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SIDE STREAMING ON BANK FINANCING: CAUSES, FORMS, IMPACT AND PREVENTION

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ABSTRACT
This research is entitled "Side Streaming on Conventional Bank Credit and Islamic Bank Financing. This study aims to determine the causes of side streaming, the forms of side streaming, the impact of side streaming, as well as efforts to prevent and resolve side streaming in conventional bank credit and Islamic bank financing. The methodology used is a qualitative descriptive method using primary data and secondary data. The results of the study show that side streaming can occur due to several reasons, namely: weaknesses in SOPs, lack of anticipation from the Financing Committee/Credit Committee, over-financing, there is an intention on the part of the customer to do side streaming, errors on the part of the account officer or officer who performs the financing analysis/credit analysis. The forms of side streaming, namely: working capital financing is used for consumptive purposes, working capital side streaming is for investment needs, working capital side streaming is used to finance working capital for new businesses and working capital side streaming is for digging holes to close holes. Side streaming can have a negative impact on customers and banks, including: the business being financed does not develop, side streaming has the potential to cause financing problems. Efforts to prevent side streaming can be done by providing strict SOPs to prevent side streaming, taking preventive measures from the credit/financing committee, carefully calculating credit or financing needs, carrying out checks that are more careful, account officers are more careful in conducting credit/financing analysis. To resolve the occurrence of side streaming, the following steps can be taken: Conducting coaching to customers, requesting repayment of financing to customers, restructuring financing / credit and carrying out liquidation of guarantees provided.

Keywords: Side Streaming, Conventional Bank Credit, Sharia Bank Financing

INTRODUCTION

Banks are financial institutions that have an intermediary role, namely collecting funds and distributing them to the community. Banks consist of commercial banks and people's credit banks, while commercial banks themselves consist of conventional commercial banks and sharia commercial banks. Conventional commercial banks use an interest system in their operations while Islamic commercial banks use a profit sharing system based on Islamic principles based on the Koran and Hadith (Budiono, 2023). Distribution of credit to conventional banks and distribution of financing to Islamic banks is one aspect of bank activities in addition to the other two aspects, namely collecting public funds and providing services. In the activity of distributing funds, a bank must refer to the principle of prudence (prudential) so that the funds it distributes can be returned along with the profits. However, credit/financing problems cannot be avoided as long as the bank carries out its business activities.

Several factors that influence non-performing loans include external factors and internal factors (Saroinsong et al., 2022). Internal factors include: inaccurate analysis, collusion between the bank and customers, limited information on financed businesses, interference from related parties, and lack of attention in coaching and monitoring. External factors that influence credit/financing problems are: The element of intent. and inadvertent actions by customers. Mohammd Beny Alexandri, et al in research entitled "Analysis of Factors Causing Bad Credit at PT BPR Banjar Arthasariguna Tasikmalaya stated that external and internal factors both simultaneously and partially influence bad credit at PT. BPR Banjar Tasikmalaya (Alexandri & Sujatna, 2020).

One of the causes of problematic credit/financing problems is the occurrence of side streaming, which is a term in banking used to describe deviations in the intended use of funds by customers (Prehantoro et al., 2020). Deviations occur because the use of funds does not match their intended use as written in the credit application or financing application. A deviation from the intended use of funds that often occurs is that funds intended to finance working capital are not used to finance working capital as proposed, but are used for other purposes such as consumer needs, investment in other places or to finance working capital but not working capital for the business in question. submitted. Side streaming causes financing problems of 20% at PT. BPRS Al-Washliyah Medan (Anggita, 2021).

Side streaming or what is usually called misuse of bank loan funds by customers for other purposes has received quite a lot of attention in the banking world. This is because side streaming can have a negative impact, namely the occurrence of financing problems. Cases of credit/financing problems at banks are partly due to side streaming or irregularities in the use of credit/financing funds by their customers. In general, problems related to side streaming include: what are the causes of side streaming, what are the forms of side streaming that occurs, what are the impacts of side streaming, what efforts are being made to prevent side streaming from occurring and how to resolve side streaming that has occurred.

Thus, this research journal will discuss several things related to side streaming on conventional bank credit and sharia bank financing, including: knowing the causes of side streaming, knowing the forms of side streaming, knowing the impact of side streaming, knowing efforts to prevent side streaming and knowing efforts complete the side streaming that occurred.

LITERATURE REVIEW

Side streaming is a deviation or misuse of financing or credit facilities that are not in accordance with their intended purpose or financing objectives as stated in the financing agreement at a sharia bank or credit agreement at a conventional bank (Sholahuddin, 2004). In Islamic banks and conventional banks, this side streaming is strictly avoided so that it does not happen.At BRI Syariah KC Jombang, the settlement of side streaming is carried out in a persuasive manner through administrative control. Side streaming results in the contract becoming fasakh, the solution to completing a fasakh contract is to change the contract or re-do the contract (Rizqiyah et al., 2020). The side streaming case at BRI Syariah KCP Purbalingga was carried out persuasively and forcefully. Persuasively, that is, making a statement that side streaming has occurred and will be repaired, whereas by force, that is, if side streaming occurs fatally and cannot be repaired, then the contract will be canceled and no re-contract will be carried out (Anisa, 2018).

Banks as *shahibul mal* bear the risk of problematic or even non-performing loans caused by loss of ability to pay installments due to customer negligence, namely side streaming and data manipulation resulting in errors in calculating the customer's ability to repay, the solution is to restructure the facilities provided (Indrianawati et al., 2015). Bank Muamalat Palangkaraya City has established procedures to prevent side streaming, namely by applying the principle of prudence (prudential) then carrying out a 5C+1C analysis, prospective customers are required to show RAB then disburse funds gradually and customers are asked to report proof of use of funds every 3 to once every 6 months (Wiranta et al., 2021).

METHODOLOGY STUDY

Study This will do with qualitative approach, to analyze the causes, forms and preventing on side streaming of bank financing**.** The methodological steps will involve a number of stage, start from data collection up to results analysis as follows:**Stage 1 (**Observations and re-checking of data); **Stage 2 (**Categorizing the obtained data); **Stage 3 (**Reducing, selecting and sorting); **Stage 4 (**Classifying and analyzing); **Stage 5 (**Analyzing and contextualizing); **Stage 6 (**Concluding)

RESULT

The Side Streaming Causes

Side streaming can occur due to several reasons, namely: Weaknesses in the SOP, lack of anticipation from the Credit Committee or Financing Committee, the occurrence of over financing, there is an intention from the customer to carry out side streaming, mistakes from the Account officer or officer who carries out the financing analysis/credit analysis.

Weaknesses of the SOP

SOP or standard operation and procedure (standard operational procedure) is a system created to design and facilitate work and is used as a standard of correctness. SOP is a work guide used to carry out company activities and a document used to carry out work procedures chronologically with the aim of obtaining effective and efficient work results (Pramudya & Choiriyah, 2021). In banking, SOPs are a reference source in every activity, whether in collecting public funds, distributing funds and providing services. In fund distribution activities or what is usually called credit at conventional banks and financing at sharia banks, the SOP is made in such a way that it starts from regulating the type of business being financed, the maximum amount of financing, the type of collateral, the limits of authority to decide on credit/financing, the conditions for providing financing. and others. Credit/financing SOPs are created with reference to risk management policies related to credit risk.

In creating credit/financing SOPs, a dilemma often occurs between risk interests and business interests. On the one hand, if a company prioritizes low risk, then on the other hand, it will be difficult for the business to develop. On the other hand, if the company wants large business expansion, then the risks are somewhat relaxed.Regarding the issue of side streaming, this becomes a very dilemma. When companies make very strict rules to really suppress the occurrence of side streaming by regulating the use of funds resulting from credit/financing disbursement, it is feared that it will result in less flexibility in the credit process felt by customers, besides that it will also be quite troublesome for the bank if they have to monitor it closely. strict use of funds by customers. If strict rules are not made regarding side streaming, there could be the potential for side streaming to occur which could lead to credit/financing problems.

Lack of Anticipation from the Credit Committee/Financing Committee

The credit committee or financing committee is a committee within a bank consisting of several people who have the authority to examine, analyze each credit/financing application and decide (accept/reject) the credit/financing application accompanied by the covenants or conditions given. The credit committee/financing committee usually consists of 3 people consisting of 1 committee leader (usually head of sub-district head, branch head, regional head, division head or director), 1 representative of the credit committee/financing committee and 1 member of the credit committee/committee financing. The credit committee/financing committee functions to minimize problematic financing through analysis of the 5C concept which consists of Characteristics, Capacity (ability), Capital, Condition and Collateral (guarantee) (Susilo & Trisnawati, 2018).

In approving credit/financing proposals, the credit committee usually provides covenants or notes as credit or financing conditions that must be fulfilled by prospective customers. This covenant consists of two types, namely negative covenant and positive covenant (affirmative covenant). Negative covenants are covenants that contain prohibitions for customers, while positive covenants are covenants that must be fulfilled by customers. An example of a negative covenant is that the customer is prohibited from renting out collateral to other people, an example of a positive covenant is that the customer is required to make a family card before disbursing credit, etc.

In conventional banks, the tendency for side streaming to occur is related to SOPs and Credit Committees, namely weak SOPs and Credit Committee Decisions which do not emphasize the use of credit funds to finance working capital. The results of the credit disbursement are left alone, free to be taken and used by the debtor to do whatever they want. If these funds are used to finance working capital, of course there will not be a problem, but if they are used for other purposes outside of working capital needs, this will of course become side streaming and has the potential to cause problems. In Islamic banks, the potential for side streaming also arises due to weak SOPs and Financing Committee decisions. In the murabahah bil wakalah product, the customer is given power of attorney or represents the bank to spend on working capital items, so because the customer has been given power of attorney, it is not uncommon for mudharib to misuse these funds.

Regarding side streaming, the credit/financing committee can actually make covenants or credit/financing requirements that better ensure that credit/financing funds are used according to the purpose of the application. However, sometimes the credit committee does not do this for several reasons, namely: the customer feels that the credit process is long-winded/rigid and inflexible, the credit committee feels that this is quite troublesome from an internal process perspective. This can of course have an impact on side streaming, potentially causing credit problems.

Over financing Service

In providing credit or financing, the bank will calculate working capital requirements, which is usually called working investment if the purpose of the credit/financing is used to finance working capital. In simple terms, the calculation of working capital requirements is calculated based on the following formula (1-4)

$$WI = A/R + INV - A/P \quad (1)$$

WI = Working Investment (2)

A/R = Receivable Account (3)

A/P = Payble Account *(4)*

This working capital requirement is financed 70% to 80% by the bank and the remainder is financed by the customer (self-financing). Sometimes miscalculations can occur, resulting in what is called over-financing. This miscalculation could result in miscalculation of the components of working capital requirements, both A/R (trade receivables), INV (inventory) and A/P (trade payables), either intentionally or unintentionally. Here the Account Officer or credit/financing analysis plays a very important role. Calculation errors could cause over financing or excess financing. This encourages customers to do side streaming. Logically, excess money from credit/financing disbursement that is not used to finance working capital will tempt customers to use it outside of financing their business's working capital. So side streaming occurs.

The Intention from the Customer to do Side Streaming.

Prospective credit/financing customers who come to the bank in person to apply for credit/financing usually have a need for money that encourages them to come to the bank.

If the money needed is not used to finance working capital and the bank can only provide credit in the form of working capital, then this creates an opportunity for side streaming to occur. Prospective customers are forced to lie that borrowing money from the bank will be used for working capital needs, whereas in reality the money is not used to meet working capital needs but is used for other needs, for example for consumptive purposes (hajj, umrah, weddings, etc.), for investment (stock, etc.), for digging holes, covering holes, etc.

The Account Officers Mistakes in Financing Analysis

Account officers are officers at the forefront who carry out the process of verifying business documents, personal data and guarantees, carry out on-the-spot checks, analyze business feasibility, etc. play a very important role. If an account officer makes a mistake, whether intentional or unintentional, of course it will seriously endanger the development of credit/financing facilities provided to customers. Mistakes made by account officers can occur in terms of calculating A/R, INV and A/P etc. so that over financing can occur which has the potential to cause side streaming, errors in reading actual customer needs, errors in calculating the ability to repay loans etc. With regard to side streaming due to deliberate action by the customer, errors made by the account officer include errors in understanding the customer's actual needs, errors in understanding the customer's character and errors in cross checking. Meanwhile, side streaming is caused by over financing, errors made by the account. officer is an error in calculating working capital requirements and an error in verifying the components of working capital requirements in the field. The various causes of errors by account officers include: bank policies that are too expansive in credit/financing which causes account officers to be given large targets with large sanctions as a result of which the account officer prioritizes achieving targets rather than risks, account officers cannot avoid this. pressure put on by prospective customers, the account officer does not yet have sufficient experience. The research results show that the causes of problem credit are customer character and side streaming.

Weak Supervision

Supervision over the occurrence of side streaming is still very weak both at the credit/financing process stage, and after the credit/financing has been disbursed. This can be seen from the absence of a special unit that monitors credit/financing side streaming. The only officer responsible is the account officer when carrying out credit/financing analysis, maximum by giving special tasks to the person carrying out the credit/financing analysis so that dual control applies between the account officer and the special credit/financing analysis officer.

Side Streaming Forms

Side Streaming or the use of financing or credit funds that are not in accordance with their objectives usually occurs in several forms, including: Financing working capital used for consumptive purposes, side streaming working capital for investment needs, side streaming working capital used to finance working capital for new businesses and side streaming working capital to dig holes and cover holes.

Side Streaming Working Capital for Consumer Needs Side

When submitting an application for working capital financing, the real purpose is sometimes included, namely for consumptive purposes such as going on the Hajj, going on Umrah, to pay for a child's wedding, to pay for education and so on. This happens because consumer credit/financing is usually only provided by banks to customers who work as employees or employees, while consumptive credit/financing is not provided for entrepreneurs or entrepreneurs. This is in accordance with the policies of each bank.
Consumer financing aimed at entrepreneurs or self-employed people is usually limited to financing for residential homes and financing for the purchase of private cars, so that if

there is a need for consumer financing outside of purchasing residential homes and cars, it is not provided by banks. As a result, entrepreneurs or entrepreneurs continue to apply for financing aimed at financing their working capital, but in fact the financing will be used for consumptive purposes. So there is side streaming or a deviation from the financing objectives of working capital financing being used to finance consumer needs.

Working Capital Side Streaming for Investment Needs

An entrepreneur/entrepreneur sometimes wants to purchase investment goods (for example factory machines) but does not have sufficient capital. If the entrepreneur/entrepreneur applies for investment financing to the bank, of course the payment must be made in the form of principal installments + interest/margin. If the ability to pay the installments feels difficult, of course the businessman/entrepreneur will think about applying for a working capital loan with a balloon payment scheme, namely payment only in the form of interest or margin, then at the end of the new period the principal is paid. This can actually be done by applying for a working capital loan. However, because entrepreneurs/entrepreneurs want low monthly payments, they ask for working capital credit and the proceeds from the credit disbursement are used to buy investment goods, so side streaming occurs.

Side streaming may also occur if the customer wants to invest in shares or other instruments but the source of funds comes from credit disbursement funds/working capital financing. This is very dangerous because if the investment turns out to be a loss, it will result in financing problems. For this reason, bankers really avoid it so that there is no side stream, where working capital is used to invest in shares, bonds and other instruments.

Working Capital Side Streaming for Digging Holes and Covering Holes

Side streaming can also occur in the form of digging holes to cover holes. Entrepreneurs/entrepreneurs who are in debt outside the bank are sometimes chased by debt collectors so that they think of applying for credit to the bank and then using it to cover their debts. Banks of course will not provide financing facilities that will be used to dig holes to cover holes and potential customers may already know this so they have the alibi to borrow bank money and use it to finance working capital. In fact, the money will be used to cover debts or what is commonly known as digging holes to cover holes. This is of course very risky and dangerous for banks because side streaming occurs which has the potential to become problematic credit/loans.

The Impact of Side streaming

Side streaming can have a negative impact on customers and banks, including: the financed business does not develop, side streaming has the potential to cause financing problems.

Funded Businesses Do Not Develop.

In applying for financing/credit, prospective customers convey the purpose of their application for financing/credit to the bank. If the application for financing/credit will be used to purchase merchandise, finance business receivables, finance expenses for employee salaries, electricity, raw materials and so on, then the purpose of the prospective customer's application for financing is called working capital financing/credit. This working capital financing or credit is usually identical to financing used to finance variable costs or costs that are directly correlated to production or sales. If a prospective customer's application for financing/credit is aimed at purchasing land and office buildings, trucks, excavators, machinery and other equipment, then the purpose of the application for investment financing. Side streaming which occurs by diverting working capital financing funds for other purposes such as consumption, investment or digging holes to cover holes will have an impact on not developing the business. This is because the funds from credit/financing disbursement which should have been used to finance working capital needs were actually used for other purposes. Apart from not getting additional working capital, this business also has the burden of paying loan installments. This causes the business to not develop and even tends to decline because the business is burdened with the obligation to pay loan installments.

Side Streaming Has the Potential to Cause Financing Problems Side Streaming

Side streaming can have an impact on credit/financing problems, namely not paying obligations on time. Working capital financing that is diverted to other needs will certainly weaken the business because the business does not have additional working capital, instead it is burdened with loan installments. In the end, the financing becomes problematic and could even stall.

The Efforts to Prevent Side Streaming

Efforts to prevent side streaming can be done by providing SOPs that prevent Side Streaming, taking preventive measures from the Credit Committee/Financing Committee, calculating credit or financing needs carefully, carrying out more careful checking characteristics, Account Officers being more careful in carry out credit/financing analysis. The Bank always uses prudential principles (Trisanty, 2018).

Availability of SOPs that prevent Side Streaming.

Strict SOPs to prevent side streaming must be created, for example customers are not allowed to withdraw cash from credit or financing disbursement, but loan disbursement proceeds are transferred directly to the supplier's account and customers receive it in the form of merchandise. In this way, you will be able to ensure that the funds from credit/financing disbursement are actually used to finance working capital. This method is a bit troublesome for banks because they have to monitor the use of customer funds, but the results can control the possibility of side streaming. If this method is considered rigid and less flexible, then the policy can be relaxed somewhat, namely that these requirements only apply to customers who are in contact with the bank for the first time, so that it can be seen that the customer is really using the bank's money to finance his working capital. Later, if the loan facility has been paid off, then for subsequent loan facilities the bank's control over the use of customer funds can be relaxed. This is with the assumption that based on past experience, the customer actually uses the money from credit/financing to finance working capital. In this way, the bank's work is somewhat lightened and its customers are known to actually use their funds to finance working capital.

The Positive Steps by the Financing Committee

The credit committee must really understand the customer's character before deciding on credit/financing, whether the customer is a new customer or an old customer whose credibility is known (Susilo & Trisnawati, 2018). In conventional banks and sharia banks, if the customer turns out to be a new customer, the credit committee/financing committee can create a covenat or credit terms that require the customer to make a transfer to the supplier's account and not allow cash withdrawals, this is solely to minimize the risk of side streaming. which will cause credit problems. Specifically in sharia banks, the wakalah contract can be made from the sharia bank to the supplier directly and payments to the supplier are made to the supplier's account on orders from the mudharib. In both conventional and sharia banks, if their customers are known for their credibility, these provisions can be relaxed so that customers feel more flexible. This is to prevent customers from feeling dissatisfied and ultimately being taken over by other banks.In conventional banks it rarely happens that debtors are asked for details of the goods they wish to purchase when applying for working capital credit, whereas in Mudharib sharia banks they are asked for detailed calculations of the goods they wish to purchase and in investment financing they are also asked for a Cost Budget Plan so that this is expected to minimize side streaming occurs.

Be Carefully calculate financing needs

One of the causes of side streaming is an error in calculating working capital requirements which is too large in calculating inventory and receivables, whereas calculating the amount of trade payables is too small. An account officer whose job is to carry out verification in the field must be careful, not only listen to information from prospective customers verbally, but also must carry out verification in the field. In this case, it is necessary to be wary of data manipulation by prospective customers and to avoid parallax errors in observing the number of goods, receivables and trade payables (Djuarni, 2011.).

Financing Character Checking Analysis

Account officers and other officers who carry out credit or financing analysis properly and correctly. Analysis of the 5 Cs (character, capacity, capital, condition and collateral) must be carried out professionally (Wiranta et al., 2021). Account officers or other officers who are given the authority to check the character of prospective customers must do so seriously, either through the SLIK of the Financial Services Authority or checking with their neighbors. The account officer must be truly confident in the character of the prospective customer so that they really apply for a loan to develop their business. One of the micro managers of a sharia bank said "that current side streaming can only be prevented by carrying out careful financing analysis, besides that it is difficult to do." By this statement, it can be ascertained that efforts to prevent side streaming, apart from tightening financing analysis, are not receiving much attention. This is because it considers business factors rather than risk.

Check Monitoring

After the credit/financing facility is disbursed, an account officer or similar officer is required to monitor customers for a certain period of at least 3 months to 6 months and make a visit report called a Call Review. In monitoring, it is necessary to monitor whether the funds from credit/financing disbursement are actually used to finance working capital. If the situation shows that side streaming will occur, then the customers must be provided with guidance to prevent side streaming from occurring. On the other hand, if side streaming has already occurred, the customer is obliged to closely monitor the business carried out by the customer.

Strengthening Supervision

Supervision needs to be strengthened, if necessary dual control is implemented in the sense that there are special officers who are actually tasked with carrying out early warnings or early warnings of credit/financing that will be proposed. This special officer is included in the risk division and not the business division, so his work target is really to safeguard the bank's interests in terms of credit risk. Early warning officers work from the time the credit or financing facility is proposed until the time the credit/financing facility is actually paid off. With this kind of dual control, the possibility of side streaming or credit/financing problems is smaller.

The Completion of Side Streaming

Coaching to customers

In monitoring and supervision activities, if it is discovered that side streaming has occurred, an account officer needs to carry out coaching or a persuasive approach whose aim is to return credit disbursement funds or financing that have been misused for other purposes and used to finance working capital as originally intended. Account officers may ask their customers to sell assets that are not guaranteed so that the proceeds can be used to finance the working capital of the customer's business. In sharia banks, coaching for customers is carried out by touching the hearts of customers by reminding them of Islamic values which are based on the Koran and Hadith.

Request repayment of financing from customers

If the side streaming that has occurred cannot be repaired and tends to lead the customer into financial difficulties and it is predicted that the credit/financing will be problematic and stalled, then the account officer can negotiate with the customer to sell some of the assets, including those pledged at the bank, to pay off the loan. This is done to prevent bad credit from occurring which will have a direct effect on the NPL of conventional banks and the NPF of sharia banks.

Restructuring Financing

If side streaming has occurred and cannot be repaired or paid off in part or in full by selling assets, then if the credit or financing facility is subject to interest/margin installments only every month, then the account officer is obliged to make efforts to restructure the credit/financing facility into a facility that pays principal installments. and interest/margin (Sihotang & Sari, 2019).

Liquidation of the Provided Collateral

If all efforts have been made to restore and overcome the side streaming that occurred but all efforts are in vain and even credit or financing facilities have problems and become stuck, liquidation of the collateral can be taken (auction of collateral) . This action is taken as a last resort (secondary way out) for resolving credit or financing problems. In this case, there is a difference between conventional banks and sharia banks, namely that in conventional banks collateral can be liquidated without looking at the cause of the problem credit, whereas in sharia banks the collateral cannot be liquidated if the cause of the problem credit is a force majeure situation.

CONCLUSION

The results of this research show that side streaming can occur due to several things, namely: weaknesses in the SOP, lack of anticipation from the Financing Committee/Credit Committee, the occurrence of over financing, there is an intention from customers to do side streaming, mistakes from the account officer or officer who carries out the analysis. financing/credit analysis. The forms of side streaming, namely: working capital financing is used for consumptive purposes, side streaming working capital is for investment needs, side streaming working capital is used to finance working capital for new businesses and side streaming working capital is for digging holes to cover holes. Side streaming can have a negative impact on customers and banks, including: the financed business does not develop, side streaming has the potential to cause financing problems. Efforts to prevent side streaming can be done by providing strict SOPs to prevent side streaming, taking preventive measures from the credit committee/financing committee, calculating credit or financing needs carefully, carrying out more careful checking characteristics, and more careful account officers. Be careful in carrying out credit/financing analysis. To resolve the occurrence of side streaming, the following steps can be taken: Providing guidance to customers, requesting repayment of financing from customers, restructuring financing/credit and liquidating the collateral provided. Side streaming problems need serious attention because they have the potential to cause financing/credit problems. To prevent side streaming, you can start by establishing SOPs that emphasize side streaming issues, concern from the credit/financing committee, as well as a good and correct credit/financing analysis process.

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