

Risk management strategy for KPR financing in Islamic bank

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Abstract

This research analyzes the risk management strategies employed in the iB Syariah Tapak KPR financing to understand how the bank aims to minimize the risks associated with high non-performing financing. The study uses a descriptive qualitative research methodology to gather data through various techniques, including observation, interviews, and case studies for primary data. In contrast, secondary data is sourced from literature such as books and journals. The findings reveal that the rise in non-performing financing is attributed to several factors, including economic conditions, the capacity of debtors, force majeure events, and the character of customers. PT Bank Sumut KCP Syariah Karya has developed a comprehensive risk management strategy in response to these challenges. This strategy includes blocking installment funds for 12 months, offering buy-back guarantees, and providing customer insurance to mitigate risks.

Public interest statements

As banks adopt these strategies to improve customer satisfaction, the public can expect increased competition in the banking sector. This competition may lead to better services, lower fees, and more innovative products, benefiting consumers.

Keywords: Risk Management, Financing, KPR iB Syariah Tapak, Sharia Bank.

Paper type: Case study

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ARTICLE INFO:
Received 6/29/2024
Revised: 9/21/2024
Accepted: 9/23/2024
Online First 9/27/2024



SERAMBI: Jurnal Ekonomi
Manajemen dan Bisnis Islam,
Vol 6, No. 3, 2024, 219-232
eISSN 2685-9904



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Abstrak

Penelitian ini menganalisis strategi manajemen risiko yang diterapkan dalam pembiayaan KPR iB Syariah Tapak untuk memahami bagaimana bank berupaya meminimalkan risiko yang terkait dengan pembiayaan bermasalah yang tinggi. Penelitian ini menggunakan metodologi penelitian kualitatif deskriptif untuk mengumpulkan data melalui berbagai teknik, termasuk observasi, wawancara, dan studi kasus untuk data primer. Sedangkan data sekunder bersumber dari literatur seperti buku dan jurnal. Temuan penelitian mengungkapkan bahwa peningkatan pembiayaan bermasalah disebabkan oleh beberapa faktor, termasuk kondisi ekonomi, kapasitas debitur, kejadian force majeure, dan karakter nasabah. PT Bank Sumut KCP Syariah Karya telah mengembangkan strategi manajemen risiko yang komprehensif dalam menanggapi tantangan tersebut. Strategi ini mencakup pemblokiran dana angsuran selama 12 bulan, menawarkan jaminan pembelian kembali, dan menyediakan asuransi nasabah untuk mengurangi risiko.

Pernyataan kepentingan publik

Seiring dengan penerapan strategi ini oleh bank untuk meningkatkan kepuasan nasabah, masyarakat dapat mengharapkan peningkatan persaingan di sektor perbankan. Persaingan ini dapat menghasilkan layanan yang lebih baik, biaya yang lebih rendah, dan produk yang lebih inovatif, yang menguntungkan konsumen.

Kata kunci: Risk management, financing, KPR iB Syariah Tapak, Sharia Bank.

Introduction

The establishment of Islamic banks enables individuals to engage in transactions to improve their quality of life through these financial institutions (Siagian et al., 2023). Financing, which involves the provision of funds based on an agreement between the bank and other parties, is a critical component of financial institutions, particularly Islamic banks (Wahyuni & Sakdiah, 2023). Any issues related to financing can pose significant threats to overall financial stability. Islamic banking enhances lives by offering a more inclusive and equitable financial system. Islamic banking fosters sustainable financial stability by adhering to Sharia principles that emphasize fairness, prohibit usury, and focus on real sector-based investments. Furthermore, by promoting ethical and socially responsible transactions, Islamic banking contributes to the overall welfare of society. Therefore, the development and support of Islamic banking are essential for creating a more stable, fair, and ethical economic system that benefits all segments of society (Nurhayati et al., 2024).

The risk associated with financing activities is primarily credit risk, or financing risk, which affects not only conventional banks but also Islamic banks (Cibro et al., 2023). One effective strategy to minimize the risk of Non-Performing Financing (NPF) is to implement robust risk management practices. The primary objective of risk management is to enable banks to understand, measure, and monitor all forms of risk that may arise. For risk management to be effective, developing policies and provisions tailored to the bank's current circumstances is essential. Therefore, the overarching goal of risk management is to prevent potential risks or adverse events that could impact the bank's operations (Sipayung & Ardiani, 2022).

In order to prevent the occurrence of risks, a bank can implement a risk management strategy that complies with the provisions. However, Islamic banks primarily focus on services and cannot operate without risk. Therefore, risk management is crucial for a financial institution, especially an Islamic bank. Risk management plays an important role in ensuring that the business is managed properly, mitigating negative impacts, achieving financing targets, and maintaining the financial health of Islamic banks (Julistia & Hayati, 2022).

Based on previous research by Damayanti and Jannah (2022), it was found that addressing problematic financing can be effectively managed through a collection process that follows standard operating procedures (SOP), which includes persuasively issuing warning letters (SP 1, 2, and 3). However, if these methods prove insufficient, banks may reschedule payments and sell assets; notably, no cases have reached the final stage of asset sales. The research by Tasya and Nasution (2021) highlights the stability in the resolution of murabahah financing during the COVID-19 pandemic. This stability is attributed to the bank's meticulous implementation of policies and practices, including an early warning system designed to identify potential bad debts among customers. The study by Baroroh and Faizin (2023) underscores the importance of collaboration in risk identification, measurement, monitoring, and control. Their findings highlight that such practices enhance employee awareness and focus on resolving and minimizing risks. Similarly, research by Safitri and Tasman (2021) revealed that BTN Bank still needs to implement the 5C principle in its lending practices fully. The study noted that many of its customers exhibit a consumptive lifestyle, with incomes often inadequate to meet their installment obligations.

This research analyzes the risk management strategies employed in the iB Syariah Tapak KPR financing to understand how the bank aims to minimize the risks associated with high non-performing financing. The practical implications of this study are significant for both banking practitioners and policymakers. By identifying effective risk management strategies, banks can enhance their operational resilience and financial stability, ultimately improving customer trust and satisfaction. Furthermore, the findings can inform the development of more robust regulatory frameworks that support Islamic banking practices, ensuring that they align with sharia principles while effectively managing financial risks. The rationale behind this research lies in the increasing importance of risk management in the banking sector, particularly in Islamic finance, where adherence to ethical and Sharia-compliant practices is paramount. Understanding how iB Syariah Tapak KPR financing addresses the challenges of non-performing financing contributes to the academic literature. It provides actionable insights for banks seeking to optimize their risk management frameworks. This research underscores the necessity of proactive risk management in maintaining the integrity and sustainability of Islamic banking operations, thereby fostering a more stable financial environment.

Case description

PT. Bank Sumut KCP Syariah Karya is a regional bank operating in North Sumatra. The bank offers four types of KPR financing products: KPR iB Griya, Shophouse KPR, Home Ownership KPR Financing (MMQ), and KPR iB Syariah Tread. The financing is based on a murabahah

contract. KPR iB Syariah Tapak financing has been available at Bank Sumut since 2016. To minimize the risk of bad debts in KPR iB Syariah Tread financing, PT Bank Sumut KCP Syariah Karya implements a risk management strategy through its SOP. This is necessary to address the risk of bad debts associated with KPR iB Syariah Tread financing customers.

Table 1.

Number of Customers and NPF of KPR iB Syariah Tread Financing for the 2019-2023 Period

Year	Number of Customers	Outstanding	% NPF	Outstanding NPF	Number of NPF Customers
2019	315	45.519.298.950	0,31%	102.765.682	1
2020	312	41.930.581.995	1,63%	510.591.716	5
2021	318	39.905.360.143	1,18%	357.756.926	4
2022	351	42.823.831.773	3,46%	1.137.248.211	12
2023	390	47.081.307.152	5,10%	1.848.832.163	20

Data source: PT Bank Sumut Syariah KCP Syariah Karya

Table 1 presents data on the number of customers and Non-Performing Financing (NPF) of KPR iB Syariah Tread Financing from 2019 to 2023. In 2019, the bank recorded 315 customers with an outstanding financing of IDR 45,519,298,950. The NPF percentage for that year was 0.31%, translating to an outstanding NPF of IDR 102,765,682, with only one customer classified as NPF.

In 2020, the number of customers slightly decreased to 312, and the total outstanding financing fell to IDR 41,930,581,995. However, the NPF percentage significantly increased to 1.63%, with outstanding NPF rising to IDR 510,591,716 and the number of NPF customers increasing to five. This decline in customer numbers and the rise in NPF can be attributed to the bank's adjustment of credit policies in response to the COVID-19 pandemic, leading to a more selective approach to financing.

In 2021, they witnessed a slight recovery in customer numbers, increasing to 318, although the total outstanding financing decreased to IDR 39,905,360,143. The NPF percentage decreased slightly to 1.18%, with outstanding NPF at IDR 357,756,926 and four NPF customers. The modest increase in customer numbers was not proportionate to the decrease in outstanding financing. KCP Syariah Karya continued to expand cautiously, particularly targeting segments less affected by the pandemic. However, the overall economic impact of COVID-19 remained significant, with many customers struggling to meet their financing obligations.

In 2022, the number of customers increased significantly, reaching 351, and total outstanding financing rose to IDR 42,823,831,773. Despite this growth, the NPF percentage sharply increased to 3.46%, with outstanding NPF climbing to IDR 1,137,248,211 and the number of NPF customers rising to 12. This trend indicates that while customer acquisition

improved, the quality of financing and the ability of customers to meet their obligations were adversely affected, likely due to ongoing economic challenges stemming from the pandemic.

In 2023, the number of customers increased to 390, with the total outstanding also increasing significantly to Rp 47,081,307,152. The NPF percentage reached 5.10%, the highest during this period. Outstanding NPF was recorded at Rp 1,848,832,163, with the number of NPF customers reaching 20. The increase in the number of customers and outstanding in 2022 and 2023 was due to KCP Syariah Karya expanding this financing, while the worsening of NPF was due not only to the lingering impact of the COVID-19 Pandemic but also because customers who had been restructured for Covid-19 previously could not survive so that their quality deteriorated.

Islamic bank

An Islamic bank is a financial institution that operates according to Sharia principles derived from the Qur'an and Hadith. According to Sudarsono, Islamic banks are state-owned entities that finance activities and services related to payment traffic and money circulation based on these principles. Siamat Dahlan further emphasizes that Islamic banks conduct business activities rooted in Sharia law. Perwataatmadja also aligns with this view, stating that Islamic banks operate under Sharia regulations outlined in the Qur'an and Hadith (Andrianto & Firmansyah, 2019). Law Number 21 of 2008 defines *Islamic banking* as encompassing all aspects of Islamic banks and business units, including their institutions, business activities, methods, and processes. Islamic banks serve as financial intermediaries, collecting funds from individuals or entities with surplus funds and channeling these funds to customers needing financing (Fadhila Rahma, 2019). In summary, an Islamic bank is a financial institution that adheres to Sharia principles, collects funds from the public, and redistributes these funds to those in need, all while ensuring compliance with Islamic law.

Risk management

Risk management is a logical and systematic approach to identifying, quantifying, prioritizing, determining solutions, and monitoring risks that may arise in various activities or processes. According to the Financial Services Authority Regulation Number 65/POJK.03/2016, which pertains to the implementation of risk management for Islamic commercial banks and Islamic business units, it encompasses a series of methodologies and procedures aimed at identifying, measuring, monitoring, and controlling risks associated with all banking activities. Mukhlisin and Suhendri (2018) describe risk management as a collection of provisions or processes designed to identify, monitor, estimate, and manage risks arising from an organization's or banking's business activities. The primary objective of risk management is to enable a company to identify, measure, and monitor all potential risks, ensuring that established provisions effectively manage various forms of risk.

Financing

According to the Financial Services Authority Regulation No. 10/POJK.05/2019, Sharia financing is a distribution based on Sharia principles channeled by Sharia companies (OJK,

2019). It can be concluded that financing is an activity of providing funds for borrowers to use and then returning them within a predetermined period.

KPR IB Syariah Tread financing at PT Bank Sumut KCP Syariah Karya uses a murabahah contract. In Islamic banking, murabahah is a contract for buying and selling between the bank, as a provider of goods, and the customer who orders these goods. Moreover, the bank gets the profit from the sale and purchase agreed upon at the beginning of the contract. Moreover, the murabahah contract is a financing service activity at the bank through a sale and purchase agreement with the customer through an installment system (Anggraini, 2021). The foundation of the Qur'an regarding Murabaha is found in Q.S Al-Baqarah verse 275, which reads:

الْوَاقِفَاتُ بِأَنَّهُمْ ذَلِكَ الْمَسُّ مِنَ الشَّيْطَانِ بَتَّخَطُّهُ الَّذِي يَقُومُ كَمَا إِلَّا يَقُومُونَ لَا الرِّبَا يَأْكُلُونَ ۖ ذِينَ سَلَفَ مَا فَالَهُ فَانْتَهَى رَبِّهِ مِنْ مَوْعِظَةٍ جَاءَهُ فَمَنْ الرِّبَا مَوْجَدَ الْبَيْعِ اللَّهُ وَأَحَلَّ الرِّبَا مِثْلُ الْبَيْعِ إِنَّمَا خَلِدُونَ فِيهَا هُمْ النَّارِ أَصْحَابُ فَأُولَئِكَ عَادَ وَمَنْ اللَّهُ إِلَى وَأَمْرَهُ

Meaning: "Those who eat usury cannot stand except as one who staggers because of a demon. This is because they say that buying and selling is like usury. However, Allah has permitted buying and selling and prohibited usury. Whoever receives a rebuke from Allah (against usury) stops so that what he had earned in the past becomes his right and his business (is up to) Allah. Those who return to usury are the inhabitants of Hell. They are eternal therein" (Alfarizi & Zahra, 2021).

KPR Syariah is a form of financing product from Islamic banks that supports Indonesian families to create their dreams of having a house according to their wishes for their family. Islamic mortgages are divided into two types, namely subsidized Islamic mortgages and non-subsidized Islamic mortgages. *Subsidized Islamic mortgages* are intended for a group or lower-middle-income customers to complement the interests of home purchases. In contrast, non-subsidized Islamic mortgages are mortgages intended for a group of upper-middle-income customers to complement the interests of home purchases (Marlina & Oki, 2018). Islamic mortgages are one of the Islamic bank financing products that support the interests of its customers by providing housing, either in old or new conditions. The buyers are able to make repayment installments with an installment amount that cannot change with the agreed time (Lesmana et al., 2021). Islamic mortgage is a financing product developed by Islamic banks for housing finance. It is one of the substitutes for the community to obtain housing purchase needs using sharia contracts (Ginting et al., 2023).

Methods

This study's data sources are primary and secondary data sources. Primary data sources are the results of direct interviews with the head of the sub-branch of PT. Bank Sumut KCP Syariah Karya, while secondary data is from literature studies such as books and journals. Researchers conducted research at PT Bank Sumut KCP Syariah Karya using interview and documentation methods. Researchers interviewed the leader of PT Bank Sumut KCP, Syariah Karya. The observation method directly monitors behavior or events relevant to this research. This

researcher follows up on observations of the results of interviews and conducts direct observation actions at the location of PT. Bank Sumut KCP Syariah Karya. The interview method is a discussion activity carried out with two people to exchange information so that it can be constructed based on a meaning that leads to a certain topic. Researchers conducted interviews directly at PT Bank Sumut KCP Syariah Karya as a respondent of the Branch Manager of PT Bank Sumut KCP Syariah Karya, totaling one person. The case study method is a technique used by researchers to analyze the phenomenon under study. In this case, researchers conducted direct analysis and interviews at PT Bank Sumut KCP Syariah Karya.

Data analysis strategy

This study uses Case Studies. Qualitative research often uses case studies to examine certain phenomena in a real context. For example, case studies can be used to manage strategies in certain Islamic financial institutions. In qualitative research, data collection is usually done by: In-depth Interviews: Through semi-structured or open-ended interviews, researchers elicit information from participants regarding their perceptions, understandings, and experiences related to the topic under study. Then, there is participant observation, which is a method that allows researchers to directly witness and understand daily activities at the research site, such as interactions between Islamic bank staff and customers. Finally, researchers collect documents such as internal bank reports, financing policies, or meeting minutes related to risk management strategies.

Results and discussion

Factors causing customer default and challenges in implementing risk management

Based on the results of interviews conducted by the author with PT Bank Sumut KCP Syariah Karya. Bad Financing, or Non-Performing Financing, is categorized as Collectibility 3, 4, and 5 per what the Financial Services Authority (OJK) Non determines. Performing Financing is one of the risks when banks expand credit / Financing. This happens in any bank. Several factors cause non-performing Financing due to customer failure to pay at PT Bank Sumut KCP Syariah Karya, as follows:

Economic conditions

Customers' macroeconomic and microeconomic conditions play a pivotal role in the performance of bank financing, particularly in determining the level of non-performing Financing (NPF). Stable and positive economic growth generally leads to increased purchasing power and the ability of debtors to meet their installment payment obligations. Conversely, weak economic conditions or a crisis can result in decreased income, job losses, and reduced customer business turnover, making it difficult for debtors to meet their payment obligations and increasing the risk of bad debts and NPF. As Mr. Ahmad Syukri (2024), the Head of PT's Sub-Branch, stated, macroeconomic factors can affect NPF. Bank Sumut KCP Syariah Karya that:

1. Gross Domestic Product (GDP) growth: Slower GDP growth generally indicates a decline in economic activity and purchasing power, potentially increasing NPF.
2. High inflation can significantly reduce the real purchasing power of a debtor's income, making meeting their installment payment obligations more challenging. This direct influence of inflation on the debtor's ability to pay is a key factor in the increase of NPF.
Interest rates: An increase in lending rates may increase the installment burden of borrowers, potentially increasing NPF.
3. Currency exchange rates: Significant fluctuations in currency exchange rates, particularly the weakening of the local currency, may negatively impact certain business sectors, thereby increasing the risk of bad debts.

Meanwhile, microeconomic factors affecting NPF include the Debtor's income: A decrease in the Debtor's income due to termination of employment (PHK), salary reduction, or business failure may make meeting installment payment obligations difficult. Debtors' assets and cash flow play a significant role in their ability to meet installment payment obligations. Those with strong assets and cash flows are better equipped to navigate difficult economic conditions, demonstrating a lower risk of NPF. Quality of debtor management: The quality of debtors' business management is also important in determining their ability to meet their installment payment obligations. Debtors with good business management are generally better able to adapt to changing economic conditions.

Debtor capacity

One of the main causes of non-performing financing in banking is the reduced capacity of customers to pay. In this context, customer capacity refers to the customer's financial ability to fulfill the obligation to pay installments by the Agreement. A decline in customer capacity can occur due to various economic and non-economic factors that affect their income and financial stability. In general, several causes of reduced customer capacity at PT Bank Sumut KCP Syariah Karya are seen from economic and non-economic factors, as stated by Mr. Ahmad Syukri. As the Head of the Sub-Branch of PT Bank Sumut KCP.

“Decrease in Income: A pay cut, reduction in working hours, or decrease in bonuses and incentives can cause a decrease in income. This situation reduces the customer's ability to allocate sufficient funds for installment payments. Layoffs: Layoffs are a significant factor affecting a customer's income. Job loss results in the loss of a major source of income, making it difficult for customers to meet their financial obligations. Urgent Issue: Business Failure
Decrease in Business Turnover: A decrease in business turnover occurs when the revenue from sales or services generated by the customer's business decreases. This can be caused by decreased demand, increased competition, or changes in consumer preferences.”

Non-Economic Factors

Health: Serious health problems can have a profound financial impact, affecting a customer's ability to work or run a business. High medical expenses can significantly reduce the allocation of funds for installment payments, underscoring the importance of considering health in credit risk assessment. Family Status changes, such as divorce or additional dependents, can affect a customer's finances. These additional financial obligations may reduce the customer's capacity to repay.

Force Majeure

Force majeure is a term used to describe extraordinary events beyond human control that can cause significant losses and impede the ability of contracting parties to fulfill their obligations. In banking, force majeure can be the main cause of customers experiencing bad debts, such as natural disasters, health crises, social conflicts, and major fires, which cause significant losses to customers and interfere with their ability to fulfill financing payment obligations. Specifically at PT Bank Sumut KCP Syariah Karya generally occurs, such as the serious illness of the customer or his family, mental disorders, death of the customer or his spouse, and natural disasters. From 2019 to 2023, the COVID-19 pandemic was an unexpected event that broadly impacted the increase in NPF. While divorce is not always considered a force majeure, its significant impact on individual finances remains relevant in the context of credit risk. This force majeure drastically reduces customers' financial capacity and cannot be avoided.

Customer characters

Customer behavior and financial decisions are crucial in determining credit stability and the sustainability of relationships with banks. At PT Bank Sumut KCP Syariah Karya, several aspects of customer character contribute to poor financing quality. Uncooperative behavior is evident when customers fail to respond to the bank's communication efforts, such as avoiding phone calls or neglecting to provide necessary documentation. Non-transparency arises when customers withhold complete financial information, often engaging in credit concealment by taking multiple loans from different lenders without disclosure, heightening credit risk. Also, late payments are common, with customers failing to meet their payment obligations on time or neglecting them entirely. Dishonesty or fraud is another concern, as some customers submit false documents or falsify identities to secure financing. Furthermore, customers may disregard the terms and conditions of their financing agreements by exceeding limits or using funds for unauthorized purposes, thereby violating them.

Implementing risk management related to KPR iB Syariah Tapak financing faces several challenges. Firstly, there is a conflict between business targets and risk management; these aspects often contradict each other in banking operations. A strict application of risk management policies can hinder the achievement of business targets, as focusing solely on risk may lead to a reluctance to provide financing, resulting in high Non-Performing Financing (NPF) rates. Conversely, prioritizing business growth can neglect risk factors, creating a precarious balance that must be maintained. Secondly, uncertainty poses a significant external challenge, as banks cannot guarantee the smooth repayment of financing due to various influencing factors, such as customers' financial conditions and personal issues. Thirdly, there is a disparity between the bank's assessment standards for bankable customers and the low-

income demographic targeted by KPR iB Syariah Tapak financing. Banks typically prefer customers with a high Debt Service Coverage Ratio (DSCR), which correlates with higher income levels and lower default risks. However, the target market comprises low-income individuals with a maximum monthly income of Rp. 7,000,000 to Rp. 8,000,000, while the average financing application is around Rp. 4,000,000 per month, increasing the risk of default. Lastly, financing supervision is a common challenge, as the process is often overlooked due to the workload of Account Officers (AOs) and limited human resources, which can compromise the effectiveness of risk management practices.

Risk Management Strategy for IB Syariah

Based on interviews with Mr. Ahmad Syukri, the Branch Manager of PT Bank Sumut KCP Syariah Karya, the bank employs a comprehensive approach to identify, measure, and control risks associated with KPR iB Syariah Tapak financing. Risk identification occurs early in the financing process, from the application stage to the analysis phase, allowing potential issues to be recognized promptly. Risk measurement assesses the potential financial impact of defaults, including losses from collateral damage or customer death. The bank implements various mitigation strategies to control these risks, primarily through insurance, which serves as a risk transfer mechanism. Specific controls include financing insurance to mitigate bad debt risk, life insurance to address the risk of customer death, and the requirement for customers to have health insurance or BPJS health to manage health-related risks. Additionally, the bank mitigates the risk of late installment payments by blocking several months of installments, ensuring a robust framework for managing financial risks.

PT Bank Sumut KCP Syariah Karya has implemented several steps to minimize the risk of customers failing to make payments. First, the bank emphasizes strengthening and conducting in-depth analyses during the initial financing process to detect potential issues early on. In cases where economic conditions, debtor capacity, force majeure, or customer character pose challenges, the bank employs financing rescue efforts, which include collection activities to facilitate smooth repayments. Financing restructuring may be pursued if the customer remains cooperative and has a viable source for repaying installments. However, if restructuring is not feasible, the bank may resort to voluntary collateral sales or auctions. For customers exhibiting bad character, a soft collection approach is not applicable; instead, the bank will proceed with collateral auctions and explore various legal remedies, including subpoenas and civil suits, to recover outstanding debts.

PT Bank Sumut KCP Syariah Karya employs several specialized strategies to minimize the risk of KPR iB Syariah Tread financing becoming stuck. Firstly, the bank blocks installment funds for customers whose financing has defaulted for 12 months, preventing further financial exposure. Secondly, the bank utilizes a Buy Back Guarantee, wherein if a mortgage financing customer is in default for 12 months, the developer agrees to repurchase the house according to the initial agreement. In default cases, the bank mitigates risks through insurance, which serves as a risk transfer mechanism; the bank submits the arrears to the insurance provider, which then covers the customer's continued installments. Furthermore, the bank prefers customers with fixed-income salaries over those with non-fixed incomes, as fixed-income earners present a lower risk of default. Similarly, the bank favors customers whose salaries are

processed through payroll systems, as this further reduces the likelihood of payment issues. For problematic financing cases, PT Bank Sumut KCP Syariah Karya coordinates with its head office team, specifically the credit rescue division, to develop effective collection and settlement strategies.

PT Bank Sumut KCP Syariah Karya implements several credit risk management policies to ensure prudent financing practices. These include adhering to prudential principles in the provision and distribution of financing, which helps mitigate potential risks. The bank emphasizes the implementation of good corporate governance to maintain transparency and accountability in its operations. Additionally, it actively avoids conflicts of interest to uphold ethical standards in its dealings. Compliance with all statutory provisions and established policies is a fundamental aspect of the bank's operations, ensuring it operates within legal frameworks. Finally, the bank distributes financing using standard operating procedures (SOP), standardizing processes, and enhancing risk management effectiveness.

At PT Bank Sumut KCP Syariah Karya, the management has established comprehensive policies regarding risk management, which are documented in the Risk Management Policy outlined in the Bank Sumut Regulation (PBS) text. Specifically for credit or financing, a dedicated Bank Sumut Regulation (PBS) is created to address credit-related matters. The implementation of these regulations is facilitated through various directives, including Decrees, Circular Letters, and Instruction Letters issued by the Board of Directors.

To handle problematic KPR iB Syariah Tread financing, PT Bank Sumut KCP Syariah Karya has developed specific rules. The Decree (SK) and Circular Letter (SE) from the Board of Directors detailed the general technical guidelines for resolving problematic financing. Additionally, there are tailored technical guidelines for managing non-performing financing specifically related to the KPR iB Syariah Tread products, which are also documented in the relevant SK and SE about the product. This structured approach ensures that the bank effectively addresses and manages credit risks associated with its financing products.

At PT Bank Sumut KCP Syariah Karya, the risk management culture is deeply embedded at every level of the organization through various initiatives. One key aspect is the compliance culture, which reflects the bank's mission to manage government and public funds professionally while adhering to compliance principles. This commitment to compliance is a fundamental part of the bank's operational ethos. Additionally, the internalization of risk management is evident in implementing the bank's Culture Statement, encapsulated in the acronym "BEST," which stands for Trustworthy, High Integrity, and Commitment. These core values guide the behavior and decision-making of every employee at Bank Sumut, ensuring that risk management principles are consistently applied throughout the organization. This comprehensive approach fosters a strong risk management culture that aligns with the bank's mission and objectives.

Conclusion

Based on the research findings, it can be concluded that KPR iB Syariah tread financing has led to an increase in Non-Performing Financing (NPF) due to several factors, including economic conditions, debtor capacity, force majeure events, and customer character. In response, PT Bank Sumut KCP Syariah Karya has implemented a risk management strategy that aligns with the bank's regulations and Standard Operating Procedures (SOPs) and a tailored approach to minimize the rise in NPF. This special strategy includes blocking installments for 12 months, establishing buy-back guarantees, utilizing customer-owned insurance for risk mitigation, and preferring customers with fixed income salaries over those with non-fixed incomes. Additionally, the bank favors customers with payroll salaries rather than non-payroll salaries and coordinates with the credit rescue division to develop effective collection and settlement strategies. Furthermore, this risk management approach is internalized at every level of the organization through the cultural statement "BEST," which emphasizes trustworthiness, High Integrity, and Commitment as core values of the corporate culture at PT Bank Sumut KCP Syariah Karya.

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Ethics declarations

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

Availability of data and materials

Data sharing is not applicable to this article as no new data were created or analyzed in this study.

Competing interests

No potential competing interest was reported by the authors

Additional information

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Cite this paper:

Rahmadayana, R. D., Harahap, M., & Irham, M. (2024). Risk management strategy for iB KPR financing in Islamic bank. *SERAMBI: Jurnal Ekonomi Manajemen Dan Bisnis Islam*, 6(3), 219-232. <https://doi.org/10.36407/serambi.v6i3.1442>



SERAMBI: Jurnal Ekonomi Manajemen dan Bisnis Islam

Publisher : LPMP Imperium.
Frequency : 3 issues per year (April, August & December).
ISSN (online) : 2685-9904.
DOI : Prefix 10.36407.
Accredited : SINTA 3
Editor-in-chief : Prof. Dr. Suryani
Indexed by : [Google Scholar](#), [Garuda](#), [Master List Copernicus](#)