

LITERATURE STUDY ON FINANCING RISK MANAGEMENT RESEARCH IN NON-BANK INSTITUTIONS: BAITUL MAL WAT TAMWIL

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ABSTRACT

Baitul Mal Wat Tamwil (BMT) plays an important role in serving the financial needs of people who have not been reached by conventional banks, especially the lower economic strata. Along with the growth of BMT in Indonesia since 1984, the main challenge faced is the financing risk that can threaten the sustainability of operations. Previous research on financing risk management in BMT has been widely conducted. However, there has been no literature review on the topic. Therefore, this article aims to conduct a literature review of the results of financing risk management research on BMT. The review was performed on the research results published in national scientific journals indexed in Google Scholar as many as ten articles. The results of the review show that trained human resources play an essential role in risk management in BMT; BMT does not yet own complete regulation and standardized risk control system; submission of financing applications at BMT is carried out by the procedure; Problematic financing is handled gradually starting from a familial approach, the application of rescheduling and restructuring, then the last step is legal settlement. The implication of this study is that increasing human resource capacity and strengthening regulations can improve the sustainability and competitiveness of BMT as a sharia microfinance institution in Indonesia.

KEYWORDS BMT, Risk Management, Problem Financing



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INTRODUCTION

The presence of Islamic financial institutions that can touch layers of society that have not been reached by banking services is urgently needed (Putri & Dahliana, 2023). The needs of the lower layers of society are the basis for the establishment of the first BMT (Baitul Mail Wat Taimwil) in Indonesia in 1984. BMT is a small-scale non-bank financial institution that functions as a savings and loan cooperative (KSP) or a microfinance institution that operates with sharia principles (Dahliana,

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2022b). Linguistically, Baitul Maal means a house of wealth, while Baitul Tamwil means a house of financing (Horida, 2022; Makiah, 2021). Baitul Maal carries out social functions, while Baitut Tamwil carries out business functions in BMT. (Dahlia, 2022a). One of its main roles is to collect and distribute funds to the community through various superior products, including mudharabah, musyarakah, murabahah, wadiah, rahn, and qardhul hasan financing. Among the many microfinance institutions, BMT stands out as a sharia-based microfinance institution dedicated to supporting the financial needs of the community (Sari et al., 2023). BMT has developed since its inception and is now present in almost all provinces in Indonesia (Tanjung & Novizas, 2018).

BMT has developed into a model Sharia Microfinance Institution (LKMS) in Indonesia. However, microfinance statistics in 2021 on the Sharia MFI chart decreased by 6.27 percent from 2020, according to OJK data. Islamic microfinance institutions such as BMT must be able to maintain and manage their liquidity safely (Balady et al., 2023a). Therefore, BMT must implement effective risk management to reduce possible risks (Sajjad et al., 2020).

The novelty of this study is to conduct a comprehensive literature review on financing risk management in Baitul Mal Wat Tamwil (BMT), which has not been widely reviewed before. This study focuses on identifying research gaps, suggesting the development of standardized risk control regulations and systems, and highlighting the role of trained human resources in managing financing risks in BMT.

Researchers are aware of the importance of reflection and development of research related to risk management in BMT, considering that there is still a lack of research on this topic in Indonesia. BMT's understanding of various risks is urgently needed, in line with the importance of maintaining the existence of BMT itself. Therefore, after conducting a literature review, it is hoped that it can identify gaps and provide suggestions for further research. In addition to summarizing and describing the results of previous research, the researcher also analyzed areas that have the potential to expand the contribution of research journals, so that research on risk management in BMT in Indonesia can further develop (Faridah et al., 2023; Yusuf et al., 2023).

LITERATURE REVIEW

Risk is the potential for events or conditions to occur that threaten the achievement of goals and the smooth running of the organization. The types of risks faced by Islamic financial institutions include credit, liquidity, financing, operational, legal, withdrawal, benchmark, and fiduciary risks (Nelly et al., 2022). In addition, there are also market risks, reputational risks, strategic risks, compliance risks, yield risks, and investment risks (Syarofi, 2022). One of the main risks that BMT often faces is financing risk, which arises due to the failure of customers to fulfill their obligations to BMT in accordance with the agreed agreement.

Risk management is a core activity for financial institutions, which includes risk identification, measurement, monitoring, and control (Susilo, 2015a). Risk management helps companies overcome various uncertainties to achieve performance targets set by stakeholders (Balady et al., 2023b). Good risk management increases awareness of risks, accountability, work efficiency and

productivity, profitability, and minimizes capital burden in dealing with risks (Riinawati, 2022). Financing risk management is very important to maintain the sustainability of BMT and ensure that its operations as an intermediary institution or financial intermediary are not disrupted (Djamil, 2022).

Risk management measures consist of various ways. First, avoid risks by deciding not to do risky activities. Second, reduce risk by reducing the likelihood of occurrence and its consequences or impacts. Third, transferring risk, which is transferring risk to another party to bear the risk. Fourth, accepting the risk means not taking further action on the risk compensation that must be taken. Fifth, exploiting risk is risking on other choices resulting from proactive decisions and consciously taking new risks because it has a superior field (Mubarak et al., 2023; Nelly et al., 2022).

To avoid financing risks, BMT must implement a thorough financing feasibility analysis. In general, it is known that there are three basic principles in analyzing credit and financing, namely the 5C (Character, Capacity, Capital, Collateral, and Condition) principles, 7P (Personality, Party, Purpose, Prospect, Payment, Portability, and Protection), and 3R (Returns, Repayment, Risk Bearing Ability) (Mubin, 2022). Well-trained and competent employees are essential for the company, especially for the accuracy of financing analysis at BMT.

Furthermore, to keep the financing provided running in accordance with the agreement, BMT needs to supervise and monitor the financing. By monitoring, problematic financing can be identified and handled quickly. The financing in question is financing that is not smooth, doubtful, and stuck (loss) (Djamil, 2022). In the event of non-performing financing, BMT can restructure financing, among others, through rescheduling, reconditioning, and restructuring (Bank Indonesia Regulation No. 10/18/PBI/2008, 2008).

RESEARCH METHOD

This study uses a literature review method. Stated that a literature review is a research methodology that aims to collect and extract the essence of previous research and analyze various expert reviews written in the text (Snyder, 2019). The subject of the study is BMT (Baitul Maal Wat Tamwil), and the object of the research is financing risk management. The data collection technique was carried out by searching for scientific articles in journals indexed by Sinta related to how BMT faces risks that may occur through the Google Scholar channel. The data analysis technique in this study uses stages in the use of literature review, which consists of formulating research questions, conducting searches, identifying keywords, reviewing abstracts and articles, and documenting the results. The data obtained is then analyzed to produce conclusions so that it can provide ideas or an overview of the topic discussed.

RESULT AND DISCUSSION

In this study, researchers identified risk management in BMT through journals indexed by Sinta. Based on the results of the research contained in these journals, the researcher conducted a literature review of ten research results, which aimed to find out how BMT can overcome the risks that may occur in research conducted in Indonesia related to risk management in BMT.

Table 1. Research Related to Risk Management at BMT

No.	Researchers	Heading	Search Results	Journal
1	Airi Ardiansyah, Sri Mulyani, Bella Puspita Audina	Analysis of the Implementation of Financing Risk Management in Baitul Maal wat Tamwil Syariah Riyal Bekasi City	Risk management is carried out by applying a 5C financing feasibility assessment analysis. Once the financing is provided, BMT conducts supervision, coaching, and billing with a pick-up system to prevent insufficient payments. (Ardiansyah et al., 2024).	EKOMA: Journal of Economics , Managemen t, Accountin g Vol.3, No.3, 2024
2	Edi Susilo	Comparative Analysis of the Implementation of Sharia Microfinance Institution Financing Risk Management: A Case Study at BMT Beringharjo Yogyakarta and BPRS Madina Mandiri Sejahtera Yogyakarta	In terms of regulation and supervision, financing risk management at BPRS Madina is better than BMT Beringharjo. BPRS has been regulated and closely supervised by the OJK. Meanwhile, BMT does not have detailed rules and strict supervision from the Ministry of Cooperatives and SMEs, so BMT Beringharjo makes regulations and conducts its own supervision (Susilo, 2015b).	Journal of Business Economic s and Entreprene urship Vol. IV, No. 2 (2015)
3	Meldi Candra Oktapian, and Ahmad Faiuz	Analysis of the Application of Risk Control in Financing at BMT Rahmat Kediri	BMT Rahmat's financing analysis uses the 5C principle (Character, Capacity, Capital, Collateral, Condition). There are three stages of risk management, namely identification, measurement, and monitoring of risks and their control which have been carried out since the initial and second stages. Meanwhile, the third stage, namely the settlement of non-performing financing, has been included in the risk	At Tamwil Journal, Vol. 5 No. 1 (2023)

				control category. (Octapian & Fauzi, 2023).	
4	Moh Balady, Nur Sughesti Winata	Haris Risma Tria Adifa	Analysis of Financing Management in Congregation-Based Service Products (LASISMA) No Guarantee at BMT NU Kalibaru Branch	The first step in managing sustainable financing risks at BMT NU Jawi Timur Caibang Kailibaru is to conduct a direct visit once a week and supervise and update the financing department of LAISISMAI. The second is by way of rescheduling or extending the time. (Bailaidy et al., 2023b)	JISS Vol 1 of 3 (2023)
5	Moh Solaichuddin Zulfai		Analysis of Risk Management in Murabahah Financing Operations at BMT Almainah	The stages of risk management carried out by BMT Almainah are: 1) Sending a warning letter or warning letter to the customer. 2) Settlement of problematic financing to avoid greater losses. 3) If the customer is not cooperative, then BMT will take legal action. (Zulfai, 2014).	Iqtisha'diy a: Journal of Islamic Economic s and Business Studies Volume 7, Number 1, (2014)
6	Novita Yuniorita Haidayani, Wiwik Ningsih	Sairi, Indah and Fitria	Analysis of Collateral-Based Risk Management of Other Financing at BMT NU Jember Timur Wuluhan Branch	In the early stages, to prevent risks, BMT NU Wuluhan Branch regularly holds meetings to monitor members. Furthermore, if there is problematic financing, it will be handled according to procedures, for example by rescheduling or changing the financing structure. If the effort is unsuccessful, it will be confiscated. (Sairi et al., 2023).	RACISM: Accountin g Research Vol. 4 No. 2 (2023)
7	Nur Oktavianie, Nuntufai	Intan Aniol,	Analysis of the Role of Murabahah Financing Risk Management in Increasing Profitability and Number of	The implementation of murabahah financing risk management greatly affects the level of profitability and the number of customers at BMT Maslahah Besuk Agung Branch.	JPDK: Vol. 4, No. 4 of 2022

		Customers at BMT Masalah Besuk Agung Branch		
8	Salma Syahirah and Abdul Hadi Ismail	Analysis of the Implementation of Murabahah Financing Risk Management at KSPPS BMT UB Amainah Laut Dendeng	BMT UB Amainah Laut Dendeng conducts a financing feasibility analysis procedure using the principle of prudence. Meanwhile, non- performing financing is handled using the 3R principles: Rescheduling, Reconditioning, and Restructuring. (Syahirah & Ismail, 2023b)	EBMA: Journal of Business Economics , Managemen t and Accountin gVol. 4 No. 1 (2023)
9	Tahta, Fikruddin, Fathul Mufid	Strategy for Increasing Murabahah Financing Risk in BMT in Demak Regency	Murabahah financing risk management runs effectively, with little evidence of BMT's NPF. In addition, the strategy used to minimize the risk of murabahah financing is transcendental in risk management. Meanwhile, the internal control strategy implemented by BMT is a lack of focus in conducting analysis, while external control is customers who have poor grades and are included in improvements in rural areas. (Fikruddin & Mufid, 2015)	EQUILIB RIUM, Vol. 3, No. 2, 2015
10	Tahta, Fikruddin, Fathul Mufid	Strategy for Increasing Murabahah Financing Risk in BMT in Demak Regency	Murabahah financing risk management is carried out in a way that is effective and can be said to be effective judging from a small NPF. The internal control applied is the ability to analyze financing, while external control comes from the character of the customer, and the location of BMT in rural areas - improvement in rural areas.	EQUILIBRI UM Vol. 3 No. 2 (2015)

DISCUSSION

Based on the results of previous research conducted by the study authors, a similar problem was found, namely problematic financing. BMT is inseparable from the risk of non-performing financing. Some of the findings regarding BMT's risk management in preventing and dealing with non-performing financing at BMT in different locations are outlined as follows:

The Important Role of Human Resources in Financing Risk Management

Competent and professional human resources are essential to implement good risk management. To achieve competent and experienced human resources, BMT employees must undergo risk management training well in accordance with financing quality standards. Before providing financing to customers, employees must be skilled and careful in analyzing and compiling reports on the results of the financing feasibility analysis so that there is no problematic financing at BMT (Syahirah & Ismail, 2023a). In addition, periodic evaluations must be carried out to determine financing conditions. The results of the review were presented in regular meetings. BMT meetings consist of weekly, monthly, and incidental meetings (Oktapian & Fauzi, 2023). The meeting aims to identify financing problems early so that they can be handled quickly and appropriately according to applicable procedures (Susilo, 2015b).

Financing Submission is Carried Out in Accordance with Procedures and Principles of Prudence

The application of risk management in financing at BMT begins with customers who want to apply for financing must go through a long process, starting from submitting a financing application, which is then followed up by BMT with field surveys, feasibility assessments, and financing decisions whether the applicant is eligible or not to get financing. This is a form of prudence in the management of funds implemented by all financial institutions, including BMT, so that adverse things do not occur. (Syahirah & Ismail, 2023b). However, BMT does not have complete regulations and a risk control system as good as banks. (Susilo, 2015b).

Financing Feasibility Analysis and Pick-Up System to Prevent Problematic Financing

Financing risk management at BMT has three stages: first, identification; second, measurement and monitoring; and third, risk control. Before providing financing, BMT conducts an assessment or analysis of whether the prospective customer is eligible or not to be given financing. A popular financing analysis at BMT is the 5C principle, which consists of Character analysis or character assessment of prospective customers, Capacity analysis or ability of prospective customers, Capital analysis or capital of prospective customers, Collateral or collateral analysis, and Condition analysis or business conditions run by prospective customers (Oktapian & Fauzi, 2023). Risk management is carried out by applying a 5C financing feasibility assessment analysis. After the financing is given, BMT conducts supervision, coaching, and checking with a pick-up system to prevent financing congestion. (Ardiansyah et al., 2024).

Emotional and Family Approach Through Friendship to Know the Conditions and Obstacles Faced by Customers

BMT employees establish family relationships with customers. They routinely visit customers to pick up the ball. If there is a problem, for example the installment is not smooth, then BMT will approach to investigate what obstacles occur so that customers experience disruptions in financing. BMT employees communicate with customers on a familial basis. If the problem cannot be resolved, for example because the customer deliberately avoids his obligations, then BMT will give a warning letter to the customer (Zulfa, 2014).

Increasing Issues with Rescheduling and Restructuring

To help maintain the quality of financing and provide solutions to customers who are constrained in paying, BMT implements rescheduling for customers who experience financing problems. If the member is able to pay in installments, BMT will reschedule the installment financing to be repaid immediately (Sari et al., 2023). Extending the financing installment period will make the monthly installment burden lighter. In BMT, the deadline is given to members who are paying installments, with the provision of providing relief in installments (Sari et al., 2023).

Next is restructuring, which is solving problems by changing the financing structure or it can be said that by reducing installments to ease the installments owned by members, or it can be done by lowering the term or reducing the principal of financing. In addition, it can be done by changing the financing structure from term financing to installment financing in the hope that the financing status will be completed or paid off.

Settlement of problematic financing through legal channels if the customer does not show good faith

This settlement is carried out by forcibly confiscating valuables belonging to members, and this is done in the event of difficult circumstances (Sari et al., 2023). The implementation of confiscation is then carried out in the financing category that demands that BMT can no longer be assisted to be completed or members no longer have prospects for development. In this case, if the member is unable to pay off the installment, then the collateral will be auctioned by BMT (Sari et al., 2023). In addition, risk management is carried out by taking legal steps if members do not have good ethics towards notifications and warnings in financing installment payments. This solution is a last resort if the customer no longer shows good faith or is no longer able to fulfill his obligations to BMT (Sari et al., 2023).

CONCLUSION

The results of a review of ten journal articles related to financing risk management at BMT found several things: BMT needs human resources trained in the application of risk management; complete regulations and a standardized risk control system are needed in BMT; the application for financing at BMT must be in accordance with the procedures and principles of prudence; and non-performing financing must be handled gradually. BMT prioritizes familial relationships and provides solutions through rescheduling and restructuring before making legal settlements.

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