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JURIDICAL REVIEW OF JOINT LIABILITY AGREEMENTS IN OVERCOMING NON-PERFORMING LOANS AT PERMODALAN NASIONAL MADANI

Wahyu Rasyid[1*], Retno Indah[2]
[1,2]Faculty of Law, Universitas Muhammadiyah Parepare, Parepare, Indonesia
wahyu_rasyid032@yahoo.com[1*], retnoindah1512@gmail.com[2]

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Abstract: This study examines the juridical review of the joint liability system in addressing non-performing loans at PNM Mekaar Kita in Soppeng Regency. The objective of this research is to understand the implementation of the joint liability system by PNM Mekaar Kita and to analyze the juridical aspects of non-performing loan resolution. This research employs a qualitative method with a normative-empirical approach through literature study, observation, interviews, and documentation. The findings indicate that the joint liability system emphasizes shared responsibility in repaying group-based microloans. However, in practice, non-performing loans still occur, as seen in cases from 2020 due to customers' inability to meet financial obligations. The primary cause is unfavorable economic conditions, despite the agreement including a commitment to debt repayment. Therefore, more effective policies are needed to prevent non-performing loans within the joint liability system.

Keywords: Joint Liability, Non-Performing Loans, Juridical Review

I. INTRODUCTION

Humans are social beings who cannot live independently without the help of others. Every individual depends on others from birth until the end of life. Therefore, responsibility in social life is often carried out collectively. Shared responsibility encourages individuals to fulfill their obligations to others. In a group, the joint liability system is applied as a mechanism to uphold collective commitments (Satria Sembiring, 2021).

The principle of shared responsibility is reflected in decision-making processes that involve the interests of many parties, often with specific terms and conditions (Sudianing, 2022). This system also functions as a risk management tool for future uncertainties. However, shared responsibility may not always function effectively if one party refuses to fulfill its obligations for certain reasons. Therefore, thorough consideration is necessary before making decisions to ensure smooth implementation and minimize potential risks.

One example of shared responsibility in social life is the savings and loan activity, which plays a crucial role for Indonesian society, particularly for the lower-middle class (Azizah, 2024). This activity supports economic growth by providing financial assistance to those in need. Savings and loan activities involve collecting funds from individuals with surplus capital and distributing them to those requiring financial support (Maharani, 2025). In practice, these activities are regulated through agreements mutually agreed upon by both parties.

Given Indonesia's current economic progress, savings and loan activities remain essential, especially for lower-middle-class communities who rely heavily on such financial services (Indriyani, 2024). These activities facilitate economic development by balancing funding sources and loan distribution. To ensure smooth operation, loan agreements must be structured based on terms agreed upon by both parties (Dinata, 2023).

As social beings, humans constantly interact with others in various aspects of life, including economic activities (Hapzah, 2024). One common form of economic interaction is loan transactions, which involve transferring ownership with collateral. This means that the lender provides financial capital while the borrower is obligated to return the borrowed amount (Usman, 2021).

According to Article 1 of Law No. 25 of 1992 on Cooperatives, a cooperative is a business entity consisting of individuals or legal entities operating based on the principle of kinship. To improve people's welfare, cooperatives must focus on capacity building, managerial skill enhancement, and capital strengthening (Fernandi, 2024). Therefore, cooperatives should manage economic resources efficiently and distribute them equitably among their members.

The development of cooperatives in Indonesia originated from savings and loan activities. One form of cooperative growth is the establishment of Village Unit Cooperatives (KUD), which primarily operate in rural areas at the sub-district level (Sodiq, 2024). Another example is Permodalan Nasional Madani (PNM) Mekaar Kita, which consolidates small rural cooperatives with government support to facilitate their growth.

Despite their crucial role in economic development, cooperatives face various challenges, particularly in credit management (Dzikrullah, 2024). One of the major issues is non-performing loans, which occur when borrowers fail to make timely repayments. The causes of non-performing loans vary, including poor financial management by debtors and economic downturns that affect their income. Such conditions can destabilize the cooperative's overall financial health.

The success of the joint liability system also depends on the financial education and literacy of group members (Prasetianti, 2024). Many loan defaults occur not due to bad intentions but rather due to a lack of understanding of financial management and credit

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obligations. Therefore, educational programs focusing on budgeting, financial planning, and the consequences of default are necessary to help borrowers manage their responsibilities effectively.

In the future, the joint liability system can be further enhanced by leveraging financial technology (fintech) to improve transparency and efficiency. Digital platforms can be utilized to track payments, provide early warnings for financial distress, and facilitate communication among group members (Hendrawan, 2024). Consequently, the system can become more adaptive and responsive to challenges faced by borrowing groups.

The joint liability system remains a relevant solution for providing financial access to individuals who struggle to obtain credit independently (Sumarni, 2023). However, its effectiveness depends on proper management, clear regulations, and strong commitment from all members. With the right approach, the system can continue to serve as a valuable financial instrument, promoting financial inclusion and reinforcing the spirit of mutual cooperation in economic activities (Setiawan, 2024).

A similar case occurred at PNM Mekaar Kita in Soppeng Regency, where a group member experienced financial difficulties and was unable to meet weekly installment payments. In such situations, other members of the group were required to cover the outstanding amount. However, a lack of understanding of the joint liability system often leads to confusion and dissatisfaction, especially when some members deliberately evade their responsibilities. Consequently, this system can sometimes trigger conflicts within the group, undermining the cooperation that has been built.

Nevertheless, the joint liability system remains beneficial, particularly in mitigating the risk of default. This is evident in the increased participation of members in covering debts for those facing financial hardship. Article 1280 of the Indonesian Civil Code (KUHPerdata) states that in such a system, if one member repays the debt, the others are relieved of their obligations.

In practice, the joint liability system is implemented across various regions, including Lalabata, Ganra, Marioriawa, and Donri-donri sub-districts in Soppeng Regency. If a group member's whereabouts are unknown, other members must take responsibility based on mutual agreement. Therefore, a better understanding of this system is required to ensure fair and effective implementation while minimizing the risk of internal disputes. Based on the background explanation above, the research problems can be formulated as follows:

1. How is the joint liability system regulated and implemented by PNM Mekaar Kita for its creditors?
2. What is the juridical review of the joint liability system in addressing non-performing loans at PNM Mekaar Kita?

II. METHODS

This study employs a normative-empirical approach to analyze the joint liability system. The normative approach is conducted by examining theories, concepts, legal principles, and regulations related to evidence in the joint liability system. This method, also known as a literature review approach, involves collecting data from various written sources such as books, journals, legal regulations, and other relevant documents.

Meanwhile, the empirical approach is carried out through field research to understand the practical implementation of the joint liability system. This study includes interviews with PNM Mekaar Kita employees and consumers in Soppeng Regency. By using this approach, the research aims to provide a real-world perspective on how the joint liability system is applied and the challenges encountered in its implementation.

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Data collection in this study is conducted through several key methods: literature review, observation, interviews, and documentation. The literature review aims to gather information from various relevant written sources, while direct observation is conducted to gain an in-depth understanding of real conditions in the field. In-depth interviews are used to obtain insights from key stakeholders, such as PNM Mekaar Kita cooperative providers, to gain a firsthand perspective on the system being implemented.

Additionally, documentation plays a crucial role in data collection. This process includes recording interviews and capturing images as supporting evidence to strengthen the research findings. By combining these methods, this study provides a comprehensive analysis of the implementation of the joint liability system and its effectiveness in supporting group financing.

III. RESEARCH RESULTS

A. General Overview of the PT Permodalan Nasional Madani Mekar Kita Cooperative in Soppeng Regency

PT Permodalan Nasional Madani (PNM) is a State-Owned Enterprise (SOE) engaged in financial services. As a specialized financial institution, PNM was established to fulfill the government's commitment to developing, advancing, and supporting micro, small, and medium enterprises (MSMEs) as well as cooperatives. PNM serves as a strategic solution to enhance capital access and provide training for MSME entrepreneurs across Indonesia.

PNM was officially founded by the government on June 1, 1999, as part of the implementation of Tap XVI MPR/1998 on economic policy in the context of economic democracy. Later, in 2015, PNM launched the Fostering a Prosperous Family Economy (PNM Mekar) program, a specialized capital loan service aimed at underprivileged women running ultra-micro businesses. The program's objective is to assist them in starting or expanding their businesses through an easily accessible financing scheme.

PNM Mekar not only provides collateral-free capital loans but also includes group-based business mentoring. The program focuses on financial management skills, promoting a savings culture, enhancing entrepreneurship competencies, and business development. Among the general public, PNM Mekar is widely known as "Bank Emok", a nickname derived from the traditional practice where clients and officers sit cross-legged on the floor during transactions, including loan disbursement and installment collection a habit known as "emok" in the local language.

B. Joint Liability Arrangement Implemented by PNM Mekaar Kita for Its Debtors

Financial institutions play a role in providing various financial services to their customers and are generally regulated by government policies. These institutions include banks, cooperatives, credit unions, stockbrokers, asset management firms, venture capitalists, insurance companies, pension funds, and other financial businesses (Mendoca, 2024).

Currently, many communities are familiar with mobile credit services or weekly banks, where officers visit homes to offer loans with a simpler process, eliminating the need to visit bank offices. Many people prefer these services over conventional banks such as BRI, BCA, or BNI due to their accessibility.

One area where mobile credit services are dominant is Batu Batu Village and its surroundings in Soppeng Regency, including Lalabata, Ganra, Marioriawa, and Donri Donri districts. Most residents in these areas are traders and farmers who require additional capital to develop and manage their businesses. Many of them choose loans from cooperatives or mobile banks, such as PNM Mekaar's business capital services, as a financing solution. PNM Mekaar has several requirements for prospective borrowers, including:

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1. The service is intended for underprivileged women engaged in micro-businesses.
2. Financing is based on a joint liability group system without physical collateral but requires discipline in the preparation process.
3. Each group must consist of at least 10 members.
4. Each group is led by a chairperson.

Weekly Group Meetings (PKM) are mandatory to conduct installment payments and business coaching. To apply for a loan, applicants must be between 18 and 63 years old and only need to submit a photocopy of their ID card and Family Card, with no collateral required. The loan amounts range from IDR 2,000,000 to over IDR 5,000,000. Additionally, the Mekaar Plus scheme offers loans between IDR 7,000,000 and over IDR 10,000,000 for certain customers (Novy Wahyuni, 2022).

Regarding loan repayment, PNM Mekaar applies an interest rate of 25% of the loan amount. Although this interest rate is considered reasonable by some and not overly burdensome, it poses a financial risk to borrowers in the long term.

Despite the ease of capital access offered by PNM Mekaar, some borrowers express concerns about the significant interest burden. Research and direct interviews with program beneficiaries reveal an irony. While they acknowledge that PNM Mekaar loans help expand their businesses, the high-interest installments often become a burden. This is reflected in the statement of Ani, a street vendor selling "nasi uduk":

> "*Every week, I have to set aside more money for loan installments, sometimes even reducing household expenses. While the PNM Mekaar loan helps me increase my business capital, I have to work harder to cover operational costs and loan repayments*."

This statement illustrates the dilemma faced by many PNM Mekaar borrowers. While the loans boost their businesses, the relatively high-interest burden remains a challenge in maintaining household financial stability.

Based on interviews, borrowers must allocate a larger portion of their income for weekly installments, which is closely related to prevailing interest rates. The higher the perceived interest rate, the lower the borrowers' interest in taking out loans. In some cases, high-interest rates contribute to loan defaults, as borrowers struggle to allocate their income for regular installments (Bunga Adelia Mayangsari, 2021).

Although PNM Mekaar loans provide additional business capital for the community, borrowers must also practice financial discipline. Every week, they must allocate part of their income for installments, sometimes at the expense of household expenditures. This condition forces many borrowers to work harder to meet daily needs while repaying their loans on schedule.

One of the systems implemented by PNM Mekaar is the joint liability system. In this system, if a group member defaults on their loan, other members are responsible for covering the unpaid installment. For example, if the required installment is IDR 75,000 and there are 20 members in the group, if one member defaults, the remaining 19 members must share the burden by paying an additional IDR 4,000 each (Fakhry Fadli, 2022).

The joint liability system ensures that group members share responsibility for fulfilling financial obligations, particularly in loan repayment. Groups are formed based on mutual trust and solidarity, with agreed-upon rules, including payment schedules, monitoring mechanisms, and penalties for non-compliance. Members support and oversee each other to ensure all obligations are met on time. If a member fails to repay their loan, other members must bear the cost.

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This system has proven effective in promoting discipline and cooperation but requires good communication to prevent conflicts and maintain group unity. As explained by Andi Besse, a PNM Mekaar Kita employee:

> "*The joint liability arrangement in PNM Mekaar Kita's national community program (Membina Ekonomi Keluarga Sejahtera) is a group-based microfinance system. Each group member is responsible for the loans of other members within the group. If one member is unable to repay their loan, the others will assist in fulfilling that obligation.*"

Based on the interview results, it can be concluded that the joint responsibility system aims to enhance solidarity and shared responsibility among members. In this system, each group member is not only responsible for their own loan but also for the loans of other members. If a member has difficulty repaying their loan, other members of the group are required to help ensure that payments continue smoothly.

This system is designed to promote discipline, strengthen mutual trust, and minimize the risk of default, making the success of the group a shared priority. Through this approach, PNM Mekaar Kita not only provides financing access to underprivileged communities but also encourages cooperation and economic empowerment within the community.

In principle, the joint responsibility system is applied when a member fails to meet their obligations. In such cases, other members are responsible for covering the installment of the defaulting member. One of the programs that implement this system is Community-Based Financing (PASMA), which is operated by PNM Mekaar Kita Consumer Cooperative.

This program focuses on women in rural areas, such as the Makmur Sejahtera Group in Batu Batu Village, Marioriawa District, Soppeng Regency. The majority of customers in this program are women, with the goal of improving their family's economic conditions and contributing to regional economic development.

In practice, each group is required to cultivate values of togetherness, trust, care, and empathy, both socially and financially. The joint responsibility mechanism not only serves as a collective loan repayment system but also as a member empowerment tool through economic training and support.

This system provides asset security for the cooperative, ensuring that if a member fails to pay their installment, other members can step in to cover the payment. This allows the cooperative to continue operating smoothly and helps prevent the risk of bad loans. As explained by Andi Besse:

> *"The Community-Based Financing (PASMA) mechanism starts with the cooperative's marketing team collecting data on potential members in Batu Batu Village. Prospective members are offered the opportunity to open a savings account and are then guided to participate in unsecured financing by forming a group of five people. The group leader is responsible for recruiting other members, and once the group is formed, all members are required to save regularly."*

From this explanation, it can be concluded that the PASMA mechanism prioritizes collective responsibility to facilitate easier access to financing without requiring individual collateral. Additionally, a group fund is collected every two weeks, with contributions ranging from IDR 10,000 to IDR 20,000 per member. This fund serves as a backup reserve in case any member is late in making their installment payments. If a member fails to pay on time, funds from mandatory savings or the group fund can be used to cover the installment, and the defaulting member will incur a penalty as agreed upon by the group.

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Before loan disbursement, a location survey and business feasibility assessment are conducted based on recommendations from the group members and leader. Initial loans are usually between IDR 1-2 million, with a repayment period of 10 months. Once the first loan cycle is completed, members have the opportunity to obtain larger loan amounts. Each group meeting begins with a prayer, which not only helps maintain harmony but also fosters better communication among members. As explained by Andi Besse:

> *"Mandatory and principal savings must be made before becoming a member. Principal savings are paid once, while mandatory savings are paid every two weeks. A group fund is also collected every two weeks, usually around IDR 10,000-20,000 per member. This fund will be returned to members when their group completes the loan cycle or decides to discontinue financing. The purpose of mandatory savings and the group fund is to minimize the risk of members defaulting on their payments. If a group is late in making payments, a penalty will be applied according to the agreement between the group and the cooperative. Before loan disbursement, cooperative marketing staff conduct a survey to evaluate business feasibility based on recommendations from the group leader and members. If additional members are needed, this is done based on recommendations and agreements within the group. During group meetings, prayers are held at the beginning to foster communication and maintain good relationships among members. The initial loan amount is usually not very large, ranging from IDR 1-2 million, which is repaid in installments every two weeks over 10 months. At the end of the period, borrowers can receive financing up to 100% higher than their initial loan amount."*

In an unsecured financing system like PASMA, the risk of loan defaults still exists. Since this system relies solely on trust among members, the cooperative must exercise greater caution in managing this risk to ensure that it does not disrupt its operational sustainability (Mujibno, 2020).

One of the common challenges faced is the absence of members during group meetings, even though they continue making their installment payments. This can reduce active participation and weaken group solidarity. As explained by Andi Besse:

> *"In some meetings, there are borrowers who do not attend even though they continue to pay their installments. This reduces active participation and disrupts group solidarity. If left unchecked, it can create an imbalance in responsibility and weaken the sense of togetherness."*

The absence of members during meetings can impact group dynamics, as active members may feel burdened by the joint liability system, while less involved members become detached from the group's responsibilities. As a result, the sense of community within the group diminishes, which can affect the smooth repayment of loans and the cooperative's sustainability (Rita Isnaeni, 2020).

Furthermore, a cooperative system that depends on trust requires active participation from all members. If too many members become inactive, it can harm the cooperative's reputation, potentially hindering its growth and long-term sustainability.

C. Juridical Review on Efforts to Address or Overcome Non-Performing Joint Liability Loans at PNM (Permodalan Nasional Madani) Mekaar Kita

Article 33 of the 1945 Constitution stipulates that the national economy is structured as a joint effort based on the principle of kinship. This article reinforces the principle of economic democracy, where production is carried out by all for the collective benefit under

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the leadership or ownership of the people. Therefore, the economy must be structured as a cooperative effort that prioritizes public welfare.

One economic entity that aligns with this principle is the cooperative. A cooperative is an economic institution based on the principle of mutual cooperation, where its members work together to achieve shared prosperity. In a cooperative system, every member has equal rights in decision-making, and the profits generated are distributed fairly according to each member's contribution.

Banking and non-bank financial institutions, including cooperatives, play a vital role in business activities. Credit cooperatives, for instance, emerge from the initiative and agreement of a group of people with similar needs and interests. They collectively mobilize capital sourced from members' savings and then lend it among themselves at an agreed-upon interest rate.

Loans from cooperatives can be used for various purposes, such as emergencies, productive business activities (trade or investment), and the expansion of members' enterprises. One example of a non-bank financial institution based on the cooperative model is Koperasi Permodalan Nasional Madani (PNM) Mekaar Kita in Soppeng Regency, which facilitates savings and loans for its members.

The impact of non-performing loans (NPLs) in a joint liability system can be significant, affecting not only social relationships among members but also harming reputations and financial stability. In the long run, such a system can erode trust among members and increase the overall risk of loan defaults. If not promptly addressed, bad loans in the joint liability system can result in greater financial losses for all parties involved.

To mitigate these risks, financial institutions typically implement specific procedures for handling non-performing loans. Some of the common steps include:

a. Issuing a Warning

The financial institution issues a warning to debtors who fail to make their scheduled payments. This reminder serves to notify the debtor of their obligation and provides an opportunity to settle their arrears before further action is taken (Irene Liansah, 2023).

b. Restructuring the Payment Scheme

If a debtor is struggling to repay their loan, the financial institution may offer a repayment restructuring or rescheduling option. This may involve adjusting the payment schedule, extending the loan tenure, or modifying credit terms to better align with the debtor's financial capacity. The goal is to alleviate financial burdens and prevent further defaults.

c. Taking Legal Action

If warnings and restructuring efforts fail, the financial institution may resort to legal measures to recover the loan. These actions may include seizing collateral assets or initiating legal proceedings in accordance with the terms of the loan agreement.

By implementing these procedures, financial institutions aim to minimize bad loans in the joint liability system, ensuring the sustainability of both the institution and the well-being of its members.

However, in more severe cases, financial institutions may pursue legal action or demand repayment from involved parties. This aligns with Andi Besse's statement regarding non-performing joint liability loans:

> *"In 2020, a case of non-performing joint liability credit occurred when one borrower failed to meet their financial obligations. The borrower's financial difficulties prevented them from repaying their debt, despite having formally pledged to fulfill their commitment in the agreement. Although a formal commitment had been made,*

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> *unfavorable economic conditions led to their inability to meet their obligations, ultimately resulting in the default of the joint liability credit."*

From the interview above, it can be concluded that the 2020 joint liability loan default case demonstrates that even with formal commitments and sworn agreements, external factors such as poor economic conditions can significantly impact a borrower's ability to meet their obligations.

This indicates that the joint liability credit system, which relies on shared responsibility among members, is highly vulnerable to changes in individuals' financial conditions. Therefore, financial institutions or groups implementing this system must conduct thorough financial feasibility assessments before granting loans to minimize the risk of defaults. Additionally, institutions or groups should establish more flexible policies for handling problematic loans, such as offering loan restructuring or payment relief options, to reduce the negative impact on all group members and ensure the sustainability of the credit system.

For financial institutions, including PNM Mekaar Kita, delayed payments have significant negative consequences. Cash flow disruptions can make it difficult to provide loans to other members in need. In more severe cases, lenders may take legal action or seize collateral provided by borrowers to recover unpaid debts. These consequences not only affect the institution's operations but can also damage its reputation and erode the trust of borrowers or other members. If trust declines, the long-term sustainability of the financial institution may be at risk. As Siti, one of the borrowers, stated:

> *"Of course, there is an impact. Besides the accumulating late fees, I feel pressured because if I don't pay, my friends will also be affected. They start reminding me, and I feel very embarrassed. Everyone is impacted because, in this joint liability credit system, my missed payment will disrupt their payments as well. It feels very difficult because I don't just carry my own debt, but also the burden of others' debts."*

From the interview findings, it was revealed that resolving joint liability loan defaults typically begins with a direct approach by the cooperative to members experiencing payment delays. The cooperative tries to understand the reasons behind the delay, whether due to financial difficulties or other factors. Once the root cause is identified, the cooperative may offer solutions such as:

a. Providing additional time to settle overdue payments.
b. Restructuring the loan, for example, by reducing the monthly installment amount or extending the repayment period to make payments more manageable for struggling members.

This highlights that payment delays in the joint liability system do not only affect individuals but also impact the entire group. Besides financial burdens due to accumulating penalties, borrowers also experience social pressure from fellow group members. Feelings of shame and responsibility towards others increase the stress, as one person's late payment can disrupt the overall smooth repayment process of the group.

Supporting these findings, Andi Besse also explained the following measures to resolve non-performing joint liability loans:

> *"The first step we take is providing an extended deadline for repayments. Sometimes, we also offer loan restructuring, such as extending the loan term or reducing monthly installments to make them more affordable for struggling members. Additionally, we hold group meetings to discuss any issues and find solutions together. We also encourage members to support each other if someone is truly facing difficulties."*

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From the interview results, it was found that the approach to resolving joint liability loan defaults prioritizes flexibility and solidarity among members. The first step taken is granting an extended payment deadline for members struggling to meet their installments. This allows some leeway for those facing temporary financial hardships. If the delays persist, the cooperative may also offer loan restructuring, such as extending the loan term or reducing monthly installments. The goal of this measure is to ease the burden on struggling members while ensuring that the rest of the group can continue their payments smoothly (Anak Agung Gde Putra Arjawa, 2023).

The above explanation demonstrates the cooperative approach taken by the cooperative institution, ensuring that issues faced by an individual member can be resolved without harming the group as a whole. Additionally, this strategy strengthens the sense of solidarity and shared responsibility among members. The cooperative's approach, which prioritizes mutual assistance and collective solutions, aims to maintain the sustainability of the joint liability credit system and foster long-term good relationships among members.

Credit rescue refers to the resolution of non-performing loans through renegotiation between the creditor and debtor, by easing the loan repayment terms. The goal of easing these terms is to help the debtor regain the ability to repay the loan. At this stage of credit rescue, legal institutions are not yet involved, as the debtor remains cooperative, and the business prospects are still feasible.

The resolution of non-performing loans through this rescue stage is known as credit restructuring. This process requires a key condition, namely the willingness, good faith, and cooperation of the debtor, as well as their commitment to following the terms set by the cooperative. Since restructuring involves extensive negotiations and solutions offered by the cooperative, the terms and conditions of restructuring are determined based on these discussions (Zakiyah, 2021).

Legal remedies refer to a request made by a party that is dissatisfied with the fairness of a certain action because it contradicts regulations. Based on its definition, legal remedies play a significant role in law enforcement in Indonesia. The goal of legal remedies is to achieve justice without violating statutory regulations.

There are several key aspects of legal efforts, including reasoning, seeking justification, finding solutions, solving problems, and striving for justice for individuals affected by unlawful actions. The pursuit of justice, protection, or legal certainty through legally defined procedures is known as a legal remedy. This process is carried out by any individual or legal entity that feels their rights have been violated.

According to Article 1839, which states that:

"A guarantor who has made a payment may seek reimbursement from the debtor, whether or not the guarantee was provided with the debtor's knowledge,"

a debtor bound by an obligation in PT PNM has the right to seek compensation from another debtor who has defaulted. Those who fail to fulfill their obligations are not in compliance with the law; hence, the debtor must acknowledge their actions and take responsibility by repaying the money as compensation.

CONCLUSION

The joint liability system implemented by PNM Mekaar Kita in group-based microfinance emphasizes shared responsibility among its members. Each group member is obligated to support one another in loan repayment, ensuring that if a member faces difficulties in making payments, others step in to help fulfill the obligation. This mechanism relies on solidarity among members to ensure smooth loan repayment. The legal review of efforts to address non-performing joint liability loans at PNM Mekaar Kita indicates that in

2020, a case of loan default occurred due to a borrower's inability to meet their obligations. Financial difficulties were the primary factor leading to loan repayment failure, despite prior agreements that included commitments and oaths to settle the debt. An unfavorable economic situation further exacerbated the problem, ultimately resulting in the default of the joint liability loan.

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