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Analysis of COVID-19 Pandemic Influences on Nonperforming Loan in Bank XYZ for the period of 2020-2022

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ABSTRAK

Penelitian ini bertujuan untuk membahas pengaruh pandemi COVID-19 terhadap nonperforming loan ("NPL") di Bank XYZ dan strategi Bank XYZ dalam menyikapinya selama periode 2019-2022. Penelitian ini dilakukan dengan melakukan uji beda rata-rata NPL Bank XYZ tahun 1999-2022 dengan awal pandemi tahun 2020, sehingga dapat diketahui apakah rata-rata NPL tahun 1999-2022 lebih tinggi dibandingkan tahun 2020. Penelitian ini dilakukan oleh pengumpulan data melalui wawancara mendalam semi terstruktur langsung kepada pegawai Direktorat Manajemen Risiko Bank XYZ dan studi literatur terkait. Hasil penelitian ini menunjukkan bahwa pandemi COVID-19 berpengaruh terhadap peningkatan NPL Bank XYZ di tahun 2020 yang tercermin dari peningkatan NPL debitur terutama debitur yang sektor ekonominya terkena dampak pandemi COVID-19. . Kemudian pada tahun 2021 dengan strategi yang diterapkan, walaupun masih dalam masa pandemi COVID-19, Bank XYZ mampu menurunkan NPL, jika dibandingkan dengan tiga bank BUMN lainnya dan satu bank swasta, secara nominal penurunan NPL Bank XYZ adalah sebesar terbesar dan satu-satunya yang berada di bawah NPL industri perbankan.

ABSTRACT

This research aims to discuss the influences of the COVID-19 pandemic on nonperforming loan ("NPL") in Bank XYZ and Bank XYZ's strategies in responding to it for the period of 2019-2022. This research involves doing an average difference test on the Bank XYZ's NPL between 1999-2022 and the beginning of pandemic in 2020, so that it can be determined whether the average NPL in 1999-2022 was higher than in 2020. This research was conducted by collecting data through semi-structured in-depth interviews directly to Bank XYZ's Risk Management Directorate employees and related literature studies. The results of this research suggest that the COVID-19 pandemic had an influences on the increase in NPL at Bank XYZ in 2020, which was reflected in the rise in NPL for debtors, especially debtors with the economic sector affected by the COVID-19 pandemic. Then in 2021 with the strategies implemented, even though it is still in the COVID-19 pandemic, Bank XYZ was able to decrease NPL, when compared to three other state-owned banks and one private bank, the nominal decrease in Bank XYZ's NPL was the largest and was the only one that was below the NPL of banking industry.

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INTRODUCTION

COVID-19 is a respiratory virus that can be transmitted and spreads through droplets produced when an infected person coughs (Bitar & Tarazi, 2022). COVID-19 was first discovered in 2019 in Wuhan, China and was categorized as a pandemic on March 11, 2020. In Indonesia, COVID-19 was first discovered on March 2, 2020. In encountering with COVID-19, the Indonesian government issued policies, one of which was social restrictions, which is call as PPKM.

PPKM has had an impact on reducing new active cases of COVID-19, but decreasing economic growth on the other hand due to lower public consumption. The existence of PPKM causes a decrease in demand for products and services, thereby affecting industrial business activities. In general, in the beginning of the pandemic, almost all industrial sectors experienced a decline in income. Especially for sectors related to mobility, performance achievement is still under pressure, such as the transportation, hotel and tourism sectors.

The decline in industry income led to a decrease in the industry's ability to meet loan obligations to banks, which is call as loan. This has an impact on the quality of bank credit, one of which is the problem of increasing the level of NPL. The banking industry's NPL in 2020 increased to 3.06% from 2.53% in 2019, while at Bank XYZ increased to 3.12% from 2.35% in 2019 (PT. Bank XYZ, 2021). The increase in NPL was caused by two things, the increase in collectibility loans in the three to five categories and the decrease in the growth in collectibility loans one to two. Loans in the three to five collectibility category increased due to a decrease in the debtor's ability to fulfill loan obligations to the bank. The influences of the COVID-19 pandemic on increasing NPL occurred mainly for debtors, especially the affected industrial sector.

In order to encounter the problem of increasing NPL due to the influences of the COVID-19 pandemic, Bank XYZ implemented several strategies in 2020, including loan restructuring for debtors affected by the COVID-19 pandemic, strict monitoring of new loan growth, and improving the portfolio mix on loan growth in industrial sector with high speed recovery and low risk (PT. Bank XYZ, 2020). In addition, Bank XYZ monitors loan quality through a watchlist mechanism, which analyzes the condition of debtors using the parameters of business prospects, debtor performance, and ability to pay, so that each debtor's account strategy can be determined to be more suitable for anticipating growth in increasing NPL. In the loan restructuring strategy, the mechanisms include granting a grace period for delaying interest and/or principal payments and extending tenors or changing installments.

Based on Table 1, based on the implemented strategy, in 2021 Bank XYZ's NPL decrease to 2.74% from 3.12% in 2020 (PT. Bank XYZ, 2021). Bank XYZ's NPL is still lower than the banking industry's 3%. NPL realization in 2021 is 2.74%, which is below the target set at 3.44%. Then the NPL in 2022 decreased again to 1.93%, which reflects that NPL has continued to become better since the strategy implemented in 2020.

In 2021, where there is still a COVID-19 pandemic which is marked by the daily number of confirmed cases as of December 31, 2021, totaling 180 people, from four state-owned banks and one private bank, the NPL of Bank XYZ, Bank BNI, and Bank

BTN has decreased. If Bank BTN is excluded with the assumption that the segmentation is a mortgage, then only Bank XYZ and Bank BNI will experience a decrease in NPL in 2021. The decrease in Bank XYZ's NPL is better than Bank BNI because Bank XYZ's total loan is Rp. 1,026,224,827 Million, higher than Bank BNI which amounted to Rp. 582,436,230 Million, so that the nominal NPL that Bank XYZ decreased was higher. In addition, Bank XYZ's NPL of 2.74% was below the NPL of banking industry which was 3%, while Bank BNI's NPL was 3.70% or above the NPL banking industry. Therefore, departing from the increase in NPL in 2020 due to the influence of the COVID-19 pandemic, even though in 2021 it was still in the COVID-19 pandemic, Bank XYZ's NPL when compared to three other state-owned banks and one private bank, was nominally the higher decrease, and the percentage of Bank XYZ's NPL in 2021 is the only one that has experienced a decrease and is below that of bank industry. The conclusion is that Bank XYZ's NPL recovery is the best, so through this research it is necessary to conduct a case study to analyze the influences of the COVID-19 pandemic on NPL in Bank XYZ and Bank XYZ's strategies in responding to the influences of the COVID-19 pandemic on NPL for the period of 2019-2022.

The remaining parts of this paper are arranged in the following sections. Section 2 describes the methods of data collection and data analysis. Section 3 provides the results of this research that analyze the influences of the COVID-19 pandemic on NPL in Bank XYZ and Bank XYZ's strategies in responding to it for the period of 2019-2022. Section 4 is the conclusion of all findings and management recommendations for Bank XYZ.

LITERATURE REVIEW

Impact of the COVID-19 Pandemic on Systemic Risk

A pandemic generally causes an economic recession, which has a significant impact on the stability of the banking sector (Duan et al., 2021). The relationship between economic activity and the pandemic illustrates that people's decisions to reduce consumption and employment can reduce the severity of the pandemic, but with the consequent reduction in economic growth. The spread of the COVID-19 virus has forced the government to implement social distancing and business closing policies. This caused a negative economic impact on the industry, so that the industry experienced a significant decrease in revenue and increase in costs. Thus, the industry is unable to fulfill its obligations to banks, so that the potential for NPL increases. Increased NPL cause banks to lose loan income, which has a negative impact on bank profitability, solvency and capital. As a result, banks face higher credit risk, which can lead to systemic risk. Systemic risk is the potential for instability due to disruptions that spread to part or all of the financial system. In systemic banking risk, banks experience a decrease in interest and non-interest income, as well as an increase in NPL, which influence banking liquidity, profitability and solvency, resulting in the potential for bank default on its obligations to customers. Factors that influence systemic risk include liquidity in the form of total assets, profitability in the form of net profit, and solvency in the form of capital, leverage, and debt to total assets. The impact of the COVID-19 pandemic has been quite felt in banks with large total assets that have high leverage, high debt to total assets, and low capital.

NPL in the COVID-19 Pandemic

The COVID-19 pandemic caused a banking crisis, one of which increased the risk of NPL (Ari et al., 2021). High NPL can worsen a bank's balance sheet, depress loan growth, and delay recovery from a crisis. Based on the cycle, NPL increased rapidly at the beginning of the crisis, reaching its peak a few years later, before finally stabilizing and declining again. The resolve of NPL varies, some are in the short term, but some are long term. Even in some cases, there are NPL that have decreased but increased again later. In several previous cases, NPL failed to be resolved because they were resolved at the wrong time. High and unresolved NPL can hinder economic activity and recovery after the COVID-19 pandemic. Therefore, it is important to understand the factors that affect NPL, including high loan growth, exchange rate fluctuations, and high debtor's debt. In addition, a strategy is needed to encounter the vulnerability of increasing NPL during the COVID-19 pandemic and after the pandemic thereafter, in the context of resolving post-COVID-19 pandemic NPL.

Banking Response to the COVID-19 Pandemic

Banks have a key role in supporting economic growth (Bitar & Tarazi, 2022). During the COVID-19 pandemic, the regulator issued two policies, namely minimum core capital requirements and flexibility in handling NPL. The goals of these two policies are to facilitate access to finance and stimulate economic growth affected by the COVID-19 pandemic. Minimum core capital is an important tool available to banks in times of economic crisis such as the COVID-19 pandemic, which can be used in the short term to support loan to industries. Flexibility in handling NPL, which is call as restructuring, is the bank's steps in relaxing the fulfillment of debtor's obligations affected by the COVID-19 pandemic, in the form of lowering loan interest rates, delaying principal installment payments, and increasing loan terms.

Reducing the minimum core capital can increase loan to industry, and loan restructuring can maintain the ability to fulfill obligations to banks for affected debtors. Easing the minimum core capital through loan restructuring can be effective if it is followed by a short-term strategic plan, namely easing the minimum core capital used for loan to industries that are not affected by the COVID-19 pandemic and have low credit risk, as well as targeted loan restructuring. This is important for banks to protect their solvency and increase their ability to extend loan to industries that have low credit risk. Maintaining economic activity is important during the COVID-19 pandemic, however, the use of minimum core capital easing for loan should not reduce bank solvency in the medium term, as this could potentially lead to a long-term recession and severe financial crisis during the post-COVID-19 pandemic recovery period if the bank is not careful in managing the minimum core capital and restructuring problem loans.

Impact of the COVID-19 Pandemic on Banking Loan

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The COVID-19 pandemic has caused significant uncertainty for banks, thereby affecting loan to the industry (Çolak & Öztekin, 2021). At the start of the COVID-19 pandemic, the government provided a liquidity injection program to banks to increase loan to industry. However, banks are tightening their loan standards due to uncertain economic prospects, so that the government's stimulus program is not maximized. The weakening of loan by banks was also caused by a decrease in demand for credit, due to the government's policy of social distancing restrictions which pushed down demand for loan from industry. The growth in loan during the COVID-19 pandemic was also influenced by the financial condition of banks, so that the decline in loan had quite an effect on banks that were in unfavorable financial conditions. Therefore, to be able to maximize stimulus from the government in the context of growing loan distribution, banks must extend loan with the principle of prudence to avoid credit risk.

Bank Resilience in China during the COVID-19 Pandemic

(Kryzanowski et al., 2023) examines the resilience of banks in China during the COVID-19 pandemic by investigating NPL. They found that bank NPL increased significantly during the COVID-19 pandemic. They also find that banks with high quality capital are more effective in controlling NPL.

METHODS

Profile of Research Object

Bank XYZ is a state-owned bank which was established on October 2, 1998 as part of the Indonesian government's business merger program in 1998, Bank XYZ's business activities consist of several products and services, namely deposit products, loan products, and other services. For the business segment, loan products are divided into two sub-segments, namely SME and corporate. For the corporate sub-segment, loan products are in the form of Working Capital Loan and Investment Loan. Working Capital Loan is a loan facility that aims to meet working capital needs in financing inventories, receivables, projects or other special needs, which are exhausted in one business cycle. Investment Loan is a loan facility that aims to finance capital goods needs in the context of rehabilitation, modernization, expansion, establishment of new projects, or other special investment needs.

NPL are accumulated loans with collectibility three until five. Determination of collectibility is based on the number of days in arrears of the debtor's obligations to the bank, where the collectibility of three is between 91-120 days, the collectibility of four is between 121-180 days, and the collectibility of five is more than 180 days. Since its establishment in 1998 until 2022, Bank XYZ's NPL has relatively decreased, but there have been four increases from its previous downward trend, namely in 2003, 2005, 2013 and 2020 (PT. Bank XYZ, n.d.). The increase in NPL in 2020 was caused by the influence of the COVID-19 pandemic on debtor's ability to pay, while the increase in NPL before 2020 was caused by factors not the influence of the COVID-19 pandemic.

Data and Methodology

This research approach is a mix method, namely a quantitative approach followed by a qualitative approach, through the case study method. The case study approach is a research approach used with the aim of obtaining in-depth knowledge of a specific matter (J. Moleong, 2018). The research design is a descriptive study. Descriptive study is a research method for examining the status of human groups, objects, conditions, systems of thought, or events in the present with the aim of making systematic, factual, and accurate descriptions of the facts, nature, and relationships between phenomena in research (Nazir, 2009). What is described through this research is how the influences of the COVID-19 pandemic on NPL in Bank XYZ and Bank XYZ's strategies in responding to the influences of the COVID-19 pandemic on NPL for the period of 2019-2022.

The subject of this research is Bank XYZ, more specifically the Directorate of Risk Management, which performs loan analysis and risk assessment functions independently. The object of this research is NPL level data, which is an abstraction of this research phenomenon. The NPL level used is gross NPL based on the Audited Financial Report of Bank XYZ and its subsidiaries, namely before deducting allowance for impairment losses and including loans to other banks. The type of research data is qualitative and quantitative data. Qualitative data in the form of words or verbal obtained from the results of in-depth interviews. Quantitative data in the form of related data and information obtained from books, journals, and previous research results, which support the collection of data and information in research. In-depth interviews were conducted with three employees of the Risk Unit at the Risk Management Directorate of Bank XYZ, which manages loan portfolios in the hotel, restaurant, and processing industry economic sectors. These three sectors were chosen because these three sectors experienced a significant increase in NPL in 2020 and were sectors affected by the COVID-19 pandemic.

This research also conducted an average difference test on the Bank XYZ's NPL between 1999-2022 and the beginning of the COVID-19 pandemic in 2020, so that it can be determined whether the average NPL in 1999-2022 was higher than NPL in 2020.

RESULTS

Average Difference Test on the Bank XYZ's NPL between 1999-2022

Based in Table 2, NPL at Bank XYZ fluctuated from 1999–2022. During this period, NPL increased four times from its previous position on a downward trend, namely in 2003, 2005, 2013, and 2020. The increase in NPL in 2003, 2005, 2013, and 2020 was influenced by factors other than the COVID-19 pandemic, because COVID-19 in Indonesia was confirmed since March 2020. The increase in NPL in 2003 was influenced by a decrease in the collectability of one debtors with loan of Rp. 1,716 Billion, which was a loan purchased from BPPN in 2002, then because the restructuring process had not been completed until the end of 2003 or more than one year, so the collectibility was downgraded. The increase in NPL in 2005 was influenced by BPK findings such as the credit restructuring approval process which did not comply with the provisions of internal procedures and the restructuring process did not produce optimal results, as well as the results of Bank Indonesia's examination of credit portfolios using PBI No.7/2/PBI/2005. The increase in NPL in 2013 was influenced by the unfavorable economy and liquidity pressures, due to the effects of the China economic slowdown and falling world oil prices.

In 2020, the increase in NPL was influenced by different factors from the previous three increases, where the factor was the COVID-19 pandemic. The COVID-19 pandemic influenced an increase in NPL, which was reflected in an increase in NPL in the economic sectors affected by the COVID-19 pandemic. The increase in NPL in 2020 was reflected in the increase in collectibility loans in the fifth categories from the previous Rp. 12,677,983 Million in 2019 to Rp. 24,101,285 Million in 2020, where the increase is 90.10%.

For NPL in 1999-2022, a one-sample average difference test was carried out for $n < 30$ and σ is unknown, with the following test steps:

a. Hypothesis
   $H_0 : \mu = 3.12$: the average NPL for 1999-2022 is not more than 3.12%
   $H_1 : \mu > 3.12$: the average NPL in 1999-2022 is more than 3.12%
b. Determine t_{table} with significance level α and $df = n - 1$
   $\alpha = 5\% = 0.05$
   $df = n - 1 = 24 - 1 = 23$
   $t_{table} = 1.714$
c. Test statistics

$$t = \frac{\bar{x} - \mu_0}{s/\sqrt{n}}$$

   $\bar{x}$: sample mean = 9.3013043
   s : sample standard deviation = 14.779851
   μ_0 : hypothesized population mean = 3.12
   n : number of samples = 24
   $t_{count} = 2.0488761$
d. Test criteria : $\mu > \mu_0$
   If $t_{count} > t_{table}$, then H_0 is rejected
   If $t_{count} < t_{table}$, then H_0 is accepted
e. Result
   Because $2.0488761 > 1.714$, then H_0 is rejected, the average NPL in 1999-2022 is more than the NPL in 2020 (9.30 > 3.12).

Therefore, based on the results of the average difference test, it is known that the average NPL for 1999-2022 is more than the NPL for 2020 at the beginning of the COVID-19 pandemic. However, factors that influenced NPL other than 2020 are factors other than the COVID-19 pandemic, because before 2020 there was no COVID-19 pandemic, NPL increased in 2020 occurred in debtors in the economic sector affected by the COVID-19 pandemic, and in 2021 NPL for debtors in the economic sector affected by the COVID-19 pandemic have decreased in line with the strategic initiatives implemented by Bank XYZ. The average NPL in 1999-2022 is more than the

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NPL in 2020, partly because the NPL in 1999 was 70.90%, where the high NPL was in line with the monetary crisis that occurred in 1998 and the merger of four state-owned banks affected by the monetary crisis to become Bank XYZ in 1998.

Evaluation of Loan Quality Indicators

Based on Table 3 and 4, in 2020, the COVID-19 pandemic influenced a decrease in debtor's ability to pay for bank obligations, so that NPL collectibility loans increased compared to 2019, which increased by Rp. 8,630,088 Million. This increase occurred mainly in fifth collectibility, which amounted to 90.10%, which means that there were third and fourth collectibility in 2019 which were downgraded to fifth collectibility. The increase in NPL collectibility loans caused banks to create a larger loan's allowance for impairment losses, which is call as CKPN, compared to 2019 which increase by Rp. 10,735,336 Million.

The increase in the creation of loan's CKPN was one of the factors causing the current year's profit to decrease by Rp. 10,056,664 Million. The increase in the creation of loan's CKPN was also one of the factors causing the loan CKPN to increase by Rp. 35,028,065 Million. The increase in NPL was reflected in the financial statements, namely in the balance sheet and income statement. In the balance sheet, an increase in NPL causes an increase in loan CKPN. In the income statement, an increase in NPL causes an increase in the creation of loan CKPN. Increasing the creation of loan CKPN will become a reducting factor for the current year's profit if other enhancing items are unable to cover the reduction. Likewise, increasing the creation of loan CKPN will become a reducting factor for net first until fifth collectibility loans after deducting loan CKPN if first and second collectibility loans are unable to cover the reduction.

Based on Table 5 and 6, in 2020, NPL increased in six economic sectors. From the six sectors, three of them are sectors affected by the COVID-19 pandemic and the value of the increase is above Rp. 1,000,000 Million. The three sectors are industrial, mining, and trade, restaurants, and hotels. The industrial sector increased by Rp. 5,084,617 Million, mining increased by Rp. 2,458,009 million, and trade, restaurants, and hotels increased by Rp. 1,096,153 Million compared to 2019.

Regulations from Indonesian Regulator in Responding to the Influences of the COVID-19 Pandemic on NPL

The COVID-19 pandemic has had a direct or indirect influences on the decline in financial performance and the ability to fulfill obligations to banks by debtors (Stimulus Perekonomian Nasional Sebagai Kebijakan Countercyclical Dampak Penyebaran Coronavirus Disease 2019, 2020). This decline increases bank credit risk, which has the potential to disrupt the banking intermediary function, financial system stability, and economic growth. Therefore, an economic stimulus policy is needed as a countercyclical to the influences of the COVID-19 pandemic, so that Otoritas Jasa Keuangan as a banking regulator set a Peraturan Otoritas Jasa Keuangan Nomor 11 Tahun 2020 on March 13 2020 concerning National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of Coronavirus Disease 2019.

The regulation set that Banks can apply policies that support stimulus, namely policies on determining asset quality and policies on loan or financing restructuring. In the event that the Bank implements this policy, the Bank must have guidelines for determining debtors affected by the COVID-19 pandemic. The guidelines contain at least the criteria for debtors who are determined to be affected by the COVID-19 pandemic and sectors affected by the COVID-19 pandemic. Loan or financing restructuring can be implemented provided that it is given to debtors affected by the COVID-19 pandemic and restructured after the debtor is affected by the COVID-19 pandemic. Banks conducting loan or financing restructuring are required to submit Credit Stimulus Reports or Restructuring Financing. This regulation applies from the date of promulgation, namely March 16, 2020.

As for Indonesia's macroprudential conditions in March 2020 when the first case of COVID-19 was confirmed in Indonesia, capital outflow reached USD 8.1 Billion and the Rupiah weakened to around Rp. 15,200. Whereas on an annual basis in 2020 as the first year of the COVID-19 pandemic in Indonesia, economic growth was -2.07%, household consumption was -2.63%, and the IHSG fell to an average of 5,250.9.

Bank XYZ's Strategies in Responding to the Influences of the COVID-19 Pandemic on NPL

The COVID-19 pandemic has influenced debtors, especially those in the influenced economic sector. The economic sectors influenced include tourism, transportation, hotels, restaurants, trade, manufacturing, agriculture, plantations, mining, automotive, financing, the food and beverage industry, pharmaceuticals, fertilizers and pesticides.

In encountering with the influences of the COVID-19 pandemic, Bank XYZ conducted an assessment account to categorize debtors with the affected economic sectors. For debtors with affected economic sectors, Bank XYZ then conducts an assessment account to categorize debtors affected by the COVID-19 pandemic, namely debtors who are currently or are projected to experience difficulties in fulfilling obligations to banks as a result of being affected by the COVID-19 pandemic, with the following criteria:

a. Categorized in the economic sector affected by the COVID-19 pandemic, including tourism, transportation, hotel, restaurant, trade, processing industry, agriculture, plantation, mining, automotive, financing, food and beverage industry, pharmaceuticals, fertilizers, and pesticides.
b. Experienced a decline in financial performance, such as decreased sales and cash flow. The indicator for assessing the fulfillment of the debtor's obligations to the bank is the debtor's Debt Service Coverage Ratio ("DSCR"). DSCR is a comparison of Earning Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") to the accumulation of Current Portion Long-Term Debt and Interest Expenses. Best practice DSCR is a minimum of 100%, which means that EBITDA is able to meet Current Portion Long-Term Debt and Interest Expenses. The decrease in revenue resulted in a decrease in EBITDA, so that the DSCR

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decreased. The decrease in revenue also reduced operating cash flow, so that ending cash decreased. Debtors who experience a decrease in revenue will experience a decrease in DSCR and cash flow, thereby reducing the ability to fulfill obligations to banks, and has the potential to increase NPL.

From the assessment account, it can be categorized as a debtor who has an affected economic sector and experiences problems with the ability to fulfill obligations to the bank. To return the DSCR to the best practice level, loan restructuring was carried out, which aims to adjust the Current Portion Long-Term Debt and Interest Expense to actual income which has decreased. Loan restructuring is carried out as long as the debtor is still cooperative and the business is still promising. Restructuring can be done for debtors who have been restructured prior to the COVID-19 pandemic or debtors who have never and need to be restructured after being affected by the COVID-19 pandemic. The restructuring mechanism includes providing a grace period for delaying loan installments and loan interest as well as loan interest rate relief. The restructuring mechanism depends on the conditions of each debtor.

Based on the economic sectors affected by the COVID-19 pandemic, hotels, restaurants and the processing industry are some of the affected economic sectors. The following are the results of research on several examples of debtors in interviews:

a. Hotel sector
The COVID-19 pandemic has affected the tourism sector, where social and transportation restrictions have caused a decrease in the number of tourists, thereby reducing the occupancy rate and average room rate, which in turn reduces revenue. The hotel sector is a sector with low speed recovery, taking into account that in 2020 the COVID-19 pandemic is still ongoing and the recovery time is approximately nine months. The restructuring mechanism is to provide a grace period for delaying principal installments and reducing loan interest rates.
b. Restaurant sector
The COVID-19 pandemic was responded to by the government's social restriction policy, as a result, crowded places and shopping centers where restaurants were located became locations to be avoided and even closed, resulting in reduced visitors, which in turn reduced income. Because restaurants generally rent outlets in shopping centers, the time to reopen them is at the discretion of the shopping center owner, and after opening it still takes time to adjust the number of visitors again. With these considerations, the recovery time is quite long, approximately twelve months, so it is classified as a low speed recovery. The restructuring mechanism is to provide a grace period for delaying principal installments as well as credit interest and reducing loan interest rates.
c. Processing industry sector
The COVID-19 pandemic affected the processing industry, namely the weakening of the Rupiah exchange rate against foreign currencies, which had an impact on increasing prices for both local and imported raw materials. The

COVID-19 pandemic has quite affected the processing industry which imports in foreign currency, but sells it in the Rupiah exchange rate. The manufacturing industry sector is a medium speed recovery sector, where there are still alternatives to anticipate this, namely through the Treasury Line facility and pass through the selling price. The restructuring mechanism is to provide a grace period for delaying principal installments and reducing loan interest rates.

In addition to conducting an assessment account to categorize debtors affected by the COVID-19 pandemic which will then be restructured, Bank XYZ also carries out strategic initiatives as follows:

a. Strict monitoring in granting new loan and improving portfolio mix towards healthier sector growth
To improve the NPL level, in addition to restructuring debtors in first and second collectibility so they don't downgrade to NPL collectibility, and restructuring debtors in NPL collectibility so they can upgrade to first and second collectibility, it is also necessary to increase new loans in first collectibility. In the midst of the COVID pandemic -19, new loans are given to attractive economic sectors, namely good prospects, high speed recovery, and low risk. Thus, the portfolio mix is mostly in attractive economic sectors.
b. Monitoring loan quality
Monitor all loan portfolios to prevent surprise NPL downgrades. The mechanism is through a periodic watchlist as a means of early warning signals to analyze debtor conditions using parameters based on three pillars, namely business prospects, debtor performance and ability to pay. In addition, through a stress testing scenario using aspects of the COVID-19 pandemic conditions as a support for judgmental decision making.

The ultimate goal of all these strategies is that loan in first and second collectibility do not downgrade to NPL collectibility, upgrade loan in NPL collectibility to first and second collectibility, and add new loan in first collectibility, so that NPL decreases.

Impact Bank XYZ's Strategies in Responding to the Influences of the COVID-19 Pandemic on NPL

Since March 16 2020, Bank XYZ has carried out various strategic initiatives in order to respond to the influences of the COVID-19 pandemic on NPL. As a result, in 2021, even though there is still the COVID-19 pandemic, NPL has decreased from 3.12% to 2.74%. Based on Table 7, NPL in 2021 decreased compared to 2020, namely a decrease of Rp. 1,298,429 Million. The decrease in NPL whose decrease value is above Rp. 500,000 million occurred in the industrial and trade, restaurant and hotel economic sectors. These two sectors are sectors that also experienced a significant increase in NPL in 2020, and these two sectors are sectors that have been affected by the COVID-19 pandemic. This reflects that the strategic initiatives carried out by Bank XYZ have succeeded in reducing NPL, even though they are still in the condition of the COVID-19 pandemic.

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Decrease in NPL in 2021, where a significant decrease in fifth collectibility of 21.74%, resulted in lower the creation of loan's CKPN compared to 2020, namely a decrease of Rp. 2,410,642 Million. The decline in the creation of loan's CKPN was one of the factors causing the current year's profit to increase by Rp. 12,152,169 Million. The decline in NPL was reflected in the financial statements, namely the balance sheet and income statements. In the balance sheet report, the decline in NPL resulted in a lower growth in loan's CKPN than loan in first until fifth collectibility, where the growth in loan's CKPN was 5.49%, lower than the growth in loan in first until fifth collectibility of 8.93%. On the income statement, the decrease in NPL causes a decrease in the creation of loan's CKPN. The lower the creation of loan's CKPN, the more a factor that will increase current year's profit.

Tabel 1. NPL Comparison (2019-2022)

Bank	2019	2020	2021	2022
XYZ	2.35%	3.12%	2.74%	1.93%
BBRI	2.62%	2.94%	3.08%	2.82%
BBNI	2.33%	4.20%	3.70%	2.81%
BBTN	4.78%	4.37%	3.70%	3.38%
BBCA	1.34%	1.79%	2.16%	1.71%

Source: *Author's processing (2023)*

Tabel 2. Bank XYZ's NPL (1999-2022) in Rp. Million

Collectibility	1999	2000	2001	2002	2003	2004
1st collectibility			30,972,027	44,451,924	58,184,992	79,132,055
2nd collectibility			12,655,129	16,201,501	11,215,816	8,599,071
3rd collectibility			2,561,479	1,521,643	1,675,651	2,369,744
4th collectibility			966,132	1,039,787	1,437,009	440,706
5th collectibility			1,184,535	2,202,393	3,429,152	3,893,163
1st–5th collectibility			48,339,302	65,417,248	75,942,620	94,434,739
NPL collectibility			4,712,146	4,763,823	6,541,812	6,703,613
% NPL	70.90%	19.80%	9.75%	7.28%	8.61%	7.10%

Collectibility	2005	2006	2007	2008	2009	2010
1st collectibility	66,361,845	80,940,683	110,652,795	149,251,459	172,151,546	221,253,619
2nd collectibility	13,442,387	17,501,239	15,909,177	15,918,030	18,774,000	16,783,249
3rd collectibility	5,690,389	2,118,245	1,400,294	1,149,050	872,798	1,424,264
4th collectibility	5,354,820	699,514	547,824	578,330	915,037	773,152
5th collectibility	15,843,647	16,411,261	10,019,990	7,601,231	4,412,848	3,792,700
1st–5th collectibility	106,693,088	117,670,942	138,530,080	174,498,100	197,126,229	244,026,984
NPL collectibility	26,888,856	19,229,020	11,968,108	9,328,611	6,200,683	5,990,116
% NPL	25.20%	16.34%	8.64%	5.35%	3.15%	2.45%
Collectibility	2011	2012	2013	2014	2015	2016
1st collectibility	291,405,150	362,784,802	440,821,298	489,241,734	544,753,277	598,170,720
2nd collectibility	12,729,911	14,552,004	17,419,141	22,562,250	26,544,837	24,967,812
3rd collectibility	926,767	1,146,506	1,188,381	2,192,152	3,226,457	9,901,393
4th collectibility	848,034	781,695	1,019,278	2,171,600	2,479,443	2,624,616
5th collectibility	5,183,444	5,316,699	6,722,351	6,934,081	9,671,423	13,658,412
1st–5th collectibility	311,093,306	384,581,706	467,170,449	523,101,817	586,675,437	649,322,953
NPL collectibility	6,958,245	7,244,900	8,930,010	11,297,833	15,377,323	26,184,421
% NPL	2.24%	1.88%	1.91%	2.16%	2.62%	4.03%
Collectibility	2017	2018	2019	2020	2021	2022
1st collectibility	658,749,993	746,095,571	825,007,469	871,916,386	954,257,552	1,105,972,376
2nd collectibility	28,247,088	31,152,556	40,019,375	40,712,820	43,827,223	43,950,700
3rd collectibility	7,531,984	4,389,703	4,474,916	3,672,944	3,635,002	3,041,419
4th collectibility	4,284,451	2,320,709	3,655,494	1,664,252	5,643,861	6,114,522
5th collectibility	13,224,349	15,598,649	12,677,983	24,101,285	18,861,189	13,520,865
1st–5th collectibility	712,037,865	799,557,188	885,835,237	942,067,687	1,026,224,827	1,172,599,882

NPL collectibility	25,040,784	22,309,061	20,808,393	29,438,481	28,140,052	22,676,806
% NPL	3.52%	2.79%	2.35%	3.12%	2.74%	1.93%

Source: *PT. Bank XYZ (1999-2022)*

Tabel 3. Bank XYZ's Loan Quality Indicators (2019-2021) in Rp. Million

	Parameter	2019	2020	2021
a	1st–5th collectibility gross	885,835,237	942,067,687	1,026,224,827
b	Loan's CKPN (o)	29,988,393	65,016,458	68,588,680
c	1st–5th collectibility net (a-b)	855,846,844	877,051,229	957,636,147
d	Creation of loan's CKPN (l)	11,468,133	22,203,469	19,792,827
e	3rd collectibility	4,474,916	3,672,944	3,635,002
f	4th collectibility	3,655,494	1,664,252	5,643,861
g	5th collectibility	12,677,983	24,101,285	18,861,189
h	NPL collectibility (e+f+g)	20,808,393	29,438,481	28,140,052
i	Current year profit	28,455,592	18,398,928	30,551,097

Source: *PT. Bank XYZ (2019-2021)*

Tabel 4. Bank XYZ's Loan CKPN (2019-2021) in Rp. Million

	Parameter	2019	2020	2021
j	Beginning balance	31,796,093	31,794,908	65,016,458
k	Implementation of PSAK 71	-	22,459,928	-
l	Creation of loan's CKPN (l)	11,468,133	22,203,469	19,792,827
m	Write-off	(12,588,933)	(11,371,513)	(15,897,453)
n	Others	(686,900)	(70,334)	(323,152)
o	Ending balance (j+k+l+m+n)	29,988,393	65,016,458	68,588,680

Source: *PT. Bank XYZ (2019-2021)*

Tabel 5. Bank XYZ's NPL based on Economic Sector (2019) in Rp. Million

Economic Sector	Collectibility					
	3	**4**	**5**	**NPL**	**1 until 5**	**%NPL**
Industrial	1,481,834	1,998,174	5,333,076	8,813,084	142,653,633	42.35%
Trade, restaurant, and hotel	1,238,801	487,843	2,135,654	3,862,298	119,012,726	18.56%
Agriculture	105,421	42,705	138,752	286,878	87,422,751	1.38%
Business service	77,276	47,541	620,770	745,587	84,479,038	3.58%
Construction	39,388	33,578	894,719	967,685	54,020,066	4.65%
Transport, warehousing, and communication	592,634	296,421	278,248	1,167,303	50,217,055	5.61%
Electricity, gas, and water	283,800	714	407,289	691,803	43,175,215	3.32%
Social service	20,710	19,911	222,217	262,838	31,232,292	1.26%
Mining	10,707	1,516	898,723	910,946	48,820,915	4.38%
Others	624,345	727,091	1,748,535	3,099,971	224,801,546	14.90%
Total	4,474,916	3,655,494	12,677,983	20,808,393	885,835,237	100.00%

Source: *PT. Bank XYZ (2019)*

Tabel 6. Bank XYZ's NPL based on Economic Sector (2020) in Rp. Million

Economic Sector	Collectibility							
	3	4	5	NPL	1 until 5	%NPL	NPL's Growth	% NPL's Growth
Industrial	1,397,727	40,916	12,459,058	13,897,701	137,678,856	47.21%	5,084,617	57.69%
Trade, restaurant, and hotel	844,721	200,625	3,913,105	4,958,451	128,501,398	16.84%	1,096,153	28.38%
Agriculture	73,170	82,730	159,900	315,800	99,844,749	1.07%	28,922	10.08%
Business service	236,267	151,408	443,605	831,280	83,558,139	2.82%	85,693	11.49%
Construction	24,462	8,708	266,847	300,017	68,368,303	1.02%	(667,668)	-69.00%
Transport, warehousing, and communication	30,436	39,696	1,029,570	1,099,702	57,541,702	3.74%	(67,601)	-5.79%

Electricity, gas, and water	164,806	243,945	152,126	560,877	36,343,552	1.91%	(130,926)	-18.93%
Social service	20,044	20,179	165,329	205,552	34,483,908	0.70%	(57,286)	-21.80%
Mining	60,916	356	3,307,683	3,368,955	47,341,203	11.44%	2,458,009	269.83%
Others	820,395	875,689	2,204,062	3,900,146	248,405,877	13.25%	800,175	25.81%
Total	3,672,944	1,664,252	24,101,285	29,438,481	942,067,687	100.00%	8,630,088	

Source: *PT. Bank XYZ (2020)*

Tabel 7. Bank XYZ's NPL based on Economic Sector (2021) in Rp. Million

Economic Sector	Collectibility							
	3	4	5	NPL	1 until 5	%NPL	NPL's Growth	% NPL's Growth
Industrial	1,054,010	2,784,098	6,955,891	10,793,999	141,785,768	38.36%	(3,103,702)	-22.33%
Trade, restaurant, and hotel	691,923	484,869	3,221,938	4,398,730	133,502,117	15.63%	(559,721)	-11.29%
Agriculture	514,469	112,349	334,766	961,584	116,200,613	3.42%	645,784	204.49%
Business service	78,346	62,496	1,154,175	1,295,017	89,895,130	4.60%	463,737	55.79%
Construction	68,951	703,923	264,410	1,037,284	74,952,818	3.69%	737,267	245.74%
Transport, warehousing, and communication	22,825	19,072	2,101,091	2,142,988	63,752,800	7.62%	1,043,286	94.87%
Electricity, gas, and water	165,126	231,878	8,733	405,737	39,652,066	1.44%	(155,140)	-27.66%
Social service	16,984	25,223	26,246	68,453	36,603,187	0.24%	(137,099)	-66.70%
Mining	18,001	12,352	3,205,270	3,235,623	66,369,283	11.50%	(133,332)	-3.96%
Others	1,004,367	1,207,601	1,588,669	3,800,637	263,511,045	13.51%	(99,509)	-2.55%
Total	3,635,002	5,643,861	18,861,189	28,140,052	1,026,224,827	100.00%	(1,298,429)	

Source: *PT. Bank XYZ (2021)*

CONCLUSION AND SUGGESTION

Conclusion

This research finds, first, the COVID-19 pandemic had an influences on the increase in NPL at Bank XYZ in 2020, which was reflected in the rise in NPL for debtors, especially debtors with the economic sector affected by the COVID-19 pandemic, with the three major sectors being industry, mining and trade, restaurants and hotels. Second, in order to encounter the problem of increasing NPL due to the influences of the COVID-19 pandemic, Bank XYZ implemented several strategies in 2020, including loan restructuring for debtors affected by the COVID-19 pandemic, strict monitoring of new loan growth, improving the portfolio mix on loan growth in industrial sector with high speed recovery and low risk, and monitoring loan quality through a watchlist mechanism. Then in 2021 with the strategies implemented, even though it is still in the COVID-19 pandemic, Bank XYZ was able to decrease NPL. More than that, when compared to three other state-owned banks and one private bank, the nominal decrease in Bank XYZ's NPL was the largest and was the only one that was below the NPL of banking industry.

Suggestion

This research provides recommendations, to Bank XYZ, it is necessary to make tools for projecting debtor's ability to fulfill loan obligations to the bank for debtors on first and second collectibility after the restructuring status is revoked or returned to normal principal installments and loan interest, so that an action plan can be determined early before a potential downgrade to NPL collectibility occurs. To

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academics, for reference for other academics who want to conduct further research related to the influences of the COVID-19 pandemic on the national banking industry beyond the NPL level.

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