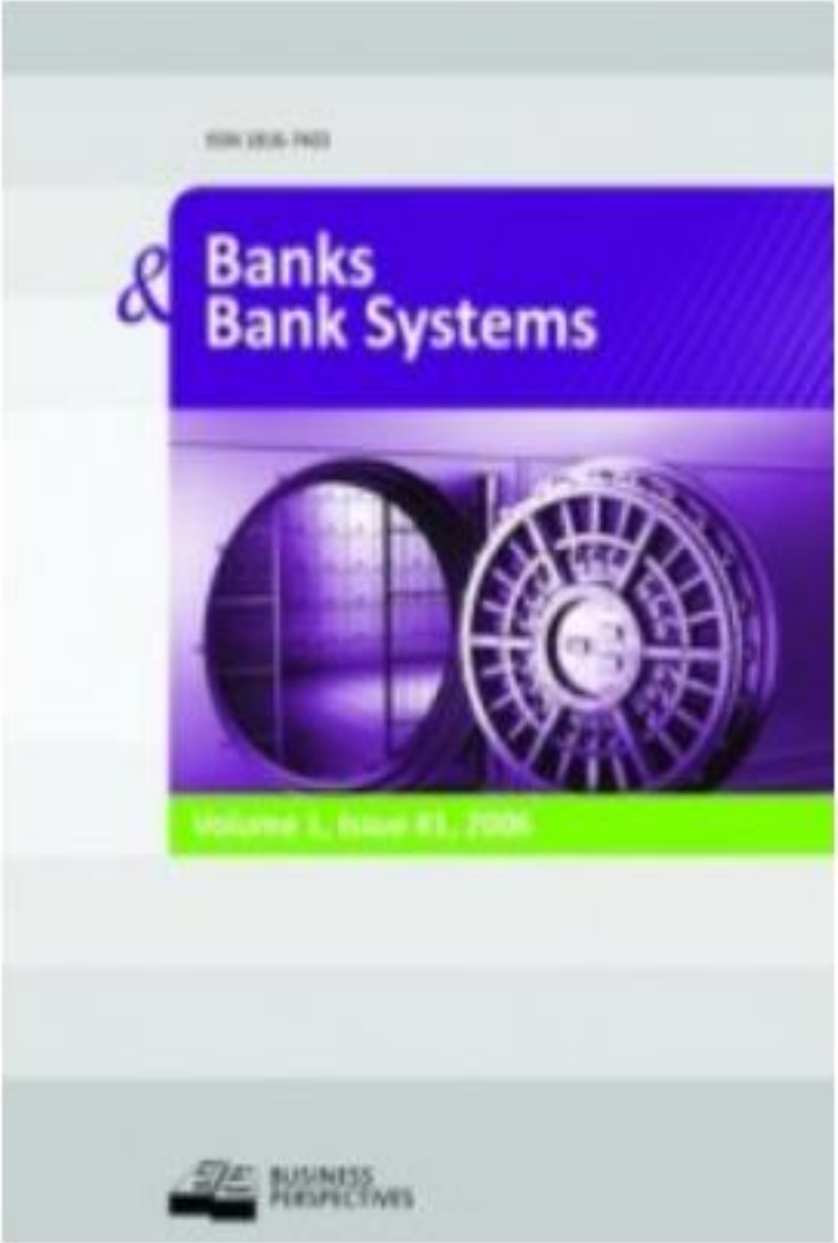
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LOAN RESTRUCTURING AS A BANKING SOLUTION IN THE COVID-19 PANDEMIC: BASED ON CONTINGENCY THEORY

Abstract

The world's economic growth has decreased due to the COVID-19 pandemic. Many companies are experiencing financial distress, so they cannot pay off their maturing debts. Banks as lenders face the risk of non-performing loans. The increasing number of unpaid loans will reduce a bank's operating income and gain. The contingency approach is used as a conditional factor that can increase the effectiveness of firm performance. The relevance of this study is how banking strategies overcome the problem of uncertainty regarding risk and return during a pandemic. Contingency theory describes organizational success as influenced by contextual factors and established strategies. The purpose of this study is to systematically review the literature related to loan restructuring as a solution to non-performing loans in banking companies in Indonesia. The research method is a review of 40 articles from Scopus and a descriptive analysis of company financial statement notes to see what strategies banks are using during the COVID-19 pandemic. Based on contingency theory, the results of the study explain organizational success which is influenced by contextual factors and the established strategy. The more appropriate the strategy chosen in a given situation, the higher the achievement of organizational performance. A qualitative analysis provides a solution for a bank to overcome the problem of unpaid loans at maturity through a restructuring model strategy with modified loan terms.

Keywords credit risk, uncertainty, bank policy, financial crisis

JEL Classification D81, G01, G21

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INTRODUCTION

The Coronavirus pandemic, which occurred at the end of 2019, had a massive impact on all sectors of the economy around the world. The decrease in community activities due to social distancing has reduced activities carried out outside the home. As a result, activity restrictions affect a company's business. The lockdown policy was able to reduce the coronavirus transmission but was unable to contain the decline in economic growth. Based on the IMF's October 2019 World Economic Outlook (WEO), global economic growth in 2019 is projected to grow 3 per cent, a decline from the previous 3.2 per cent in July 2019. The decrease was influenced by declining industrial output as indicated by a decline in manufacturing production, a weakening business confidence index and the decline in global demand due to the protectionism of several countries to protect the domestic market. Global investment also shows weakness, as indicated by a decline in intermediate and capital goods imports (OJK, 2019).

The decline in the Indonesian economy in 2020 as measured by Gross Domestic Product (GDP) at current prices reached Rp. 15,434.2 tril-

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lion, and GDP per capita reached Rp. 56.9 million or USD 3,911.7 or decreased by 2.07 per cent compared to 2019 (BPS, 5-2-2021). The decline in economic growth due to the coronavirus directly or indirectly affects a company's performance. The sectors most affected by the pandemic are the transportation, tourism, export-import, commodities, Micro, Small & Medium Enterprises (MSME) sectors. The form of a decline in economic activity includes a decrease in sales, termination of employment, a decrease in people's purchasing power, a decrease in investment activities and others. In addition, the decline in economic activity caused some companies to be unable to pay their debts to creditors, potentially disrupting the banking industry's performance and financial system stability.

1. LITERATURE REVIEW

An increase in debtors who do not pay their loans on time will potentially increase the risk of bank loans. The increase in the nominal growth of banking Non-Performing Loans (NPL) in 2019 was 13.23 per cent (YoY) compared to the previous year's 1.90 per cent (YoY). POJK No. 40/POJK.03/2019 explains that loan quality is assessed based on business prospects, performance, and debt repayment ability. Based on this assessment, the quality of the loan is categorized as current, requiring special attention, substandard, doubtful and loss. The increase in loans requiring special attention by 19.59 per cent (YoY) resulted in an increase in risk that has the potential to reduce loans quality (restructuring current loans and deposits) to 7.89 per cent compared to the previous year to 6.08 per cent (YoY). The slowdown in lending and the increase in NPLs was influenced, among other things, by the weakening global economy during the pandemic (OJK, 2019a). Increased loans risk will affect the 'Bank's income and ability to generate gain (Abdelaziz et al., 2020; Mendoza & Rivera, 2017; Pepur & Tripovic, 2017, Djoko et al., 2018; Dao et al., 2020). The results of the study during the COVID-19 pandemic in Indonesia by Wahyuni et al. (2021) showed significant differences in Non-Performing Loans (NPL) before and after the COVID-19 pandemic in conventional banking. However, there is no significant difference in Sharia banking. Loans as measured by the ratio of non-performing loans (NPL) are more vulnerable to the COVID-19 than non-performing financing (NPF).

In a situation full of uncertainty, companies need a contingency approach to address urgent issues associated with increased loans risk. Contextual variables become a risk reduction strategy to maintain and or improve banking performance in this pandemic situation. Contingency theory supports that the business environment is a vital contingency factor in shaping organizational structure and strategy in dealing with complex and uncertain situations (Chenhall & Morris, 1986; Donaldson, 2001). Innovation is a solution to maintain performance. Innovation is related to a company's policy strategy (Wianto Putra et al., 2021). Strategies are formed according to the business environment to survive and thrive in the competition (Donaldson, 2001; Miles & Snow, 2003; Hoque, 2004). Companies are constantly faced with credit risk because most activities are carried out to provide loans to customers. In a pandemic situation, loans risk increases due to many debtors experiencing financial problems, so they cannot pay their obligations on time. Banks will continue to strive for debtors to return their commitments to reduce the risk of bad debt losses. The contingency theory approach provides a solution that every organization will always face environmental problems and strategic policies. Organizations will use contingency factors to address contextual issues that interfere with performance directly or indirectly. An appropriate contingency factor in a pandemic is a loan restructuring strategy (Burakov, 2014; Azhari & Kadir, 2018; Ghosala & Miller, 2019). Loan restructuring affects the quality of financial statements positively (Noviari et al., 2021; Suaryana et al., 2017) and a company's cumulative stock returns (Gilson et al., 1990). The form of restructuring activities carried out, for example, reducing the minimum obligations of problematic debtors, delaying payments, extending time or reducing interest and so on. The purpose of restructuring for banks is to help debtors settle their pending debts. For debtors, restructuring is the right choice when a company is in financial distress, has significant liabilities and has large intangible assets (Gilson et al., 1990; Forgione & Migliardo, 2019; Bawa & Basu, 2020).

The contingency approach is used to assess, evaluate, and control environmental conditions to improve the performance and quality of financial reports (Noviari et al., 2021; Suaryana et al., 2017). A company's success is primarily determined by the accuracy of the contingent variables chosen by the company due to their urgency and cannot be influenced by the organization but are determined by certain situations or conditions. The more precise the selection of strategies, innovations (Wianto Putra et al., 2021), solutions or contingency factors, the higher the firm's performance achievement. Based on the contingency theory and literature review, it is hoped that the loans restructuring strategy is the right solution to overcome the problem of increasing loans that are difficult to pay off by debtors during the pandemic due to a decline in economic activity. This study will describe the basic contingency theory, the methodology used, the analysis of non-performing loans, the form of restructuring, the restructuring process and conclusions.

Contingency theory is often referred to as situational theory as a critique of the universal theory. The first idea of this theory by Lawrence and Lorsch (1967) in the book Organization and Environment explains that a company's success is very dependent on internal and external situations. The contingency approach is used to strengthen the contextual effect on the effectiveness of a company's performance (Donaldson, 2001). Contingent factors include decision style, environment, strategy, structure, culture, technology, organization decision style, and system adaptability. The most significant factors influencing the company's success are environment and strategy (Macy & Arunachalam, 1995; Chenhall, 2003; Gasmen et al., 2016; Miles & Snow, 2003; Hoque, 2004). The right strategy is needed to create optimal success, especially in a pandemic. Appropriate contingency factors following financial accounting policies and standards can also improve the quality of financial reports for stakeholders to make the right decisions (Noviari et al., 2021; Suaryana et al., 2017).

Contingency theory views the business environment as a situation that must be appropriately managed (Chenhall & Morris, 1986; Donaldson, 2001). The COVID-19 pandemic affects the entire business environment, so banks must adapt to these conditions in maintaining their business continuity. The increase in the number of debtors who have loans under special attention affects the quality of bank loans. The contingency factor needed is a strategy to avoid significant losses in a pandemic situation. Based on the contingency theory approach, banks use a loans restructuring strategy to overcome the urgency of the pandemic. This study will explain that the restructuring strategy is the right solution to maintain banking performance in a pandemic situation based on contingency theory and previous literature reviews.

A sound management control system will improve the quality of company performance. The pandemic condition is an external environmental factor full of uncertainty about the firm's profits, losses and risks. Strategy is an internal factor used to achieve business success (Donaldson, 2001; Miles & Snow, 2003; Hoque, 2004). Contingency theory is concerned with making decisions in certain situations. Companies will always be faced with contextual how to adjust the characteristics of possibilities that reflect the company's position (Donaldson, 2001). The factors that affect profit level are income, capital, customers, technology, organizational risk, management decisions, regulations, economic environment, etc. During the COVID-19 pandemic, most companies experienced financial and non-financial problems. As a result, debtors will find it difficult to repay loans to banks. Contingency theory explains that situational factors will affect performance achievement. Management will take strategic policies to maintain the viability of a company. Managers manage the risks that arise and make strategic or effective innovations to create profits (Donaldson, 2001; Miles & Snow, 2003; Hoque, 2004). The solution is a loan restructuring strategy for debtors affected by the COVID-19 pandemic. This solution provides benefits for debtors, banks and the government to maintain the wheels of the economy.

2. METHODS

This study uses a qualitative approach in financial management science based on contingency theory. The concept of truth, which becomes the paradigm, is viewed from the point of view

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of the philosophy of science with the method of literature study. The data collection method is by reviewing documents in the notes to financial statements, banking news, government regulations and relevant research journals. The research data analysis technique used a brief qualitative descriptive analysis regarding the loans restructuring policy strategy during the COVID-19 pandemic based on contingency theory and literature review (Yin, 2011).

3. RESULT AND DISCUSSION

The COVID-19 pandemic impacts the financial services sector, namely the potential for increased risk of special mentions. The Financial Services Authority (OJK) has shown the soaring loans risk data since the outbreak of the COVID-19 virus. The value of the Non-Performing Loans (NPL) Ratio continued to increase starting in December 2019, increasing 2.53 per cent, in January 2020 increasing to 2.59 per cent, February 2020 rising 2.79 per cent, March 2020 still in the range of 2.77 per cent. The increase in loan risk occurs due to the debtor experiencing financial difficulties. Factors causing non-performing loans are debtors who do not have sufficient cash to repay loans due to a decline in economic activity, social distancing, and a prolonged pandemic. Non-performing loans will interfere with banks in creating profits. An increase in loans that are not repaid on time will reduce company profits (Abdelaziz et al., 2020; Mendoza & Rivera, 2017; Pepur & Tripovic, 2017).

Loans that are not paid at maturity impact bank liquidity because most of a bank's source of income comes from loan interest income. Banks in disbursing credit use funds originating from public deposits, which will be withdrawn at any time. Banks have a debt to maintain, provide interest and return deposits on time. Problematic loan conditions will cause banks to lack cash to meet obligations to customers, so there is a liquidity risk that will affect profit creation (Saleh & Abu Afifa, 2020). Creditors will try to find solutions in situations that are not economically predictable by creating strategic models that can reduce loans risk and liquidity risk problems to maintain the company's viability.

The decline in income due to the prolonged pandemic has made it difficult for debtors to pay their debts to banks (Hardiyanti & Aziz, 2021). The increase in non-performing loans resulted in banks experiencing increased lending and liquidity risks. The conditional is formed due to an uncertain situation, namely the ongoing pandemic. The contingency theory approach can be used to overcome this urgent situation. Betting occurs when the strategy is not found or will be successful when the strategy can solve the problem. Solutions are formed based on management policies and decisions. Banks provide loan restructuring solutions to debtors who are experiencing financial difficulties. Debtors affected by the pandemic and have prospects are the top priority for banks to restructure their loans (Otley, 1980; Gilson et al., 1990).

Restructuring programs are often associated with loosening payment terms, for example, temporarily reducing loans burdens or rescheduling repayment times. The Bank provides restructuring solutions by considering the benefits and costs. The benefits of restructuring must be greater than the costs incurred so that it has the potential to improve bank performance (Chenhall & Morris, 1986; Donaldson, 2001; Burakov, 2014). Debtors who have obligations to banks and are experiencing financial difficulties prefer to solve problems by restructuring loans (Gilson et al., 1990). Loans restructuring by the debtor can reduce the risk of bankruptcy, law or court. The restructuring policy provides positive information about the 'Bank's confidence in debtors and reflects the business's running condition. This condition increases investor confidence, thereby increasing stock prices (Gilson et al., 1990; Noe & Wang, 2000). Private banks will restructure loans at a lower rate than state banks because the state guarantees on state banks are greater than those of private banks. Loans restructuring is a dynamic credit cycle that will inevitably be passed during the course or period of the loans (Burakov, 2014).

During the pandemic, the loan restructuring policy is a bank strategy and stimulus or government regulation to maintain the country's economic stability (OJK, 2020). Economic and political factors also influence loan restructuring policies. Troubled companies can restructure loans without recording significant losses because there are no lost assets or court proceedings. The restructuring overcomes the problem of possible industrial bankruptcy and lack of working capital. Banks help debtors reorganize their cash flow with long-term business continuity prospects (Ang, 1991; Gilson et al., 1990). Restructuring is the right way to overcome the problem of unpaid loans by debtors in banks in India in 2005–2016, with a sample of 45 private and public banks (Bawa & Basu, 2020). However, restructuring carries a high risk for banks, so there must be strict rules and support for government regulations (Hernández et al., 2015). The loan restructuring policy during the pandemic follows POJK No.11/POJK No3/2020, which is adjusted to the Principles of Financial Accounting Standards (PSAK) No. 71 of 2020 concerning Allowance for Impairment Losses, which is reserved when the loans occur to protect banks from credit risk loss effect.

Loan restructuring is the right decision solution for companies in financial distress. Contingency theory is used to evaluate the effectiveness of firm performance. Contingent factors include the restructuring policy model as a solution to the problem of loans risk that interferes with the firm's gain creation. Banks form restructuring to provide opportunities for customers through rescheduling, recondition, and restructuring of loans. The form of restructuring is in line with government regulations. Agreements that restructuring loans can help debtors get out of financial trouble, help banks reduce the risk of bad loans, and government stimulus to repair the economy in times of crisis.

Loan restructuring is a strategy to overcome the problem of increasing credit with particular attention to banking. The model or form of restructuring that companies in the U.S. mainly carry out is credit modification with an extension of time, out-of-court negotiations and debt recovery (Gilson et al., 1990; Noe & Wang; 2000; Jaggi & Lee, 2002; Bedendo et al., 2016). Model Modification of credit terms by increasing loans facilities and providing additional equity is carried out in Eastern German companies (Schütte, 2007). Credit modifications with an extension of time accompanied by new loans to cover those due, the restructuring index, and the restructuring cycle are carried out by banks in Russia (Burakov, 2014). Banking reform by increasing efficiency and solvency is a form of restructuring (Hernández et al., 2015). Modifying loans by converting credit into equity participation in customer companies is carried out through restructuring in Korea (Kim et al., 2019). China carried out credit modification with loans reorganization in China, and India carried out credit modification with loans reorganization (Jiang et al., 2019; Ghosh, 2019). Credit modification with deferred debt is in Italy (Forgione & Migliardo, 2019). The policy model for MSME debtors and individuals in Hong Kong is to delay payments, extend time, and/or reduce interest, and provide loans without collateral or overdrafts (Press Release Hongkong, March 16, 2020). In Malaysia, the Mass Broadcasting on March 25, 2020, outlined restructuring with a temporary delay of 6 months for debtors who meet the criteria. The debtors do not need to make payments, and delays are not subject to fines. Primer On BPS Memorandum of the Philippines (March 8 2020) states that the Philippines bank can postpone the recording of loans loss reserves for debtors with a maximum impact of 5 years with regulatory approval. There are no fines for late reporting for six months. The Singapore press release dated April 7 2020, explained that the restructuring strategy was carried out by delaying the payment of principal and interest for UK property loans, the conversion of credit cards debts into term loans with an interest-free period of 5 years, the delay in principal and credit payments and adjustment to capital and liquidity limits. Press release February 2020 in Japan, the restructuring model is carried out by banks preparing credit cards to help debtors with special rates and without collateral and banks assisting debtors whose business continues in a pandemic situation (Herlianto, 2020; OJK, 2020).

Various models of modifications to credit requirements carried out in multiple countries aim to solve debtors' financial distress. The policy is adjusted to the situation and government regulations. For example, restructuring in Indonesia during the pandemic also uses multiple regulations between banks and government policies.

Restructuring Process. The principle of prudence guides banks in disbursing loans, but some problems occur in bank financing. Factors causing non-performing loans are internal factors, name-

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ly banks themselves who do not understand the customer's business, lack of evaluation of the business, guarantees that do not consider future market prices, and others. External factors, namely customers, do not have good character and are less responsible, relatively new businesses, unable to compete, and natural/non-natural disasters occur. If there are non-performing loans, a bank will try to save and resolve them properly so that there is no loss of funds that have been distributed. One of the strategies used is loan restructuring.

Loan restructuring is an effort made by banks to help debtors settle their obligations. Banks will provide loan restructuring through rescheduling, reconditioning, restructuring of loans (OJK, 2020). The restructuring process begins by analyzing the debtor's business prospects, the ability to repay the loans, and the debtor's willingness to repay the loans. Then, make an agreement letter on the obligations and rights between the two parties. After fulfilling the requirements, they will carry out a loan restructuring process. Bank loans restructuring can be done in the following ways:

a. Rescheduling is a change in the schedule and time of payment. Given the code as below:

   a1. changes to the customer's obligation payment schedule;
   a2. certain period change.

b. Reconditioning is a change in part or all of the financing requirements without adding to the remaining principal of the customer's obligations that must be paid to the Bank, which include:

   b1. changes in terms and interest rates;
   b2. change in instalment amount;
   b3. changes to new financing terms;
   b4. changes in the ratio in the financing; and
   b5. discount giving;
   b6. modify credit terms;
   b7. combination of changing financing requirements.

c. Restructuring, namely changes in financing made by banks, among others:

   c1. addition of bank credit facility funds;
   c2. credit contract conversion;
   c3. conversion of credit into timed securities; and
   c4. conversion of credit into temporary equity participation in customer companies accompanied by rescheduling and reconditioning.

Based on data analysis of the financial statements of banking companies on the Indonesia Stock Exchange (IDX), 41 private and state banks have restructured between 2019–2020. The total loans restructuring in 2019 was IDR 58,565,584 million, an increase in 2020 of IDR 771,162,655 million. The average amount of loans restructuring in 2019 was IDR 1,361,990 million, while in 2020, the average restructuring was IDR 17,934,015 million. As a result, loan restructuring from 2019 to 2020 has increased by 12.17 per cent from the average amount. This increase was quite prominent in the Covid-19 pandemic because it relaxed the stimulus carried out by the government.

The results of the analysis carried out in this study are described in table 1 regarding the group of restructuring models that banks have carried out banks in Indonesia have carried out during 2019–2020.

Table 1 explains the loans restructuring model carried out is (a1) changes in the payment schedule for customer obligations by 14 banks or 14 per cent, (a2) changes in a certain period of 12 banks or 12 per cent, (b1) changes in terms and interest rates in part or in full by 14 banks or 14 per cent, (b2) changes in the number of instalments by nine banks or by 9 per cent, (b3) changes in new financing terms by eight banks or by 8 per cent, (b6) Modifications in credit terms by 23 banks or by 24 per cent, (b7) combination of changes in financing requirements by four banks or 4 per cent, (c1) additional bank credit facility funds by four banks or 4 per cent, (c2) conversion of credit contracts by one bank or 1 per cent and (c3) conversion of debt into paper maturities of 8 banks or 8 per cent. Restructuring models that are rarely carried out by banks during the pandemic, such as (b4) changes in financing ratios, (b5) giving discounts and (c4) converting loans into temporary equity participation in customer companies accompanied by rescheduling or reconditioning.

Table 1. Grouping of bank loans restructuring

Source: Data processed (IDX, 2019–2020).

CODE	a1	a2	b1	b2	b3	b6	b7	c1	c2	c3	Total
AGRO	x	–	x	–	–	–	–	–	–	–	–
AGRS	–	–	–	x	–	x	x	–	–	–	–
AMAR	–	–	–	–	–	x	–	–	–	–	–
ARTO	–	–	x	–	–	x	–	x	–	–	–
BABP	–	–	–	–	–	x	–	–	–	–	–
BACA	–	–	–	–	–	x	x	–	–	x	–
BBCA	–	–	–	x	–	x	x	–	–	–	–
BBHI	x	x	x	x	–	–	–	–	–	–	–
BBKP	x	x	–	–	–	x	x	–	–	–	–
BBMD	–	–	x	x	x	–	–	–	–	–	–
BBNI	–	–	–	–	–	–	–	x	x	–	–
BBRI	x	x	–	–	–	–	–	–	–	–	–
BBTN	x	x	x	–	x	–	–	–	–	x	–
BBYB	x	x	x	–	–	–	–	–	–	–	–
BCIC	–	–	x	–	x	x	–	–	–	–	–
BDMN	x	x	x	x	–	x	–	–	–	x	–
BEKS	–	–	x	–	x	–	–	–	–	–	–
BGTG	–	–	–	–	–	x	–	–	–	–	–
BINA	x	–	–	–	x	–	–	–	–	–	–
BJBR	–	–	x	–	–	–	–	–	–	–	–
BJTM	–	–	x	x	x	–	–	–	–	–	–
BKSW	–	–	x	x	–	x	–	–	–	–	–
BMAS	–	–	x	x	–	x	–	–	–	–	–
BMRI	–	–	–	–	–	x	–	–	–	x	–
BNBA	–	–	–	–	–	x	–		–		–
BNGA	x	x	–	–	–	x	–	x	–	x	–
BNII	–	–	–	–	–	x	–	–	–	x	–
BNLI	–	–	–	–	x	–	–	–	–		–
BRIS	x	x	–	–	–	–	–	x	–		–
BSIM	–	–	–	–	–	x	–	–	–	x	–
BSWD	–	–	–	–	–	x	–	–	–	x	–
BTPN	x	x	–	–	–	x	–	–	–	–	–
BTPS	–	–	–	–	–	x	–	–	–	–	–
BVIC	x	x	–	–	x	–	–	–	–	–	–
DNAR	x	x	–	–	–	–	–	–	–	–	–
MCOR	–	–	–	–	–	–	–	–	–	–	–
MEGA	–	–	–	–	–	x	–	–	–	–	–
NISP	–	–	–	–	–		–	–	–	–	–
PNBN	–	–	–	–	–	x	–	–	–	–	–
PNBS	–	–	–	–	–	x	–	–	–	–	–
SDRA	x	x	x	x	–	–	–	–	–	–	–
Amount	14	12	14	9	8	23	4	4	1	8	97
Percentage	14%	12%	14%	9%	8%	24%	4%	4%	1%	8%	100%

The most common form of bank restructuring is b6, namely modifying loans terms, while the least number of restructuring loans is (c2) conversion of credit contracts. Figure 1 is a chart that shows the model and presentation of loan restructuring at the IDX in 2019–2020.

Figure 1 explains that loan restructuring during the pandemic was mostly carried out by modifying loan terms by 23.71 per cent. The modified loan's terms include an extension of the term, reduction of interest rates, changes in credit facilities, exemption of interest arrears, new loan terms and conversion of loans into share capital. The form of loan restructuring is adjusted to environmental conditions and company management policies. Loan restructuring for debtors affected by the pandemic is the right solution because it provides flexibility and relief in repay-

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Source: Data processed (IDX, 2019–2020).

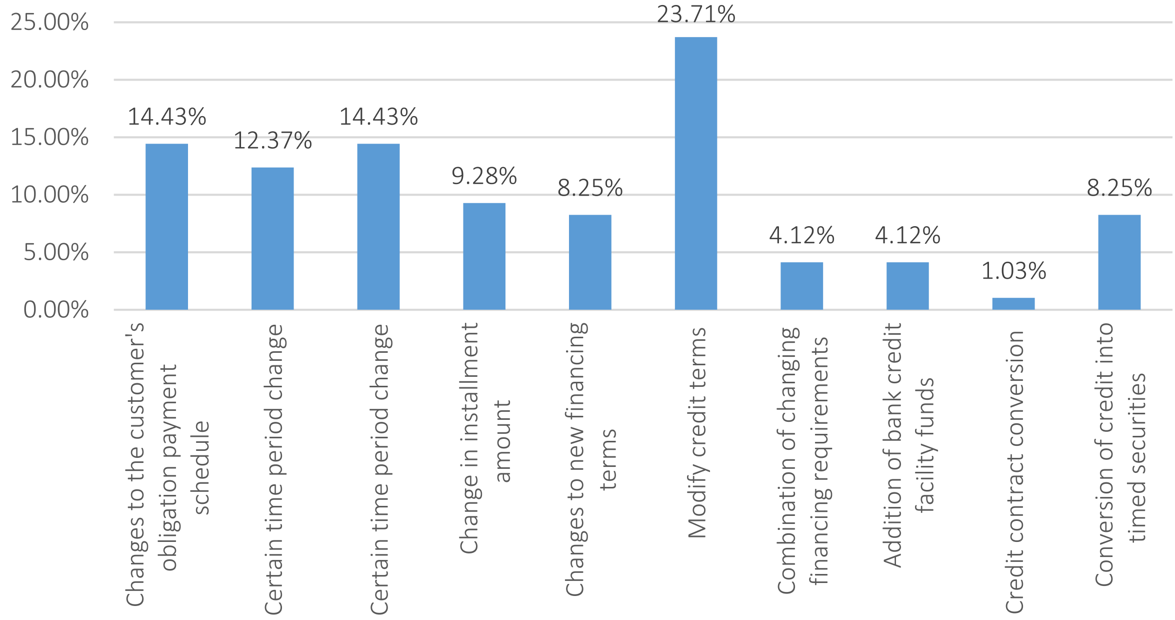

Figure 1. Bank loan restructuring

ing loans. For banks, restructuring solutions during the pandemic can maintain banking performance. Loans that were restructured during the pandemic did not increase credit collectability because these loans were still in a current position and did not rise to a position of special mention. Restructured loans do not need to form an allowance for impairment losses to maintain the Bank's performance.

The results of the study follow the contingency theory approach and literature review that supports loan restructuring strategies as a banking solution in mitigating credit risk and liquidity risk to maintain company performance (Burakov, 2014; Demiroglu & James, 2015; Forgione & Migliardo, 2019; Ghosala & Miller, 2019; Jiang et al., 2019; Kim et al., 2019; Hernández et al., 2015; Noe & Wang, 2000). The results of the literature review also explain that loan restructuring carried out by banks during the pandemic supports government policies through the OJK and Bank Indonesia regulations in 2020. Loan restructuring also encourages economic recovery and growth during the COVID-19 pandemic.

CONCLUSION

The COVID-19 pandemic represents a situation full of economic uncertainty around the world. Many companies experience financial distress, being unable to pay debts to banks. The increase in debtor loans in special attention causes banks to experience the risk of loans not being repaid on time. Increased loans risk has an impact on banking performance. Therefore, companies need the right strategy to adapt to the business environment during a pandemic. This study provides evidence that an important contingency factor to address the increasing lending situation is the loan restructuring policy. The restructuring strategy is an effort made by banks to assist debtors in settling their debts. The results of this study support the contingency theory with the contingency factor approach of loan restructuring strategies in a pandemic environmental situation.

This literature review provides a comprehensive overview of the forms of restructuring carried out in several countries and Indonesia. The most common form of restructuring is the modification of loan terms, namely term extension, interest rate reduction, changes in credit facilities, exemption of interest arrears, new loans terms, conversion of credit to shares and a combination of two or more loans terms. Restructuring during the pandemic is different from the previous year because it helps debtors, banks and the state to increase economic growth through the government's relaxation stimulus program.

This study strengthens the contingency theory and literature study on loan restructuring. The study contributes to a company's management in considering loans restructuring. The contribution for creditors is a form or model of loan restructuring and for stakeholders is a policy consideration for restructuring the regulation of economic growth. The limitation of this study is that it has not explained how banks face challenges in implementing this relaxation stimulus even though loan restructuring has gone well.

AUTHOR CONTRIBUTIONS

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