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Risk Mitigation as a Mandate: The Socio-Spiritual Narrative of Financing at KSPPS Artha Bahana Syariah

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ABSTRACT

In the practice of Islamic microfinance, financing mitigation is one of the important instruments that carries high risk because it is based on trust and profit sharing. The absence of physical collateral and dependence on the behavior of business partners make risk management a crucial aspect that must be studied in depth. This study aims to analyze financing risks at KSPPS Artha Bahana Syariah Secang Branch, Magelang. Using a purely qualitative approach with an exploratory case study design, this study involved managers, financing managers, risk analysts, and cooperative members as key informants. Data collection techniques included in-depth interviews, direct observation, and analysis of internal institutional documents. Data were analyzed through a thematic approach based on the Miles & Huberman and Braun & Clarke frameworks, to identify risk patterns and mitigation practices applied. The results of the study show that risk mitigation at KSPPS Artha Bahana Syariah Secang Branch is not only technical—through SOPs and financing analysis—but also involves social and spiritual approaches. Officers interpret risk as a mandate, so they are cautious while still upholding the values of justice and empathy. Flexibility between procedures and kinship is the key to success. These findings demonstrate the importance of integration between the formal system and sharia values. Ethical training and spiritual strengthening are recommended to support the sustainability of value-based sharia cooperatives.

KEYWORDS *Financing, Financing Risk, Sharia Microfinance, Mitigation Strategies, KSPPS*

INTRODUCTION

A cooperative is a legal entity formed by individuals or groups who share a common goal, pooling part of their wealth as collective capital. This capital is utilized to carry out business activities that are not only oriented toward economic profit but also aim to fulfill the social and cultural interests of its members. All activities and dynamics occurring within this institution's scope are collectively known as cooperative life, reflecting the implementation of participatory, democratic, and equitable values in accordance with the basic principles of cooperatives (Adin Fadilah, 2022; Afifah et al., 2022; Chairunnisa & Marlina, 2020; Sulistyowati, 2022).

The concept of risk and return is inseparable in every business sector, including non-Islamic financial institutions such as *sharia* cooperatives. As a business entity consisting of individuals and operating based on *sharia* and family principles, *sharia* cooperatives play a vital role in driving community economic growth. However, in performing their functions, these cooperatives still face various inherent risks related to financing and operations. Therefore, it is crucial for cooperatives to proactively identify and understand common types of risks to implement appropriate mitigation measures. Optimal risk management endeavors aim not only to maintain business sustainability but also to ensure the expected return is achieved for the sustained welfare of members (Syarofi, 2022).

Financing risk mitigation is a critical aspect in preserving the sustainability of *sharia* cooperative operations, including at KSPPS Artha Bahana Syariah Secang Branch. Financing risk arises when a customer or business partner is unable or unwilling to fulfill obligations stipulated in the agreed financing contract. To minimize the adverse effects of such risks, cooperatives must apply measurable and systematic mitigation strategies. Since every financing activity ideally should be free of risk, preventive or mitigation actions must be taken beforehand. These actions include rigorous analysis of financing eligibility, continuous monitoring of partner business development, and implementing early warning systems alongside deliberation-based settlement approaches. With effective risk mitigation mechanisms, cooperatives can both reduce potential losses and maintain financial stability as well as members' trust in the institution's performance.

KSPPS Artha Bahana Syariah Secang Branch is a product of cooperative expansion since 2010, undergoing a transformation from a conventional system to *sharia* in 2017 as part of an adaptation process to the community's demand for financial services in accordance with Islamic principles (KSPPS Artha Bahana Syariah, n.d.). This transformation involved various stakeholders and was accompanied by intensive socialization of the *sharia* system among the local community. The products offered include various types of deposits and financing, including digital financing such as UNIK. The generally disciplined membership supports operational stability, although challenges exist from a small segment facing economic constraints and low financial literacy. Financing risks, particularly bad loans, are mitigated through strict selection procedures, kinship approaches, and comprehensive risk mitigation training that integrates managerial, social, and spiritual components. *Sharia* principles are consistently applied in financing contracts, with supervision by the *Dewan Pengawas Syariah* (DPS) and a humanist approach grounded in *ta'awun* (help-help) values when members encounter difficulties.

Risk mitigation at the Secang branch adheres to the head office's SOP but is reinforced by the socially embedded approach of the village community, including leveraging informal information from the social environment to detect hidden risks. Implicit financing risks, such as social pressures or family conflicts, are anticipated through consistent surveys and field analysis. The *mudharabah* contract presents specific challenges in transparency and supervision, which are addressed through ongoing education and business assistance. The contrast in approach between branches and the central office is particularly noticeable in the intensity of personal communication and social flexibility, serving as a strength by enabling the cooperative to understand members' real conditions. Future development of locally-based digital systems, such as internal credit scoring, ABS applications, and real-time monitoring, is expected to enhance risk mitigation without sacrificing the humanist approach characteristic of grassroots *sharia* cooperatives.

Previous research by Sukirman et al. (2024) succeeded in identifying four primary differences in financing management between *sharia* cooperatives and conventional cooperatives. These differences include the yield system—where *sharia* cooperatives operate on profit-sharing principles, while conventional cooperatives rely on interest systems—as well as distinctions in risk sharing, adherence to halal principles in transaction implementation, and member access and financing policies.

Meanwhile, Norhayati's research (2025) revealed financing problems faced by seven customers at KSPPS Maslahah Besuk Pasar Senen Branch. Issues arose from negligence by both customers, who failed to fulfill their responsibilities, and KSPPS employees, who were not thorough in financing analysis. To minimize similar risks, KSPPS has taken preventive steps by strengthening prudence in the financing process, ensuring that prospective recipients are genuinely eligible and exhibit good business prospects.

The gap this study addresses lies in the scarcity of research exploring the narrative meaning and strategies of financing risk mitigation from social and spiritual perspectives distinctive to Islamic financial institutions, especially in micro-level practice like KSPPS. Most previous studies focus on technical or quantitative aspects, failing to reveal how *sharia* values and social relations are practically implemented in risk management. Therefore, this article aims to explore the practices and values underlying the financing risk mitigation strategy at KSPPS Artha Bahana Syariah Secang Branch, emphasizing the social and spiritual context that integral to the Islamic microfinance system. Based on this background, this study focuses on: *High Risk in the Implementation of Financing Risk Mitigation in Islamic Microfinance Institutions*.

RESEARCH METHOD

This study used a qualitative approach with an exploratory case study design to analyze financing risk mitigation at KSPPS Artha Bahana Syariah Secang Branch, Magelang. The research was conducted on Friday, May 16, 2025, with Mr. Sarif as the manager. This approach was chosen to explore in depth the dynamics, perceptions, and risk management practices within the Islamic financial institution. The study subjects included managers, financing managers, risk analysts, and cooperative members as key informants directly involved in the financing process.

Data collection techniques consisted of in-depth interviews to obtain detailed narratives, direct observation of financing and risk management activities, and documentation review of internal materials such as SOPs, financing reports, and risk evaluations.

The collected data were analyzed using thematic analysis based on the frameworks of Miles and Huberman and Braun and Clarke, emphasizing data reduction, data presentation, and drawing conclusions. The researcher identified key themes emerging from the empirical data to understand risk patterns and mitigation strategies in financing. To ensure data validity, triangulation of sources and methods, member checks to verify findings with informants, and audit trails were conducted to enhance dependability. These measures aimed to increase the credibility and reliability of the findings consistent with qualitative research characteristics (Miles, Huberman, & Saldaña, 2014; Braun & Clarke, 2006).

Data analysis proceeded through three stages: open coding to identify initial codes, axial coding to establish relationships between concepts, and development of themes to draw substantive conclusions. This process involved repeated readings of interview transcripts and field notes.

RESULT AND DISCUSSION

The Meaning of Risk as a Trust Test in the Perspective of KSPPS Officers

The Artha Bahana Syariah Sharia Savings and Loan Cooperative (KSPPS) Secang Branch began its transformation in 2017, when the cooperative officially switched from a conventional system to a sharia system. This step was taken as a response to the increasing need of the public for financial institutions that operate in accordance with Islamic principles, especially in terms of fund management that is free from the practice of usury. This change was not made suddenly, but was based on a deep understanding of the concept and mechanism of sharia financing. Sharia financing is a financing system that is run based on the principles in Islamic sharia (Aslina & Addieningrum, 2023; Harahap et al., 2022; Riyani et al., 2022; Susanto et al., 2017; Winarto & Falah, 2020). This system expressly rejects elements that are forbidden in Islam, such as riba or interest, maisir related to gambling, and gharar which means uncertainty or ambiguity in the agreement. For any financing, it must be based on a valid contract or agreement according to Islamic law, where both parties understand and agree on the content of the agreement transparently from the beginning (Haikal et al., 2024).

At KSPPS Artha Bahana Syariah Secang Branch, the application of these sharia principles is carried out consistently, with full support from the local management team. They play an active role in providing socialization to the community, so that the understanding of the sharia system can spread more widely and be well accepted by members and prospective members of the cooperative. This education is important, considering that the change from the conventional system to sharia is not only administrative, but also involves a change in perspective on financial management in accordance with Islamic values. This cooperative offers a variety of financial products that are divided into two main categories, namely deposit products and financing products. For storage products, there are options such as Sirela, Term Savings, Sididi, and Simrus. Meanwhile, its financing products include regular financing, National Economic Program (PEN) financing, Ultra Micro (UMi) financing, and UNIK which is a digital financing product.

The implementation of cooperative financing uses sharia contracts such as, where there is a purchase and sale transaction with agreed profits, cooperation between capital owners and business managers; and conducting lease contracts for goods or services (Lestari et al., 2023). All of this financing is directed to halal and productive activities, as well as avoiding speculation or unclear business. The value of transparency and clear agreement from the beginning is the foundation of every contract that is carried out, reflecting the cooperative's commitment to carry out sharia principles in a complete and responsible manner.

The main risk faced by cooperatives is the occurrence of bad loans, especially in mudharabah contract-based financing. The character of the majority of members of KSPPS Artha Bahana Syariah Secang Branch is known to be orderly and responsible. About 80 percent of members show a high commitment to financial obligations, but about 20 percent of members experience various obstacles in carrying out their obligations, which are generally caused by economic limitations and low financial literacy. This problem mostly stems from the unstable economic condition of members, while a small part comes from the character of less responsible members. In addition, external factors such as the pandemic also put additional pressure on members' ability to meet financing obligations. When faced with this, cooperatives choose a familial approach, not merely administrative actions or sanctions.

When a situation where members face difficulties, the cooperative does not immediately take harsh billing measures. On the contrary, it shows commitment to the principle of ta'awun or mutual help. The assistance provided is not only in the form of installment relief or rescheduling of payments, but also includes support in the development of members' businesses so that they can return to being productive and economically independent. A good human resource manager will improve the capabilities of employees, which ultimately contributes to improved financial performance and the competitive advantage of the institution(Fitriani & Septiarini, 2017). This means that the officers at KSPPS Artha Bahana Syariah view financing risks, especially the risk of default, through a different lens than conventional financial institutions. In this cooperative, risk is not solely a matter of financial losses that must be suppressed as low as possible. For them, risk is part of a spiritual journey or a test from God that tests faith, honesty, and responsibility in managing trust. This approach is also found in the practice of KSPPS BMT Barokah Tegalrejo, which implements qardhul hasan financing openly, both to internal members and the general public, as a manifestation of trust and social solidarity in Sharia financial institutions(Marpuhasa et al., 2023). When there are business partners who have not been able to make a deposit, the officers do not immediately assess it as a failure or loss. The cooperative sees it as part of a mandate that must still be maintained with patience and empathy.

The respondents' expressions in the interview were such as*, "If the partner has not been able to deposit, we consider this a test, not just a loss. We are entrusted with the mandate, yes, we must be maintained,"* reflecting the spiritual attitude that is the basis of the work ethics of the officers. This view strengthens the bond of trust between cooperatives and their members, and shows that the Islamic financial system is not only about transactions, but also forms moral and social awareness among all parties involved.

At KSPPS Artha Bahana Syariah Secang Branch, risks in financing are not seen solely as financial problems or potential business losses. Risks such as customer business failure or late payment are considered part of the test given by Allah SWT. This view shows how strong spiritual values and faith are in shaping the way of working and decision-making in the sharia cooperative environment. The concept of trust is a core value that is rooted in the entire cooperative operational process. Cooperative officers realize that they are not just carrying out administrative tasks or making a profit, but carry out a great responsibility in safeguarding the funds belonging to members that have been entrusted to the cooperative. The funds managed are considered as deposits from the people, which must be distributed appropriately and fairly. Therefore, the cooperative carries out the customer selection and analysis process very carefully and considerately, ensuring that prospective financing recipients really have the intention and capacity to run the business honestly and responsibly.

This religious view also shapes the attitude of officers in carrying out their daily duties. Cooperative officers tend to show high patience and empathy when dealing with customers who are experiencing difficulties. But on the other hand, this attitude is also balanced with firmness and prudence in the early stages of financing. Cooperatives realize that the purpose of financing is not only to pursue profits, but also to ensure blessings and provide real benefits to the people.

This kind of approach is in line with the view of Chapra (2000) (in Umam, 2023) according to the *Islamic worldview* framework, which emphasizes that in the Islamic financial system the role of faith plays a role as an internal controller in economic behavior. The approach applied by KSPPS Artha Bahana Syariah Secang Branch reflects views that are in line with the *framework of the Islamic worldview*. According to Chapra, faith plays the role of an internal controller, meaning that an individual's economic behavior is not solely shaped by external incentives such as profit or the threat of punishment, but more deeply by spiritual awareness and moral responsibility before Allah SWT. This means that when a person carries out economic activities, he not only considers rational and material aspects, but also thinks about whether his actions are in accordance with Islamic values, such as honesty, justice, trust, and concern for others.

The implications of this view are very real in the practice of sharia cooperatives such as KSPPS Artha Bahana, this is reflected in how officers interpret risks, make financing decisions, and interact with members, all of which are done on the basis of strong Islamic values. When dealing with defaulting customers, the cooperative does not necessarily view it as an absolute failure or a mistake to be punished, but also as part of a test of faith and social responsibility that must be dealt with wisely.

This principle also encourages a more humane and empathetic approach, where economic success is measured not only in terms of finance, but also in terms of blessings, social benefits, and the balance between this world and the hereafter. Therefore, within the framework of *the Islamic worldview* as Chapra explains, economic activity becomes part of worship, and each of its actors is expected to act not only as an economic being, but also as a servant of Allah who is responsible for the impact of every economic decision he takes.

Dualism of Mitigation Strategies: Between Formal SOPs and Social Wisdom Approaches

The risk management practice of KSPPS Artha Bahana Syariah Secang Branch applies two main approaches that complement each other, namely formal and informal approaches. The formal approach is carried out through the implementation of Standard Operating Procedures (SOPs) set by the head office. This SOP covers all stages of financing, starting from the application process by prospective customers, business feasibility and character analysis, disbursement of funds, to billing and settlement mechanisms in case of problems. This approach is systematic and standardized, designed to maintain institutional accountability and integrity in managing the people's funds.

However, because these cooperatives operate in areas with a strong community culture such as in the Secang area, the risk management process cannot rely entirely on a formal approach alone. This is where an informal approach based on local wisdom plays an important role. Cooperative field officers rely heavily on a family and social approach in carrying out their duties. Officers actively establish friendships, hold deliberations, and conduct personal visits to better understand the condition of the members. This approach aims to strengthen the emotional connection between sharia cooperatives and their members and capture dynamics and problems that cannot always be identified through formal documents.

In assessing financing risks, customers' reputations and social networks in their neighborhoods are no less important sources of information. Assessments of the character and commitment of prospective financing recipients are often based on social observations and input from the surrounding community. This helps cooperatives to make more targeted decisions, avoid the risk of moral hazards, and foster stronger trust between cooperatives and their members.

As an effort to mitigate risks, KSPPS Artha Bahana Syariah Secang Branch makes the vision and mission of the cooperative as a moral foundation in every decision-making. The vision of cooperatives that focus on the benefits and empowerment of the people is the main guideline, which is then described through the mission of trustworthy and professional Islamic financial services. Although in its implementation it still follows technical procedures such as SOPs and field analysis, this vision and mission provide a direction of values that underlie a prudent attitude and a commitment to usefulness, both financially and socially and spiritually.

Risk mitigation begins at an early stage through a strict selection process for prospective members. This procedure includes checking credit history through BI Checking, direct observation to prospective members' homes, interviews with neighbors, and analyzing the loan track record of previous owners. However, the team also realized that not all risks can be identified through formal administrative procedures. Many risks are implicit such as social pressure, conflicts in the family, or psychosocial burdens that often escape technical observation. To anticipate this, KSPPS relies on informal information from the social environment, including input from community leaders and neighbors. This kind of local knowledge is an important tool to identify hidden risks that can have an impact on the smooth flow of financing.

Cooperatives also do not hesitate to reject financing applications if there is a discrepancy between the application and the real condition of members. This rejection is not seen as a form of personal rejection, but rather as a form of protection both for the sustainability of the cooperative in general and for the members themselves, so as not to be burdened with high-risk obligations. The risk management approach at KSPPS Artha Bahana Syariah Secang Branch shows that financial risk cannot be separated from the local social and cultural sphere. Although structurally this branch follows the system and Standard Operating Procedures (SOP) that have been set by the head office, its implementation in the field is greatly influenced by the characteristics of the local village community who are more communicative, open, and uphold family values.

The emotional closeness and social relationships established between cooperative officers and the community are important assets in the risk mitigation process. In Secang, values such as mutual cooperation, mutual trust, and community leader involvement play a major role in assessing and managing risks that are not visible to the naked eye. Non-financial risks such as social pressure, family conflicts, or members' psychological conditions are often undetected by administrative data, but can be recognized through intense social interaction and officers' sensitivity to community dynamics.

This approach is in line with the *embeddedness* theory put forward by Mark Granovetter in 1985 (Hakim et al., 2022). In this theory, Granovetter states that economic action never takes place in a sterile or isolated space. In contrast, economic actions are always "immersed" in a broader social network, which includes relationships between individuals, social norms, cultural values, and the belief structures that exist in society. This means that economic decisions including financing, payment, or risk evaluation are not purely based on data and rational logic, but are also heavily influenced by the social decisions in which the economic actor is located.

In the Artha Bahana sharia cooperative in Secang, this *embeddedness theory* is reflected in how local social networks become an integral part of the cooperative's work mechanism. Information from neighbors, community leaders, and direct observation of members' social lives are an important part of the risk analysis process. Based on the incorporation of formal and informal approaches, cooperatives are not only able to maintain the sustainability of the institution, but also build a financial system that is more humane, contextual, and rooted in the values of the local community.

The Dynamics of Professional and Personal Relationships: Maintaining a Balance between Procedural Justice and Social Intimacy

At KSPPS Artha Bahana Syariah Secang Branch, the value of justice and responsibility is not just written rules, but has become part of the work culture that is lived and carried out by all management and officers. Because a financial institution is needed in economic activities to provide financial services, including the provision of financing for people who need business capital. For example, the purpose of the establishment of KSPPS is to provide funds to traders and micro businesses, as well as facilities in the form of loan funds, to the lower middle class who still do not have access to other banking services(Sofian et al., 2023). The sharia principles embraced by this cooperative are not only seen as administrative formalities, but as the ethical and moral foundation that directs every action in daily operations. However, in practice, cooperative officers often face a fairly complex dilemma in carrying out their duties, especially when they have to balance between two values that are sometimes opposite, namely justice and familiarity.

In terms of fairness, officers are required to enforce rules and procedures that apply consistently and fairly to all customers without exception. Justice here is very important so that the system runs fairly and the cooperative remains financially strong. On the other hand, officers often establish a close personal relationship with their customers. Many of them know customers as neighbors, relatives, or respected community leaders in the surrounding environment. This relationship causes a feeling *of "ewuh pakewuh"*, which is a feeling of discomfort or reluctance to enforce the rules rigidly and firmly. In situations like this, officers feel reluctant when they have to charge or reprimand someone who is well known and has emotional closeness. This creates an inner tension between professional obligations and the social values that bind them.

The dilemma faced by the officers at KSPPS Artha Bahana Syariah Secang Branch reflects how complex risk management is in sharia cooperatives which are greatly influenced by human and social values. In their daily lives, officers must try to find the right balance between upholding the principle of justice and maintaining the warmth of social relations that characterize village communities. This situation creates tension between professional norms that require adherence to rules and procedures, as well as kinship norms that prioritize mutual understanding and empathy between members of society.

When payment problems occur, officers are faced with a difficult choice, should they immediately collect in accordance with the applicable procedures to maintain the discipline and credibility of the cooperative, or should they first understand the customer's condition more personally and find a more humane solution? This decision is not easy because on the one hand, firm action is needed for the sustainability of the institution, but on the other hand, a family approach is very important so that social relations and trust between members are maintained.

When facing various situations in the field, officers are required to be able to be wise and position themselves appropriately. Sometimes, it is necessary to be firm and adhere to the rules to maintain the stability and sustainability of the KSPPS. However, at other times, they must show a family attitude, such as listening to members' complaints and problems, and working together to find the best solution. This adaptability is an important factor in maintaining a balance between professional responsibilities and social relationships that are already closely established in the community. Although the social approach is very important, the cooperative team remains committed to maintaining an objective attitude. Personal closeness to members can indeed give rise to non-neutral assessments, but this is anticipated while still applying standard survey and analysis procedures. All decisions regarding financing are based on an assessment of the member's realities and ability to manage funds, not on the basis of personal proximity, emotional connections, or social status.

This phenomenon can be attributed to the concept *of role conflict* and *social capital* described by Putnam in (Alfia, 2023). *Social capital* refers to a strong network of social relationships and a high level of trust in a community, which is able to create an environment conducive to cooperation and mutual aid. In sharia cooperatives, this social capital is a great source of strength, because it strengthens the bonds and solidarity between members. However, *role conflict* arises when individuals have to carry out dual roles that sometimes have conflicting expectations and demands. They must fulfill their professional obligations as law enforcers and risk managers, while maintaining close personal relationships with community members. This role conflict can create a dilemma that hinders firm and effective decision-making.

When faced with this situation, KSPPS officers in Secang try to navigate the complexity wisely, so that the cooperative continues to run well and social relations in the community also remain harmonious. This approach emphasizes the importance of a balance between professionalism and humanity in the management of cooperatives based on sharia values.

Sharia Financing Strategy: Maslahah Value-Based Firmness

KSPPS Artha Bahana Syariah Secang Branch carries out a management strategy rooted in sharia principles with a firm approach but still oriented towards the common good or good. In making decisions, this cooperative not only fixates on black-and-white rules, but also considers the real conditions faced by customers and the long-term impact of each policy implemented. Often the decisions that must be taken are at a very dilemmatic point, especially when the customer experiences business failure or difficulty in meeting payment obligations. For example, cooperatives must determine whether to exercise firmness by withdrawing customer guarantees as a form of enforcing the rules, or to provide time allowance so that customers have the opportunity to improve their business conditions. This choice is not only related to financial aspects, but also has major social consequences, such as how the decision affects the lives and social relationships of members and the continuity of their businesses.

The principle *of "firm but maslahah"* is the main handle in situations like this. Sharia cooperatives are committed to carrying out firmness in accordance with sharia provisions and mutually agreed contracts, maintaining integrity and fairness in every transaction. However, this firmness is not carried out rigidly or without consideration, but is always accompanied by an assessment of the broader benefits or benefits. Thus, in every decision taken wisely, trying to balance compliance with sharia principles and protection of the interests of members and communities.

This approach reflects that in sharia cooperatives, risk management and decision-making are not only about formal rules, but also about the human and social values inherent in every economic activity. KSPPS strives to become a financial institution that not only prioritizes legal and financial certainty, but also maintains business sustainability and the welfare of its members in the long term.

At KSPPS Artha Bahana Syariah Secang Branch, the handling of late payments is carried out with a very humanist approach. When members have difficulty fulfilling their obligations, the cooperative does not use repressive methods that can cause pressure or conflict. Instead, it prioritizes a warm negotiation process and rescheduling of payments so that members have the opportunity to adjust their financial capabilities. More than just providing relief, cooperatives are also actively helping members in developing their businesses so that they can return to being productive and independent. This approach is in line with the principle of *ta'awun*, which is the main value in the Islamic financial system.

The selection process for cooperative members is carried out very strictly and meticulously to maintain the financial health of the institution. This is important so that the funds managed remain safe and sustainable. On the other hand, social assistance is distributed in a targeted manner to members who really need it, as a form of cooperative social concern for the small community that is its base. The head office also emphasized that cooperative branches should not only focus on achieving financial targets, but also always prioritize alignment with members and underprivileged communities. For customers, they are required to fulfill their payment obligations, and cooperatives do not let customers default or simply avoid without settlement. However, in every decision taken, KSPPS always considers the aspect of maslahah, namely a broader and sustainable good for all parties, both cooperatives, customers, and the surrounding community.

For example, if withdrawing customer guarantees is directly seen as destroying the economic and social life of customers and their families, KSPPS will choose to find alternative solutions. The solution can be in the form of restructuring financing or offering a new payment scheme that is lighter and in accordance with the customer's ability. This approach aims to maintain business continuity and good relations between cooperatives and members and ensure that customers can bounce back financially. In the end, this is also an advantage for KSPPS because it keeps customers able to fulfill their obligations in the future.

The approach applied is flexible but still has strong principles, thus helping the cooperative to face various risks in a way that is in accordance with Islamic values and full of humanity. This is in line with the concept of *maqashid sharia*, which is the purpose or purpose of every provision in Islamic law that is oriented towards creating benefits and avoiding harm for humans. Some of the main principles of sharia maqashid that are clearly visible in the risk management of KSPPS are *hifzh al-mal* (protecting property) and *hifzh al-nafs* (protecting life). Through strict member selection and a careful risk mitigation process, KSPPS keeps the people's funds safe and productive, so that members' assets are well protected. Meanwhile, the humanist approach and local wisdom applied also maintain the welfare and safety of the members, including by providing leniency and support so that they can bounce back from difficulties without having to experience excessive pressure.

In addition, *the principle of 'urf* or local customs is also an important part of the risk mitigation strategy implemented. Understanding and respecting the customs and culture of the surrounding community as long as it does not conflict with sharia, cooperatives are able to manage social relations and risks more effectively. Therefore, the risk mitigation carried out by KSPPS indirectly helps to maintain three important aspects in the sharia maqashid, namely religion (*din*), property (*mal*), and soul (*nafs*). The protection of these three aspects shows how sharia cooperatives are able to carry out their functions as financial institutions, as well as as social and spiritual vehicles that support the benefits of members and the wider community as a whole.

The benefits of risk mitigation efforts carried out by KSPPS Artha Bahana Syariah Secang Branch have now shown positive results to maintain the sustainability of cooperative goals. To maintain and improve this achievement, the branch team regularly attends risk mitigation training held by the head office, focusing not only on financing evaluation and technical risk analysis, but also on the socio-religious approach typical of sharia cooperatives. This strategy has proven to be effective in managing risk, although it still needs strengthening, especially in terms of accelerating the analysis process and applying technology for more modern and real-time risk monitoring. The biggest challenge arises in the management of mudharabah contracts, where supervision and transparency are highly dependent on the honesty of business partners in reporting results. Although regular field visits and reporting are carried out, their effectiveness is still influenced by members' ability to convey information accurately. Compared to murabahah contracts, mudharabah has a higher risk because it involves members directly in business management, so cooperatives anticipate this risk through initial education, contract adjustments according to member characteristics, and intensive business assistance so that the contracts applied are fair and mutually beneficial.

When faced with the change from the conventional system to sharia, the cooperative had encountered resistance from old members who objected to the terms of the contract and the rules for using new funds. To overcome this, KSPPS Artha Bahana Syariah has formulated various risk mitigation strategies, including the development of a local-based digital system that facilitates the monitoring and reporting process, field survey personalization training so that officers are more sensitive in understanding the social conditions of members, and strengthening social networks as an early risk detection tool. In the future, cooperatives realize the importance of more solid synergy and cooperation because the main strength of cooperatives lies in their ability to integrate formal data with the social conditions of members directly, so that risk mitigation becomes more realistic and effective. It is hoped that the development of a technology-based risk assessment system such as internal credit scoring can be carried out without eliminating the humanist social touch. The use of the ABS digital application and the integration of UNIK digital financing products that have begun to be implemented are the first steps towards strengthening the real-time risk monitoring system, including financial reporting and member business results, which will further strengthen the cooperative's risk management in the future.

CONCLUSION

The study found that risk mitigation at KSPPS Artha Bahana Syariah Secang Branch extends beyond technical measures like SOPs and financing analysis to include vital social and spiritual dimensions. Field officers view risk as a trust-based test, prompting caution grounded in justice, empathy, and moral responsibility. Success in mitigating risk relies heavily on officers' ability to balance procedural strictness with a familial, socially sensitive approach, highlighting the importance of spiritual integrity alongside administrative competence. This holistic strategy strengthens the sustainability and member trust of value-based *sharia* cooperatives by integrating formal systems with *sharia* principles. The study recommends ongoing training that emphasizes not only mitigation techniques but also the reinforcement of financing ethics and *sharia* values to enhance the cooperative's professional and dignified identity. Future research could explore how these social-spiritual risk mitigation practices influence long-term financial performance and member satisfaction across a broader range of *sharia* microfinance institutions.

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