of the COVID-19 pandemic, which has resulted in greater integration of financial

products and services provided by banks and the village credit institution, this does not rule out the possibility of problem loans. Credit is classified according to the following criteria:

1. current credit;
2. substandard credit;
3. special mention credit;
4. doubtful credit; and
5. bad credit.

Non-performing loans are substandard, doubtful, and have bad credit. In the COVID-19 pandemic situation, until the pandemic subsides, it also does not reduce the occurrence of non-performing loans at the village credit institution. This is caused by a decrease in the purchasing power of the village community or customary village residents who only rely on the tourism business. Even though prevention efforts have been made so that credit does not become problematic, it is possible that credit defaults also occur due to specific reasons. If credit has become problematic like that, then, first of all, the village credit institution will consider and look for efforts to save it through a credit rescue program. These efforts are made before the the village credit institution takes measures called credit collection (Sjahdeini 1993).

The village credit institution will only make efforts to save credit if the the village credit institution feels confident that the debtor's business, primarily customary village residents themselves, still have prospects and good faith to cooperate with the village credit institution in resolving the problem loans. However, if these two things are not there, then the the village credit institution will immediately make efforts to settle the credit. The following will describe several credit rescue efforts and efforts to resolve them (Sukandia 2019).

### 3.1 Credit Rescue

#### 3.1.1 efforts.

What is meant by the efforts of the the village credit institution, which are called credit rescue, are the actions of the village credit institution to relaunch "non-performing loans" to return to "current credit" so that they can pay back to the village credit institution, both interest and principal. The efforts to save credit that can be made are:

1. Rescheduling, which refers to efforts to change the terms of the credit agreement regarding the credit repayment schedule

or credit period, including the grace period, whether or not changes in the amount of installments are included.

2. Reconditioning, namely efforts to make changes to some or all of the terms of the credit agreement, which are not limited to changes to the installment schedule and credit period. However, this change is without providing additional credit or converting all or part of the credit into company equity.
3. Restructuring, namely efforts in the form of changing the terms of the credit agreement or converting all or part of the credit into company equity, is carried out with or without rescheduling and/or reconditioning.

### 3.1.2 *Some problems*

The village credit institution efforts to think about and find ways to be able to carry out a credit rescue program often collide with the following difficulties:

1. The business prospects of debtor customers are still good, but debtor customers are showing a reluctance to be invited to cooperate by the the village credit institution to work on the rescue program. For example, customers are reluctant to replace personnel in the management of the company/business run by the debtor.
2. Difficulties in finding business partners who are willing and able to provide additional capital (fresh money), even though the business prospects and cooperation of debtor customers are good.
3. Difficulties in finding buyers in selling unproductive debtor customer company assets to improve the company's financial structure.
4. In the case of syndicated loans, it isn't easy to obtain agreement from the village credit institution participating in the syndication regarding the terms of saving credit.
5. After the rescue program has been approved and set forth in the agreement, the debtor customer turns out to be unable to fulfill the obligations found to be the terms of credit rescue.

### 3.2 *Credit Collection*

If, according to the village credit institution's considerations, it is impossible to save the

problem loans so they can return smoothly through the rescue efforts described above, and eventually, the credits become defaulted, then the village credit institution the village credit institution will take collection actions for the bad loans. What is meant by efforts to collect non-performing loans are the village credit institution efforts to recover payments, both from debtor customers and or from guarantors, on the village credit institution loans that have become problematic with or without liquidating their collateral.

The village credit institution can make several attempts to settle or collect bad loans in the following ways:

#### 1. Collateral Execution :

If the debtor's business has stalled and the debtor customer has no other sources to repay the credit, the village credit institution will execute the credit collateral under its control.

The binding of collateral items is carried out in the form of mortgages, pledges, and f.e.o. under the legal structure of binding—specifically, the binding of collateral that grants the village credit institution preferential rights. The binding is usually done in a cessie (transfer of receivables) for accounts receivable. Sometimes the collateral items are bound by the village credit institution, not with mortgages, mortgages, or f.e.o and but only by obtaining the power of attorney to sell from the debtor customer.

Suppose the collateral is in the form of a guarantee from a third party (bortocht), either in the form of a personal promise or a corporate contract. In that case, the village credit institution will contact the guarantor to pay off the bad credit of the guaranteed debtor customer.

### 3.3 **Through the Litigation Process**

As long as the collection of bad credit can be done by agreement between the village credit institution and the debtor customer, credit collection through a litigation process in court will not be carried out by the village credit institution . The litigation process will only be taken by the village credit institution if the debtor customer has bad intentions, that is, does not show goodwill to pay off the credit, while the debtor customer actually still has other assets that cannot be controlled by the village credit institution bor is deliberately hidden or have other sources to settle credit. That traffic jam.

the village credit institutions in Bali have had a very unpleasant experience when it comes to resolving bad loans through litigation. These things are caused by the following factors:

*First*, the process is very long, namely for years, starting from the process at the court of the first instance (District Court), continuing to the high court, and even up to the process at the Supreme Court; Even though there is a principle of "simple, speedy and low-cost trial," in reality, litigation in court requires time and costs which are not as simple as we imagine.

*Second*, the judges who examine non-performing credit cases at the The Village Credit Institution lack sufficient legal knowledge and credit knowledge. Often, the The Village Credit Institution obtains court decisions that are contrary to the provisions of the applicable law. In other words, due to the insufficient knowledge of the judge who examined the case, the decision made was based on the wrong application of the law.

*Third*, the poor integrity of the judge examining the case, it is no longer a public secret regarding the many practices referred to by law as "judicial mafia";

*Fourth*, the a priori attitude of the court considers that in a credit agreement relationship between *the village credit institution* and the debtor customer, the debtor customer is a weak party that must be protected against the village credit institution, which often acts arbitrarily in this relationship. Courts often consider the village credit institution to have "abused the situation" (*misbruik vans onstandigheiden*) when the credit agreement was made between the village credit institution and the debtor customer, who, according to the judge, was in a helpless state because he really needed the the village credit institution's credit. It is also often argued by courts that the village credit institution, in exercising its authority or rights based on clauses in credit agreements that give the village credit institution rights and authority to take specific actions against the use of credit and/or against the Debtor's customer in question, is often judged by the court as actions that are contrary to the principles of propriety, the principles of justice, the principles of good faith, or as acts against the law.

The court's attitude regarding the fourth factor is not impossible in connection with the impression that often appears in society that in a credit agreement relationship between the the village credit institution and the Debtor's

customer, the bargaining position between the two parties is such that the village credit institution is a strong party while the customer is a weaker party.

Related to this, the author agrees with what was said by Sutan Remy Sjahdeini in his book "*Balanced Legal Protection in Bank Credit Agreements*," which states that banks are often in a weak position when the village credit institution, in extending credit to customers, are actually the the village credit institution on the soft side. Moreover, the credit has been utilized by the Debtor's customers. The position of the village credit institution can be different when credit is to be given (principle of negotiation to enter into a credit agreement) compared to when the credit has been issued and used by debtor customers. The position of the the village credit institution also depends on the class of debtor customers who enjoy the credit. For clarity, the following will be described as follows:

1. At the time loans were to be granted, the village credit institution were generally in a stronger position compared to potential debtor customers. This is because, at the time the agreement was made, the prospective debtor customer really needed credit assistance from the the village credit institution. In such cases, in general, prospective debtor customers will not make many demands because they are worried that the loan will be canceled by the the village credit institution. This causes the bargaining position of the village credit institution to become very strong. This is true if the Debtor's prospective customers include medium-sized entrepreneurs or enter the weak economic class whose number is vast, while the amount of available the village credit institution funds is minimal to be enjoyed by most of the entrepreneurs belonging to this group. For medium entrepreneurs from weak economic groups, credit has a position that is "seller's market."
2. But after the credit was granted based on the credit agreement, it turned out that the position of the the village credit institution was weak. The work of the village credit institution after credit has been given depends a lot on the integrity of the debtor's customers. If the debtor customer does have good integrity not to abuse credit or, in good faith, is



willing to pay back loans that have become bad, then indeed, the *THE VILLAGE CREDIT INSTITUTION* does not need to seek a settlement through legal assistance; instead, it would be wiser to resolve the non-performing credit problem through the Paruman Desa or Paruman Banjar route, so that the awig-awig will be able to provide the best solution to the non-performing credit problem faced by the village credit institution.

3. However, what happens a lot is that in a situation where credit becomes terrible, either because the debtor customer has misused credit or because the debtor customer's business has stalled, it turns out that the village credit institution cannot rely on the contract enforcement facilities provided by law. The contract enforcement facilities provided by law are inadequate to protect the village credit institution in repaying the credit. So bad are the contract enforcement facilities provided by law to protect the interests of the village credit institution that it often renders the village credit institution powerless. Ultimately, they have to be forced to write off their liabilities.

Such is the tragic situation experienced or faced by the the village credit institution that many of the the village credit institution actions taken based on the authority granted by the clauses in the credit agreement are declared by the court (based on the debtor's customer lawsuit) as actions contrary to decency or fairness. Or good faith, or as an unlawful act. Or the clause itself is declared illegal by the court because it is in the process of making a credit agreement.

#### 4. CONCLUSION

Based on the description of the discussion and the results of the conversation with the many words of Desa Adat Ped, it can be concluded that efforts to save non-performing loans at the the village credit institution Desa Adat Ped, Nusa Penida can be taken through several steps, including:

1. Through Rescheduling, which is an effort in the form of changing the terms of the credit agreement about the credit repayment schedule or credit period, including the grace period or grace

period, whether including changes in the amount of installments or not.

2. Through Reconditioning, namely efforts in the form of making changes to some or all of the terms of the credit agreement, which are not limited to changes to the installment schedule and/or credit period. However, this change is without providing additional credit or converting all or part of the credit into company equity.

Through Restructuring, namely efforts in the form of changing the terms of the credit agreement or converting all or part of the credit into company equity, which is carried out with or without Rescheduling and/or reconditioning.

#### SUGGESTION

Regarding the recovery of the traditional village economy in line with the increase in domestic and international tourist visits to Nusa Penida, the the village credit institution management should maintain the existence the sustainability of the the village credit institution to support the resilience of the traditional village economy. Immediately carry out collateral execution, but by taking more humane efforts to village krama to allow them to recover their business, so that slowly but surely they will be able to fulfill their obligations to the village credit institution.

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