ABSTRACT

Non-performing loans has been a significant challenge for banking institutions in maintaining financial stability and asset quality, thereby resolution mechanisms is necessary to ensure fairness and legal certainty for all parties involved. This study examines juridical aspects and reconditioning policy implementation through interest rate reduction as an instrument for resolving Non-Performing Loans at PT BPR Pitih Gumarang. The research employed an empirical legal research method with a qualitative approach to analyze both the legal framework and its practical application in the loan restructuring process. The findings indicate that the implementation of Reconditioning is grounded in a hierarchical regulatory framework, ranging from the Financial Sector Development and Strengthening Law (UU P2SK) and Financial Services Authority Regulation (POJK) No. 9 of 2024 to the bank's internal policies. The policy is implemented selectively through an assessment of the debtor's repayment capacity conducted by the Credit Committee, the results of which are formalized in an addendum to the credit agreement, thereby establishing a legally binding basis for restructuring arrangement. A distinctive feature of loan resolution process within this institution is the adoption of a familial approach and the involvement of community leaders in facilitating dispute resolution and debtor engagement. The study further demonstrates that this policy has been effective in reducing the Non-Performing Loan (NPL) ratio while simultaneously supporting the continuity of debtors' business operations, notwithstanding the potential risk of reduced interest income for the bank. This research also found obstacles that require strengthening internal regulations, increasing supervision, and implementing further steps if Reconditioning does not provide optimal results.

Keywords: Interest Rate Reduction, Reconditioning, Non-Performing Loans (NPL)