Impact of G20 on High Cost of Funds and Legal Risk in Credit Rescue

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Abstract: Facing economic and monetary problems cannot be done alone for developing and developed countries, so that the Group of 20 (G20) Presidency was formed. The G20 forum in building an agreement on economic and monetary cooperation which held in November 2022 in Bali, will play a major role in realizing interstate life and creating prosperity. Indonesia prepared various strategies to be aware of potential crises. The increase in interest rates became a threat in the country. Based on the IMF's World Economic Outlook, global economic growth is getting weaker. The type of research used is doctrinal/normative legal research. This research is descriptive-analytic in nature by presenting a complete picture of the impact of the G20 on the high cost of funds for bank loan interest and how the legal impact on credit rescue is. The type of data used is secondary data. The data collection technique used is through literature study, for further analysis of this matter by using non-statistical data analysis techniques with a qualitative approach. In conclusion, the increase in loan interest rates due to the large cost of funds has an impact on high congestion, so that there is a legal impact in efforts to save credit.

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1 INTRODUCTION

The G20 launched a comprehensive program of reforms to enhance the global resilience of the financial system while maintaining its open and integrated structure. We admit, the results of the G20 are implemented and continue, but it is felt that it is not optimal, including financial institutions that are not yet strong, capital and liquidity standards have not been measured properly. On the other hand, the impact of the G20, especially in Indonesia, shows that higher resilience has been achieved, as evidenced by the well-running supply of credit to the real economy. Growth in total credit and bank lending has returned in all regions, albeit at a different pace. Monetary policy has been very accommodative and has contributed. Nonetheless, financial authorities must remain vigilant to maintain an open and integrated global financial system. International bank lending, particularly by European banks, has declined since the crisis and its structure has shifted towards more stable regionally funded loans. Financing through international debt markets has continued to grow, and there is greater use of global infrastructure for trading, clearing and settlement. Nonetheless, the geographic risk of market fragmentation remains and should be monitored. Reduction of market liquidity in normal times and reforms can result in financial stability problems.

The existence of significant changes in various financial activities, it turned out to be untenable. The effect of the high cost of funds has resulted in banks channeling their loans at high interest rates, which is not conducive to debtors, especially the business world. Continued support from G20 leaders is needed to fully implement the agreements that have been made. Global regulatory cooperation should be strengthened by revising the legal framework to facilitate cooperation, for example information sharing on resolutions and removing legal barriers to promote full and consistent application of standards to support reducing the chances of multiple regulations. Further support for the G20 presidency, by issuing a regulation to provide easy access to credit, reasonable interest charges, as well as facilitating banks to obtain third party fund owners with low cost of funds. In this way, banks are not faced with the problem of bad loans due to high cost of funds.

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Nuryani's research (2022) conveys the results that the higher the cost of funds and the amount of credit disbursed, the lower the return on assets. Vice versa, the lower the cost of funds and the amount of credit disbursed, the lower the return on assets. Yuliana's research, Dwi Ari Pertiwi (2020) said that the loan interest rate variable had a significant positive effect on the profitability variable. While the variable number of customers has a significant negative effect on the profitability variable. In relation to the G20, the research results of Ratna Kartika Dewi (2014) stated that in overcoming the US and European Union financial crises, developed countries were highly committed to priority agendas, while developing countries did not show high compliance like developed countries.

1.1 Cost of Funds and Credit

The definition presented by the Financial Services Authority (OJK), the cost of funds is a certain number of costs that must be incurred by banks or financial institutions, because they have used money sourced from other parties, such as customers or banks. The factors that affect the cost of funds are the interest rate paid, the composition of the portfolio of sources of funds, provisions regarding the reserve requirement, service costs to obtain funds (service cost), interest tax and years of efficiency.

There are many definitions of the cost of funds, among them according to Rivai (2007:669) is the interest paid by the bank on the funds successfully collected by the bank from various sources. Fees that must be paid by a financial institution or bank for the use of money that comes from other parties (customers and or banks). The cost of funds in a bank is the basis for determining loan interest rates after calculating the expected profit including administrative costs and other costs (cost of funds). The cost of bank funds is a cost that must be paid by the bank for each fund that has been successfully collected from various sources, before being deducted by the minimum mandatory liquidity (requrement) that the bank must always maintain. In contrast to the opinion of Taswan (2010: 188), the cost of funds is a direct cost incurred to obtain every rupiah, the funds raised include non-operational funds (unloanable funds), such as reserve requirements to meet Bank Indonesia regulations. The effect of the cost of funds for loans that have an inverse correlation also becomes parallel because the higher the cost of funds and the amount of credit disbursed, the lower the return on assets. Vice versa, the lower the cost of funds and the amount of credit disbursed, the lower the return on assets.

The cost of funds became the initial trigger factor for the movement of credit performance which was monitored from several aspects, both in terms of credit quality, list of non-performing loans, as well as ratios to measure the health of banks. Sources of bank funds that are lent to the public in the form of credit are not from the bank's own funds because bank capital is also limited, but are public funds stored in banks. Banks try to compete to attract funds to collect public funds so that they are willing to save their funds with various lotteries or attractive facilities. Maintaining customer trust is the bank's obligation because customer deposits are a source of profit, customer is a king. The role of the Asset Liquidity Committee (ALCO) team is very important in managing and anticipating liquidity between funds lent in the form of credit and funds originating from the public (Sutarno 2004:3). Regarding third party funds, Veitzal Rivai (2007:413) defines funds as funds obtained from the community, in the sense of the community as individuals, companies, governments, households, cooperatives, foundations and others both in rupiah and foreign currencies. foreign. According to Muljono (2006:153), third party funds are funds collected from the community will be used for funding the real sector through lending. These third party funds are collected by the bank through a variety of fund products offered to the general public, who put their trust in the bank concerned to save their money and then withdraw it at maturity in return for interest and capital gains from the bank.

Loans granted due to expensive sources of funds affect the amount of interest charged to customers. For commercial banks, of course, before channeling public funds, they must have sufficient sources of funds in their operations so that credit can be given properly in order to obtain the expected income. Retnadi (2006:105) states, the ability to channel credit for the bank is strongly influenced by the ability of the bank to collect public funds (Third Party Funds) to the fullest. Funds collected from the public (Third Party Funds) are the largest and most reliable source of funds by banks (Dendawijaya, 2005). The bank's activity after collecting funds from the wider community is to redistribute these funds to people who need them, in the form of loans or better known as credit. So that from the distribution of credit, the bank will get a profit which is income for the bank. This is also in accordance with the theory put forward by Kasmir (2011: 43) which suggests that funds from the public collected in banks play a very important role as a source of funds that can affect the ability of banks to provide credit to the public. By increasing the ability to channel credit, the bank's income will also increase. In relation to credit distribution, bank income is income derived from interest income, administration fee income, fees and commission income and other income as a result of bank transactions. From the results of this credit loan, the bank can generate income which is called operating income. In addition to operating income, the bank also obtains non-operating income from activities outside the bank's main business, such as income from the sale of fixed assets. BI as the monetary authority stipulates provisions for standardizing the ability to generate income. A healthy bank is the ability of a bank to carry out normal banking operations and be able to fulfill all its obligations properly in ways that are in accordance with applicable banking regulations (Kasmir 2008:41). This is also related to the efficiency and ability of banks to carry out operational activities, with cost efficiency, the income obtained by the bank will be even greater (Dendawijaya, 2005: 120).

The imposition of large interest will also have an impact on the ability of the debtor to repay his credit. For banks as creditors, credit interest will be the main source of income from their invested productive assets, other than in the form of interbank assets, but for debtors, high interest payments, even though as a consequence of the credit agreement, are worthless expenses if they are not accompanied by principal payments. The end of the problem, the debtor's principal balance does not decrease, the bank's income from interest factors contributes to generating profits, but the health of the bank on credit quality becomes unhealthy. If this happens, the bank will try to save credit in various ways, either through rescheduling, reconditioning or restructuring. Efforts to save credit in the midst of deteriorating global economic conditions are meaningless as the result of the Russo-Ukrainian war also has a negative impact, especially on Indonesian banks. Geopolitical tensions have resulted in increased prices for energy, food, and fertilizers. As a result, inflation in a number of countries has soared. To anticipate this, several banks have tightened credit by increasing interest rates due to the difficulty of obtaining third party funds. On the other hand, this can also slow down economic growth. In fact, some countries are in danger of falling into a recession.

The global economic situation is becoming more challenging and it is no exaggeration to say that the world is in danger. Legal risks in credit rescue include repeated credit rescues so that credit quality performance looks good and even credit capitalization in the sense of pooling arrears of interest with loan principal into new loan principal. This strategy was carried out because of the openness of tolerance as a result of over-machting to face a critical economic crisis, as happened in the case of the Bank Indonesia Liquidity Assistance (BLBI) in 1998. Taking advantage of the crisis momentum with procedures or processes that violated the provisions of the Financial Services Authority in carrying out rescue operations. credit, is a banking crime.

2 CONCLUSION

Based on the results of research and discussion, it can be stated conclusion as follows:

1. Third party funds have a positive influence on lending, but have the potential for problems if the cost of funds is high so that loan interest is also high;
2. Credit rescue carried out by banks is not in accordance with procedures and taking advantage of crisis situations for credit quality performance to be healthy, is not a reason not to be categorized as a banking crime.

3 SUGGESTIONS

1. Even though the bank is in a state of lack of liquidity for credit expansion, the cost of funds must be calculated carefully because it has an impact on the amount of interest charged to debtors.
2. Credit rescue in any situation must be in accordance with procedures so as not to appear as the use of crisis time as an excuse that results in bank losses (moral hazard) leading to banking crimes.

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