

ANALYSIS OF PROBLEMS IN THE EXECUTION OF CUSTOMER RIGHTS AUCTION IN BAD CREDIT SETTLEMENT AT BANK SYARIAH INDONESIA TANGERANG BRANCH

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ABSTRACT

Bank Syariah Indonesia (BSI) is an Islamic bank institution that provides financing to customers. BSI KCP Tangerang City as, one the sub-branch offices, needs help with bad customers financing. Insufficient debt resolution in BSI prioritizes the principles of Sharia, transparency, and fairness. BSI tends to use musyarakah or mudharabah mechanisms, ensuring that the process of executing auctions of customer rights is under Sharia law and involves third parties carefully, which is different from conventional banks. This research aims to identify, analyze, and evaluate the challenges and strategies implemented by Bank Syariah Indonesia (BSI) KCP Tangerang in overcoming lousy credit by considering Sharia principles in credit analysis and customer feasibility studies. This research uses the normative juridical approach through interviews with data sources, laws, and various literature studies. The results of this study indicate that BSI KCP Tangerang City applies an auction for bad debts if the customer's financing has a bad status and is reluctant to pay his debts under Bank Indonesia Regulation No. 14/15/PB/2012 concerning Asset Quality Assessment of Commercial Banks. The study concluded that bad debts are a significant challenge in Islamic bank financing, affecting both banks and customers. BSI KCP Tangerang uses credit analysis principles such as 5C, 7P, and 3R. Even so, bad debts still occur and require credit restructuring and collateral auctions in compliance with Sharia principles.

Keywords: *Bad debt, Execution auction, Mortgage rights, Sharia banking*

INTRODUCTION

Financing analysis by Sharia Banks can be carried out by examining, reviewing, analyzing, and concluding prospective customers receiving financing facilities through an assessment of the debtor's character, ability, capital, collateral, and business prospects, which is often referred to as the five of credit analysis, as stipulated in Article 23 paragraph (2) of the Sharia

Banking Law.¹ The right of liability as a form of guarantee for debt repayment is described in Article 10 paragraph (1) of Law Number 4 of 1996 concerning the Right of Liability on Land and Objects Related to Land², which is as follows:

“The granting of the Right of Liability is preceded by a promise to provide the Right of Liability as a guarantee for the repayment of certain debts, which are set forth in and are an integral part of the agreement of the debts concerned or other agreements that give rise to such debts.”

Bank Syariah Indonesia (BSI) is as a banking institution that applies Sharia principles in its operations. It is responsibility to ensure that every transaction, including the execution of customer rights auctions, is in accordance with Sharia principles.³ The study of the practice of customer rights auction at Bank Syariah Indonesia (BSI) Tangerang Branch needs to identify several aspects that may be violated. First, in terms of compliance with Sharia principles, every economic activity must be free from elements of usury (interest), gharar (uncertainty), and maysir (speculation or gambling).⁴ If, in the auction process, there is an element of uncertainty in the information conveyed to customers or uncertainty in the results of the auction, this can be considered a form of gharar, which is not allowed in Sharia.⁵ Second, the principle of fairness (al-adl) in transactions must be upheld. BSI must ensure that customers whose rights are auctioned get clear information and a transparent process. If BSI does not provide customers with a fair opportunity to defend their rights or does not provide sufficient information about the auction procedure, it may violate the principle of fairness.⁶

Third, from the perspective of legality, every execution action must be under the applicable law in Indonesia. If any procedure is not under the regulations set by the banking authority or the general legal regulations governing auction execution, BSI may be considered to have violated the law⁷. For example, if the auction procedure does not follow the standards set by the Financial Services Authority (OJK) or allows customers sufficient time to resolve their credit problems, this could be a legal issue. In addition, the protection of customer rights is also an important issue. Customers must be protected from unfair and exploitative practices. If BSI does not provide adequate protection or there are indications that customer rights are not respected during the auction process, this could be an ethical and legal violation.⁸

In research by⁹, the execution of dependent rights on bad loans did not go well. The execution is due to some negligence on the part of creditors/banks. The research used interview methods and literature studies to provide auction implementation and causal factors. Settlement of

¹Céline Meslier, Tastaftiyan Risfandy, and Amine Tarazi, “Islamic Banks’ Equity Financing, Shariah Supervisory Board, and Banking Environments,” *Pacific Basin Finance Journal* (2020).”ISSN”:"0927538X",”abstract”:"Although equity financing is a core value in Islamic finance, it is rarely used by Islamic banks which prefer other instruments such as markup or leasing contracts. The purpose of this paper is to investigate the potential determinants of equity financing. Shariah supervisory board (SSB

²Liza Mashita Ramadhania, “A Dualistic Concept of Personal Guarantee Responsibility and Its Relevancy with Law Number 37 of 2004 Concerning Bankruptcy and Suspension of Debt Payment Obligation A Dualism Of Personal Guarantee Responsibility In Indonesia Bankruptcy Law,” *LEGAL BRIEF* (2023).

³Nasitotul Janah, Fahmi Medias, and Eko Kurniasih Pratiwi, “The Intention of Religious Leaders to Use Islamic Banking Services: The Case of Indonesia,” *Journal of Islamic Marketing* (2020).this paper analyzes the influence of attitude (ATT

⁴Muhammad Fadhli et al., “Review of Islamic Law Against Execution of Collateral Auctions on Islamic Banking Institutions in Aceh, Indonesia,” *The Journal of Management Theory and Practice (JMTP)* (2021).

⁵Adi Iqbal and Muhammad Subhan, “The Role of Bank Syariah Indonesia Microfinance in Financing Small-Scale Businesses,” *Hanifiya: Jurnal Studi Agama-Agama* (2022).

⁶Juliana Juliana et al., “Bank Syariah Indonesia Customer Loyalty After Merger: Analysis of Trust, Service Quality, and Religiosity,” *Jurnal Ekonomi Syariah Teori dan Terapan* (2023).

⁷Nadia Nila Henda Resty and Anas Hidayat, “Factors Affecting Millennial Customers’ Savings Intention in Islamic Banks,” *European Journal of Business and Management Research* (2021).

⁸Juliana et al., “Bank Syariah Indonesia Customer Loyalty After Merger: Analysis of Trust, Service Quality, and Religiosity.”

⁹Yustiana Yustiana, “Eksekusi Hak Tanggungan Terhadap Kredit Macet Bank,” *Al-Ishlah: Jurnal Ilmiah Hukum* (2020).

auction disputes over objects of Dependent Rights can be carried out under the hands, under Article 20 paragraph (2) of the UUHT.¹⁰

In the UUHT, the form of legal protection by the state to creditors is the authority to execute debtor collateral objects or auctions.¹¹ On the other hand, debtors experience losses in auction results that need to be protected by their legal rights in meeting legal certainty.¹² The implementation of auction execution is based on Article 6 of the UUHT. Using empirical juridical research methods,¹³ analyzed the auction process by KPKNL based on PMK No. 213/PMK.06/2020.

Various research methods are carried out through normative and empirical juridical methods based on laws, literature review methods, and interviews. Some of them explain the KPKNL process, the implementation of execution auctions, auctions under the tanga, legal protection for debtors, factors causing the weak debtor system in banks, the legal certainty of auctions.

The application of the law is considered very detrimental to the customer, even though the law has been used as one way of resolution. Determination of selling prices that are less profitable for the customer makes it customer makes it different from Sharia Principles, which is detrimental to one party even though it has been overvalued.

In this study, the author formulates in more detail how the existing legal system applies to implementing auctions for bad loans and settling transaction obstacles at Islamic Banks. This research is expected to provide benefits and new things in this topic, both in terms of the beginning of credit by Islamic banks, the emergence of bad credit problems, and how solutions to overcome these things in the eyes of the law.

METHODS

The type and research approach used in this research is normative juridical legal research, which explains the legality of legal principles.¹⁴ This method is applied to investigate whether the auction execution conducted by BSI is under Sharia principles and applicable regulations. Through this approach, the research focuses on verifying auction practices based on legal principles and legislation, ensuring that every step in the auction process meets the provisions of Sharia and national law.¹⁵

In addition to using normative juridical methods, this research also utilizes empirical data to provide a more complete picture of the implementation of auctions in the field.¹⁶ Primary data was obtained through official documents, related books, and laws and regulations. Meanwhile, secondary data was collected through observations and interviews with relevant parties at the BSI Tangerang Branch. This approach allowed the researcher to gain insights directly from the actors and affected parties, providing context and depth in the analysis.

Furthermore, tertiary data such as legal dictionaries and encyclopedias were used to complement and clarify the understanding of relevant legal concepts. Data collection

¹⁰Mohamad Dodi Prihartanto, "Settlement of Auction Disputes over Land and Building Collateral Objects," *Journal of Law and Legal Reform* (2021).

¹¹Ayup Suran Ningsih, "The Legal Protection For Debtors In The Execution Of Mortgage At The Semarang State Assets And Auction Service Office," *JURISDIKTIE* (2021).

¹²Disa Soraya, "Legal Protection Of Disadvantaged Debtor Customers In The Implementation Of Object Execution Auction Procedures In Bank Credit Agreements," *Indonesia Private Law Review* (2021).

¹³Ningsih, (2021)

¹⁴Depri Liber Sonata, "Metode Penelitian Hukum Normatif Dan Empiris: Karakteristik Khas Dari Metode Meneliti Hukum," *Fiat Justitia: Jurnal Ilmu Hukum* (2015).

¹⁵Fuqoha Fuqoha, "Tinjauan Yuridis Kekuatan Hukum Penyelesaian Perselisihan Non-Litigasi Dalam Perselisihan Hubungan Industrial," *Indonesian State Law Review (Islrev)* (2020).

¹⁶K. Benuf And M. Azhar, "Metodologi Penelitian Hukum Sebagai Instrumen Mengurai Permasalahan Hukum Kontemporer (The Legal Research Methodology As An Instrument To Resolve Contemporary Legal Issues)," *Gema Keadilan* (2020).

techniques include interviews, direct observation, documentation, and literature study¹⁷. With this combination of methods, the research was able to thoroughly evaluate whether the auction process conducted by BSI complied not only with formal legal principles but also ethics and justice taught in Sharia.

Data analysis was conducted in a descriptive qualitative manner, where the data collected was analyzed by describing and interpreting the information in detail¹⁸. This approach allows researchers to draw conclusions inductively, identify patterns and themes that emerge from empirical data, and correlate them with existing literature and theories. Thus, the normative juridical method in this study serves not only to explain the meaning of the law but also as a tool for critical analysis of the practice of auctioning customer rights at BSI, ensuring that all procedures are in accordance with Sharia principles and applicable regulations.

RESULTS AND DISCUSSION

Regulation in Financing or Provision of Credit, Dependents, and Bad Loan Services at Sharia Banks

The problem of bad debts is one of the main challenges in Islamic bank financing that can harm banks and customers on an ongoing basis. Bad debts occur when debtors do not fulfill their obligations to pay debts, which means they have violated previous¹⁹. BSI KCP Tangerang applies various credit analyses to maintain credit security, review creditworthiness, and minimize future bad debts. This analysis includes the principles of 5C (Character, Capacity, Capital, Collateral, Condition of economy), 7P (Personality, Party, Purpose, Payment, Profitability, Protection, Prospect), and 3R (Returns, Repayments, Risk bearing ability). These principles are used to assess the ability and willingness of potential customers to repay their debts in the future. This issue is one of the main challenges in Islamic banking financing that can be detrimental to banks and customers on an ongoing basis. To overcome this problem, BSI KCP Tangerang City applies various credit analyses such as the 5C principles which include character, capacity, capital, collateral, and economic conditions, as well as the 7P principles which involve personality, party, purpose, payment, profitability, protection, and prospects. In addition, the 3R principle is also applied, which assesses return, payment, and ability to bear risk²⁰.

BSI KCP Tangerang City also implements internal credit controls and internal and external credit audits to maintain credit safety, evaluate creditworthiness, minimize future bad debts, and improve the bank's human resources, especially the credit analysis team. In practice, although various principles are applied, the possibility of debtors not being able to fulfill their obligations according to contracts and agreements remains, which leads to the emergence of bad debts. This bad credit has the potential to threaten the Indonesian banking system and must be anticipated by all parties, given the importance of credit to make a profit, help the business of Islamic bank customers, and support equitable national development²¹.

¹⁷Ibid.

¹⁸I Made Pasek Diantha, "Metodologi Penelitian Hukum Normatif Dalam Justifikasi Teori Hukum," *Hukum Normatif Dalam Justifikasi Teori Hukum*, 2017.

¹⁹Dini Syakina Siregar, "Settlement Of Bad Loans Through Debt Payment Obligation Submitting Institutions (PKPU)," *Journal of Law Science* (2021).

²⁰Gina Rahmasari, Martha Fani Cahyandito, and Agust Tato, "Evaluation of Mckinsey 7s Framework Model Approach to Credit Distribution With 5C and 7P Principles at Commercial Banking," *International Journal of Social Service and Research* (2022).

²¹Ibid.

According to Bank Indonesia Regulation No. 14/15/PB/2012, bad debts are identified based on several criteria such as principal or interest arrears exceeding 270 days, operational losses with closure through new loans, or collateral that cannot be liquidated at fair value. This regulation also distinguishes other categories of loans, namely current loans, special mention loans, non-current loans, and doubtful loans. External factors causing bad debts can include debtor business failures, disasters, declining economic activity, and high interest rates. In responding to violations related to bad debts, BSI KCP Tangerang City handles them carefully according to the existing SOP. Various efforts are made to overcome bad debts, including restructuring financing, giving warnings, and auctioning mortgages. Restructuring efforts can take the form of rescheduling, reconditioning, and restructuring.

Based on the interviews that have been conducted, in practice BSI KCP Tangerang City has implemented the various principles mentioned above. Through interviews that have been conducted by the author to Moh. Tawaran Darda, Area Consumer Account Maintenance Staff (ACAMS) BSI KCP Tangerang City, these various principles are carried out by the bank as a reference in determining a safe target market, which will then be analyzed further in the customer eligibility process.

Mr. Darda explained that:

“The 5P, 7P, 3R principles are generally applied in Standard Operating Procedures (SOPs) and customer feasibility studies. For example, the principles of character and personality applied by banks in analyzing prospective recipients of credit facilities in terms of personality, behavior, attitudes, emotions, actions, daily activities, to personal backgrounds such as: work, lifestyle, family situation, and so on” (Results of the interview, 2022).

In addition, Mr. Darda explained that:

“The purpose of the review is nothing but to test the prospective customer’s ability to be willing and able to pay his debts in the future. This objective has reflected various other principles such as the ability to make payments (capacity), capital owned (capital), financial condition (condition of economy), credibility (party), credit purpose (purpose), the customer’s source of income (payment), the customer’s ability to make a profit in repaying the debt (profitability), the prospect of the customer (prospect), towards yield, repayment, and the ability to bear risks in the possibility of paying debts in the future. BSI KCP Tangerang City also applies various credit assessment considerations with collateral (as capital, collateral, and protection) charged to its customers to assess the feasibility of prospective recipients of credit facilities” (Results of the interview, 2022).

In the category of credit grouping, it is known that credit has various categories, including current credit, credit under special attention, non-current credit, doubtful credit, and bad credit. In this case, based on the interviews that have been conducted, it is known that BSI KCP Tangerang City does not mention the categorization. However, BSI KCP Tangerang City, like Islamic banks in Indonesia, refers to the categorization, so that banks can determine which customers fall into certain categories.

Furthermore, BSI KCP Tangerang City has several categories of customers with their respective levels of non-performing loans. In this case, customers who are included in bad credit become the main focus of the bank in taking several preventive and corrective actions so that they can return to being customers with current credit status. There are several factors that make a debtor experience bad credit from both internal and external factors. Mr. Darda explained that *“Most of BSI KCP Tangerang City credit customers experience bad credit caused by external factors in the form of 1) decreasing the customer’s ability to pay due to decreasing customer income and 2) increasing customer additional costs that exceed their income”* (Results of the interview, 2022).

From the interview with Darda from BSI KCP Tangerang City, it was revealed that the bank applies the principles of 5P, 7P, 3R in the credit analysis process and customer feasibility study. This demonstrates a comprehensive approach in assessing potential recipients of credit facilities, taking into account character, capacity, capital, objectives, and repayment ability. The purpose of the review is to test the prospective customer's ability to repay future debts, reflecting the bank's prudence in extending credit ²². The bank refers to predefined credit categories which, although not explained in detail in the interviews, demonstrate a clear framework for categorizing customers based on their credit rating. The majority of bad debt cases are caused by external factors, such as a decline in customer income and an increase in additional costs that exceed income. The bank focuses on preventive and corrective measures to address bad debts, such as loan restructuring, rescheduling payments, and various forms of assistance to customers to repay their debts. From the results of this interview, it can be seen that BSI KCP Tangerang City has a comprehensive approach to credit management and handling bad debts, which is expected to reduce the risk of bad debts and improve the quality of its loan portfolio.

In handling bad debts, BSI KCP Tangerang City takes various actions, including credit restructuring, rescheduling, reconditioning, and restructuring. The bank also gives warnings to debtors to pay debts voluntarily through the court. These measures aim to help debtors settle their debt payment obligations and avoid auction execution. According to this study, external factors such as a decrease in customer income and an increase in expenditure that exceeds income are the main causes of bad debts at BSI KCP Tangerang City. These factors demonstrate the importance of carefully analyzing the economic condition of customers before extending credit.

Bank Indonesia's regulation on bank asset quality sets out the criteria for non-performing loans, as well as other categories of loans such as current, special mention, non-current and doubtful. Knowledge of these categories helps banks to categorize customers according to their credit risk. BSI KCP Tangerang City implements various preventive and corrective measures to address non-performing loans, including in-depth creditworthiness analysis, internal credit controls and audits, and loan restructuring. These measures aim to reduce the risk of bad debts and maintain the sustainability of the bank's business.

In addition, in carrying out its activities, BSI KCP Tangerang City must also ensure that all banking practices are in line with Sharia principles. This includes ensuring that all transactions and activities carried out by the bank do not conflict with Sharia principles, especially in terms of credit management and bad debt resolution. Risk management is an important aspect in dealing with bad debts. BSI KCP Tangerang City needs to continuously monitor and evaluate the risks that may arise from its loan portfolio, and take the necessary steps to mitigate those risks. The bank also needs to ensure that its human resources have adequate skills and knowledge in managing loans and handling bad debts. Increased human resource capacity can help banks make better decisions in terms of credit management. Overall, this research provides an in-depth insight into how BSI KCP Tangerang City manages the problem of bad debts and the efforts made in dealing with the problem. By applying the principles of risk management, cooperation with customers, and improving human resources, the bank can reduce the negative impact of bad debts and maintain its business sustainability.

Regulation on the Implementation of Auction Execution of Customer Dependent Rights at Sharia Banks as an Effort to Resolve Bad Credit Constraints

²²Ibid.

BSI KCP Tangerang City chose to solve the problem of customers' bad loans through the *credietverband* channel against collateral / rights of dependents of customers receiving credit facilities through customer collateral execution auctions. This effort is taken if the previous business channels do not lead to the settlement of customers' bad loans or it can be said if the previous lines do not run effectively.

Article 20 paragraph (1) point a of the UUHT states that the bank has the right to sell the object of liability belonging to the customer. In this case, the bank has the right to carry out direct execution or commonly referred to as *parate executie*. Article 20 paragraph (2) imposes an agreement on the sale of dependent rights if the highest price can be obtained which will later benefit various parties.

The method of submitting an auction is as follows (Article 6 of the Law):

1. The seller or auction applicant submits an auction request in writing to the State Wealth and Auction Service Office (KPKNL) which is equipped with the conditions as specified;
2. The State Wealth and Auction Service Office determines the day and date of the auction after complete document analysis;
3. The applicant carries out the announcement of the auction, both through newspapers and electronic media in accordance with the provisions;
4. Bidders deposit security deposits into the accounts of the State Wealth and Auction Services Office;
5. Deposit of duties and poor money into the state treasury and deposit of the net proceeds of auction sales to the bidder or to the state treasury if the auctioned goods state inventory;
6. Provision of excerpts of auction minutes and other supporting documents to the auction winner and copies of auction minutes to the auction applicant.

Article 1 of the Minister of Finance Regulation Number 213/PMK.06/2020 defines auction as the sale of goods in an open way (in public) with written or oral bidding. Article 1 point 4 of the Minister of Finance Regulation Number 40 / PMK.07 / 2006 states that an execution auction is an auction to carry out court decisions / court decisions or other documents, which are in accordance with laws and regulations.

Chapter IV in the Minister of Finance Regulation Number 213/PMK.06/2020 states that the implementation of auctions has various procedures from 1) Auction Application, 2) Determination of Auction Implementation Time, 3) Land Certificate, 4) Cancellation before Auction, 5) Auction Offer Guarantee, 6) Auction Announcement, 7) Auction Bid, 8) Buyer Determination, 9) Payment and Deposit, 10) Submission of Goods Ownership Documents. One of the stages that must be taken in conducting an execution auction is the announcement of the auction, before holding an auction with a submission by the Seller/bank, which is then issued by the KPKNL.

The Auction Organizer can provide facilities on the application/website to display auction announcements, with all information related to the Auction Object, terms and conditions, and other information (Article 53 of Minister of Finance Regulation Number 213/PMK.06/2020). In Article 54 paragraph (1) of the Minister of Finance Regulation, the Auction Announcement at least contains various information such as:

1. Identity of the Seller;
2. The day, date, time and place where the auction was held;
3. Type and quantity of goods;
4. Location, land area, type of land rights, and presence or absence of buildings, specifically for immovable goods in the form of land and/or buildings;
5. Specification of goods, specifically for movable goods;
6. Time and place *aanwijzing*, in case the Seller performs *aanwijzing*;

7. Auction bid guarantee which includes the amount, time period, method and place of deposit;
8. Limit Value, except Voluntary Non-Execution Auction for movable goods;
9. How to bid for auctions;
10. The term of the Auction Payment Obligation by the Buyer;
11. The domain address of KPKNL or the Auction Center that conducts the Auction Through the Auction Application, or the electronic mail address (e-main KPKNL or Class II Auction Officer or the Auction Hall that conducts the auction by auction bidding via electronic mail (e-main; and additional terms, in the event that the Seller submits.

Based on the interviews that have been conducted, the auction is carried out by BSI KCP Tangerang City if the customer has experienced a bad credit and/or the customer has been declared unable to pay off his debt. This inability is shown by the number of installments that are not made by customers to fulfill their monthly obligations, in accordance with the agreement on the financing contract. However, BSI KCP Tangerang City provides concessions before the auction is actually carried out. The concessions given by BSI KCP Tangerang City in this case are granting a certain time, giving summons or warning letters three times, to having to sell collateral voluntarily and carry out auction actions (Interview results, 2022).

The sale of collateral objects can be cured through parate executie channels, court channels, or sales by the debtor with the knowledge of the bank as a creditor. In this case, BSI KCP Tangerang City chose to sell the rights through the parate executie channel for various reasons such as 1) to avoid administrative errors and 2) avoid legal problems. Government Regulation Number 33 of 2006 concerning Procedures for the Elimination of State or Regional Receivables states that the sale of dependent objects can be reached through the parate executie route through state auction institutions, namely the State Wealth and Auction Service Office (KPKNL) (Interview results, 2022).

In carrying out the execution of the object of the dependent rights as stated by Darda that BSI KCP Tangerang City submitted an application to the KPKNL in advance for an auction of the execution of the object of the dependent rights to take repayment of debtors from the proceeds of the sale of the dependent rights object. In connection with the implementation of the auction, BSI KCP Tangerang City conducted an inventory and initial verification of matters related to the auction of dependent objects that will be requested for auction to the KPKNL. Then, the auction request will be reviewed by the KPKNL within 14 (fourteen) days from the receipt of the auction request to the KPKNL (Interview results, 2022).

Based on the interview, it is known that administrative procedures and requirements are not carried out by the customer, but the bank as the Seller of the Object of Execution Auction Liability. In this case, BSI KCP Tangerang City is also the one who registers the auction to the KPKNL, announces it to the print media, and follows the auction process. However, the burden of auction costs is not borne by the bank, but is charged to the customer by deducting from the auction results. In addition, there are several other obstacles, such as incomplete auction administration and costs incurred borne by BSI KCP Tangerang City at the beginning. In facing these obstacles, BSI KCP Tangerang City renegotiated, completed administrative obligations, and asked for legal assistance (Interview results, 2022).

As additional information, in terms of selling dependent objects, Darda also mentioned that customers are also allowed to find buyers and sellers of dependent objects, but still under the supervision of BSI KCP Tangerang City, this underhand sale aims to achieve high sales prices as expected together. In practice, after the auction process has been completed, the proceeds of the sale of collateral/collateral/collateral for the customer's bad credit transactions, the entire proceeds of the sale are handed over to the customer. In more detail, the price is calculated based on the reduction of KPKNL fees and/or auction process costs. This is important because

in practice, one of the obstacles faced by banks is price dissatisfaction by customers, who eventually file appeals. This means that the sale of collateral / collateral / collateral customers experience losses because the value of collateral sales is below market price.

The auction process is the best way for Bank Syariah Indonesia KCP Tangerang City for various factors that benefit the bank, which are as follows (PT. Indonesian Auction Hall, 2023):

1. Legal aspects are intertwined. This means that every asset to be auctioned must go through a document checking process to the KPKNL. This is applied in guaranteeing legal aspects with the problem factors that arise when buying and selling beavers.
2. Fast and economical. That is, in the sale of large amounts of assets, in terms of selling time the auction system becomes faster as well as economical, effective, and efficient. This is due to a reduction in storage costs (for movable goods), maintenance costs, and marketing costs.
3. Speed of sales. That is, the auction system becomes effective because the sales target must be implemented in a short time.
4. Open and objective. That is, the auction system is implemented by inviting as many people (enthusiasts and prospective buyers) as possible, so that the auction implementation becomes open and objective.

Optimal price. That is, with so many auction participants, the price becomes more optimal. That way, if the auctioneer is interested in an asset, then the price formed becomes higher than the predetermined limit.

Sharia Principles in Credit Analysis and Customer Feasibility Study in Islamic Banking

Sharia principles in credit analysis and customer feasibility studies in Islamic banking are very important in maintaining the sustainability and compliance of Islamic financial institutions. Several studies have been conducted to explore various aspects related to Islamic banking, including development analysis, efficiency, supervision, maqashid Shariah, risk management, good corporate governance, and contribution to economic growth. In this context, it is important to understand how Shariah principles are applied in every aspect of Islamic banking operations.

In credit analysis, Shariah principles require a careful assessment of the character, capacity and economic condition of the prospective borrower. This is in line with the 5P principles in conventional credit analysis, but with an emphasis on compliance with Islamic teachings. For example, an Islamic bank will check whether the prospective borrower has a good payment history and has the capacity to repay the loan without violating Shariah principles. In customer feasibility studies, Shariah principles emphasize the importance of ensuring that the customer's source of income is halal and does not violate other Islamic principles. This may involve an in-depth assessment of the customer's business and financial practices to ensure that they comply with Shariah principles.

Credit analysis and customer feasibility studies in Islamic banking should also take into account principles such as fairness, honesty, and social responsibility. This ensures that transactions and financing undertaken by Islamic banks not only follow Shariah principles, but also contribute to the overall well-being of society. By applying Shariah principles in credit analysis and customer feasibility studies, Islamic banking can ensure that its operations are in accordance with Islamic teachings and provide its customers with financial services that conform to Islamic ethical values.

One important aspect that has become the focus of research is the efficiency of Islamic banking. The study by ²³ on the efficiency of Islamic banking in Indonesia for the 2015-2020

²³Devi et al.,(2022)the other 4 banks still have not achieved efficiency during the 2015-2020 period. The results of the average efficiency scores of BUS and UUS are 65.17% and 66.34%, respectively. Based on the different test using ANOVA, it also shows that there is no significant difference in the average efficiency score between the two groups of banks. \r Abstrak.

period used data envelopment analysis to evaluate input and output variables. This efficiency is crucial in determining customer eligibility and credit analysis in Islamic banking. In the context of the COVID-19 pandemic, research by ²⁴ on the technical efficiency of Islamic banks in Indonesia during the pandemic using the Data Envelopment Analysis approach provides important insights into how Islamic banks handle significant external challenges. Besides efficiency, another important aspect is risk management. Research by ²⁵ on risk management in Islamic banking highlights the importance of data analysis through data reduction, data presentation, and conclusion drawing. This shows that Sharia principles are not only related to compliance with Islamic law, but also involve careful management aspects to manage risks properly.

In the context of customer feasibility analysis, the study by ²⁶ on rural communities' interest in Sharia banking products used a qualitative approach to collect data directly. This approach is important to understand customer preferences and needs in depth, so that Islamic banking can develop products and services that are in accordance with Sharia principles and also meet customer expectations. In addition, the concept of maqashid Sharia is also the focus of relevant research. Research by ²⁷ on Sharia Governance and Maqashid Syariah in Islamic banking in Indonesia using analysis with SPSS software version 22. This shows that Sharia principles are not only conceptual, but can also be implemented through sophisticated analytical tools to ensure compliance and sustainability of Islamic banking.

In the context of credit analysis, a study by ²⁸ on whether bank credit affects the performance of Islamic banks in Indonesia used vector error correction model analysis. This study provides an in-depth understanding of the relationship between bank credit and Islamic bank performance, which serves as an important foundation in evaluating creditworthiness and ensuring the sustainability of Islamic financial institutions.

Thus, through various studies that have been conducted, it can be concluded that Sharia principles in credit analysis and customer feasibility studies in Islamic banking involve aspects of efficiency, risk management, customer preferences, maqashid Sharia, and the relationship between bank credit and Islamic bank performance. In the face of external challenges and dynamics, Islamic banking needs to continue to develop a comprehensive and sustainable approach to ensure operational sustainability in accordance with Sharia principles.

CONCLUSION

The study concludes is that bad debts are a significant challenge in Islamic bank financing, which affects both the bank and the customer. To overcome this, BSI KCP Tangerang applies various credit analysis principles, including the 5C, 7P, and 3R principles, to assess the ability and willingness of customers to repay their debts. Despite these efforts, bad debts can still occur, requiring actions such as credit restructuring and collateral auctions. External factors such as economic downturn and high interest rates can also lead to bad debts. To resolve bad debts, BSI KCP Tangerang conducts auctions to sell customers' rights to the collateral. This process involves various administrative procedures and requirements, with the bank bearing

Berkembangnya perbankan syariah di Indonesia didukung oleh Bank Indonesia selaku regulator. Adanya hal tersebut menuntut bank untuk mengukur kinerjanya. Efisiensi merupakan ukuran kinerja yang memiliki peran penting dalam perbankan. Penelitian ini bertujuan untuk menganalisis efisiensi pada perbankan syariah (BUS dan UUS

²⁴Prily Auliani & Perwithosuci,(2023)

²⁵Akbar et al., (2022)

²⁶Nurhayati et al., (2023)

²⁷Deza & Sofyani, (2022)

²⁸Saputra, (2022)

the initial costs. The bank also provides leeway to customers before auctioning their collateral. These measures aim to help customers repay their debts and avoid legal issues.

Shariah principles play an important role in Islamic banking, guiding credit analysis and customer feasibility studies. These principles emphasize adherence to Islamic teachings, fairness and social responsibility. Efficiency, risk management, customer preferences, and the maqashid Sharia concept are also important in ensuring the sustainability of Islamic banking operations. Through a comprehensive approach that complies with Shariah principles, Islamic banks can mitigate the risk of bad debts and maintain the sustainability of their business.

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