

ABSTRACT

The issue examined in this study arises from the impact of the COVID-19 pandemic, which increased credit risk and weakened banking performance globally. In response, the Government of Indonesia introduced a credit restructuring policy through the Financial Services Authority Regulation POJK 11/POJK.03/2020, in alignment with PSAK 71, which governs the Expected Credit Loss (ECL) framework.

This research aims to analyze the effect of the credit restructuring policy on banking performance (ROA and ROE), with credit risk (NPL) and ECL as mediating variables.

A quantitative research approach was employed, using secondary data derived from the Annual Financial Reports and Published Financial Statements of conventional commercial banks listed on the Indonesia Stock Exchange (IDX) for the period 2017-2022.

The results show that the credit restructuring policy has no significant effect on NPL and banking performance (ROA and ROE), but it has a significant positive effect on ECL. NPL has a significant negative effect, while ECL has a significant positive effect on banking performance (ROA and ROE). Furthermore, NPL does not serve as a mediating variable, whereas ECL fully mediates the relationship between the credit restructuring policy and banking performance. In addition, there are no significant differences in NPL, ROA, and ROE before and during the COVID-19 pandemic. However, there is a significant increase in ECL during the pandemic period, which is attributed to the implementation of PSAK 71.

Keywords: Credit Restructuring, Expected Credit Loss, Credit Risk, and Banking Performance.

