



**IMPLEMENTATION OF FINANCING RISK MANAGEMENT IN
MUDHARABAH FINANCING AT BANK MEGA SYARIAH SURABAYA**

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Abstract

Financing is one of the products owned by Islamic financial institutions which can help economic growth, the greater the financing provided, the greater the risks involved. Risks that must be considered are financing risks, risks that cannot be handled seriously, and the need for good and appropriate financing risk management to minimize the occurrence of risks that will arise from various activities within Islamic financial institutions. The purpose of this observation is to determine the application of financing risk management in *mudharabah* financing at Bank Mega Syariah Surabaya. This data collection technique was carried out by interview observation and further analysis then conclusions were drawn. The results of this observation indicate that the Implementation of Risk Management in *mudharabah* financing at Bank Mega Syariah Surabaya uses 4 stages, namely risk identification, risk measurement, risk monitoring, and risk control. In the risk management process, the risk identification stage in the *mudharabah* financing process uses the 5C principles which include character, capacity, capital, collateral, and conditions.

Keywords: Risk Management, *Mudharabah* Financing, Bank Mega Syariah Surabaya



INTRODUCTION

Banking institutions in Indonesia are experiencing very rapid development. Sharia-based banks are still relatively new, but along with the development of public thinking about the Islamic banking system that does not use interest (*usury*). Banking has a very important role in supporting the economy of a country and one of them is Islamic banking itself. Banks are divided into two, namely conventional banks that use an interest system and Islamic banks that use a profit-sharing system. These two banks have almost the same products but in different operating systems. All Islamic banking activities are based on fatwas issued by institutions that have the authority to issue fatwas in the field of sharia, namely the MUI (Indonesian Ulema Council).

Islamic banks are banks whose business activities are based on Sharia principles which by type consist of Islamic Commercial Banks (BUS), Islamic Business Units (UUS), and Islamic People's Financing Banks (BPRS). One of the main functions of Islamic banks is channeling funds. Distribution by Islamic banks is financing to customers who need it, both for business capital and consumption. Of the several types of financing channeled by banks, one of them is *mudharabah* financing.

A *mudharabah* contract is known as a contract or agreement for a certain amount of money to be run or rotated by the *amil* (entrepreneur) in trade, then the profits are shared between the two based on predetermined conditions. According to PSAK 105 profit in business, the *mudharabah* contract is divided between them according to the agreement financial losses are only borne by the owner of the funds. A *mudharabah* contract is a contract that has the



highest risk because this contract requires the trust of both parties (*shahibul maal* and *mudharib*). This risk is uncertain, where when an unwanted situation occurs and can cause a discrepancy from the expected results.

Mudharabah financing has a risk inherent in the contract, namely character risk. This character risk occurs due to customer negligence, violation of agreed regulations, and internal company management that is not carried out professionally according to management standards agreed between the bank and the customer resulting in losses. The main elements of risk management include identifying, measuring, monitoring, and managing various risk exposures, but all of this cannot be implemented without being accompanied by clear processes and systems. The entire risk management process must cover all work departments or divisions within the institution so as to create a risk management culture. Thus, risk management functions as an early warning provider of bank business activities for risks that may occur. For this reason, it is necessary to look at how the problem of managing the risk of *mudharabah* financing is carried out by Islamic banking, because *mudharabah* financing is financing based on Natural Uncertainty Contracts (NCC), namely contracts or contracts in business that provide payment uncertainty, both in terms of amount and time. The Bank always prioritizes risk management and prudential principles to achieve financing growth and maintain healthy quality. It is this commitment that has placed Bank Mega Syariah obtaining 2nd The Best Indonesia Enterprises Risk Management IV-2021 for the Sharia Bank Company category. The IERM (Integrated Enterprise Risk Management) award is the highest form of appreciation for companies that have successfully implemented risk management properly and consistently and continues to



operate in the midst of the Covid-19 pandemic so that they are able to grow and prosper with the nation. So, from here we want to know what kind of risk management is applied to mega sharia banks but are more inclined towards *mudharabah* contracts.

LITERATURE REVIEW

Bank Mega Syariah

Bank Mega Syariah adheres to the principle of prudence and upholds the principles of openness and professionalism in carrying out its business activities. In addition, Bank Mega Syariah also has a work culture including, namely, Professional, Enthusiastic, Appreciation for HR, Trustworthiness, Integrity, Business Oriented, Customer Satisfaction.

Various products are also continuously being developed according to the needs of the community and are supported by an increasingly complete and extensive banking service infrastructure. Since October 16, 2008, Bank Mega Syariah has become a foreign exchange bank. With this status, banks can carry out foreign exchange transactions and engage in international trade.

Risk Management

Risk management is a procedure used to identify, measure, monitor, and control the risks that arise from every business activity of a bank. Risk can be defined as changes or differences in unexpected results, and risk can be measured by the standard deviation of historical results, even though all businesses contain uncertainties. Bank risk is the potential for events to occur that can cause losses to banks.

Risk management is very important because it controls the course of



business activities of both banks with a reasonable level of risk in a directed, integrated, and sustainable manner, as well as controlling risks arising from bank business activities, including both conventional and sharia banking products and services. The essence of this risk management is the adequacy of risk management procedures and methodologies so that the bank's business activities can still be controlled at acceptable limits or limits that are profitable for the bank.

Financing Risk Management

Financing in Islamic banking is the investment of Islamic Bank funds both in rupiah and in foreign currency in the form of financing, receivables, *qardh*, Islamic securities, equity participation, temporary equity participation, and bank Indonesia *wadi'ah* certificates. To control risks that may occur, banks must implement good financing policies, including being able to oversee the overall financing portfolio and setting standards in the individual granting process, having standards that are capable of containing internal controls at all stages of the financing process, bankable means financing that to be financed should meet the criteria, safety, namely that you can be sure of the certainty of repayment of financing according to the schedule with the financing period, effectiveness means that the financing provided is actually used for financing.

Implementation of Financing Risk Management

Healthy financing is a very important aspect of Islamic banking. Healthy financing is a financing process that has implications for halal and good investments and classifies returns as expected. Therefore, basically, the implementation of risk management started at the beginning before the



financing operations occurred. The procedure or process of financing is as follows; a) Financing application, b) Data collection and investigation, c) Financing analysis. Financing analysis is research conducted by account officers on company feasibility, customer business feasibility, financing needs, ability to generate profits, sources of repayment of financing and guarantees available to cover financing applications.

***Mudharabah* Financing**

Mudharabah is a business agreement between the owner of capital and the entrepreneur, in which the owner of the capital provides all the necessary funds and the entrepreneur manages the business. The results of this business are divided according to the agreement at the beginning, if there is a loss, the loss will be borne by the bank. It can be concluded that *mudharabah* is a business cooperation agreement between two parties, in which the first party is the owner of the capital (*shaibul mal*) and provides 100% of the capital, while the second party becomes the manager and profits are shared according to the initial agreement. If the loss is borne by the owner of the capital as long as the loss is not due to the manager's negligence.

Mudharabah contracts are divided into two forms, namely *mudharabah muqayyadah*, in which funds flow from one investor customer to a group of business operators in a limited number of sectors, such as agriculture, manufacturing, and services. Investor customers may require that their funds can only be used to finance the mining, property, and agricultural sectors. *Mudhorobah mutlaqah*, is a flow of funds originating from one investor customer to one financing customer. Islamic bank recording is only done off-balance sheet. While profit sharing only involves investors and business



executors, the amount of profit sharing depends on the agreement between the investor customer and the financing customer

***Mudharabah* Financing Risk**

Financing risk is a risk caused by a failure to fulfill its obligations. Financing risk can be identified by using the non-performing financing ratio. The ratio level of *mudharabah* financing can be calculated based on a comparison between the amount of *mudharabah* financing that is in trouble because the return is not in accordance with the agreement with the total financing as a whole.

RESEARCH METHOD

The type of research used by the author is qualitative research, in this study it will be seen from how the implementation of financing risk management in *mudharabah* financing at Mega Syariah Bank KC Surabaya. The researchers use a type of field research where field research is a field research procedure that produces descriptive data in the form of written or oral data from the observed people and researchers. In addition, the author also uses the literature study method where data sources are taken and collected from books, journals, previous research, or websites which are then processed into research material.

RESULTS AND DISCUSSION

Bank Mega Syariah Surabaya is an Islamic financial institution that mostly functions to help the community's economy through financing. Every financial institution has various kinds of obstacles, especially in terms of



financing, both constraints and small-scale risks. In this case, it is necessary to apply good risk management so that the risks that occur can be used to analyze prospective customers and measure the risks that will arise from the financing carried out. Of the various kinds of problems that arise at Bank Mega Syariah Surabaya, namely the failure of financing customers to pay off their dependents. To deal with this, Bank Mega Syariah Surabaya has its own steps if something unexpected happens, filed it stuck.

In the implementation of financing risk management must be effective and based on the precautionary principle. In order to be able to apply risk management at the initial stage, Islamic banks can correctly understand and identify all risks, then carry out risk measurements, risk monitoring, and control. In implementing risk management for *mudharabah* financing at Bank Mega Syariah Surabaya, what will be done first is risk identification, which is a step that will be carried out by Bank Mega Syariah Surabaya to identify financing risks for all of its products and activities. The stages of risk identification carried out at Bank Mega Syariah Surabaya in the financing process include carrying out 5C, and the stages of the 5C principles which take precedence are character and collateral.

Second, monitoring of the *mudharabah* financing collectibility program (current, substandard, doubtful and loss) as well as guarantee or collateral aspects. Provisions in measuring the risk of *mudharabah* financing at Bank Mega Syariah Surabaya, namely by grouping financing customers based on the smooth process of financing installment payments such as; a) Current financing where customers can fulfill their obligations smoothly and there are no arrears of more than 1 month. b) Substandard financing, namely customers fulfilling



obligations with arrears of between 1-3 months. c) Doubtful financing, namely the customer in fulfilling obligations due to 3 months in arrears. d) Bad financing, namely customers in fulfilling obligations because they are in arrears of more than three months, and the customer has no intention to pay installments.

Bank Mega Syariah Surabaya conducted this grouping with the aim of becoming the basis and a reference in making decisions to save the financing that has been given to customers. Third, risk monitoring of the *mudharabah* financing process which is carried out at Bank Mega Syariah Surabaya administratively. Direct supervision is carried out through telephone calls, friendly visits to the customer's home or place of business, and evaluating the transfer of the customer's account or finances.

In addition, administrative supervision is also carried out when members apply for *mudharabah* financing again after the first financing is completed. This supervision reviews the administrative requirements for applying for *mudharabah* financing and checks mutations in members' accounts or finances. In this case, it will make it easier for Bank Mega to decide on further financing for its customers. Fourth, risk control, the risk control process is used to manage risks that could endanger the business continuity of Bank Mega Syariah Surabaya. This risk control is a step taken by Bank Mega to save financing that is experiencing problems. Risks that have been detected by submitting a report to the management of Bank Mega Syariah Surabaya are to be addressed immediately.

Bank Mega Syariah Surabaya will provide a process of giving warning letters (SP) to customers for late payment of *mudharabah* financing installments



given 3 (three) times. In providing SP to customers, Bank Mega Syariah Surabaya also approaches and finds out what is the cause of the customer's unable to pay installments and provides a solution to the problem. However, if the customer has been given a warning letter for 3 (three) times and there is no certainty that he wants to pay the installments, then the next process from Bank Mega Syariah Surabaya will carry out security as stated in the contract with a note that the confiscation must be approved by the owner of the goods.

Based on the explanation above, the results can be cited that the implementation of good risk management can minimize the occurrence of financing risk so that the application of risk management can reduce the emergence of problematic *mudharabah* financing that occurs at Bank Mega Syariah Surabaya. However, from controlling these risks, improvements must be made, such as accuracy in analyzing financing, conducting supervision and training that can support members' businesses as well as provisions in handling troubled *mudharabah* financing. Therefore, if the overall risk management process has been carried out, problematic *mudharabah* financing can be minimized.

***Mudharabah* Financing Risk Management at Bank Mega Syariah Surabaya**

In general, the risk is defined as the potential for an event to occur which may result in a loss for the bank itself, especially the risk of financing engaged in the financial sector. Where financing risk is the risk of customers failing to fulfill their obligations, if this financing risk is not minimized, there will be many problematic financings and will ultimately harm Bank Mega Syariah itself. Risk management is a procedure or method used to identify, mitigate, monitor, and control risks arising from all business activities of a bank



institution. Risk management is a method carried out by the Bank Mega Syariah in an effort to minimize the risk of the financing itself.

The application of good risk management from Bank Mega Syariah Surabaya will certainly produce a stable and profitable business. For customers who are financed, a good business that is running and developing can provide benefits and reduce poverty and unemployment rates because these activities can create jobs. Bank Mega Syariah in providing financing is certainly more selective by taking into account the feasibility of the customers who will be given financing.

***Mudharabah* Financing Procedures at Bank Mega Syariah Surabaya**

In accordance with the operational standards (SOP) of Bank Mega Syariah Surabaya, the process of providing *mudharabah* financing goes through such channels, members receive offers from the marketing department or can also come directly to the Bank Mega Syariah Surabaya office. Then complete the *mudharabah* financing file and fill out the *mudharabah* financing application form as follows; a. Identity of the applicant such as name, date of birth, status, name of husband or wife, last education, address, KTP number, telephone number, and residence status, b. Fill in the required amount of funds, timeframe, intended use, and type of application from the financing applicant, c. Collateral data, such as the type of collateral, location, type or year, proof of ownership, and name.

After the requirements are met by the prospective customer, Bank Mega Syariah Surabaya conducts a survey or visit to the prospective customer's house regarding economic conditions and guarantees. The survey was conducted to analyze whether the customer is eligible or not to be given financing. Then,



after being analyzed, it will be submitted to the financing committee, the committee will have positions that have a limit to making decisions, such as (head manager, division head, director, and commissioner) and then a meeting will be held. After the committee agrees, will be followed by covenant actions (notes).

When conducting a survey of prospective customers of *mudharabah* financing, Bank Mega Syariah Surabaya conducted a 5C analysis, namely; a. Character, Bank Mega Syariah Surabaya's way of analyzing the most important character of prospective customers is by conducting a question and answer or interviews conducted by Bank Mega itself such as account officers. Matters to be asked of the prospective customer, such as the history of the business to be financed, be it a new business or an old business, whether the prospective customer's place of business is rented or owned, b. This capacity is the customer's ability to run a business and return the financing that has been received. The principles carried out by Bank Mega Syariah Surabaya in making judgments to assess the ability of prospective customers to fulfill their obligations to the bank can be seen in two ways, namely; First, assets owned by prospective customers such as asset ownership owned by prospective customers are used to measuring the extent to which the prospective customer's business management has been successful. Second, this customer's income which shows the ability of the prospective customer to earn this profit is seen from the capacity possessed and the operational history of the prospective customer, c. Capital is the amount of capital owned by the prospective customer that will be included in the project being financed. The amount of capital to be provided must be adjusted to the business conditions of the prospective



customer, such as the ability to pay the prospective customer in a specified amount and time, d. Collateral is a guarantee owned by a prospective customer that will be given to the bank. This guarantee is to handle troubled financing, so this prospective customer must provide quality guarantees that are easy to disburse and have a value equal to the amount of financing provided to the prospective customer. This collateral can be in the form of cars, motorbikes, land, and other moving objects. This collateral must be assessed by Bank Mega Syariah Surabaya to determine the extent of the risk This guarantee is to handle troubled financing, so this prospective customer must provide quality guarantees that are easy to disburse and have a value equal to the amount of financing provided to the prospective customer. This collateral can be in the form of cars, motorbikes, land, and other moving objects. This collateral must be assessed by Bank Mega Syariah Surabaya to determine the extent of the risk. This guarantee is to handle troubled financing, so this prospective customer must provide quality guarantees that are easy to disburse and have a value equal to the amount of financing provided to the prospective customer. This collateral can be in the form of cars, motorbikes, land, and other moving objects. This collateral must be assessed by Bank Mega Syariah Surabaya to determine the extent of the risk financial obligations of the prospective customer, e. Condition is a business condition or the economics of these potential customers. Bank Mega Syariah Surabaya must consider the business of this prospective customer with economic conditions that affect business in the future.

Based on the results of an interview with Mr. Ragil Tri Cahyanto, he said that the 5C principles have been implemented in Bank Mega Syariah Surabaya, but what is more important is the principle of character and capacity. From the



explanation above, it can be concluded that from the data obtained at Bank Mega Syariah Surabaya regarding the procedure for applying for *mudharabah* financing, this is quite optimal, because it has been systematically and structured starting from submitting files, the survey process and evaluation the 5C principle, it is also explained that of these five principles, the most used are character and capacity.

Next, the binding of the contract will be carried out by preparing the legal aspects along with the legality documents, and then dropping/disbursement will be carried out. But it doesn't stop there, the next step will be monitoring until settlement. The form is in the form of a report (visiting customers / monitoring the customer's business) every three months, every six months, and every year from the customer. So, when a customer has an indication of a decline in payment quality, by looking at the customer's payment conditions, there are those that are smooth, doubtful, substandard, or jammed. We can provide solutions to financing that will be problematic.

Handling of Problematic *Mudharabah* Financing at Bank Mega Syariah Surabaya

We already know that the risk that occurs from this loan is a delayed loan or the customer's inability to pay the obligations that have been charged, so to anticipate this, Bank Mega Syariah Surabaya analyzes the causes of the problem. Analysis of the causes of congestion in payments at Bank Mega Syariah Surabaya, which includes internal and external aspects, namely the weak financing information system and the administrative supervision system for *mudharabah* financing, as well as binding guarantees that are imperfect. Meanwhile, external parties or customers, usually from the customer's poor



character, the customer's inability to manage his business, and the customer's inability to compete in his business, such as a crop failure, a family member who is sick, or other disasters.

Of the several causes of financing bottlenecks at Bank Mega Syariah Surabaya, an evaluation will provide solutions so that these causes can minimize financing bottlenecks again. Based on the results of an interview with Mr. Ragil Tri Cahyato as Cash Office Manager, there are steps that can be taken to prevent problematic *mudharabah* financing at Bank Mega Syariah Surabaya, namely as follows, a. Comply with the procedures and requirements for providing *mudharabah* financing. When analyzing the 5C (character, capacity, capital, collateral, and condition) that must really be applied. This is done so that the *mudharabah* financing provided is right on target, b. Bind guarantees, guarantees, or collateral as a substitute for financing if the customer commits a violation or something that can harm the bank, as long as it is tied to the bank. There are several processes in handling problematic *mudharabah* financing that is implemented at Bank Mega Syariah Surabaya.

Based on the results of an interview with Mr. Ragil Tri Cahyanto, there are several handlings of financing, namely first Restructuring, is to reduce installments within a certain time, for example, the remaining financing period is 3 years, where the monthly installments should be 5 million but only 1 million. Because payments are substandard, customers can apply for restructuring to the bank so that details will be re-done to 1 million per month. And this restructuring applies to customers who are still able to pay even though their nominal installments have decreased.

Second, Litigation is selling legally, the legal procedures taken by the



bank to settle customer payments. If the customer's ability to pay is very weak, then an auction is held, selling collateral. Such as selling customer collateral items that have been agreed upon at the start, but if within 3-5 months it has not been sold then an auction is held. In the act of auctioning or selling collateral, the bank must also have prepared SP1, SP2, and SP3 letters and a complete auction notification letter. Because of avoiding lawsuits from customers if the bank does not have the official letter. Third, Write Off, deleted from banking records but we still have the right to collect, the customer's name is deleted and is no longer in the records. Fourth, write-off, the bank has agreed, but regarding the guarantee that was agreed upon at the beginning, the bank can take it.

CONCLUSION

Based on the results of the research and discussion by comparing theory with practice in the field regarding the implementation of *mudharabah* financing risk management at Bank Mega Syariah Surabaya, it can be concluded that there are four stages in the implementation of *mudharabah* financing risk management at Bank Mega Syariah Surabaya, namely risk identification, risk measurement, risk monitoring, and risk control, the overall implementation of risk management

At Bank Mega Syariah Surabaya it has been carried out properly and optimally, but in practice, there are differences in analyzing the feasibility of *mudharabah* financing, namely in the 5C principle which consists of character, capacity, capital, collateral, and condition. Of the five principles that are prioritized in the risk identification process, namely the principles of character and capacity. In the character principle, the BI checking process is not carried



out because Bank Mega Syariah Surabaya uses a trust system more for prospective customers who will do the financing. Meanwhile, the collateral principle is more directed towards collateral provided by prospective customers, because collateral is very important in assessing the feasibility of providing financing to financing customers which will later lead to the ability to pay installments on financing that has been provided.

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