Jurnal IUS Kajian Hukum dan Keadilan
Volume 10, Issue 2, August 2022, E-ISSN 2477-815X, P-ISSN 2303-3827
Nationally Accredited Journal, Decree No. 158/E/KPT/2021
open access at : http://jurnalius.ac.id/ojs/index.php/jurnalIUS

DILLEMAS OF BAD LOAN SETTLEMENT OF VILLAGE CREDIT INSTITUTION (LEMBAGA PERKREDITAN DESA) IN THE COVID-19 PANDEMIC SITUATION

I Nyoman Sujana
Faculty of Law, University of Warmadewa,
Email: nyomansujanaa2015@gmail.com,

Leonito Ribeiro
Denpasar; Faculty Of Law, Da Paz Of University,Dili;
Email:leonito.ribeiro@gmail.com

Abstract

*This paper analyzes the dilemma of resolving bad loans of the Village Credit Institution (LPD) in the Covid19 Pandemic Era. The focus of the study is the problems faced by the Village Credit Institution (LPD) in resolving bad loans in Bali Province during the COVID-19 pandemic era. This study was conducted because LPDs in Bali experienced difficulties in securing credit even though the collaterals or guarantees were imposed with a mortgage as well as a Fiduciary during the Covid 19 period. As an analytical device on the legal issues studied, the author applied the theory of the welfare state with a statutory approach, a conceptual approach, a sociological approach, and a case approach. Based on the results of the study, it is found that the settlement of bad loans at the LPD is in a dilemma. "**Internally**" the LPD noticed that the debtors, members of the traditional village, are taking refuge behind the Covid-19 pandemic situation, and denied their obligations. In the collateral cases, even though Mortgage Rights have been imposed with a fiduciary, settlement is about to be carried out, it turns out to be controlled by a third party who is a member of the Customary Village to execute loan settlement through the expropriation of the collateral by execution parate. This type of action is not allowed based on the principles of Balinese customary law paras, parosegiliksegulukk, sarpanayasabayantaka. In this case, the LPD should go back to court. Meanwhile, "externally" the economic atmosphere affected by the Covid-19 pandemic has not yet recovered. Therefore, LPD faces a difficult choice between settling bad loans to recover the cash flow of a company, and taking measures to save credit by rescheduling, restructuring, and reconditioning. This rescue measure has become a heavy burden for LPDs to fulfill their obligations to credit customers.*

Keywords: Dilemma; Settlement; Bad Loan; LPD;

INTRODUCTION

Village Credit Institution, further abbreviated as LPD, is established to carry out a cultural mission, internal-community business activities, and improving the welfare of the Traditional Village community which is economically easing the community maintaining civilization.[1] In this Covid-19 pandemic era, the existence of LPDs in the area of Bali Province is facing a very difficult challenge, because Bali is in a hard situation due to the tourist restriction policy. So, the

[1] Sukandia, I Nyoman, 2019, *Balinese Traditional Law Community-Based Village Credit Institutions*, CV.Nuswantara, Malang,East Java, First Edition, Pg.9

DOI: http://dx.doi.org/10.29303/ius.v10i2.1104

impact on the Balinese economy is seen torpidity which is undeniably affecting the business of LPD.

Regional Regulation Number 4 of 2019 concerning Traditional Villages in the provisions of Article 60 paragraph (1) reads that the LPD is a financial institution belonging to the Traditional Village which is domiciled in the Traditional Village territory. Although LPD is not a bank, in carrying out its functions, it applies a financial management pattern like a bank. Specifically, collecting funds from the traditional village community in the form of savings and channeling it back to the traditional village community in the form of a credit to improve the standard of living for the traditional village community. In this Covid-19 pandemic situation, LPD is experiencing a heavy burden; it hasn't recovered properly, even though the international tourist restriction policy has been leveled up.

The burden of the LPD as a business entity owned by the Traditional Village distributing credit to the customary village community are facing problems in the effort to rescue credit due to a large number of non-performing loans and even bad loans. On the other hand, borrowing customers also experience a serious issue, where almost all of them has eroded the income they rely on to pay their obligations since the Covid19 pandemic. Moreover, they are the members of traditional village (karma) Many Debtors have lost their livelihoods. This situation occurs due to the extreme actions taken by entrepreneurs, called the company's operational efficiency (reducing the workforce), laying off employees and even many companies terminated employment (severance of workforce). Thus, the impact of Covid19 has created an inability for debtors to fulfill their obligations to the LPD. Although the loans served have been accompanied by collaterals charged with a mortgage (Mortgage Right) or bound to a fiduciary, it has only provided convenience to the Mortgagee (LPD) if the debtors' committed defaults, but this facility does not help LPD much in the bad loan settlement actions.

Law Number 4 of 1996 concerning Mortgage Rights, further abbreviated as UUHT, Article 20 Paragraph (1) letter a and b stipulates that the execution of mortgage rights can be pursued in 3 (three) ways, namely:[2]

a. Parate execution;
b. executorial Titles;
c. Unofficial sales;

Meanwhile, under Law Number 42 of 1999 concerning Fiduciary guarantees in Article 29, it is determined that:

(1) If a debtor or fiduciary giver breaks his promise, the execution of the property as the object of the fiduciary security can be carried out by:

[2] Herowati Poesoko, 2007, *Parate Executie to the Object of Mortgage (Inconsistency, Conflict of Norms and Misguided Reasoning in UUHT)*, Laksbang Pressindo, Yogyakarata, First press, Pg.4

a. Implementation of the executorial title as referred to article 15 paragraph (2) by the Fiduciary Beneficiary;
b. The sale of objects as the object of the Fiduciary Guarantee on the authority of the Fiduciary Beneficiary himself through a public auction and take the settlement of his receivables from the proceeds of sale;
c. The unofficial sales are carried out based on the agreement of the Fiduciary Giver and Beneficiary if in this way the highest price can be obtained that benefits the parties.

(2) The implementation of sale as referred to in paragraph (1) letter c is carried out after 1 (one) month has elapsed upon being notified in writing by the Giver and/or Fiduciary Beneficiary to interested parties and announced in at least 2 (two) newspapers distributed in the territory concerned.

Various facilities have been provided both under the Mortgage Law and the Fiduciary Guarantee Act to execute collateral if the debtor is in default. However, the existence of this collateral is not always able to assist the settlement of bad loans faced by the LPD. In addition, the value of the properties used as collateral has decreased sharply in the Covid-19 era. It is also caused by the decline in the purchasing power of the people nationally. Village members are no longer able to fulfill their obligations either due to their loss of income as the impact of this Covid-19.

Delay in taking over the security of the Mortgage or Fiduciary Guarantee In the practice of village credit institutions often occurs, because when a debtor commits a breach of contract, it turns out that the collateral is actually controlled by a third party who is not the customary village member. The control of this collateral has just been found out by the LPD when *parate execution* is going to be undertaken. Moreover, the third parties controlling the object used as the Guarantee have less respect towards the rule ***"For the Sake of Justice under Almighty God"*** as stated in the certificate of Mortgage or Fiduciary. Sudikno states that the phrase "For the Sake of Justice under Almighty God" has the meaning of being able to be carried out like a court order which possesses an executive head.[3] However, empirical facts show that when a debtor commits a breach of contract, the object of the Mortgage or fiduciary cannot be executed even though the LPD as the creditor reserves the right to sell the object of the Mortgage or fiduciary right on its public auction, without requesting court order. Therefore, the rescue for these bad loans is back again as they have to take the court processes. Although there is a principle of simple, fast, and low-cost justice in civil procedural law existed, creditors still experience the lack of guarantee of legal protection as they should, even more in the Covid-19 pandemic situation. Since numerous bad loans indicated to apply the banking practice, they are often referred to as *non-performing loan* (NPL) in a

[3] SudiknoMertokusumo, 2017, *Indonesian Civil Procedural Law,* Cahaya Atma Pustaka, Revised Edition 5th Edition,Yogyakarta, Pg.230

bank. As a consequence, the disruption of liquidity might be the worst result.[4] So, if a case like this occurs in LPD, it is considered to be very challenging to resolve through a non-litigation process, during the Covid-19 pandemic situation either.

With the prolonged Covid-19 pandemic situation, it is undeniably that the problem of bad loans cannot be avoided by managers of financial institutions such as LPD. If the LPD manager is less effective and not preparing precautionary principle in carrying out its operations, then the occurrence of bad loans certainly occurs. The settlement for the non-performing loans in this Bad Loans category is very interesting to study deeper, because the creditors have been equipped with collateral and charged with Mortgage even though the loans provided by LPDs as the creditors. The Covid-19 pandemic situation has actually become a burden for LPDs themselves as a credit provider in settling the bad loans. It happens because the purchasing power of the traditional village members during the Covid-19 pandemic is in a very worrying situation. For example, the case occurred in Kuta-Badung-Bali Traditional Village where the traditional village members were very difficult to withdraw their existing savings in LPD, even only to meet the needs of daily life[5]. This difficulty is due to Kuta traditional village has been in a great dependence on tourism sector as it main source of income. The business of traditional village members, which was originally wallowing in dollars, but during the Covid-19 pandemic, people are suffering a heavy economic pressure.

Concerning the Covid-19 pandemic situation, LPD management is in dilemma between maintaining the security of funds of the indigenous village community through the precautionary principle or helping indigenous village communities who experience bad loans to bounce back from the pressure of this Covid19 pandemic. The Covid-19 pandemic situation contains a debatable understanding of an extraordinary situation occurring beyond human will, and the view that the Covid19 pandemic is a condition that was deliberately created by humans that should be avoided. Due to these uncertain views, this study will be focusing on "the obstacles in settling bad loans faced by LPDs in Covid-19 pandemic situation". The purpose of the problem analysis is to provide the best solution for the LPDs to maintain the trust of the indigenous village community in Village Credit Institution, and for borrowing customers to rise from adversity due to the pandemic.

DISCUSSION

This COVID-19 pandemic has brought a fairly wide domino effect, including the LPD. The LPD is acting as the object of research which is referred to the Village Credit Institution. This institution is indicated under Regional Regulation Number 4 of 2019.

[4] Anton Suyatno, HRM, 2016, *Legal Certainty in the Settlement of Bad Loans Through the Execution of Mortgage Guarantees Without Court Lawsuit Process*,Prenadamedia Group,Jakarta, Pg.41

[5] The results of a direct interview with Nyoman Shaolin a member of Kuta Traditional Village, Badung; on Saturday, May 28, 2022

The Traditional Villages in article 1 number 34 is referred to as *LabdaPecingkremanDesa*, then changed into LPD, which is "*A credit institution owned by a traditional village located in Territory of the Traditional Village";* which collects funds from the public in the form of savings. For example, savings, deposits and distributes them back to the public in the form of credit or loans. The word "credit" is derived from the Roman language, namely from the vocabulary *credere which* means believe[6].So that the relationship existing in credit activities between the parties must also be fully based on mutual trust. Credit in LPD activities is the most important business activity since the largest income from LPD business comes from credit business activities, namely in the form of interest and fees. The creditor who provides the credit believes that the recipient of the credit, in this case, the debtor, will fulfill everything that has been agreed upon, both regarding the period and its achievements.

LPD as a distributor of funds (creditors) should carry out its role as the subject policy to maintain the balance of the right between the desire to earn profits in the form of interest rates and the aim of liquidity and solvency of the LPD. Liquidity point of view is an important aspect of LPD in terms of the ability of the LPD to guarantee the payment of short-term debts. In addition, the importance of solvency in the LPD is expected to have the ability to pay off all debts (both short term and long term). The solvency of an LPD also depends on the solvency of each customer. Thus, to maintain solvency, the LPD must be careful in disbursing credit. In addition, they should first investigate whether the prospective debtor is truly trustworthy and reliable (*bankable*) or not. It is mandatory to pay attention to collateral items submitted to the LPD.

The regulation regarding credit in LPDs also refers to banking legal provisions, although LPDs are not subject to Banking Law. The definition of credit can be found in the provisions of Article 1 number 11 of Law Number 10 of 1998 concerning amendments to Law Number 7 of 1992 concerning banking, which stipulates that:

> *Credit is the provision of money or an equivalent claim, based on an agreement or loan agreement between a bank and another party requiring the borrower to repay the debt after a certain period of time with interest.*

Along with the development of financial transactions in the globalization, the integration of financial products and services carried out by banks is one noticeable consequence. It influences the idea of credit is becoming more detailed and expanded; which can be seen in the provisions of Article 1 number 5 of Bank Indonesia Regulation Number 7/2/PBI/2005 concerning the assessment of Asset Quality of Commercial Banks, it is stated that:

[6] Muhammad Djumhana, 2012,*Banking Law in Indonesia*,PT.Citra Aditya Bhakti,Bandung, Pg.411

Credit is the provision of money or equivalent claims, based on an agreement or loan agreement between a bank and another party requiring the borrower to repay the debt after a certain period of time with interest, including:

a. overdraft, namely the negative balance in the customer's checking account that cannot be paid in full at the end of the day;
b. a takeover of invoices in the context of receivables activities;
c. Takeover or purchase of credit from other parties.

Based on the above idea of credit, it can be seen that the credit elements in the LPD are almost the same as those stipulated in the Banking Law, namely 'the existence of an agreement' or 'agreement between the creditor and debtor', which is called a credit agreement. This credit agreement is a prime requirement for the progress of the business world made by the parties' agreement so that it is categorized as an anonymous agreement[7]. In this regard, the existence of transactions for providing credit services or LPD's borrowing customers has been stated in an agreement, which is called a credit agreement. In banking practice, the provision of credit in terms of its use can be in the form of working capital credit, investment credit, and consumer credit.[8] In the operations of LPDs towards providing credit services to Traditional Village Members as customers have been done by several LPDs in Bali Province. Principally, this credit service can be divided into 2 (two) as follows:

1. Working capital credit (*Commercial Loan*), namely services in the form of loans provided to entrepreneurs in running their business;
2. Consumer Credit (*Consumer Loans*), namely loan services provided to customers in the form of housing and car ownership facilities, usually the provision of these facilities is aimed at existing customers;[9]

Credit in village activities is seen as the most important business activity due to the largest income from LPD business comes from credit business activities, in the form of interest and fees. The smooth running of credit activities is based on mutual trust from all parties. This condition is very much needed by the LPD in business and the allocation of funds for credit. The funds in the LPD are mostly funds belonging to the Traditional Village and third parties entrusted to the LPD. On the other hand, LPDs are required and obliged to always maintain the trust given by the traditional village members and/or third parties in running the use of funds.

There must be one or multiple agreement between the creditor and the debtor for the provision of credit facilities. In this regard, there is a provision of credit from the LPD as the creditor to the debtor. The provision of credit is stated in the existence of a

[7] H. Moch. Isnaeni, 2016,*Law of Assurance of Material Existence, Function and Regulation*, LaksbangPressindo, Yogyakarta, Pg.57

[8] H. Zainal Asikin, 2016, *Introduction to Indonesian Banking Law,*PT. Raja GrafindoPersada, Jakarta, Pg.187

[9] Results of an interview with I Wayan Buda Artha, SE., Head of LPD of Kuta Traditional Village of Badung, on 10 May 2022 at Kuta LPD Office; and with several other LPD Chairmen in Bali Province who were interviewed by purposive sampling between January and May 2022.

credit agreement that can be made in the form of an unofficial agreement or the form of a real note (agreement). Every credit distribution always demands accountability from credit officials to implement the principle of prudence in lending. Thus, the emergence of non-performing loans or bad loans can be minimized. Although the precautionary principle has been implemented by LPD managers, in the world of credit, the existence of bad loans is inevitability. Moreover in the Covid-19 pandemic situation has occurred in several LPDs owned by traditional villages in Bali Province.

Concerning legal issues studied in this paper, which are relating to the constraints experienced by LPDs in rescuing bad loans in the Covid19 pandemic era is noticing several concerns. Initially, it is better to understand the legal standing of the LPD itself, given that the LPD's governance in carrying out its function as a business entity owned by a traditional village. It is empirically seen as a banking institution, but it is not subject to banking law. This is very important to be firstly understood, as it will involve the legal capacity of LPD in carrying out rights, obligations, and responsibilities both concerning the implementation of transactions, the ability to guarantee customers, and the right to control assets, especially land as a series of rescuing bad loans. In several cases of taking over of collateral by the LPD due to bad loans by debtor customers who did not have a good faith, the existence of this LPD had a questionable juridical status, whether the collateral was taken over by the LPD or the chairman of the LPD. The provisions of Article 1 point 34 of the Regional Regulation Number 4 of 2019 stipulating clearly that LPD is "*A credit institution belonging to a traditional village domicile in the Area of Traditional Village".* It is not sufficient to take collateral for bad loans that occurred in the LPD. Moreover, when dealing with the members of the traditional village itself, LPD is a financial institution owned by the traditional village which can be jointly owned by the indigenous village community.

By applying the Theory of Fiction (*ficie*) regarding the legal entity pioneered by Carl von Savigny as the data analysis, the author considered LPD as ***"Balinese Traditional Character Legal Entity".*** This is also stated by some adherents of this theory in which legal entities are solely made by the state. Naturally, only humans can be legal subjects, legal entities are fiction, that is, something that does not exist actually, but people create in their shadows a legal actor (legal entity) as a legal subject considered the same as humans. Relating to Regional Regulation Number 4 of 2019 concerning Traditional Villages, in the provisions of article 60 letter a, it is stated that Traditional Villages have businesses consisting of LPDs. Furthermore, in the provisions of article 61 paragraphs (1) it is stated that: *"LPD, as referred to in Article 60 letter a, is a financial institution belonging to a traditional village domicile in the traditional village area." Thus, the author concludes that LPD is a legal entity characterized by Balinese customary law, as it is the only legal entity existing in Indonesia.* In line with this view, Sukandia stated that LPD is a Socio-Religious Economic Legal Entity, called a Legal Entity which is carrying out

very distinctive socio-economic functions, socio-religious, and socio-cultural functions.[10] What is stated by the legal thinkers of this fictional theory is understandable because if we look at legal developments related to the recognition of legal entities as legal subjects in the traffic of legal interaction, it is true that only humans are known as legal subjects. This is illustrated by Chidir Ali by quoting the opinion of A. Pitio, at the time the Civil Code was formed at the beginning of the 19th century when *figurerechspersonen* was not yet known. Therefore, Civil Code only mentions private persons (*natuurlijkeperson*) who are listed as the bearer of rights and obligations (legal subjects) in the traffic of legal society.[11]

With regards to the standing of LPD as a legal entity with Balinese Traditional character, the obstacles to rescuing bad loans faced by LPD during the Covid-19 pandemic era can be divided into two parts, as follows:[12]

a. The Internal Constraints can be:
   1. Most of the borrowing customers are village members themselves;
   2. The security used as collateral is a residential house on which family shrines are built;
   3. There is a family relationship between LPD Management and village members having bad credit;
   4. The collateral in the form of land is not imposed with mortgage rights or movable goods are not bound by fiduciary guarantees;
b. The External Constraints are:
   1. There is no regulation regulating the standing of LPD as a legal entity;
   2. The Covid-19 Pandemic has an impact on the loss of income for depositors to fulfill their obligations to LPD;

Taking into account some of the constraints faced by LPDs in resolving bad loans, and after direct observations and interviews with several LPDs in Traditional Villages in Bali during the Covid-19 pandemic situation, it was found that the LPD management faced a dilemma in rescuing bad loans. The dilemma is reflected in internal and external constraints. These constraints greatly affect efforts to rescue bad loans. The noble purpose of the establishment of LPD is actually to help the economy of the Indigenous village community, with the prolonged Covid19 pandemic. However, many Traditional Village Members have lost their jobs that put them on the difficulty in fulfilling their daily obligations, especially pay installments. Therefore, the only way is to just hand over the collateral to LPD to take it over. Such as the case of bad loans cured in LPD Tanjung Benoa Traditional Village, where the village members were executed until the house where they lived and the holy buildings constructed on it were executed. In this

[10] Sukandia, I Nyoman, 2019,*Op.Cit.Pg.* 103-104

[11] Chidir Ali, 1987, *Legal Entity*, Alumni,Bandung, Pg.168.

[12] The results of an interview with I Wayan Tirka, the Chairman of LPD Kutuh Traditional Village, South Kuta and I Ketut Sugita, the Chairman of LPD Sesetan Traditional Village Denpasar in May 2022 that

case, it appeared that the noble goal of the establishment of LPD to improve the welfare of the village members was not realized. On the other hand, LPD also has an interest in securing funds deposited by other creditors who are also traditional village members. So, in such a position, fair handling should be enforced to maintain the liquidity of the LPD.

LPD in taking over the collateral voluntarily is also faced with a dilemma between executing the guarantee "(*parateexecution*)" and "*empathy*". The internal constraints faced by the LPD noticed that most of the customers experiencing bad loans are members of the Traditional Villages themselves. Accordingly, the collateral used as the security in the form of a residential house held by the LPD has not yet been imposed with mortgage rights. The lands and residences which are used as collaterals imposed with Mortgage Rights cannot be simply executed since the family temple buildings (holy buildings), which if they are taken over by LPD, *skala* and *niskala* (physical and spiritual) process should go through Hindu religious teachings. Meanwhile, external constraints has been found that LPD has faced constraints in taking collateral goods because borrowing customers experiencing bad credit are the members of the traditional villages themselves having no good faith to pay off their obligations by hiding behind the *overmach* situation of the Covid-19 pandemic. The Covid-19 pandemic has created the economic conditions for traditional village members in a very poor economic condition, considering that many traditional village members in Bali have lost their income they have relied on from international tourist destinations.

Therefore, the purpose of the establishment of LPD is to support the role of traditional villages in sustaining social, cultural, customary, and religious life so that traditional villages have independent and sustainable sources of financing.[13]However, due to the empirical facts about bad loans, LPDs are getting worse in maintaining their solvency in this Covid-19 pandemic era. To save bad loans, it is deemed necessary to conduct the measurement taken by banks that can be replicated to rescue bad loans of LPDs, while still prioritizing the concept of customary dispute resolution through the principles of *"gilikseguluk, paras paro, sarpanayasabayantaka"*[14]*; the aforementioned principle is following the principle of freedom of contract as stipulated in article 1338 of the Civil Code which states that all agreements made legally apply as law for those who make them. If the LPD and the debtor customer (the indebted village members) have both agreed to carry out the credit settlement process through paras paro, gilikseguluk and sarpanayasabayantaka, a simple, fast and low-cost settlement will be possible. It is also in compliance with* Bank Indonesia circular letter Number 23/12/BPPP, dated February 28, 1991, that the measures taken by banks in the efforts to save credit so that debtors can repay debts and

[13] Nurjaya, I Nyoman, 2022, "Criminalization of LPD in Bali for Corruption Crimes?", *General Lecture Material for Law Study Program Postgraduate Doctoral Program of Warmadewa University*, Tuesday May 24, 2022.

[14] This means that dispute resolution through deliberation is based on togetherness, and harmony in social life in the Traditional Village.

interest to banks, can be through 1) Rescheduling; 2) *Reconditioning*; 3) Rearrangement (*Restructuring*).

These measures seem to be very relevant to take for LPDs in rescuing credit. The author provides this opinion as a glance reflection on the bad loans experienced by LPDs during the Covid-19 pandemic. It is projecting to save credit, not credit settlement measures. Therefore, the main purpose of the establishment of LPD is to help improve the welfare of traditional village members. The credit rescue measures are:[15]

a. Rescheduling namely changes in credit terms relating to payment schedules and or periods including grace periods, whether or not including changes in the number of installments;
b. *Reconditioning,* namely changes in part or all of the credit terms which are not limited to changes in the payment schedule, term, and or other requirements providing it does not involve changes in the maximum credit balance and conversion of all or part of the loan into bank participation;
c. Rearrangement, namely changes in credit terms in the form of bank funds investment, and/or conversion of all or part of arrears of interest into new loan principal, and/or conversion of all or part of credit into investment in the company.

If the rescue efforts have not been able to heal LPD operational *cash flow*, then the last measure (*ultimumremedium)* is settlement efforts, namely by taking a process outside the court by prioritizing the principle of Balinese traditional dispute settlement through the principles of *paras paro, giliksegulu*k, *sarpanayasabayantakan*. This settlement is in accordance with the provisions of Law Number 30 of 1999 concerning Arbitration and Dispute Resolution, where in article 6 paragraph (1) it is stated that "Civil disputes or differences of opinion can be resolved by the parties through alternative dispute resolutions based on good faith by setting aside the litigation settlement in the District Court". Referring to the provisions of Article 6 paragraph (1), it seems that the constraints faced by LPDs in resolving bad loans can be taken by alternative settlement mechanisms. There are several alternative solutions as referred to by the provisions of the article, namely in the form of:[16]

1. Consultation is a personal action between a certain party (client) and another party, a consultant, where the consultant gives his opinion to the client according to the requirements and needs of his client.
2. Negotiation is a meeting between two parties to reach an agreement without involving other parties.
3. Mediation is a process of resolving disputes through the intercession of third parties, namely providing input to the parties to resolve their disputes.
4. Conciliation is peace or an invitation to make peace. Conciliation and mediation are essentially the same although there are differences. Both are ways of resolving disputes

[15] Muhammad Djumhana, 2012, Banking laws in Indonesia. Citra Aditya, Bandung, Pg.411

[16] Susilawatty, Hj., 2013, *Arbitration and Alternative Dispute Resolution Seen from the Perspective of Laws and Regulations*, Grama Publishing, Bekasi, Pg.170

in which the parties voluntarily seek a settlement through negotiations to resolve issues with the assistance of an impartial third party. According to Jimmy Yoses Sembiring, conciliation is a continuation of mediation, the difference lies in a third party or mediator, in conciliation the third party only acts as a facilitator who brings together the disputing parties to solve their own problems. Meanwhile, in mediation, third parties actively help the disputing parties find and offer appropriate and useful solutions.[17]

CONCLUSION

LPD management encounters this dilemma in resolving bad loans during the Covid-19 pandemic era; that is, between taking action to the *"**bad loan settlement**"* through the expropriation of collateral, by taking action *"**bad credit rescue"*** through *rescheduling*, reconditioning*, and* rearrangement (*restructuring*). In terms of carrying out settlement actions, the LPD management is faced with the members of the traditional village itself, which actually must be assisted as the purpose of the establishment of LPD. In terms of carrying out rescue actions, they are also faced with the fact that LPD has obligations to the traditional village members as depositors of funds who during Covid-19 almost simultaneously withdraw their savings or deposit funds to meet the needs of their daily life. Since LPD is a credit institution owned by traditional villages, its existence must continue to exist, therefore the author provides a solution as the priority is to take rescue measures, while the settlement measure is the last (*ultimum remedium*) by prioritizing the settlement of traditional villages disputes having *the principle of paras paro, giliksegulukk, sarpanayasabayantaka".*

REFERENCES

Books

Anton Suyatno, HRM, (2016)*, Legal Certainty in the Settlement of Bad Loans Through the Execution of Mortgage Guarantees Without Court Lawsuit Process*,Prenadamedia Group,Jakarta

Andi Nursyahriana, Michael Hadjat, Irsan Tricahyadinata, *Analisis Faktor Penyebab Terjadinya Kredit Macet*, FORUM EKONOMI , Volume 19, No. 1 2017

Chidir Ali, (1987), *Legal Entity*, Alumni, BandungH. Zainal Asikin, (2016), *Introduction to Indonesian Banking Law,* PT. Raja Grafindo Persada, Jakarta;

H.Moch.Isnaeni, (2016), *Law of Material Guarantee, Existence, Function and Regulation*, Laksbang Pressindo, Yogyakarta;

Herowati Poesoko, (2007), *Parate Executie to the Object of Mortgage (Inconsistency, Conflict of Norms and Misguided Reasoning in UUHT)*, LaksbangPressindo, Yogyakarata;

Irwansyah, (2021), *Choice of Legal Research Methods & Practice of Article Writing*, Revised Edi-

[17] Jimmy Yoses Sembiring,2011, *How to Settle Disputes Out of Court,* Trans Media Pustaka, Jakarta, Pg. 46

tion, 4th Edition, Mirra Buana Media, Yogyakarta;

Jimmy Yoses Sembiring,2011, *How to Settle Disputes Out of Court,* Trans Media Pustaka, Jakarta;

M. Aqim Adlan, P*enyelesaian Kredit Macet Perbankan dalam Pandangan Islam Tinjauan Regulasi Kasus Kredit Macet Akibat Bencana Alam*, AN-NISBAH, *Vol. 02, No. 02, April 2016*

Muhammad Djumhana, 2012, Banking laws in Indonesia. Citra Aditya, Bandung;

Nurjaya, I Nyoman, 2022, "Criminalization of LPD in Bali for Corruption Crimes?", *General Lecture Material for Law Study Program Postgraduate Doctoral Program of Warmadewa University*, Tuesday May 24, 2022;

Sudikno Mertokusumo, 2017, *Indonesian Civil Procedural Law,* Cahaya Atma Pustaka, Revised Edition 5th Edition,Yogyakarta;

Sukandia, I Nyoman, 2019, *Balinese Traditional Law Community-Based Village Credit Institutions*, CV. Nuswantara, Malang, East Java, First Edition;

Susilawatty, Hj., 2013, *Arbitration and Alternative Dispute Resolution Seen from the Perspective of Laws and Regulations*, Grama Publishing, Bekasi;

Regulation

Law Number 10 of 1998 concerning amendments to Law Number 7 of 1992 concerning Banking;

Law Number 4 of 1996 concerning Mortgage Rights on Land and Objects Related to Land; State Gazette of the Republic of Indonesia of 1996 Number 42

Law Number 42 of 1999 concerning Fiduciary Guarantees; State Gazette of the Republic of Indonesia of 1999 Number 168

Regional Regulation Number 4 of 2019 concerning Traditional Villages in Bali; Regional Gazette of the Province of Bali Year 2019 Number 4.

Indonesian Code of Civil Law