

Analysis of Non-Performing Financing (NPF) After the Withdrawal of MSME Financing Relaxation: A Study at Bank Syariah Indonesia

Syaifuddin¹

Universitas Muhammadiyah Sumatera Utara, Medan, Indonesia

zuhri18ritonga@gmail.com

Submission	Accepted	Published
Mar 9, 2025	Aug 29, 2025	Aug 30, 2025

Abstract

Ideally, the financing of Micro, Small, and Medium Enterprises (MSMEs) in Islamic banks should grow sustainably with controlled financing risks. However, the reality shows that after the revocation of the post-pandemic financing relaxation policy, there has been an increase in the potential for Non-Performing Financing (NPF), which puts pressure on the performance of Islamic banking, particularly Bank Syariah Indonesia. This study aims to analyze the dynamics of NPF in the MSME segment following the revocation of relaxation policies as well as the factors influencing financing smoothness. This article is categorized as qualitative library research using a descriptive-analytical methodology. The findings reveal that the revocation of relaxation policies has led to an increased risk of default, especially in small businesses that have not fully recovered from the pandemic's impact. Nevertheless, continued restructuring strategies, strengthened risk management, and debtor assistance have proven effective in suppressing NPF growth and keeping it within reasonable limits.

Keywords: NPF, Financing Relaxation, MSMEs, BSI

Abstrak

Idealnya, pembiayaan Usaha Mikro, Kecil, dan Menengah (UMKM) pada bank syariah mampu tumbuh sehat dengan risiko pembiayaan yang terkendali. Namun, realitas menunjukkan bahwa setelah pencabutan kebijakan relaksasi pembiayaan pasca-pandemi, terjadi peningkatan potensi Non-Performing Financing (NPF) yang menekan kinerja perbankan syariah, khususnya Bank

¹ Corresponding Author

Syariah Indonesia. Penelitian ini bertujuan untuk menganalisis dinamika NPF pada segmen UMKM pasca-pencabutan relaksasi serta faktor-faktor yang mempengaruhi tingkat kelancaran pembiayaan. Artikel ini tergolong dalam penelitian pustaka berbasis kualitatif dengan metodologi studi deskriptif analitis. Hasil penelitian menunjukkan bahwa pencabutan relaksasi berimplikasi pada meningkatnya risiko gagal bayar, terutama di sektor usaha kecil yang belum pulih penuh dari dampak pandemi. Namun demikian, strategi restrukturisasi lanjutan, penguatan manajemen risiko, serta pendampingan debitur terbukti dapat menekan pertumbuhan NPF agar tetap berada dalam batas wajar.

Kata Kunci: NPF, Relaksasi Pembiayaan, UMKM, BSI

Introduction

In the context of national economic development, the existence of Micro, Small, and Medium Enterprises (MSMEs) has long been regarded as the main driving force supporting the stability of Indonesia's economy. This sector not only contributes significantly to job creation but also accounts for more than 60% of Indonesia's Gross Domestic Product (GDP). MSMEs are widely spread across regions, from urban areas to remote villages, making them an essential pillar in supporting equitable economic development (Zulianti & Nurbaiti, 2022). The resilience of MSMEs has also been proven during various economic crises, despite their limitations in capital, market access, and financial literacy. Therefore, strengthening the MSME sector has always been a priority in government economic policy. In this context, banking support becomes crucial, especially from Islamic financial institutions such as Bank Syariah Indonesia (BSI), which is not only profit-oriented but also carries a social mission, justice, and sustainability in channeling financing.

The development of Bank Syariah Indonesia after its merger in 2021 marked a new chapter in the history of national Islamic banking. With the consolidation of three state-owned Islamic banks, BSI became the largest Islamic bank in Indonesia with significant assets and a greater role in financing the real sector, including MSMEs. However, the high exposure to MSME financing also requires strong risk management so that the bank does not fall into a surge of problematic financing (Almunawwaroh & Marlina, 2018). One of the key indicators used to assess financing health is Non-Performing Financing (NPF). NPF reflects the level of default or non-performing financing and serves as a measure of the effectiveness of Islamic banking risk management. NPF stability not only affects the financial health of banks but also determines public trust and directly influences the bank's ability to continue channeling financing to MSMEs that are in dire need of working capital support.

Ideally, Islamic financing for MSMEs should run sustainably because sharia principles emphasize contract clarity, transparency in risk-sharing, and fairness in every transaction. With a partnership-based system, contracts such as *mudharabah* and *musyarakah* are believed to foster healthy relationships between

banks and entrepreneurs. This model should encourage a mutually beneficial business climate and minimize the risk of problematic financing (Farizki & Ansori, 2024). In addition, the government's financing relaxation policy during the COVID-19 pandemic should have been able to maintain NPF stability. The relaxation allowed customers to restructure financing without being immediately categorized as default, thereby providing MSMEs room to survive. With the support of such regulations, combined with sharia principles of justice, the ideal condition expected was the maintenance of financing quality at a healthy and stable level, even when MSMEs faced global and domestic economic shocks.

However, the reality after the revocation of MSME financing relaxation policies shows far more complex challenges. Many MSMEs that have not fully recovered post-pandemic still face serious obstacles, ranging from limited capital, weak competitiveness, to low financial literacy. When the relaxation was revoked in 2023, some MSMEs were not ready to repay their financing under normal schemes, thereby increasing the potential for default (Muttaqin et al., 2023). This condition has placed significant pressure on Bank Syariah Indonesia in maintaining NPF stability, as the increase in problematic financing directly affects liquidity, reduces the bank's financing expansion capacity, and could even lower public trust in Islamic banking. This situation highlights the gap between the idealism of the sharia system and regulatory policy versus the risk-laden realities in the field. Therefore, the revocation of relaxation policies becomes a critical moment that tests BSI's risk management resilience in facing uncertain economic dynamics.

This situation has led to the main research problem: How Bank Syariah Indonesia manages the potential surge in NPF after the revocation of MSME financing relaxation policies. A high NPF ratio not only indicates internal weaknesses in risk governance but also reflects external vulnerabilities faced by MSMEs (Nurbaiti et al., 2023). If not addressed immediately, the sustainability of Islamic banking could be disrupted and may even threaten the stability of the national financial system. Therefore, examining the strategies, impacts, and prospects of NPF management post-relaxation is highly relevant, not only for academics seeking new empirical literature but also for regulators, banking practitioners, and MSME actors directly involved in the Islamic financing ecosystem.

The purpose of this research is to comprehensively analyze the condition of NPF at Bank Syariah Indonesia after the revocation of MSME financing relaxation policies. The analysis includes identifying factors influencing NPF dynamics, BSI's strategies in maintaining financing quality stability, and evaluating the effectiveness of applied risk mitigation measures. This research also aims to identify BSI's adaptation patterns in dealing with post-relaxation challenges, thereby providing an overview of how Islamic banks can sustain MSME financing. With these objectives, the study is expected not only to explain the existing conditions but also to provide practical recommendations that can strengthen the role of Islamic banking in supporting national economic development.

The contribution of this research can be seen from two main aspects, namely academic and practical. From an academic perspective, this study enriches the literature on financing risk management in the context of Islamic banking,

particularly concerning NPF issues post-MSME financing relaxation. The findings can serve as references for further studies discussing similar themes in the perspectives of public policy, banking governance, or Islamic economics. From a practical perspective, this study provides valuable input for Bank Syariah Indonesia in evaluating and strengthening its NPF management strategies. For regulators such as the Financial Services Authority (OJK), the findings may serve as a foundation for formulating more sustainable and adaptive policies tailored to the needs of MSMEs and Islamic banking. Meanwhile, for MSMEs, this research provides insights into the importance of financial discipline, financing literacy, and synergy with Islamic banks to sustain business continuity.

Literature Review

Studies related to Non-Performing Financing (NPF) after the revocation of MSME financing relaxation are not entirely new, as various researchers have already discussed them with different contexts and approaches. Wulandari Kuswahariani, et al., in their study entitled; *“Analisis Non-Performing Financing (NPF) Secara Umum dan Segmen Mikro pada Tiga Bank Syariah Nasional di Indonesia”*, examined the profile and driving factors of NPF both in aggregate and in the micro segment across three national Islamic banks. Broadly, this study mapped NPF patterns across banks and segments, evaluated the sensitivity of NPF to internal bank characteristics and financing profiles, and highlighted the vulnerability of the micro segment to economic cycle conditions. The findings show that micro-segment NPF tends to be more volatile compared to total NPF, influenced by the quality of feasibility assessments and post-disbursement monitoring mechanisms (Kuswahariani et al., 2020). The similarity with the author’s study lies in the shared focus on the dynamics of NPF in Islamic banks, with an emphasis on the micro segment as a high-risk area. However, the difference lies in the time scope: Wulandari et al.’s research was conducted in the pre-pandemic period, while this study focuses on the post-relaxation revocation period with BSI as a more specific object.

Redho Ikhsan, in his work entitled; *“Analisis Faktor-Faktor yang Mempengaruhi Non-Performing Financing (NPF) pada Bank Syariah di Indonesia”*, examined the factors influencing NPF using a quantitative econometric approach. His research involved macroeconomic variables such as economic growth and inflation, as well as internal bank variables such as efficiency, profitability, and financing levels. The results indicate that Islamic banks’ NPF is significantly affected by a combination of internal and external factors (Ikhsan, 2023). The similarity with the author’s research lies in the same focus, namely analyzing the driving factors of NPF and their impact on the asset quality of Islamic banks. The difference is that Ikhsan’s study covered the Islamic banking industry as a whole, while the author’s research focuses specifically on BSI in the post-relaxation revocation context for MSME financing.

Seftian Telaumbanua and Muhammad Cholifihani, in their study entitled; *“Kebijakan Relaksasi pada Usaha Mikro Kecil dan Menengah (UMKM) Terdampak Covid-19 di Bank Syariah Indonesia Kota Depok”*, analyzed the implementation of financing relaxation policies at BSI at the operational level in the Depok area. This

research focused on assessing the effectiveness of relaxation policies in the form of restructuring and installment deferrals in supporting the sustainability of MSMEs during the pandemic and their impact on financing quality. The findings show that the relaxation policy succeeded in suppressing the potential surge of problematic financing and maintaining good relations between the bank and its customers (Telaumbanua & Cholifihani, 2022). The similarity with the author's study lies in the shared examination of the relationship between relaxation policies and MSME financing quality at BSI. The difference lies in the time and scope: Telaumbanua & Cholifihani's study was conducted when the relaxation policy was still in effect and limited to a specific regional scope, while the author's study focuses on the post-relaxation period at BSI on a national scale.

After conducting a literature review, it appears that existing studies have so far only focused on analyzing the causal factors of NPF at the level of the Islamic banking industry, measuring NPF in the micro segment before the pandemic, or evaluating the effectiveness of relaxation policies while they were still in force. Meanwhile, studies on the dynamics of NPF after the revocation of relaxation, with an emphasis on Bank Syariah Indonesia—particularly in the context of MSME financing—have not yet been explored in depth. This academic gap provides both an opportunity and a novelty for this research, namely to present an empirical analysis of how the transition from a relaxation regime to normal conditions affects BSI's NPF and how the bank's risk mitigation strategies are able to sustain the quality of MSME financing.

Research Methodology

This article is categorized as qualitative library-based research with a descriptive-analytical study methodology (Benuf & Azhar, 2020). The study aims to systematically explore and examine the dynamics of Non-Performing Financing (NPF) following the revocation of MSME financing relaxation, with a focus on the context of Bank Syariah Indonesia. The primary sources of this research include scientific journal articles, official reports from Bank Syariah Indonesia, and regulations from the Financial Services Authority (OJK) directly related to the financing relaxation policy. Secondary sources consist of textbooks, previous research findings, economic news, and academic publications that support the theoretical framework and research background.

Data analysis is conducted using an interactive analysis method, which includes data reduction, data presentation, and conclusion drawing. The validity of the data is ensured through source triangulation and comprehensive understanding of the references used, while data reliability is maintained by comparing analytical results with relevant theories, previous studies, and empirical data. The drafting process organizes the data into a systematic descriptive-analytical narrative, starting from literature collection, information organization, to the construction of a coherent academic narrative. In this process, the principles of scientific consistency, objectivity, and the interrelation between theory, data, and actual phenomena are applied to ensure that the research outcomes possess both academic rigor and practical contribution.

NPF Dynamics Post-Revocation of MSME Financing Relaxation

The revocation of the MSME financing relaxation policy by the Financial Services Authority (OJK) in 2023 marked a critical turning point in the dynamics of the Islamic banking sector in Indonesia, particularly concerning the Non-Performing Financing (NPF) ratio. The relaxation policy, which had been in effect since the early COVID-19 pandemic, served as a risk mitigation instrument by allowing banks to restructure financing without immediately classifying it as problematic (Saprudin et al., 2023). This mechanism was highly beneficial for banks, including Bank Syariah Indonesia (BSI), in maintaining financial stability while the real sector, especially MSMEs, suffered from reduced demand and disrupted distribution channels. However, after the relaxation was revoked, all previously eased financing portfolios had to be reassessed under normal risk standards. Theoretically, this condition should have increased the potential for NPF spikes, as many MSMEs had not fully recovered. Surprisingly, data shows a consistent downward trend, contradicting initial expectations and indicating a unique dynamic worthy of deeper analysis.

BSI's performance data for 2021–2023 reveal an interesting development. The NPF ratio, which stood at 2.93% in 2021, decreased to 2.08% in 2023. This reduction is not only significant numerically but also strategically meaningful, as it occurred amid the end of regulatory relaxation that had previously supported financing quality. Generally, revoking relaxation is associated with higher default risk because previously assisted clients face normal obligations again (Mala et al., 2022). Therefore, the decline in BSI's NPF raises academic questions regarding the determinants driving this phenomenon. How did the bank's internal strategies anticipate risk surges, and to what extent did national economic conditions support this achievement? These questions are crucial because the answers can provide insights into the risk management capacity of Islamic banks in maintaining financing quality amid changes in macroprudential policy.

One dominant factor explaining the NPF decline is the post-pandemic national economic recovery, which greatly benefited MSMEs as the backbone of Islamic bank financing. After severe pressure in 2020–2021, MSMEs gradually recovered with increasing mobility, improved purchasing power, and the restoration of global supply chains. Products that had stagnated due to low demand regained markets both domestically and internationally. Increased revenues enabled MSMEs to better meet installment obligations. OJK confirmed that post-pandemic macroeconomic stability, along with government fiscal stimulus, contributed to lowering default risks. This indicates that a healthy external economic environment acts as a catalyst for improving financing quality at BSI.

In addition to economic recovery, NPF dynamics were influenced by BSI's internal strategies to maintain portfolio quality. The bank not only relied on restructuring during the relaxation period but also proactively developed mentoring and educational programs for MSME clients. These programs aimed to enhance managerial capacity, financial literacy, and digital skills, enabling MSMEs to manage cash flow, plan business operations, and maintain repayment

commitments. Through this approach, BSI acted not only as a capital provider but also as a strategic partner, strengthening clients' business foundations (Fajriyanti & Sastika, 2024). Non-financial interventions like these proved effective in reducing problematic financing, as mentored MSMEs demonstrated higher resilience to market fluctuations.

Compared to conventional banks, the post-relaxation dynamics highlight clear differences. Data as of March 2024 show that the Non-Performing Loan (NPL) ratio for MSMEs in conventional banks rose to 3.98% after the relaxation ended, contrasting with BSI's success in lowering NPF. This difference reflects not only numbers but also fundamental disparities in financing models (Agatha & Priana, 2020). Sharia-compliant financing schemes based on profit-sharing, murabahah, or other contracts offer greater flexibility and negotiation room than fixed-interest loans in conventional banks. When MSMEs face difficulties, sharia contracts allow for fairer adjustments, mitigating problematic financing risk. Thus, the sharia model demonstrates greater resilience post-relaxation.

Besides contract models, BSI's stricter internal lending policies post-pandemic also contributed to NPF reduction. The bank tightened credit scoring by adding more comprehensive analysis indicators, including financial history, business sustainability, and MSME digital capacity. This ensured financing was granted only to MSMEs with sufficient business prospects. While this reduced the volume of financing disbursed, its impact on portfolio quality was significant, lowering default risk early. Consequently, some financially weaker MSMEs had limited access, but from a long-term stability perspective, this policy effectively preserved financing quality.

Post-relaxation restructuring also remained a crucial tool in managing NPF. Even though official relaxation ended, BSI offered limited restructuring options, such as extended tenor, rescheduled installments, or adjusted payments according to debtor capacity. This approach allowed recovering MSMEs to stabilize their business without immediately being classified as problematic (Karim, 2021). This adaptive strategy demonstrates how Islamic banks balance financial stability with social responsibility toward MSME clients.

From a regulatory perspective, revoking relaxation raised concerns about NPF spikes, as banks had to reassess portfolios under normal standards. However, reality showed maturity in Islamic banks' risk management. OJK noted that, despite the end of restructuring stimulus, financing quality in Islamic banks remained relatively stable compared to conventional banks. This indicates that Islamic banks do not solely rely on regulatory easing but can develop independent, sustainable, and sharia-compliant risk mitigation mechanisms. At the macro level, BSI's NPF reduction aligns with national sharia financial asset growth, reaching IDR 2,375 trillion by late 2022, with a 10.69% market share. This growth reflects increasing public trust in the sharia financial industry.

Such trust strengthens the bank's capital base, expands financing reach, and provides a solid foundation for maintaining portfolio quality. In other words, BSI's success in reducing NPF post-relaxation also reflects growing social and financial legitimacy in the eyes of the public. Nevertheless, post-relaxation NPF dynamics still face challenges. Global economic fluctuations, geopolitical uncertainty, and commodity price volatility can affect MSME performance and financing quality. For

instance, rising import raw material costs can erode MSME profit margins, reducing repayment capacity. Likewise, global interest rate changes can influence investment flows and domestic liquidity (Subekti & Wardana, 2022). Without proper strategies, NPF could still increase. Therefore, BSI's current success should be seen as a temporary achievement requiring long-term strategic strengthening.

Another critical aspect of NPF dynamics is compliance with sharia principles. Islamic banks are assessed not only on financing quality but also on operational adherence to sharia rules. In this context, handling problematic financing must respect agreed contracts while prioritizing justice, deliberation, and partnership. This contrasts with conventional banks, where NPL resolution typically relies on interest and rigid contractual enforcement. By maintaining sharia compliance, BSI preserves client trust and ensures the sustainability of the sharia financial model.

Bank Syariah Indonesia's Strategy in Maintaining NPF Stability

Bank Syariah Indonesia's (BSI) strategy in maintaining the stability of Non-Performing Financing (NPF) is a key agenda closely linked to the dynamics of the Islamic financial industry following the revocation of MSME financing relaxation. As is known, the relaxation period provided by the government during the COVID-19 pandemic allowed debtors to postpone repayment obligations without being immediately classified as problematic (Natasya & Yanti, 2024). However, after the relaxation ended, the risk of problematic financing increased because many MSMEs had not fully recovered from the crisis. In this context, BSI, as the largest Islamic bank in Indonesia, faced significant challenges in ensuring asset quality remained intact to maintain customer and investor confidence.

One of BSI's main strategies is strengthening risk management through the application of prudential principles in every financing decision. This aligns with sharia principles, which emphasize justice and sustainability in contracts. BSI conducts detailed financing feasibility assessments, considering business analysis, market prospects, and debtor track records. A rigorous due diligence process is intended to minimize default risks. In addition, the bank optimizes an early warning system capable of detecting potential problematic financing at an early stage, allowing timely and accurate interventions.

Beyond risk management, BSI focuses on restructuring financing for clients with viable business prospects. This strategy not only mitigates NPF pressure but also demonstrates the bank's commitment to supporting the sustainability of MSMEs, which form the backbone of the national economy. Restructuring is carried out through various means, such as extending repayment periods, reducing margins, or substituting contracts to better suit client conditions. This approach provides breathing space for business owners to recover without being burdened by unrealistic obligations.

Another equally important strategy is the digitalization of financing services. BSI leverages digital technology to enhance efficiency and broaden access to sound financing. Through big data and artificial intelligence, the bank can profile debtors more accurately. This technology allows real-time analysis of transaction patterns and financial behavior, minimizing the potential for problematic financing

(Nafi'ah & Widyaningsih, 2021). Digitalization also accelerates financing disbursement, enhancing customer satisfaction and loyalty. BSI promotes financial inclusion by providing access to financing for MSMEs, supported by more intensive mentoring. The bank not only disburses funds but also educates and guides clients in financial management, digital marketing, and business development strategies. This approach aligns with the Islamic banking vision, which is not solely profit-oriented but also promotes public welfare. In this way, BSI aims to create a healthy and sustainable financing ecosystem, reducing long-term NPF risk.

Collaboration with various stakeholders is also an integral part of BSI's strategy. The bank partners with the government, financial authorities, MSME associations, and fintech companies to strengthen business resilience. Through such synergy, MSMEs gain broader market access, flexible working capital support, and comprehensive business mentoring. These collaborations enhance debtors' capacity to fulfill financing obligations while helping the bank maintain a stable NPF ratio. Internally, BSI actively invests in human resource development by providing intensive training for employees, particularly in financing analysis, risk management, and digital literacy (Mahvi & Siregar, 2025). Skilled staff capable of assessing business feasibility act as the first line of defense against problematic financing. Additionally, ongoing training in sharia contracts ensures consistent application of sharia principles across all service lines.

BSI also utilizes sharia-compliant financial instruments with a risk mitigation function, such as takaful-based financing insurance. This instrument provides protection against debtor default risk, allowing risk to be shared proportionally rather than borne entirely by the bank. This demonstrates that BSI's strategy in maintaining financing quality relies not only on internal measures but also on community-based mechanisms aligned with sharia principles (Perdana et al., 2023). Amid a dynamic economic environment, BSI applies portfolio diversification strategies. The bank does not rely solely on specific MSME sectors but also channels financing to other potential sectors, such as agriculture, health, education, and renewable energy. Diversification spreads risk, so if one sector slows, others can offset potential losses. This approach helps maintain NPF stability despite economic uncertainties.

BSI conducts regular monitoring of disbursed financing, assessing not only repayment performance but also business progress. If signs of declining performance appear, the bank takes a persuasive approach, offering solutions that ease clients' burdens without violating sharia principles. This humanistic approach fosters loyalty and trust. Operational strategies are complemented by strengthening capital and financing loss reserves. Adequate capital enables the bank to absorb potential financing risks without compromising financial stability. Disciplined management of loss reserves further supports the bank's health, highlighting the importance of prudent financial management in mitigating NPF risk.

Transparent communication with stakeholders is another crucial factor in maintaining NPF stability. BSI maintains openness with regulators, investors, and clients regarding financial conditions and strategies. Transparency not only enhances credibility but also instills confidence among all parties. Public trust is a vital asset, as Islamic banking cannot thrive without it, regardless of strategic

planning (Nurfaida et al., 2024). Through these integrated strategies, BSI ensures that NPF stability is maintained after the end of MSME financing relaxation. Risk management, restructuring, digitalization, education, collaboration, diversification, capital strengthening, and transparency form a comprehensive strategy that reflects the unique character of Islamic banking—balancing profitability and social sustainability. Ultimately, maintaining NPF stability is not merely a statistical goal but also demonstrates BSI's role in safeguarding economic health and promoting justice and public welfare in the national financial system.

The Impact of NPF Decline on MSME Financing

The decline in Non-Performing Financing (NPF) in the Islamic banking sector, particularly at Bank Syariah Indonesia (BSI), has significant implications for the dynamics of financing Micro, Small, and Medium Enterprises (MSMEs). As is well known, high NPF is often an indicator of increased default risk, leading to tighter financing distribution. Therefore, when NPF shows a downward trend, it opens wider opportunities for the bank to provide financing more aggressively, including to MSMEs, which have long been the backbone of the national economy (Florid & Purnamasari, 2023). The decline in NPF boosts the confidence of bank management in disbursing funds, as credit risk decreases and the management of financing portfolios becomes more controlled. For MSMEs, the positive impact of declining NPF is most apparent in improved access to financing. Many MSME actors who previously struggled to obtain financing due to perceived high risk can now more easily access capital.

The decline in NPF allows banks greater flexibility in setting credit or financing policies because banks observe improvements in debtor repayment quality. This situation creates a climate of trust between the bank and MSMEs, fostering healthier business relationships. With more accessible funding, MSMEs can expand their operations, increase production capacity, and broaden marketing networks. In addition to expanding financing access, the decline in NPF also reduces the cost of funds borne by MSMEs (Sari et al., 2025). Generally, banks adjust financing rates or margins according to the risks faced. When NPF decreases, risk is considered lower, so financing margins become more competitive. Consequently, MSMEs benefit from more affordable capital costs. This factor is crucial for the sustainability of small businesses that rely heavily on efficient capital usage. With lower funding costs, MSMEs can allocate resources more freely to productive activities, such as purchasing raw materials, improving product quality, or investing in technology.

Another impact is the emergence of a multiplier effect on local economic growth. When MSMEs gain easier and cheaper access to financing, economic activity in various regions increases significantly. MSMEs can absorb more labor, boost community income, and stimulate money circulation in the real sector. In this context, declining NPF benefits not only banks as intermediary institutions but also contributes tangibly to broader economic development. As more MSMEs survive and grow, national economic resilience strengthens, particularly in facing global uncertainties. The decline in NPF also improves the quality of the bank's financing portfolio (Rizal & Humaidi, 2021). With fewer problematic financings,

banks can balance financing allocations between corporate sectors and MSMEs. Historically, MSMEs have often been viewed as higher-risk compared to large corporations. However, with lower NPF, banks have stronger justification to increase funding allocation to MSMEs. This, in turn, fosters investor and shareholder confidence that Islamic banks can manage risk effectively while supporting productive sectors. Enhanced reputation also increases public trust in placing funds in Islamic banks.

From a regulatory perspective, declining NPF supports bank compliance with financial authority regulations. The Financial Services Authority (OJK) sets NPF limits that banks must maintain to avoid endangering financial system stability. When BSI maintains NPF at low levels, it reflects that the bank is not only internally healthy but also contributes to macroeconomic stability. Proper regulatory compliance provides space for banks to expand financing portfolios, especially to MSMEs, without violating applicable prudential rules (Nafi'ah & Widyianingsih, 2021). The impact of declining NPF on MSMEs is also evident in business sustainability. MSMEs often face short-term liquidity issues, especially when market fluctuations occur. Easier access to financing allows MSMEs to maintain stable cash flows. For example, when demand increases, MSMEs can promptly obtain additional working capital from the bank without excessive delays. Similarly, during crises, smooth financing helps MSMEs survive. This creates a positive cycle, where low NPF encourages healthy financing, and healthy financing, in turn, maintains low NPF.

Furthermore, declining NPF provides space for MSME innovation. With easier and cheaper capital, MSMEs can explore new business strategies, improve product quality, or even enter export markets. Such innovation is crucial for enhancing MSME competitiveness domestically and internationally. In the long term, innovative MSMEs can increase product value, expand employment opportunities, and strengthen Indonesia's position in global supply chains (Ikhsan, 2023). All of this is closely linked to financing stability resulting from declining NPF. However, on the other hand, the decline in NPF also demands greater responsibility from MSMEs to maintain repayment discipline. If MSMEs do not use financing appropriately, the NPF downward trend could reverse, creating new problematic financing issues. Therefore, financial literacy for MSME actors is essential so they understand the financial obligations accompanying financing. Banks also need to support this with mentoring programs or business management training, ensuring funds are used productively.

From a sharia perspective, declining NPF positively impacts the principle of justice in financial transactions. When MSMEs can access financing with lower margins, they perceive fair treatment and are not excessively burdened. The principle of *maslahah*, or public benefit, in sharia finance is increasingly realized as financing genuinely supports business development without ensnaring small entrepreneurs. This demonstrates that the Islamic banking system does not solely pursue profit but also emphasizes blessing and sustainability in economic activities (Asiyah & Ghofur, 2017). Additionally, the decline in NPF creates synergy between Islamic banks and the government in promoting MSME empowerment programs. The government has various subsidy and incentive programs for MSMEs, and Islamic banks can serve as strategic partners in channeling these

programs. With controlled NPF, banks have greater capacity to participate in financial inclusion programs, helping the government achieve its goal of expanding public access to finance. This also accelerates the realization of national financial inclusion targets set by the government.

Challenges and Prospects of NPF Management in the Future

The phenomenon of Non-Performing Financing (NPF) in Islamic banking, particularly at Bank Syariah Indonesia, is one of the critical issues affecting the sustainability of financing in the Micro, Small, and Medium Enterprises (MSME) sector. The challenges of NPF management in the future are becoming increasingly complex in line with national and global economic dynamics. When MSME financing relaxation is revoked, Islamic banks face the risk of rising problematic loans that could disrupt financial stability (Khomaria & Syah, 2024). These challenges are not only related to internal banking conditions, such as risk management quality, but also to external conditions, including economic fluctuations, MSME competitiveness, and government policy changes that can directly impact liquidity and financial performance. One of the main challenges in managing NPF is MSMEs' reliance on the real sector, which is vulnerable to macroeconomic changes. Rising raw material prices, currency fluctuations, and changes in consumer purchasing power can affect MSMEs' ability to repay their obligations.

If these situations are not properly anticipated, bank-disbursed financing may turn into problematic financing. On the other hand, the low financial literacy level of MSMEs also increases NPF risk, as many MSME actors do not fully understand the importance of sound financial management in ensuring timely repayment of obligations (Kuswahariani et al., 2020). Furthermore, Islamic banks must face the challenge of having limited risk mitigation instruments compared to conventional banks. For instance, Islamic banks do not use interest as the primary financing instrument but rely on sharia-compliant contracts based on profit-sharing, sale, or lease. This requires more innovative risk mitigation mechanisms so that banks can maintain financing quality while remaining compliant with sharia principles. This limitation becomes more challenging when NPF rises, as banks must balance the need to maintain financial stability with a commitment to sharia values.

Challenges also arise from the regulatory aspect. Following the revocation of MSME financing relaxation, oversight of banking asset quality has become stricter. This requires Bank Syariah Indonesia to increase transparency, strengthen risk management, and ensure adequate loss provisioning. Stricter regulations are beneficial for banking industry health, but they also increase operational burdens, especially when adjusting internal systems to meet the latest regulatory standards. Despite facing many challenges, the prospects for NPF management in the future remain promising (Fajriyanti & Sastika, 2024). One key prospect is the increasing digitalization of Islamic banking, which allows monitoring and risk assessment processes to be conducted more quickly and accurately. With the use of big data and artificial intelligence technology, banks can analyze customer behavior in more detail, enabling early detection of potential problematic financing. This also

allows banks to provide more targeted solutions for MSMEs, such as restructuring or business mentoring.

In addition to digitalization, another prospect that can be optimized is the increasing collaboration between Islamic banks, the government, and other financial institutions in supporting MSMEs. Government support through credit guarantee programs, subsidies, and tax incentives can sustain financing continuity. Meanwhile, Bank Syariah Indonesia can play an active role in channeling financing to more productive and export-oriented MSMEs, thereby reducing NPF risk due to broader and more stable markets. Positive prospects also arise from growing public awareness of the Islamic banking system. An increasing number of customers choose sharia-compliant products due to factors of halal certification and stability, thereby expanding the Islamic banking market share. This market growth opens opportunities for Bank Syariah Indonesia to strengthen its financing portfolio while maintaining quality to avoid increasing NPF ratios. With a larger customer base, the bank has room to be more selective in distributing financing while improving risk management efficiency.

However, these promising prospects can only be realized if the bank overcomes internal challenges, particularly in improving human resource (HR) quality. NPF management requires analysts who are not only competent in financial aspects but also understand the unique characteristics of MSMEs. Without capable HR, even advanced technology will not be optimal in controlling NPF. Therefore, investment in training and capacity building of HR is a key factor in facing the future of financing management. In addition to internal strengthening, Bank Syariah Indonesia also needs to expand community-based mentoring approaches for MSME actors (Perdana et al., 2023). This mentoring can include financial education, business management training, and digital marketing assistance. Thus, financing not only provides capital but also supports MSME business sustainability. If MSMEs grow healthily, their ability to repay installments increases, ultimately helping reduce NPF risk.

In the future, NPF challenges may persist, but Islamic banks can use them as momentum to strengthen the foundations of national Islamic banking. By combining prudential principles, sharia values, and technological innovation, Bank Syariah Indonesia has the potential not only to reduce NPF ratios but also to become a pioneer in sustainable financing that provides broad benefits to society (Daffa Alaamsah et al., 2021). In conclusion, post-MSME financing relaxation NPF management challenges are indeed significant, but the prospects remain bright if approached with the right strategies. Bank Syariah Indonesia is required not only to react to rising NPF but also to proactively prevent problematic financing through technology utilization, multi-stakeholder collaboration, and HR capacity improvement. Through these measures, NPF management is not merely about maintaining financial stability but also contributes to strengthening the national economy through MSME empowerment.

Conclusion

Following the revocation of the MSME financing relaxation policy, Bank Syariah Indonesia faces serious challenges in maintaining the stability of Non-

Performing Financing (NPF). The surge in potential problematic financing arises because most MSMEs are still in the post-pandemic recovery phase and are not yet fully prepared to fulfill financing obligations under the normal scheme. This situation highlights a gap between the ideal of sharia-compliant financing and the practical limitations of micro and small business capacities on the ground. Nevertheless, BSI's risk mitigation strategies, such as tightening feasibility analysis, limited restructuring, and intensive customer mentoring, are able to contain NPF risk so that it does not develop into a significant threat to the bank's sustainability. This emphasizes that adaptive risk management is key to navigating financing volatility following the end of government stimulus.

Furthermore, this study emphasizes that BSI's success in controlling NPF is not only crucial for maintaining the bank's internal health but also has a significant impact on the sustainability of MSME financing and the stability of the national financial system. BSI is required to continuously strengthen risk governance capacity, improve customers' financial literacy, and expand partnership-based financing models so that sharia principles are fully realized in practice. Thus, although the revocation of the relaxation presents non-negligible risks, this moment also opens opportunities for BSI to improve its business model and strengthen its position as a locomotive of Islamic banking in Indonesia. The contribution of this study is not only to provide empirical understanding of NPF dynamics post-relaxation but also to present practical recommendations that can serve as a reference for regulators, Islamic banks, and MSME actors in building a healthier and more sustainable financing ecosystem..

References

- Agatha, R. C., & Priana, W. (2020). Analisis Pengaruh Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio, dan Suku Bunga Kredit Konsumsi terhadap Penyaluran Kredit Pemilikan Rumah Bank BTN. *Oeconomicus: Journal of Economics*, 4(2), Article 2. <https://doi.org/10.15642/oje.2020.4.2.89-103>
- Almunawwaroh, M., & Marliana, R. (2018). Pengaruh CAR, NPF, dan FDR terhadap Profitabilitas Bank Syariah di Indonesia. *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah*, 2(1), Article 1. <https://doi.org/10.29313/amwaluna.v2i1.3156>
- Asiyah, N., & Ghofur, A. (2017). Kontribusi Metode *Maslahah Mursalah* Imam Malik terhadap Pengembangan Hukum Ekonomi Syariah Kontemporer. *Al-Ahkam*, 27(1), Article 1. <https://doi.org/10.21580/ahkam.2017.27.1.1349>
- Benuf, K., & Azhar, M. (2020). Metodologi Penelitian Hukum sebagai Instrumen Mengurai Permasalahan Hukum Kontemporer. *Gema Keadilan*, 7(1), 20–33.
- Daffa Alaamsah, R. H., Yetti, F., & Priyatno, P. D. (2021). Pengaruh NPF, CAR, dan FDR terhadap Profitabilitas Bank Umum Syariah. *El-Iqtishod: Jurnal Ekonomi Syariah*, 5(2), 19–46. <https://doi.org/10.70136/el-iqtishod.v5i2.198>

- Fajriyanti, A. D., & Sastika, W. (2024). Review of Bank Syariah Indonesia Brand Image at BSI KCP Tanjungsari. *Jurnal Wacana Ekonomi*, 24(1), 027–036. <https://doi.org/10.52434/jwe.v24i1.41579>
- Farizki, I. L., & Ansori, M. (2024). Peran Lembaga Keuangan Syariah dalam Meningkatkan Perekonomian Melalui Pembiayaan Modal Kerja pada UMKM di Jepara. *Al-Sharf: Jurnal Ekonomi Islam*, 5(3), Article 3. <https://doi.org/10.56114/al-sharf.v5i3.11673>
- Florid, M. I., & Purnamasari, P. (2023). The Impact of Non-Performing Loan, Loan to Deposit Ratio, and Operational Cost to Operating Income Ratio on Financial Performance. *Journal of World Science*, 2(8), 1303–1309. <https://doi.org/10.58344/jws.v2i8.438>
- Ikhsan, R. (2023). Analisis Faktor-Faktor yang Mempengaruhi Non-Performing Financing pada Bank Syariah di Indonesia. *Jurnal Locus Penelitian dan Pengabdian*, 2(2), 135–144. <https://doi.org/10.58344/locus.v2i2.865>
- Karim, A. (2021). Implementasi Kebijakan Restrukturisasi/Relaksasi Kredit bagi Debitur Terdampak Pandemi Covid 19 dan Akibat Hukumnya bagi Kreditur Terdampak Pandemi Covid 19 di Sektor Perbankan. *Supremasi Hukum: Jurnal Kajian Ilmu Hukum*, 10(2), 211–236. <https://doi.org/10.14421/sh.v10i2.2368>
- Khomaria, N., & Syah, S. (2024). Penyelesaian KPR Macet dengan Restrukturisasi PT Bank Tabungan Negara Tbk Cabang Bangkalan. *Jebma: Jurnal Ekonomi Bisnis, Manajemen dan Akuntansi*, 4(2), Article 2. <https://doi.org/10.47709/jebma.v4i2.4144>
- Kuswahariani, W., Siregar, H., & Syarifuddin, F. (2020). Analisis Non-Performing Financing secara Umum dan Segmen Mikro pada Tiga Bank Syariah Nasional di Indonesia. *Jurnal Aplikasi Bisnis dan Manajemen*, 6(1), 26–26. <https://doi.org/10.17358/jabm.6.1.26>
- Mahvi, M. R., & Siregar, M. H. (2025). Strategi Mitigasi Pembiayaan Bermasalah pada BSI RFO Medan. *Jurnal EMT KITA*, 9(1), 258–268. <https://doi.org/10.35870/emt.v9i1.3563>
- Mala, I., Putri, A., Firdausi, A., & Renitayani, K. (2022). Internalisasi Eksekusi Jaminan Hak Tanggungan dalam Pembiayaan Kredit pada Bank Syariah Indonesia Kota Malang. *Qawanin Journal of Economic Syaria Law*, 6(1), 21–35. <https://doi.org/10.30762/qawanin.v6i1.2>
- Muttaqin, N., Farida, I., & Sukarman, H. (2023). Strategi Penyelesaian Kredit Macet dalam Perjanjian Kredit Pemilik Rumah pada Bank Tabungan Negara Cabang Tasikmalaya. *Case Law: Journal of Law*, 4(2), Article 2. <https://doi.org/10.25157/caselaw.v4i2.3267>
- Nafi'ah, E. A., & Widyianingsih, B. (2021). Non-Performing Financing Restructuring Strategy to Maintain the Financial Portfolio of Bank Syariah Indonesia Branch Office Jombang. *Jurnal Ekonomi Syariah Teori dan Terapan*, 8(4), 474–482. <https://doi.org/10.20473/vol8iss20214pp474-482>
- Natasya, A., & Yanti, N. (2024). Meningkatkan Minat Nasabah terhadap Produk Pembiayaan Pra-Pensiun melalui Strategi Pemasaran yang Efektif: Studi Kasus PT Bank Syariah Indonesia KCP Cemara Asri. *Ekonomi & Bisnis*, 23(2), Article 2. <https://doi.org/10.32722/eb.v23i2.7209>

- Nurbaiti, N., Asmuni, A., Soemitra, A., Imsar, I., & Aisyah, S. (2023). Behavior Analysis of MSMEs in Indonesia Using Fintech Lending: Comparative Study Between Sharia Fintech Lending and Conventional Fintech Lending. *JPPI (Jurnal Penelitian Pendidikan Indonesia)*, 9(4), Article 4.
<https://doi.org/10.29210/020232273>
- Nurfaida, Bachmid, S., Syafaat, M., & Ferdiawan. (2024). Pengaruh Produk Pembiayaan Syariah terhadap Profitabilitas pada Bank Syariah Indonesia. *Jariyah: Jurnal Ilmu Akuntansi dan Keuangan Syariah*, 2(1), Article 1.
<https://doi.org/10.24239/jariyah.v2i1.3718.225-244>
- Perdana, Y. W., Rosyetti, & Misdawita. (2023). Analisis Perbandingan Non-Performing Financing pada Bank Syariah Indonesia Sebelum dan Sesudah Kebijakan Merger. *Jurnal Tabarru': Islamic Banking and Finance*, 6(2), 740–751. [https://doi.org/10.25299/jtb.2023.vol6\(2\).14057](https://doi.org/10.25299/jtb.2023.vol6(2).14057)
- Rizal, F., & Humaidi, M. (2021). Analisis Tingkat Kesehatan Bank Syariah di Indonesia 2015–2020. *Etihad: Journal of Islamic Banking and Finance*, 1(1), Article 1. <https://doi.org/10.21154/etihad.v1i1.2733>
- Saprudin, D., Adha, L. H., & Irfan, M. (2023). Penyelesaian Hukum Kredit Macet Akibat Pandemi Covid-19 di PT Finansia Multi Finance (Kredit Plus) Perspektif Hukum Perdata Indonesia. *Private Law*, 3(2), 359–369.
<https://doi.org/10.29303/prlw.v3i2.2594>
- Sari, I. P., Rimawan, M., & Muniarty, P. (2025). Analysis of the Influence of NPL and DER on ROA at PT Artha Graha International Bank Tbk. *Jurnal Ilmu Manajemen Profitability*, 9(1), 26–33.
<https://doi.org/10.26618/profitability.v9i1.15372>
- Subekti, W. A. P., & Wardana, G. K. (2022). Pengaruh CAR, Asset Growth, BOPO, DPK, Pembiayaan, NPF, dan FDR terhadap ROA Bank Umum Syariah. *INOBIS: Jurnal Inovasi Bisnis dan Manajemen Indonesia*, 5(2), Article 2.
<https://doi.org/10.31842/jurnalinobis.v5i2.229>
- Telaumbanua, S., & Cholifihani, M. (2022). Kebijakan Relaksasi pada Usaha Mikro Kecil dan Menengah Terdampak Covid-19 di Bank Syariah Indonesia Kota Depok. *Res Publica: Journal of Social Policy Issues*, 1(1), 39–48.
<https://doi.org/10.>