



How Important is the Implementation of Prudential Banking Principles in Multipurpose Al-Ijarah Financing to Minimize Financing Risk

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Article Info	Abstract
<p>Article history: Received June 07, 2023 Revised July 01, 2023 Accepted August 27, 2023 Available online September 15, 2023</p> <p>*Corresponding author email: aldzupazeroma00@gmail.com Phone number: 081775277549</p> <p>Keywords: Prudential Principle, Risk, Financing, Al-ijarah</p>	<p>Banks generally face many loans (financing), market, operational, and liquidity risks. Financing risk arises when the bank cannot get back the main credit it has given or the funding it is working on. Provision of financing without prior management in the past could be very dangerous to the bank. Consumers in this matter quickly provide false information as a result, the financing was not worth it submitted. Finally, if wrong in management, the financing disbursed will be challenging to collect, aka stuck. This study aims to analyze and determine the implementation, factors, and effectiveness of implementing prudential banking principles in Multipurpose Al-ijarah financing at Bank Muamalat Indonesia KCP Ponorogo. This type of research is qualitative, field research focused on exploring and studying the materials in the field. The results of this study indicate that the form of implementation prudential banking principle in Al-ijarah Multipurpose financing at Bank Muamalat Indonesia KCP Ponorogo is to use the 5C feasibility analysis by Law Number 21 of 2008 concerning Islamic Banking, namely Character, Capacity, Capital, Collateral, and Conditions. In implementing the Prudential Banking principle, Bank Muamalat Indonesia KCP Ponorogo conducts a 5C analysis of prospective customers by coming directly to meet customers on the spot or directly to the office. In field practice, it is preferred to visit customers directly for more flexible communication and direct observation conditions at home.</p>
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INTRODUCTION

Financing is one of the primary roles of the bank, namely providing funds to meet the interests of parties short of units. In its technical designation in Islamic banking, financing is expressed as Earning Assets (Earning Assets). Earning Assets in the form of capital in the form of financing sourced from the principle of profit sharing (Mudharabah), financing sourced from the participation principle (Musyarakah), financing sourced from the buying and selling principle (Murabahah), financing originating from the leasing principle (Ijarah, Ijarah Mutahiya Bittamlik), letters sharia securities, and other funding (Zainul Arifin 2006).

Among the financing products that are currently issued by Islamic banks, especially by Bank Muamalat Indonesia, some products may be unfamiliar to customers but are in great demand, especially for customers who plan to go on exceptional Hajj or Umrah trips using the Al-ijarah Multipurpose contract. Banks generally face many loan (financing), market, operational, and liquidity risks. Financing risk arises when the bank cannot get back the main credit it has given or the funding it is working on. An essential cause of financing risk is that it is easy for banks to distribute loans or carry out funding because they must use excess liquidity. As a result, loan evaluations are not careful in anticipating various possible business risks they finance (Wahyuni 2021). Provision of financing without prior management can be very dangerous for the bank. In this case, consumers quickly provide false information so that the financing is inappropriate to submit. Finally, if the management is wrong, the channeled financing, aka jammed, will be hard to collect. However, this mismanagement factor is not a fundamental cause of lousy financing, even though most of the bad financing is caused by mismanagement. Another cause could be caused by natural disasters that consumers cannot prevent. For example, floods or earthquakes could be management negligence. (Andri Soemitra 2009).

OJK's efforts to strengthen supervision in the financial services sector up to 2027, namely developing a financial services industry that is healthy, efficient, and with integrity, as well as strengthening consumer and public protection in market deepening, increasing financial sector inclusion and stability. In this case, strengthen regulation, supervision, and law enforcement on prudential principles, openness, and integrated market conduct.

Bank Muamalat Indonesia strives to create banking products and financial services to suit the needs of consumers. It aims to be the right financial planning solution to realize future dreams by Sharia principles. One of the financing that is only available at Bank Muamalat is ProHajj Plus Al Ijarah Multipurpose, which only uses one principle, namely using the Al-ijarah contract. PT Bank Muamalat Indonesia works with the NRA Group to distribute Hajj and Umrah unique financing products. This product is targeted to be the primary support for Bank Muamalat's business in the consumer segment. Achmad K. Permana, Director of Bank Muamalat, said that currently, Bank Muamalat controls 42% of the haj market and market share of the total funds managed by BPKH, amounting to 166 T.

Taking into account the enormous market prospects, of course, the financing risk is also getting higher. Bank Muamalat Indonesia KCP Ponorogo is also part of the main objective of Bank Muamalat Indonesia Tbk to be ready to face opportunities for the emergence of these

financing risks by minimizing and paying close attention to the management of the implementation of Prudential Banking principle by applicable laws and regulations.

METHOD

Types of Research

This type of field research (field research) searches and collects information in places where phenomena or problems occur. Field research is focused on tracing and studying existing materials in the field to obtain data or information about the implementation of Prudential Banking principle, influencing factors, and the effectiveness of the implementation of Prudential Banking principle in Al-ijarah Multipurpose financing (Sugiyono 2016).

Research Location

This research is located in Ponorogo Regency, precisely at PT. Bank Muamalat Indonesia, KCP Ponorogo Jl. Soekarno Hatta, Banyudono, Kec. Ponorogo, Ponorogo Regency, East Java. This location determination was made on the basis that PT. Bank Muamalat Indonesia is one of the Sharia commercial banks that provides Multipurpose Al-ijarah financing facilities and a strategic location in the middle of the city, and many customers are from the clergy: Kyai, religious institutions, students, and the founder of the big Pondok.

Data Collection Technique

1. Interview

The interview is a data collection technique that uses verbal questions to the research subject. The meaning of a topic is constructed in information interview techniques and ideas with questions and answers. (Sugiyono 2017)

2. Observation

According to Herdiansyah, observation is an activity to find data that can be used in giving a conclusion. Observation is used using direct observation and a regular recording of the events studied. (Abu Achmadi and Cholid Narkubo 2005)

3. Documentation

The documentation method is all activities related to the procurement, management, and collection of documents systematically and scientifically and the distribution of information to informants. (Sugiyono 2016)

Data Processing Technique

There are three elements in the data analysis process in qualitative research:

1. Editing

Editing process requires checking information collected for accuracy, consistency, clarity, and appropriateness other information (Abu Achmadi and Cholid Narkubo 2005).

2. Classifying

Data collected through conversations, field notes, or other means must be classified into meaningful groups before analysis can begin with observations. All data obtained

is read, analyzed, and reviewed in depth, then classified according to priority (Lexy J. Moleong 1993).

3. Verifying

The process of re-checking the accuracy of data and field information before being applied in a study (Nana Saudjana and Ahwal Kusuma, n.d.).

4. Concluding

The next stage of data analysis is the result. In the future, this statement will be used as information about the research subject of the researcher. This is the final step in the data handling workflow which includes the editing, categorizing, and verification steps.

Data Analysis

The data analysis method used is descriptive qualitative, namely data obtained from related parties, either in writing or orally as well as clear behavior, will be examined and studied as a whole, after which it is compiled in a systematic way and analyzed in a systematic way. qualitative research to achieve clarity of the problems reviewed. (Albi Anggito and Johan Setiawan 2018)

Data Validity Checking Techniques

Triangulation is used to strengthen the theoretical, empirical, and interpretive foundations of qualitative research. Triangulation can also be understood as a process of verifying facts using various approaches over time (Zamili 2015).

RESULT AND DISCUSSION

Implementation of Prudential Banking Principles in financing Multipurpose Al-ijarah at Bank Muamalat Indonesia KCP Ponorogo.

To avoid problematic financing which will ultimately harm the bank, all financing in Islamic banks must first go through a financing analysis procedure before being given. From the results of questions and answers conducted by researchers to the Management of Bank Muamalat Indonesia KCP Ponorogo, the application of Prudential Banking principle in Al-ijarah Multipurpose financing is aimed at financing analysis at the beginning of the customer's application for financing. The Multipurpose Al-ijarah contract used by Bank Muamalat Indonesia KCP Ponorogo to provide financing is based on Prudential Banking principle implemented in accordance with Law Number 21 of 2008 concerning Sharia Banking. The application of laws and regulations in the form of Prudential Banking principle seeks to prevent or reduce financing risks which in turn allows banks operating in accordance with sharia law to reduce financing risks or losses.

After going through a series of financing application stages at Bank Muamalat Indonesia KCP Ponorogo, the Bank will carry out a financing analysis before deciding whether the financing is accepted or rejected which aims to assess how much the customer's ability and willingness is to be able to return the financing obligations they have made and pay Ujroh/Margin/ Multipurpose according to the content and type of financing contract.

Here are some ways that prospective customers can apply for loans at Bank Muamalat Indonesia KCP Ponorogo:

1. Financing Application and Documents

Customers must first submit a financing application and bring the required documents requested.

2. BI Checking

Almost all Islamic Financial Institutions, including Bank Muamalat Indonesia KCP Ponorogo, use BI Checking to check the eligibility of prospective customers before providing financing. Find out if potential buyers are on the National Black List (DHN) and fall into the category of current customers or problem customers. It provides insight into the amount of financing, duration of financing, guarantees of financing, and collectibility of financing.

3. Central Directors Financing Decision

The director who is authorized to make financing decisions is the Head Office of Bank Muamalat Indonesia. Supporting offices and customers will be confirmed regarding the certainty of financing and the execution of the financing contract.

Assessment of the Character of prospective customers is obtained by observing directly and factually in the field and obtained from information from other parties who can be trusted. There are several stages of analyzing aspects of the character of prospective customers:

1. Personal Checking,

By talking personally with customers. This personality can be observed and inferred from speech patterns, actions, and attitudes of consumers.

2. BI Checking

Include a history of consumer finances, active loans or other financing at other banks, and any problems the customer may have had with a previous loan or credit from the bank.

The economic and financial capabilities (Capacity) of prospective financing customers must be determined before Bank Muamalat Indonesia KCP Ponorogo accepts them as customers. To determine whether potential customers have sufficient income to meet their responsibilities within the maximum financing term. The economic and financial position of the prospective customer is very important because it serves as the main funding mechanism. From the results of interviews conducted by researchers, to find out the capacity/ability of Bank Muamalat's own customers is done by, among others:

1. Calculating the Customer's Cash Rasio

The Cash Ratio here at Bank Muamalat has a formula that is a maximum of 60% of the customer's total finances.

2. Look at the customer's business/occupation

This is done to calculate how much the customer's economic capacity is in fulfilling the main financing obligations.

In implementing the Prudential Banking principle, Bank Muamalat Indonesia KCP Ponorogo conducts a 5C analysis of prospective customers by coming directly to meet customers on the spot or customers coming directly to the office, infield practice it is preferred to visit customers directly for more flexible communication and direct observation conditions at home.

It has been done correctly and correctly by Bank Muamalat Indonesia KCP Ponorogo based on Law Number 21 of 2008 concerning Islamic Banking, that Islamic banking in Indonesia in conducting its business is based on economic democracy by implementing the prudential banking principle. This is also in line with the direction of OJK policy and the Transformation of OJK Supervision and Services in developing a financial services industry that is sound, efficient and with integrity, as well as strengthening consumer and public protection 77 in the context of market deepening, increasing financial sector inclusion and stability.

Factors influencing the implementation of Prudential Banking principle in Al-ijarah Multipurpose financing at Bank Muamalat Indonesia KCP Ponorogo

Irregular payments of customer financing installments, either the amount of installments is not appropriate or the payment is not on time, is an indication of a financing risk. This occurs due to various events that affect customers, such as disasters, crop failures, business failures, sick customers, and so on.

In a financing, if it is involved, there are signs that there will be a financing risk, namely the prospective customer has begun to be irregular in paying installment obligations, whether the installment amount is not appropriate or the payment is not on time. This happens because of various things that happen to the prospective customer, for example a disaster occurs, crop failure, the business goes bankrupt, the prospective customer is sick and so on.

Factors that greatly influence the implementation of Prudential Banking principle in the financing of Multipurpose Al Ijarah include:

1. Default

Default or intentional misappropriation by the customer by intentionally failing to pay obligations and breaching agreements or financing agreements.

2. Human Resources

The weak level of financing analysis is caused by errors in Human Resources (HR) personnel at Bank Muamalat Indonesia KCP Ponorogo due to the limited number of personnel with an ever-increasing number of financing customers

The Effectiveness of Implementation Prudential Banking Principle in Multipurpose Al-Ijarah Financing at Bank Muamalat Indonesia KCP Ponorogo

The effect of applying the Prudential Banking principle to the funding of Bank Muamalat Indonesia KCP Ponorogo can be seen from the percentage of NPF (Non Performing Financing) or problem financing. Presented by Mr. Pandu Bagaskara as Leader, that the NPF of Financing at Bank Muamalat Indonesia KCP Ponorogo is 0%, alias smooth financing and there are no obstacles.

The approach strategy used by Bank Muamalat Indonesia KCP Ponorogo is as follows:

1. Preventive Control Of Financing, carried out with preventive measures before the financing is stuck or has problems.
2. Determination of the Financing Ceiling or Cash Ratio, the determination of the cash ratio by Bank Muamalat is 60% of total financing.
3. Monitoring of financing customers
4. Repressive Control of Financing, reducing the risks that are carried out through billing or settlement actions after the financing is in trouble. The method for solving problem financing at Bank Muamalat Indonesia KCP Ponorogo is done by:
 - a. Rescheduling
 - b. Reconditioning
 - c. Restructuring

CONCLUSION

The form of implementation of Prudential Banking principle in Al-ijarah Multipurpose financing at Bank Muamalat Indonesia KCP Ponorogo is to use the 5C feasibility analysis in accordance with Law Number 21 of 2008 concerning Islamic Banking, namely Character, Capacity, Capital, Collateral, and Condition are quite good. Although not all aspects are always implemented, the capital aspect of Bank Muamalat is not analyzed too deeply and is not a problem, the prioritized aspects are Character and Capacity, which are considered to have met the requirements to obtain Al-ijarah Multipurpose financing from Bank Muamalat Indonesia KCP Ponorogo.

Financing risk mitigation measures are also carried out by implementing preventive control financing, namely prevention before the financing becomes stuck or problematic, as well as repressive control of financing, namely looking at the causes of problematic financing and taking action steps to resolve problematic financing by implementing 3R (Rescheduling, Reconditioning, and Restructuring).

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