
Analisis of Risk Management Implementation on Mudharabah and Musyarakah Financing Product at BMT Sidogiri Dampit Branch

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Abstract

The purpose and focus of this research is to analyze the pattern of risk management application used by BMT Sidogiri in order to minimize the level of losses that may occur and to find out the risk management pattern used is in accordance with sharia principles so that this becomes the urgency of this research with the hope that in operational practice it can mutual benefit between the BMT and the customer. This research data analysis method uses descriptive techniques/methods with a qualitative approach, namely the researcher describes the phenomenon that is the center of the study and discussion which will eventually produce descriptive data in the form of narratives from respondents combined with theory. The result of the research in the application of risk management is that risk identification is followed by measuring risks related to customer finances, business prospects carried out by both management and employees with reference to the selection of customers who are grouped on character, ability, capital, conditions and guarantees.

Keywords: *Risk Management, Mudharabah, Musyarakah*

INTRODUCTION

The development of financial institutions with sharia labels can be an answer to the needs of the Muslim community for economic products based on Islamic sharia law. Islamic financial institutions continue to compete and innovate in order to answer the challenges and needs for Islamic economic products in the hope that they are in accordance with Islamic principles which are currently a dialectic of normative religious teachings with business practices which in practice try to avoid the element of usury. Islam in overcoming usury replaces a profit-sharing mechanism applied by financial institutions labeled sharia for the benefit of the people. In the practice of financing sharia-based financial institutions using the principles of mudharabah and musharaka, buying and selling transactions with the principles of murabahah, greetings and istisna' as well as leasing assets under the ijarah principle and other products. In the process and practice of financing, there are always risks that may occur which can cause losses. Risk in the field of financial financing at financial institutions is a potential risk that can be anticipated or unanticipated which can have a negative impact on the institution that finances both its income and capital, all the risks that may occur. cannot be avoided but can be minimized or managed and controlled.

Risk management is carried out to ensure that the operational activities of the institution do not experience losses that exceed the capacity limit which can result in losses that have an impact on the operational processes of the institution. In order to reduce the risk that may occur, Islamic financial institutions set several standard conditions, namely 1. Regulations concerning the requirement for a larger percentage of capital from creditors, 2. Regulations concerning conditions for creditors to carry out business activities that have less risk, 3. Regulations that require so that creditors carry out business activities with transparent cash flows, 4. Regulations that require borrowers to carry out business activities with cost control, 5. Set the standard for the maximum value of the debt to capital ratio, 6. Establish fixed asset

guarantees and 7. Require the existence of collateral or guarantees from an individual who in the event of a loss is willing to take over the obligations of the borrower.

Risk management is an attempt to know, analyze and controlling in every activity of the company with the aim of obtaining effectiveness and higher efficiency (1). Meanwhile, in Article 2 paragraph 2 of Bank Indonesia regulations, the scope of risk management in its application must at least include:

- a. Active supervision of the board of commissioners and directors
 - b. Adequacy of policies, procedures and limit determination
 - c. Adequacy of risk identification, measurement, monitoring and control processes and risk management information system
 - d. Overall internal control system
- Based on this understanding, it can be concluded that risk management is a system used to manage and control a moderate risk faced or that may arise so that an institution does not suffer losses. In other words Risk management is a comprehensive set of actions in identify risks in a planned and measurable manner so that business goals can be achieved.

Urgensi of Risk Management in Financial Institutions

Risk in the context of a financial institution business is not always a bad thing, but there is an element of enormous opportunity in the risk for those who can manage it well. Risk in the financial context is a potential event, both predictable and unpredictable, its negative impact on the income and capital of the financial institution itself. In its implementation, the risk management process at the initial stage of the bank must identify in detail the risks that already exist as well as those that may arise from a business. In order to minimize risks that can cause losses to banks and other financial institutions, it is necessary to apply risk management, namely a series of procedures and methodologies used to identify, measure, monitor and control risks arising from business activities.

Characteristics of Financial Institution Risk Management

Sharia-based banks and financial institutions are a business unit, so sharia-based financial institutions must also face various kinds of risks that may arise and can even be said to be sharia-based financial institutions. In general, the risks faced by Islamic banks and financial institutions relatively the same risks faced by conventional banks and financial institutions, However, Islamic financial institutions are unique in dealing with the risks involved it is possible to arise based on sharia principles.

The target of the risk management policy is to identify, measure, monitor and control the course of business activities with a reasonable level of risk in a directed, integrated and sustainable manner so that risk management functions as a filter or early warning system for business activities.

Types of Risk in Financial Institutions

Implementing risk management, it is necessary to know some of the risks involved faced by banks and other financial institutions. Bank Indonesia through PBI 5/82003 Regarding the application of risk management, explain the definition of risk that must be faced in its business activities. The types of risks that must be managed by financial institutions include:

1. Credit Risk

Credit risk is defined as the risk that arises as a result of the failure of a counterparty to fulfill its obligations or the risk of loss associated with the possibility that a counterparty will fail to fulfill its obligations when they fall due. Credit risk can be sourced from various functional activities such as credit (providers of funds), investment and financing.

2. Market Risk

Market risk is the risk that arises due to the movement of market variables (adverse movement). Market variables in this case are interest rates and exchange rates and price changes.

3. Operational Risk

Operational risk, among others, is caused by the presence of insufficient and inadequate factors functioning of internal processes, human errors, system failures or problems external that affect operations. This operational risk is inherent in every activities such as credit, treasury and investment activities, financing and management human Resources.

4. Liquidity Risk

Liquidity risk is caused, among others, because banks or other financial institutions do not able to meet the obligations that have matured. Categorized liquidity risk Becomes :

a. Market liquidity risk

Market liquidity risk is the risk that arises because banks and other financial institutions are unable to make certain position arrangements because market prices and market liquidity are uncertain or inadequate.

b. Funding liquidity risk

Funding risk is the risk that arises because the bank is unable to disburse assets or obtain funding from other sources.

5. Legal Risk

Legal risk is a risk caused by the existence of juridical aspects, weaknesses juridical aspects, among others, due to legal demands, the absence of regulations legislation that supports or the weakness of the engagement such as not being complied with conditions for the validity of the contract and the binding of collateral is not perfect.

6. Reputational Risk

Strategic risk is a risk caused, among others, by negative publications related to the business activities of a bank or financial institution.

7. Strategic risk

Strategic risk is the risk caused by the establishment and implementation of the strategy of a bank or financial institution that is not appropriate.

8. Compliance risk

Compliance risk is a bank or financial institution that does not comply with or does not implement laws and regulations or other applicable provisions

It is in this context that the application of risk management, the guidelines that have been implemented so far, has only been used by conventional banks and institutions. In fact, business players in the financial sector have recently been enlivened by financial institutions with sharia principles whose numbers continue to increase.

Mudharabah Financing

Mudharabah financing is an agreement between the owner of the fund and the manager of the fund whose profits are calculated based on the ratio/profit sharing that has been mutually agreed in advance. In the event of a loss, the fund owner bears the loss of the fund while the fund manager bears the material services and employee benefits services.

Musharakah Financing

Musyarakah financing is an agreement between an entrepreneur and a financial management institution. Where the capital from both parties is combined for a particular business and managed jointly as well as losses are shared as well.

RESEARCH METHODS

This research data analysis method uses descriptive techniques/methods with a qualitative approach, namely the researcher describes the events and events that are the center of the discussion which then displays descriptive data in the form of words from respondents combined with theory.

RESULTS AND DISCUSSION

a. Implementation in the financing process

Based on the explanation in theory, musyarakah is a collaboration between two or more parties in running a business where each party contributes funds with an agreement that the profits and risks will be shared in accordance with the agreement (Antonio, 2001: 90). The types of musharakah are ownership musharakah and contract musharakah. Musyarakah contract consists of syirkah mufawadhah, syirkāh 'inan, syirkāh wujuh and syirkāh charity (Ismail, 2011). Meanwhile, the forms of musharakah are permanent musharakah and declining musharakah. Meanwhile, according to Antonio (2001) the application of musyarakah in banking is divided into two, namely project financing and venture capital. The musyarakah financing product at BMT Sidogiri Dampit branch is used only for working capital. This musyarakah financing uses a type of syirkāh 'inan contract in which BMT Sidogiri and the customer partner by contributing funds for a particular business provided that the profits and risks will be shared according to the agreement and the portion of each party does not have to be the same in terms of capital or income profit sharing.

Musyarakah financing applied to the Dampit branch of BMT Sidogiri is productive financing which is divided into two, namely, using musyārahah mutanāqisah and permanent musyārahah contracts. In musyarakah mutanāqisah financing, a cooperation agreement is carried out for the ownership of an item between the BMT Party and the customer.

This cooperation will gradually reduce the ownership rights of one party (BMT) while the other party (customer) will increase their ownership rights through a payment mechanism for other ownership rights. Meanwhile, permanent musyarakah is a cooperation agreement that combines capital between the BMT and the customer for a particular business in a partnership with a profit sharing ratio according to the agreement and losses will be borne proportionally in accordance with the capital contribution. In Musyārahah Mutanāqisah financing, the Dampit branch of bmt Sidogiri and the customer cooperate in the ownership of an item, then to produce a profitable business. BMT Sidogiri makes musyārahah mutanāqisah assets as the object of *ijarah*. The assets will be leased to partner customers with the agreed *ujrah* (fee) value and the profits derived from the *ujrah* are divided according to the ratio agreed in the contract. In this case, the portion of the profit sharing received by BMT is the bank's income and the profit sharing received by the customer will then be used by the customer to take over the ownership of BMT gradually every month so that within the agreed time period when the asset ownership is due for fully owned by the customer.

The application of musyarakah mutanaqisah at BMT Sidogiri according to the National Sharia Council fatwa No. 73/DSN-MUI/XI/2008 concerning musyarakah mutanaqisah where it is stated that this musyarakah mutanaqisah asset can be transferred to customers. In musyarakah mutanaqisah, the law applies as regulated in the DSN fatwa No.08/DSN-

MUI/IV/2000 concerning musyarakah financing whose partners have rights and obligations, including: 1. Providing capital and work based on an agreement at the time of the contract. 2. Obtain profits based on the ratio agreed in the contract. 3. Bear the loss according to the capital portion. Musyarakah financing is provided according to customer needs for both business and projects. In BMT Sidogiri, financing for businesses and projects is equally dominant given to customers who need it according to their needs. The requirements to be able to use this musyarakah contract must have good administrative records, have a relatively stable business cash flow and have a good financial information system for the previous three years. The data that the author got in the field regarding musyarakah financing at BMT Sidogiri has several similarities with the theories that have been explained, where BMT Sidogiri uses musyarakah with the type of syirkah 'inan contract, namely a business cooperation contract between two or more people, each partners submit capital where the share of capital does not have to be the same. In this syirkah 'inan contract, the BMT and the customer partner and contribute funds to a business provided that the profits and risks will be shared in accordance with the agreement and the portion between the BMT and the customer does not have to be the same in terms of capital or profit sharing.

b. Financing application procedure

Based on an interview with Nusron Fauzi (July 23, 2019) the requirements that must be met by prospective customers to take musyarakah financing at BMT Sidogiri are as stated in the below:

1. Application stage
 2. Financing analysis stage
 3. Realization financing
 4. Defrost
1. Application Stage Submit a letter of application to obtain financing facilities. The customer submits a financing application to the BMT by completing the documents and other requirements requested by the BMT. The financing application stage is submitted by the customer through the marketing, where the marketing party will select the type of financing that the customer wants.
 2. The Musyarakah and Mudharabah Financing Analysis Stage BMT will analyze the letters and documents that have been given by customers to the bank as conditions for providing financing. Furthermore, the documents and other requirements that have been completed by the customer will be processed and analyzed by the BMT.
 3. Realization of Financing Realization is all actions or processes to realize something that has been planned. So the realization of financing is how to realize or implement the financing proposed by prospective customers to the BMT.
 4. Disbursement The disbursement stage is the stage where the BMT provides funds that have been agreed upon between BMT and the prospective customer with all the conditions that have been met by the prospective customer

Financing Risk

1. Credit Risk
2. Operational risk
3. Compliance Risk

Analysis of the Application of Risk Management in Mudharabah and Musyarakah Financing at BMT Sidogiri Dampit Branch.

a. Risk Identification

BMT Sidogiri dampit branch identifies risks and activities for financing activities for mudharabah and musyarakah products including, risk assessment of mudharabah financing that takes into account the financial condition of members/customers. Then the agreement is stated in the contract, whereas if the loss is borne by the owner of the capital as long as the loss is not due to the Negligence of the manager. If the loss is caused by fraud or Negligence of the manager, the manager must be responsible for the loss. Business characteristics of members/customers, quality of business or business plans, and other documents that can be used to support a comprehensive analysis of the condition of members/customers.

b. Risk Measurement After identifying the various types of mudharabah and Musyarakah financing risks that will be faced, then the risk must then be measured. The risk measurement system for mudharabah and musyarakah financing at BMT Sidogiri dampit branch includes:

1. Characteristics of mudharabah financing risk, starting from the financial condition of members/customers, general requirements in the mudharabah financing agreement, these requirements include the applicant submitting a written application, the mudharib candidate must have a legal entity for his business, minimum two years of business experience, photocopy of TDP deed , AD/ART and other business equipment, photocopy of SIUP, photocopy of NPWP, organizational structure, business data, business license, domicile statement, checking account for the last three months and financial statements.
2. Conducting an assessment of business prospects, for example through business development, quality of management and employees, performance of mudharib, which includes capital structure, cash flow and the ability to pay which includes accuracy of principal payments and profit sharing, availability and accuracy of financial information, completeness of financing documents , compliance with the financing agreement, and the reasonableness of the source of payment of obligations. In addition, the mitigation method is carried out by wearing a guarantee.
3. Potential for failure to pay from mudharib. This failure can be due to the mudharib experiencing losses in his business, the mudharib experiencing losses due to intentional default, or force majeure circumstances.
4. Ability to absorb failure.

c. Risk Monitoring of BMT Sidogiri Dampit Branch

BMT Sidogiri Dampit Branch develops and implements information systems and procedures to monitor the condition of each member/customer on all mudharabah and Musyarakah financing. The risk monitoring system shall at least contain:

1. Ensure that BMT Sidogiri Dampit Branch knows the latest financial condition of members/customers.
2. Monitor the accuracy of principal payments and their profit sharing, availability and accuracy of financial information, completeness of financing documents, compliance with financing agreements, and reasonableness of sources of payment of obligations. In addition, the mitigation method is carried out by wearing a guarantee.
3. Regular monitoring of mudharib business conditions is always carried out, by looking at reports on business results. To ensure that the use of funds from BMT is carried out according to the agreement and to ask customers to be completely transparent in business report information, it is difficult for BMT Sidogiri Dampit Branch.

d. Strategy for handling problematic mudharabah and musyarakah financing at BMT Sidogiri Dampit Branch.

The strategy carried out by BMT Sidogiri Dampit Branch in preventing the occurrence of problematic mudharabah financing, based on the results of an interview with Latif Anwar as Marketing of BMT Sidogiri Dampit Branch:

Troubled Financing Prevention Strategy

The selection of the right customer is based on the 5C principles:

1. Character (character and personality of prospective debtors) BMT analyzes the character and personality of prospective customers to find out what their characteristics, character and personality are, whether the personality of the prospective customer is good or otherwise, with the aim that unexpected risks in the future do not occur, such as non-performing financing. due to the nature of customers who deliberately do not return the funds that have been given by BMT.
2. Capacity (the ability of prospective debtors) In this case, BMT seeks to find out the ability of prospective customers to manage their business, so that in the future their ability to return funds to BMT can be known.
3. Capital (amount of capital owned by prospective debtors) BMT will find out where the prospective debtor borrows funds or how much capital the prospective debtor uses to run his business. The more capital used to run the business, the more profits will be obtained, so that prospective debtors can return the funds financed by BMT.
4. Condition (economic condition of prospective debtors) BMT looks at the economic conditions of prospective debtors in the present and in the future, by looking at the business prospects run by customers.
5. Collateral (collateral owned by prospective debtors) In this case BMT sees the value of the customer's guarantee, which should exceed the amount of financing provided by BMT, BMT also reviews whether the guarantee really exists in accordance with the written information provided by the customer to the customer. BMT, so that if a problem occurs, the guarantee can be directly used to replace the problematic financing.

Troubled Mudharabah and Musyarakah Financing Settlement

Process of resolving problematic mudharabah financing using the following methods:

- a. Current Financing If the mudharabah financing is smooth, the steps that must be taken by BMT are simply to monitor the business carried out by the customer, whether the business is experiencing growth or vice versa. In addition, member coaching and training are also carried out so that the customer's mindset becomes advanced, and the business undertaken by the customer develops. This step is taken so that the business undertaken by the customer can continue to grow and the customer can fulfill his obligations to BMT.
- b. Substandard If the mudharabah financing from the customer is substandard, what needs to be done by BMT is to give a notification letter as a warning to the customer so that the customer knows the arrears that occur due to the customer not paying his obligations. BMT also conducts field visits as a form of friendship so that customers are willing to pay their obligations.
- c. Doubtful If it is doubtful, the BMT will issue a warning letter and a warning letter, and make regular visits to the customer's place of business to find out what causes the customer not to pay his obligations to BMT. In addition, BMT also uses several restructuring efforts such as rescheduling, namely rescheduling the installment period and reducing the number of installments, then restructuring, namely rearranging the installment period and schedule, as well as the number of installments. Also using reconditioning efforts, namely reducing profit margins.

Loss If it really is jammed then BMT needs to make regular and continuous collections to customers. Conducting deliberation if the financing has really stalled, if the customer is unable to fulfill the payment, then BMT removes the financing and has the right to confiscate

the collateral that has been submitted by the customer to BMT as a substitute for the financing that has been jammed.

CONCLUSION

Application of risk management is risk identification followed by risk measurement related to customer finances, business prospects carried out by both management and employees with reference to the selection of customers grouped on character, ability, capital, conditions and guarantees

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