

## MUDHARABAH FINANCING RISK MANAGEMENT ANALYSIS STUDY AT BMT SIDOGIRI BONDOWOSO BRANCH

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**Abstract:** *In Islamic financial institutions, we are familiar with the term mudharabah. In its division, mudharabah is divided into two, namely: the first: Mudharabah muqayyadah which means shahibul maal provides limits on the funds invested. And the second: Mudharabah Muthlaqah shahibul maal does not provide restrictions on the invested funds. The focus of this research is how to implement mudharabah financing at BMT Sidogiri Bondowoso Branch. and how is the risk management strategy of mudharabah financing in BMT Sidogiri Bondowoso*



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*Branch. In this study, the author used qualitative research with interview methods, observation methods and documentation methods. So that in the form of analysis we use qualitative descriptive analysis. The results showed that mudharabah financing at BMT Sidogiri Bondowoso Branch was following sharia sharia in sharia economic theory because the terms and conditions had been met, but in mudharabah financing at BMT Sidogiri Bondowoso Branch could only be realized both in the form of raising funds and distributing funds.*

**Keywords:** *Mudharabah Financing, Risk Management.*

## **A. Introduction**

Islam passed down in the world by Allah has the main principle in the life of mankind is servitude to Allah Almighty. Which is the one true Dzat. He is the only god and creator of the universe, as well as the sole owner and ruler of the life of all beings, both in the world and in the hereafter. It is subbuhun and kuddusun, that is, free from all flaws, errors, weaknesses, and various other lamenesses, and holy and clean in all things.<sup>1</sup>

Islam has a special sharia, which is universal and comprehensive. Universal means that Islamic sharia can be applied at any time until yaumul hisab later, while comprehensive means Islamic sharia summarizes all aspects of life, both ritual (worship) and social (muamalah).<sup>2</sup> Worship is necessary in religious life to maintain obedience and honor of the relationship with its khaliq. While the muamalah aspect is the rule of the game in social life, that is why this aspect of muamalah is very loosely arranged. These rules are intended to guarantee man throughout his life, whether it concerns the salvation of religion, the salvation of soul and body, the salvation of reason, the salvation of property, and the salvation of posterity (*nasab*). These things are basic needs (*Al-Hajat Adh Dharuriyyah*).

Humans are social creatures. In living daily life, man cannot live alone, but rather he needs the help of others. Because every human being cannot survive without the help of others or other creatures. Furthermore, the presence of other beings can also create a life that complements each other's shortcomings. Man's activities on earth to meet his needs in ancient times tended to undergo the same process, namely: how he hunted and farmed. Likewise, human behavior at this time, experiences a tendency towards the same. This indicates that humans have relatively the same behavior patterns. The repeated process of meeting these needs allows humans to identify patterns of behavior that are more effective in meeting their

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<sup>1</sup> Adiwarmanto Azwar Karim, 2004. **Sejarah Pemikiran Ekonomi Islam**. Jakarta: PT. Raja Grafindo Persada. p.3

<sup>2</sup> Muhammad Syafi'i Antonio, 1999. **Bank Syariah, Bagi Banker dan Praktisi Keuangan**. Jakarta: Bank Syariah Indonesia dan Tazkia Institute. p.38.

needs. Finally, humans can modify the marking of these behavior patterns in an attitude, how to carry out an activity to get maximum profit and avoid the minimum possible loss from each need. In meeting their needs, one of the efforts made by humans is to be together, because muamalah activities are not only based on material value but there is a transcendental backrest in it so that it will be of worship value. In addition, the basic concept of Islam in muamalah (economic) activities is also very concerned with the values of humanism. Among the basic rules of fiqh in bermuamalah (transacting) are:

الأضْلُ فِي الْمَعَامَلَاتِ الْإِبَاحَةُ

*"in principle in those transactions it is permissible".*

One of the economic activities that are often practiced includes mudharabah. Mudharabah is a business cooperation agreement between two parties, where the first party acts as the owner of the fund (shahibul maal) which provides all capital (100%), while the other party acts as the business manager (mudharib). The business profit obtained from the mudharabah contract is divided according to the agreement stated in the contract, and usually in the form of a ratio (percentage).

Mudharabah financing is very urgent in the midst of community life because mudharabah financing is allegedly an activity that helps each other's needs. Thus, they can maintain their lives. However, the financing is incomprehensible to customers. One of the factors is the customer's ignorance of mudharabah financing and the lack of socialization from BMT Sidogiri to the local community. So it's not familiar to the public.

One form of mudharabah financing that is often practiced by BMT Sidogiri is agriculture and trade. Because trading requires a lot of capital. The community practices this financing because mudharabah financing is very helpful for the community as initial capital for trading. Therefore, however, the risk of mudharabah financing is maintained. However, it is unfortunate that sometimes customers put interests that can benefit themselves first, such as misusing funds agreed upon by both parties, negligence and deliberate mistakes, and concealment of profits by customers when customers are dishonest. This is a negative impact contained in the mudharabah contract, especially on the relatively high application of financing.

Therefore, the steps that must be taken by BMT Sidogiri before disbursing the financing are to first survey customers who will make transactions with BMT Sidogiri. Both in terms of his work, his income, his personality, and his desire for mudharabah financing disbursed by BMT Sidogiri.

The narrative above is quite representative of a basic reason that can be used as a background for studies in conducting a study, so researchers, in this case, are very interested in raising this title. Therefore, research on the title is interesting to be studied more deeply to obtain comprehensive scientific information and essential truth.

## **B. Research Methods**

Research methods are a very important component for the success of a study because research can be said to be successful if it is a systematic and orderly method or method so that problems can be solved and research objectives can be formulated properly. Therefore, this research method can be seen as vital in writing scientific papers such as this journal. In the book by Prof. Dr. Sugiyono which discusses qualitative and quantitative research, it explains. Qualitative research methods can be interpreted as research methods based on the philosophy of Postpositivism, used to examine natural objects. Where the researcher is the key instrument.

Related to the research method in this scientific work, the author uses the Islamic Law approach even though some adopt a qualitative approach in the form of field research (field research). This research was conducted by the author by being directly on the object, especially in his efforts to collect data and various information. In other words, the author goes down and is in the field, or is directly in an environment that is experiencing problems or that is about to be fixed or refined.

### **1. Data Sources**

What is meant by the source of data in this study is the subject from which data can be obtained. In qualitative research according to Spradley, obtaining accurate data consists of three components, namely:

- a. Place, or place where interaction in an ongoing social situation
- b. Actor, the perpetrator, or people who are playing a certain role
- c. Activity or activity carried out by the actor in an ongoing social situation.

In general, data sources in a study are divided into two types, namely:

#### **a. Primary Data Sources**

The primary source of data in this discussion is the words and actions obtained through interviews, hearing or seeing firsthand the practice and law in bai' al-wafa' in today's modern muamalah and the implications of religious consistency. These data

are obtained directly from the objects of research of individuals, groups, and organizations.<sup>3</sup>

#### b. Secondary Data Sources

To enrich and expand the discussion, researchers also use these supporting sources, namely sources or literature that discuss the object of this study. For example classical books, and contemporary books on the *law of bai' al-wafa'* such as *Fiqhul Islami wa Adilatuhu*, by Prof. Dr. Wahbah al-Zuhaili, *Raddu Al-Mukhtar 'Ala Al-dari al-Mukhtar* Syarh al-Tanwir al-abshar by ibn Abidin.

## 2. Data Collection Technique

The data collection technique is the most strategic step in writing because the main purpose of writing is to get data. Without knowing the data collection techniques, the researcher will not get data that meets the established data standards. In general, there are three kinds of data collection techniques, namely:

#### a. Observation

In popular scientific dictionaries, observation is observation, surveillance, review, investigation, and research. So, researchers made observations on the application of the *bai' al-wafa'* contract and the implications of consistency in Sidogiri's BMT so that researchers obtain valid information. According to Dr. Nawawi Tabrani, observation is directed at paying attention to activities that arise, especially in disciplines, both exact sciences and social sciences.

#### b. Interview

Interviews are data collection techniques that are carried out through oral questions or questions and answers. The questions were addressed to people who directly used the *ba'i al-wafa'* contract at the research site, namely at BMT Sidogiri Bondowoso Branch. So that the data obtained by the author is valid and under reality.

## C. Theoretical Framework

### 1. Definition of Mudharabah

Etimologi (language) qirad (القراض) ) is taken from the word قرض which means القتع (deduction) because the owner gives a deduction from his property to give to the person to work on the property, and the businessman will give a deduction of the profit

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<sup>3</sup> Rusady Ruslan, 2003. *Metode Penelitian: Public Relation Dan Komunikasi*, Jakarta: PT. Raja Grafindo Persada. Edisi 1. Cet. Ke-2, h. 29

earned. It can also be taken from the word muqaradhah (المارضة) which means الماواة (similarity). Because the owner of capital and the entrepreneur have the same right to profit.

The Iraqis mentioned the term mudharabah (المضاربة) because العاقدين يضرب بسهم (everyone who performs the contract has a share of the profit) or the businessman must travel in the pursuit of the capital property. Therefore the journey is called ضرب في السفر.

According to the term syara' . Mudharabah means an agreement between two parties to cooperate in a trading business in which one party gives the other party's funds as capital for the two of them under the agreement that has been agreed.

Meanwhile, according to the term fiqh al mudharabah, the imams of madhabs give different definitions of mudharabah. The definition is as follows:

- a. Madzhab Hanafi defines Mudharabah as an agreement of a company in profit with the capital of the property of one party and with the work (business) of the other.
- b. Madzhab Maliki definitively that Mudharabah is a mandate (taukiil) to trade with cash handed over (to its managers) by getting a portion of its profits, if known amounts and profits.
- c. Madzhab Shafi'i defines mudharabah as a suatau contract that contains the surrender of capital to another person to work on it and the profit is shared between the two of them.
- d. Madzhab Hambali defines Mudharabah as the surrender of a certain capital and its amount or amount, to the person who seeks by obtaining a certain share of his profits. Madzhab Hambali defines Mudharabah as the surrender of a certain capital and its amount or amount, to the person who seeks by obtaining a certain share of his profits.
- e. According to Sayyid Sabiq Mudharabah is an akat between two parties where one of them hands over his capital to the other to trade with profit sharing according to the agreement.
- f. According to Taqiyyudin Mudharabah is an agreement on finances to be managed by a person (worker) in the trade.
- g. According to Wahbah az-Zuhaily Mudharabah is the provision of capital by the owner of capital (al-malik) to the manager (worker) to be managed in the form of a business, with the distribution of profits based on agreements.

Meanwhile, according to terminology (term), Mudharabah is a contract that involves two or more people, namely the owner of the investor's capital (shahibul maal) who entrusts his capital to the manager for use in trading activities. In this case, it contributes work, time, and time to manage its business by the provisions to be achieved in the contract, one of which is to achieve profits (profit) divided between parties (shahibul maal and mudharib) based on the proportion that has been mutually agreed upon. However, if there is a loss, the bearer is the shahibul maal party as long as the loss is not due to the negligence of the mudharib. Meanwhile, mudharib bears the effort, effort, and time that has been done to carry out the business. However, if the loss is caused by the negligence of the mudharib, then the mudharib must be responsible for the loss.

Prof. Dr. H. Veithhzal Rivai, M.B.A. and Ir. H. Andi Buchari, M.M. in his book *Islamic Economics, Sharia Economics is Not an Option, But a Solution* he mentioned that *Mudharabah* is a form of cooperation in which one of the parties is called *shahib al maal or rabb al maal* (owner of funds), acting as an inactive partner. On the other hand there is a party called *mudharib* (fund manager), providing manpower to manage funds to make a profit, Mudharib is expected to be prudent, trustworthy, and responsible for losses arising from negligence committed. As an agent, he is expected to be able to manage funds to benefit the owner of the funds without violating Islamic law.

2. So in its development mudharabah can be interpreted as a business cooperation agreement between two parties where the first party (shahibul maal) provides all (100%) capital, while the other party becomes the manager. Business profits are mudharabah divided according to the agreement stated in the contract, while 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. The manager shall be liable for such losses.

### 3. Legal Foundations of Mudharabah

In essence, the law of *mudharabah* is not mentioned in the Qur'an, but after looking at it in the Qur'an, it only reveals the mustak of the term dharaba fifty times. Among these numbers, the scholars' Fiqih made the root of *mudharabah* from the word dharaba fil ardhi which means to walk on the face of the earth. Clerics consider that what is meant by walking on the face of the earth is to travel to a region for trade. We can see this in the verses of the Qur'an and the hadiths of the Prophet Muhammad SAW.

a. Al-Qur'an

Here are the postulates from the Qur'an relating to mudharabah:

لَيْسَ عَلَيْكُمْ جُنَاحٌ أَنْ تَبْتَغُوا فَضْلًا مِّن رَّبِّكُمْ فَإِذَا أَفَضْتُمْ مِّنْ عَرَفَاتٍ فَاذْكُرُوا اللَّهَ عِنْدَ الْمَشْعَرِ الْحَرَامِ ۗ وَاذْكُرُوهُ كَمَا هَدَّكُمْ  
وَإِنْ كُنْتُمْ مِّن قَبْلِهِ لَمِنَ الضَّالِّينَ

It means: "there is no sin for you to seek the gift (of commerce) from your Lord. So when you have departed from 'Arafat, think to Allah in Masy'arilharam[125]. and think (by mentioning) God as He shows you; and Verily ye before that truly Belong to the heretics. (Al-Baqarah :198)"

فَإِذَا قُضِيَتِ الصَّلَاةُ فَانْتَشِرُوا فِي الْأَرْضِ وَابْتَغُوا مِن فَضْلِ اللَّهِ وَاذْكُرُوا اللَّهَ كَثِيرًا لَّعَلَّكُمْ تُفْلِحُونَ

It means: "when the prayer has been performed, Then scatter ye on the face of the earth; and seek the gift of God and remember God much so that you may be lucky. (al-Jum'ah:10)"

وَأَخْرُوجُونَ يَصْرُفُونَ فِي الْأَرْضِ يَبْتَغُونَ مِن فَضْلِ اللَّهِ

Its means: "..... and of those who walk on the face of the earth seeking some of the gifts of God. .... (al-Muzammil:20)"

Surat Al-Baqarah and Al-Jum'ah explain that Muslims are motivated to always make efforts that have been endowed by Allah on this earth.

All the verses of this verse, says Az-Zuhaily, with their nature explaining the necessity of property through the mudharabah contract. From the As-Sunnah there is also a hadith narrated by Ibn Abbas r.a that Sayyidina Abbas bin Abdul Muthalib when handing over property as a mudharabah requires his business partners not to carry their property across the sea, down the valley, and by living animals. If he violates the regulations, then the person concerned is responsible for the funds. The conditions laid down by al-Abbas were conveyed to the Messenger of Allah and he allowed them.<sup>4</sup>

<sup>4</sup> Muhammad Syakir Sula, 2004. *Asuransi Syariah (Life and General) konsep dan Sistem Operasional*. Jakarta:Gema Insani Press. Cet. Ke-1. h.332.



## b. Hadits

Here are some Hadiths related to Mudharabah:

رَوَى ابْنُ عَبَّاسٍ رَضِيَ اللَّهُ عَنْهُمَا أَنَّهُ قَالَ: كَانَ سَيِّدُنَا الْإِبْرَاهِيمُ بْنُ عَبْدِ الْمُطَّلِبِ إِذَا دَفَعَ الْمَالَ مُضَارِبَهُ اشْتَرَطَ عَلَى صَاحِبِهِ لَا يَسْلُكُ بِهِ بَحْرًا وَلَا يَنْزِلُ بِهِ وَاوِيًا وَلَا يَشْتَرِي بِهِ دَبَّةَ ذَاتِ كَبِدٍ رَطْبَةً فَأَنْ فَعَلَ ذَلِكَ ضَمِنَ فَبَلَغَ شَرْطَهُ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَأَجَازَهُ (رواه الطبرني رضي الله عنه)

It means : *"It is narrated from Ibn Abbas that Sayyidina Abbas bin Abdul Muthalib if he gives funds to his business partners on a mudharabah basis, he recommends that the funds should not be taken to sail the seas, down the dangerous valleys, or buy livestock. If it violates the regulations, the person concerned is responsible for the funds. It was conveyed to the Messenger of Allah pbuh and the Messenger of Allah allowed it. (H.R. Tabrani)"*

عن صالح بن صهيب رضي الله عنه ان النبي صلى الله عليه وسلم ثلاث فيمن البركة البيع الى اجل والمقارضة واخلط البر بالشعير للبيت لا للبيع (رواه ابن ماجه عن صهيب رضي الله عنه)

Its means : *"From Shalih bin Suhaib r.a. that the Messenger of Allah saw. Said: Three things in which there is a blessing: Buying and selling resiliently, muqaradhah (mudharabah), and mixing wheat with flour for home use, not for sale. (HR. Ibn Majah)."*

The two Hadiths above illustrate that in fact, the first Hadith shows a practice of mudharabah (qiradh) contract which is carried out using profit sharing, and the conditions are determined. The second hadith emphasizes the legal basis for the validity of the mudharabah transaction technique carried out in the time of the Messenger of Allah with Shahabat.

## 4. Pillars and Terms of Mudharabah

*Mudharabah* as an economic cooperation activity between two parties, has several provisions that must be met to bind the cooperation within the legal framework. According to the Hanafi madzhab about the contract, the most basic elements are *ijab and qabul* (offer and acceptance), meaning that it is following the wishes and intentions of the parties to establish a bond of cooperation. However, some other madhabs, such as Imam Shafi'i proposed several mudharabah pillars that not only the existence of *ijab and*

qabul, but also the existence of two parties, the existence of work, the existence of profit, and the existence of capital.

Therefore, in this discussion the pillars of *mudharabah*, it can be explained as follows:

a. The existence of two parties (Shahibul maal and *mudharib* / capital providers and parties running the business) is required as follows:

- 1) Conditions relating to the person making the transaction must be a capable person acting on behalf of the law and capable of being appointed as a representative, and the *kafil* of each party.<sup>5</sup>
- 2) Owning the territory of *al-tawakil wa al-wikalah* (having the ability to represent / or mandate and receive power), because the handover of capital by the capital-giving party to the capital manager is a form of granting power to process the capital.<sup>6</sup>

b. *Ijab* and *Qabul*

The statement of will in the form of *ijab* and *qabul* between the two parties has the following conditions;

1) Should Be Clear

*Ijab qabul* must indicate the intention to carry out *mudharabah* activities. In explaining the meaning, you can use the words *mudharabah*, *qiradh*, *muqaradah*, *muamalah* or all the words that are related to it. It is also possible not to mention the word *mudharabah* and other words. .if the intent of the offer is already understandable. For example 'Take this money and use it for our efforts and benefits for both'.

2) Must Meet

*Ijab qabul* must meet. This means that the first party's offer arrives and is known to the second party. This means that the *ijab* spoken by the first party must be accepted and agreed upon by the second parties as an expression of their willingness to cooperate.

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<sup>5</sup> Muhammad Syakir Sula, 2004 **Asuransi Syariah (Life and General) Konsep dan Sistem Operasional**. Jakarta:Gema Insani Press. Cet. Ke-1 h. 334

<sup>6</sup> Muhammad, 2003. **Kontruksi Mudharabah dalam Bisnis Syariah**. Yokyakarta: PSEI STIS, h.60

The expression of willingness can be expressed in words or other body movements (gestures) that indicate willingness. Like for example by saying 'yes I accept'. Or 'I agree' or with other gestures like nodding your head.<sup>7</sup>

3) Must be within the intent of the parties

*Ijab and qabul* must correspond to the first party's wishes according to the wishes of the second party. More broadly, *ijab and qabul* are not as common in terms of the willingness of two parties to become financiers and entrepreneurs. But also a willingness to accept other deals that come in more detail. When those deals are agreed then the law occurs.

c. The Existence of Capital

Capital must be required as follows:

1) The Number and Types are clear

The capital must be clear the amount and type is known to both parties at the time of the making of the mudharabah agreement so as not to cause disputes in the distribution of profits due to the vagueness of the amount. Certainty and clarity of profit are important in this contract.

2) In the Form of Money

Capital must be money (not goods). It is based on the opinions of scholars. They reasoned that if mudharabah uses goods, it will cause equality.<sup>8</sup>

3) Cash nature

The money that is the capital in the mudharabah contract must be cash not debt. Regarding the necessity of money in cash (not debt) in the form of e.g. shahibul maal has receivables to a certain person. The receivables on the person are then used as mudharabah capital with the debtor. This is not justified because the receivable before it is received by the person who owes the debt to the indebted person still belongs to the indebted person. So if it is run in a business, it means that it runs its funds, not people who owe debts.

4) Submitted Direct

The capital must be completely handed over to the manager directly. Because if it is not handed over to the mudharib directly and not handed over completely

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<sup>7</sup> Muhammad, 2003. **Kontruksi Mudharabah dalam Bisnis Syariah**. Yogyakarta: PSEI STIS, h.59

<sup>8</sup> Muhammad, 2003. **Kontruksi Mudharabah dalam Bisnis Syariah**. Yogyakarta: PSEI STIS, h.61

(gradually) it is feared that there will be damage to the capital. Delays that can interfere with start-up time and further result reduce work to the maximum.<sup>9</sup>

d. The Existence of Business (Al-Aml)

In this case, some of the scholars, especially Shafi'i and Maliki, require that the business be merely a mercantile undertaking. Meanwhile, in the industrial business they rejected it. Assuming that the industrial activity they include in the rental contract in the muamalah is known as *ijarah*, where all losses and profits are borne by the owner of the capital.

Unlike Abu Hanifah he allows any kind of business as long as it is not a trading business in which handicrafts or industry activities are.

e. There is a Profit

Regarding profits can be required as follows:

- 1) Profit should not be calculated based on the percentage of the amount of capital invested, but only profit after deducting the amount of capital.
- 2) The profit for each party is not specified in nominal amounts, for example, one million, two million, three million, and so on. Because if it is determined then *shahibul maal* has set a certain profit and this will result in usury.
- 3) The division ratio is determined by percentages, for example, 60:40%, 50:50% and so on.

If the profit sharing ratio is not certain at the time of the contract, then each party understands that the profit will be divided equally. Because the general rule in this calculation is similarity.<sup>10</sup>

However, if there is a loss in this *mudharabah* contract, it will be the responsibility of the fund provider provided that the loss is not negligence or intentional by the manager, and the manager will not get anything.

Drs. Muhammad, M.Ag in his book *Microeconomics In Islamic Perspectives* advocates that losses should periodically be separated from unshared profits, and if they cannot then those gains are withheld until the profits are realized afterward.<sup>11</sup>

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<sup>9</sup> Muhammad, 2003. **Kontruksi Mudharabah dalam Bisnis Syariah**. Yogyakarta: PSEI STIS, h.63

<sup>10</sup> Muhammad, 2003. **Kontruksi Mudharabah dalam Bisnis Syariah**. Yogyakarta: PSEI STIS, h.65

<sup>11</sup> Muhammad, 2004. **Ekonomi Mikro dalam Persepektif Islam**. Yogyakarta: BPFE Yogyakarta. Cet. Ke-1. H.339.

## 5. Kinds of Mudharabah

There are two types of mudharabah in its application performed by shahibul maal to mudharib namely *mudharabah muqayyadah* and *mudharabah muthlaqah*.

### a. Mudharabah muqayyadah

What is meant by *mudharabah muqayyadah* here is that *shahibul maal* gives a limit to the funds it invests. *Mudharib* can only manage funds according to the requests or requirements of the owner of capital which can be in the form of a certain type of business, place, and time only.<sup>12</sup>

In *mudharabah muqayyadah* banking, banks have limitations in using funds. Such limitations can be in terms of terms, type of business, business location, or type of service.<sup>13</sup>

### b. Mudharabah mutlaqah

In the perinsip *mudharabah mutlaqah* the main thing that characterizes it is that *shahibul maal* does not give restrictions on the funds it invests in other words, it is easy to be given full authority to manage without being bound by time, place, type of business, and type of service.<sup>14</sup>

The application of *mudharabah mutlaqah* in banking can be in the form of savings and time deposits so that there are two types of funds, namely *mudharabah* savings and *mudharabah* deposits. Based on this principle, there are no restrictions for banks in using the funds raised.<sup>15</sup>

## 6. Definition of Risk Management

Risk management is an important element whose application needs to be considered, especially in banks as one financial institutions. In general, the risks faced by Islamic banks are relatively the same risks faced by conventional banks. Islamic banks must also establish the principle of prudence in the distribution of their funds, based on sharia principles, to become a healthy banks based on the rules required by Bank Indonesia. For Islamic banks to achieve a good level of health, the funds collected

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<sup>12</sup> Burhanuddin s, 2008. **Hukum Perbankan Syariah di Indonesia**. Yogyakarta: UII Press. Cet. Ke-1. h.267

<sup>13</sup> Dauc vicary abdullah dan keon chee, terjemah oleh Satrio wahono, 2012 **Buku Pintar Keuangan Syariah**. Marshall cavendish international, Singapore. Cet. Ke-1. h.164.

<sup>14</sup> Gemala dewi, 2006. **Aspek-aspek Hukum dalam Perbankan dan Perassuransian Syariah di Indonesia**. Jakarta: Kencana. Cet. Ke-3. H.83-84

<sup>15</sup> Solahuddin, 2006. **Lembaga Ekonomi dan Keuangan Islam**. Surakarta: Muhammadiyah University Press. Cet. Ke- 1. H.27

and disbursed must be managed properly, including managing the risk of disbursing funds..

Islamic banks are very vulnerable to risk so risk management is needed to overcome these things. Risk management is defined as a series of procedures and methods used to identify, measure, monitor, and control risks arising from the business activities of Islamic banks.<sup>16</sup>

## 7. Types of Risk

Although bank managers strive to make the highest profit, simultaneously they should also pay attention to the possible risks that arise accompanying management decisions regarding the structure of their liabilities and assets. Specifically, the risks that will cause the bank's profit level to vary include liquidity risk, credit risk, and capital risk. Islamic financial institutions will not face interest rate risk, although in an environment where dual banking systems apply, increasing interest rates in conventional markets can have an impact on increasing liquidity risk as a result of customers withdrawing funds from Islamic banks and moving to conventional banks..<sup>17</sup>

The risks that occur in Islamic financial institutions are essentially the same as those that occur in conventional banks, but there is a very large risk in Islamic financial institutions, namely the risk of a good name.

The risks faced by Islamic financial institutions are as follows :

- a. Credit risk is the risk due to the failure of the nasabah or other parties to fulfilling obligations to the bank under the agreed agreement.
- b. Market risk is the risk to the balance sheet position and administrative accounts including derivatives, due to changes in market prices, including risks in the form of changes in the value of assets that can be used or rented.
- c. Liquidity risk is the risk resulting from the bank's inability to meet maturing obligations from a source of funding high-quality cash flows or liquid assets that can be used, without interfering with the bank's activities and financial condition.
- d. Operational risk is the risk of loss caused by inadequate internal processes, internal process failures, human errors, system failures, and external events that affect the bank's operations.

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<sup>16</sup> Sri indah niken Sari, 2012. **Perbankan Syariah**. Semarang: PT. Pustaka Rizki Putra. Cet. Ke-1. h. 175

<sup>17</sup> Zainal Arifin, 2003. **Dasar-Dasar Manajemen Bank Syariah**. Jakarta: AlvaBet, Cet. Ke-2. h.65.

- e. Legal risk is the risk resulting from lawsuits and the weakness of juridical aspects. This risk can also arise, among others, due to the absence of underlying laws and regulations or weaknesses in the engagement.
- f. Strategic risk is the risk due to inaccuracy in making or implementing a strategic decision and failure to anticipate changes in the business environment.
- g. Compliance risk is the risk caused by the bank not complying with or not implementing applicable laws and regulations and sharia principles.
- h. Reputational risk is the risk caused by a decrease in the level of trust of stakeholders stemming from a negative perception of the bank.<sup>18</sup>
- i. Yield Risk is a risk due to changes in the level of returns paid by banks to customers, due to changes in the level of returns received by banks from disbursements, which can affect the behavior of customers of bank third-party funds.<sup>19</sup>

## 8. Application of Risk Management

Islamic financial institutions that have a high business size and complexity are required to implement risk management for all types of risks. Banks that do not have a high business size and complexity and are required to implement risk management are at least four types of risk: credit risk, market risk, liquidity risk, and operational risk.

### a. *Credit Risk (Credit Risk)*

Is a risk that arises as a result of the failure of the borrower of funds (counterparty) in fulfilling his obligations. Credit risk arises if the bank cannot reproduce the principal or interest installments from the loans it provides or the investments it provides.

The main cause of credit risk is that it is too easy for banks to provide loans or make investments because they are too required to take advantage of excess liquidity, so credit assessments are not careful in anticipating various possible businesses they finance.

Types of credit risk in banking practice include:

- 1) Risks arising from other parties in fulfilling their obligations
- 2) Credit risk can occur in the financing, treasury, and investment activities
- 3) The client's failure to pay back murabahah installment.

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<sup>18</sup> M. Syarif arbi, 2013. **Lembaga Perbankan Keuangan dan Pembiayaan**. Yogyakarta: BPFE. Cet ke-1. h. 260

<sup>19</sup> Sri indah niken Sari, 2012. **Perbankan Syariah**. Semarang: PT. Pustaka Rizki Putra. Cet. Ke-1. h. 175

- 4) Failure of the client to pay the loan
- 5) The client's failure to pay istisna'.
- 6) The client's failure to send the purchased commodity (gifts).

b. Market Risk (*Market Share*)

Is a risk arising from the movement of market variables from the portfolio owned by the bank, which can be detrimental to the bank. Market variables in this case are interest rates and exchange rates, equity prices, and commodity prices so that the value of portfolios or assets owned by banks decreases. In Islamic banking, interest rates do not recognize, so banks do not experience the risks associated with these interest rates.

Based on Bank Indonesia regulations, Islamic banks only need to manage market risks associated with changes in exchange rates that can cause bank losses.

b. Risiko Likuiditas (*Likuidity Risk*)

It is a risk that, among other things, is caused by banks that are unable to fulfill obligations that have matured. This risk often occurs in savings, time deposits, and current account products.

Liquidity risk occurs due to :

- 1) Islamic banks have difficulty finding funds at reasonable costs, either through loans or asset sales. Because interest on loans is prohibited, it is difficult for Islamic banks to get loans.
- 2) Prohibition of selling debt securities other than the nominal, making Islamic banks liquidity.

c. Operational Risk

It is a risk due to the lack of an information system or internal supervision system that will result in unexpected losses. Among other things, it is also caused by insufficient or malfunctioning internal processes, human error, system failure or the existence of external problems that affect bank operations. Operational risk often occurs because Islamic banks are relatively new, and human error factors are easier to emerge. Another reason is that computer software available in the market is not always compatible with Islamic banks..



## 9. Management of mudharabah financing risks

Risk management is an analytical process carried out by Islamic financial institutions to assess a financing application that has been submitted by a prospective customer. By analyzing financing applications, Islamic financial institutions will gain confidence that the business to be financed is *feasible*.

Islamic financial institutions conduct financing analysis to prevent early possible defaults by customers. The analysis will result in the right decision. Financing analysis is one of the factors that can be used as a reference for Islamic financial institutions to believe in the feasibility of customer financing applications.<sup>20</sup>

Some of the basic principles that need to be done to consider the provision of mudharabah financing proposed by prospective customers include the 5C principle, which is as follows:

### a. Character

Character is the state of disposition or nature of prospective customers (customers), both in personal life and business environment. Islamic financial institutions need to analyze the character of prospective customers to know that prospective customers have the desire to fulfill the obligation to repay the mudharabah financing that has been received until it is paid in full.

Ways that need to be done by Islamic financial institutions to find out the character of prospective customers include :

#### 1) BI Checking

Islamic financial institutions can conduct research on prospective customers by viewing customer data through an online computer with Bank Indonesia.

#### 2) Information with other parties

Islamic financial institutions can research prospective customers through other parties who know prospective customers well. For example, finding information about a prospective customer's personality through neighbors, co-workers, job leaders, and business associates.

### b. Capacity

Capacity is the ability of prospective mudharib in running their business to obtain the expected profit. The purpose of this research is to find out or measure to

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<sup>20</sup> Ismail, 2011. **Perbankan syariah**. Jakarta: Kencana Prenada Media Group. Cet. ke-1. h.120

what extent the prospective mudharib can return or pay off his debts on time, from the results of the efforts he obtained.<sup>21</sup>

Some ways that can be taken in knowing the financial capabilities of prospective mudharib include :

1) View financial statements

In the financial statements of prospective mudharib, it will be possible to find out the source of funds, by looking at the cash flow statement. In the overall cash flow statement, you can find out the cash condition of the prospective mudharib, by comparing the source of funds obtained and the use of funds.

2) Checking payslips and savings accounts

Another way that can be taken by Islamic financial institutions, is if the prospective employee mudharib, then the bank can ask for a photocopy of the salary slip for the last three months supported by a savings account for at least the last three months.

3) Survey the business location of the prospective mudharib

This survey is needed to determine the efforts of prospective mudharib by making direct observations.<sup>22</sup>

c. Capital

Capital is the number of funds or own capital owned by prospective mudharib. The greater the own capital in the company, the higher the sincerity of the prospective mudharib to run its business, and Islamic financial institutions will feel more confident in providing financing. The ways taken by Islamic financial institutions to find out capital include :

1) Financial statements of prospective mudharib

If the prospective mudharib is a company, then this capital structure is important for assessing the level of debt to equity ratio. The company is considered strong in facing various risks if the amount of its capital owned is large enough.

2) Down payment

Down payment paid in obtaining financing. If the prospective mudharib is an individual, and the purpose of its use is clear, for example, financing for the purchase of a house, then capital analysis can be interpreted as the amount of down

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<sup>21</sup> Khaerul Umam, 2013. **Manajemen Perbankan Syariah**. Bandung: CV Pustaka Setia. Cet. Ke-1. h.236

<sup>22</sup> Ismail, 2011. **Perbankan syariah**. Jakarta: Kencana Prenada Media Group. Cet. ke-1. h.122

payment paid by the prospective mudharib to the bank. The greater the down payment paid by the prospective mudharib to buy a house, the more convincing it will be for Islamic financial institutions that the financing to be disbursed is likely to be smooth.

d. Collateral

Collateral is an item submitted by Mudharib as collateral for the financing it receives. Collaterals must be assessed to determine the extent of the risk of financial mudharib obligations to Islamic financial institutions. The assessment of this guarantee includes its type, location, proof of ownership, and legal status.

The assessment of this collateral can be viewed from two aspects, namely :

- 1) The economic aspect is the economic value of the goods to be used.
- 2) The juridical aspect is whether the guarantee meets the juridical requirements to be used as collateral.<sup>23</sup>

e. Economic conditions

Economic conditions are political, social, economic, and budaya situations and conditions that affect the state of the economy that may one day affect the smooth running of the prospective mudharib company.

Some analyses related to the condition of the economy include :

- 1) Government policy. Changes in government policies are used as considerations for Islamic financial institutions to analyze the condition of the economy.
- 2) Islamic financial institutions do not focus too much on the analysis of the condition of the economy on consumption financing. Islamic financial institutions will link the place of work of the prospective mudharib and the current and future economic conditions so that it can be estimated about the condition of the company in which the prospective mudharib works. The survival of the company and the work of prospective mudharib are important considerations in making financing decisions.<sup>24</sup>

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<sup>23</sup> Khaerul Umam, 2013. **Manajemen Perbankan Syariah**. Bandung: CV Pustaka Setia. Cet. Ke-1. h.237

<sup>24</sup> Ismail, 2011. **Perbankan syariah**. Jakarta: Kencana Prenada Media Group. Cet. ke-1. h.125

## D. Conclusions

From some of the discussions presented, there needs to be a conclusion so that there are more concrete bright spots. Therefore the following conclusions can be drawn :

1. Implementation of mudharabah financing BMT Sidogiri Bondowoso Sub-Branch, namely customers are not fully given the freedom to run their business, meaning that the BMT Sidogiri cooperative accompanies customers about mudharabah financing submitted by customers to run their business after BMT Sidogiri agrees to the agreement and conditions that have been set by both parties, then the application for mudharabah financing can be accepted by BMT Sidogiri.
2. Risk management analysis of BMT Sidogiri mudharabah financing is by analyzing financing applications, namely through, *the first*: Character, which is carried out employing BI Checking and collecting information from other parties. *Second*: Capital, which is done through financial statements of prospective customers and down payments. *Third*: Capacity, done by looking at financial statements such as checking salary slips, and surveying customer locations. *Fourth*: Collateral is collateral or collateral. *Fifth*: The condition of the Economy, can be seen in its economic existence.

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