



## Factors Causing Problematic *murabaha* Financing and Its Handling at KSPPS BMW Rahmah and KSSU Harum Dhaha Kediri

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### ABSTRACT

KSPPS Bina Mitra Wahana (BMW) Rahmah Jatim and KSSU Harum Dhaha is a Sharia Cooperative located in the Kediri City area, it has a superior financing product, namely *murabaha* which is in great demand by members, for additional capital for business purposes. The large amount of financing channeled is inseparable from a risk such as non-performing financing. The existence of problematic financing is certainly caused by several factors. This study aims to determine the factors that cause problematic *murabaha* financing and its handling. This research uses a qualitative approach, and includes a type of comparative research. *The* results of this study, which are the factors causing the occurrence of non-performing *murabaha* financing, the majority of which come from external factors, namely the existence of natural disasters or disasters such as the *Covid-1* pandemic, members are unable to manage their business properly, decreased purchasing power, increasingly fierce business competition, using financing funds for other purposes, unstable economic conditions, and government policies that can affect the income of business actors. While the internal factors are the analysis that is less thorough when analyzing the condition of the member's business, the lack of a financing supervision system, and also the lack of human resources. The handling of problematic financing carried out is using *Rescheduling*, and *Restructuring*. Adjusted to the condition of the member.

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## Introduction

Currently, there are many non-bank Islamic financial institutions such as Sharia Cooperatives, which are organized economic businesses with a social character. The principles used to run its operations are in accordance with Islamic sharia (Buchori, 2019,

hlm. 5). The transaction does not use an interest system, but uses a mutually agreed profit-sharing system. These financial institutions are expected to overcome community problems, especially small and medium communities by meeting their economic needs. The function of non-bank Islamic financial institutions such as cooperatives is as a bridge or intermediary institution between members and the cooperative to prosper its members. Non-bank Islamic financial institutions have the ability to provide financing through sale and purchase, rent, profit sharing, and loans. Financing or commonly called *financing* is funding provided by one party to another to support planned investments (Al Arif, 2015, hlm. 353).

Kediri City has 3 sub-districts, namely Mojoroto Sub-district, City Sub-district, and Pesantren Sub-district, where in each sub-district there must be a Sharia Cooperative that aims to help the community in meeting their economic needs. Since 2000 in Kediri City there have been Sharia Cooperatives, this means that Sharia Cooperatives have been developing for a long time. Then followed by the emergence and establishment of other Sharia Cooperatives throughout the Kediri City area. Of the many Sharia Cooperatives in the Kediri City area, researchers chose several Sharia Cooperatives that have *murabaha* superior products, namely KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha.

*murabaha* financing is a contract for the sale and purchase of an item with the addition of mutually agreed profits. Cooperatives as sellers and members as buyers. The economy in Indonesia is currently starting to improve, but it has not been stable since the *covid* pandemic occurred yesterday, so this financing provides many benefits for business people who are in need of additional capital to increase their business again. Usually, the *murabaha* contract is used for consumptive sale and purchase financing for members, but KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha use *murabaha* contracts for productive financing such as business capital financing, and are used to finance the purchase of goods needed by members, or raw materials for their business needs. Examples of businesses financed are tailors, designers, *laundry, catering, online shops*, food stalls, and other small entrepreneurs.

Table 1 . *murabaha* Financing distributed by  
KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri City

<b>Year</b>	<b>KSPPS BMW Rahmah Jatim</b>	<b>KSSU Harum Dhaha</b>
2020	598.312.500	519.004.200
2021	538.114.500	549.286.200
2022	569.320.500	523.076.000

Source: RAT KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri City

Based on the table above, the amount of *murabaha* financing disbursed by the two cooperatives changes. *Murabaha* financing is in great demand by small business actors because it is considered to have a lower level of risk compared to other financing, because the ratio or profit sharing agreement is determined at the beginning of the contract based on the agreement of both parties, so no one feels burdened. However, this does not mean that there are no risks associated with such financing. When financing is provided to members, financial institutions that provide financing also already have risks that can be borne in the future due to irresponsible parties, such as irresponsible members or financing officers who do not comply with financing procedures.

Table 2 . Problematic *murabaha* Financing at

KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri City

<b>Year</b>	<b>KSPPS BMW Rahmah Jatim</b>	<b>KSSU Harum Dhaha</b>
2020	27.393.000	30.428.700
2021	41.416.000	36.712.500
2022	43.522.000	41.500.000

Source: RAT KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri City

Based on observation data at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha, it can be seen that the large amount of *murabaha* financing disbursed is also followed by an increase in the amount of non-performing financing. *Non-performing* financing (NPF) is financing that has repayment problems, such as when members cannot pay part or all of their predetermined obligations, which causes delays in repayment, and may also cause losses to the cooperative, such as losses due to non-receipt of funds that have been disbursed or income that should have been received (Turmudi, 2016, hlm. 102).

Problem financing that occurs is certainly caused by several factors. Therefore, the existence of non-performing financing must be prevented and resolved as quickly as possible. The health level of Islamic financial institutions will be affected if the percentage of NPF continues to increase. A high percentage of NPF means that it indicates the failure of an institution in managing funds intended for public financing, and it will also affect the financial institution itself. Because the high NPF value will reduce the profit earned by the institution. The high and low NPF value affects the ability of the institution to distribute its financing. If the NPF value is low, it means that it can distribute financing and the level of profitability is also getting higher (Nugrohowati & Bimo, 2019, hlm. 43).

Some previous studies that already exist and are related to this research, including the results of research conducted by Zaamah with the title "Analysis of Problematic Financing Settlement at KSPPS BMT NU East Java Burneh Branch" is a qualitative study,

the results of this study indicate that calamity, member bad character, and member ability are components that affect problematic financing. BMT's efforts to resolve problematic financing at KSPPS BMT NU Burneh Branch are carried out in three stages. First is the intensive assistance stage such as effective communication, billing, and warning letters. Second is financing *restructuring*, this is done in three ways such as *Rescheduling*, *Reconditioning*, and *Restructuring*. The last is the execution of collateral (Zaamah, 2019). Then Annisa's research entitled "Analysis of Factors Causing Bad Financing in Future Package Products at Bank BTPN Syariah KCP Luragung Kuningan Regency" qualitative research which shows that external factors affecting non-performing financing at Bank BTPN Syariah include business setbacks or bankruptcy, natural disasters or calamities, and the last is the fact that many customer loans are in more than one bank, so that customers experience delays in payments due to a quiet business but have to support a lot of debt. Meanwhile, the internal factor affecting non-performing financing at BTPN Syariah Bank is less thorough employee analysis. This is caused by high target pressure, which makes employees not selective in giving money to people who should not receive it. Second, there is no supporting application such as BI Checking that helps employees choose good prospective customers (Annisa, 2019). Furthermore, Febri Kartika Putri's research entitled "Sharia Cooperative Strategies in Dealing with Problematic *murabaha* Financing During the Covid-19 Pandemic in Review of Sharia Financing Management (Case Study of Rizky Amanah Jaya Kepung Sharia Cooperative)" shows that Rizky Amanah Jaya Sharia Cooperative uses several methods to deal with *murabaha* financing during the pandemic, such as contacting financing members to find out about the progress and smoothness of their business, conducting routine billing to find out the true status of the member's business, sending warning letters by giving Summons (SP) 1 to 3, and opening new savings for members who experience problematic financing (Putri, 2022).

So, this research aims to explain what factors cause problematic financing in *murabaha* contracts, and how the handling efforts made by KSPPS Bina Mitra Wahana Rahmah Jatim and KSSU Harum Dhaha Kediri City to overcome these problems. The novelty of this research is in terms of time, and type of research. Indeed, many similar studies were conducted during the pandemic, but this research was conducted after the pandemic, and this research is also a type of comparative research, which analyzes to find and find similarities or differences in a phenomenon.

## **Literature Review**

According to (Al Arif, 2015, hlm. 353) financing is funding provided by one party to another party to support investments that have been planned, either by themselves or by institutions. According to (Mustofa, 2016, hlm. 66) *murabaha* is a sale and purchase agreement for an item at an agreed price between the seller and the buyer, where the seller has previously stated the price of the item and the amount of profit associated with the purchase. *Non-performing* financing or what is commonly referred to as *Non Performing Financing* (NPF) is financing that violates the agreement and requires legal action to collect it if the party requesting financing cannot fulfill its payment promise (Umam, 2016, hlm. 213).

## **Factors Causing Problematic Financing**

Problem financing can occur due to several factors. First, due to internal factors, namely factors originating from the institution itself, such as the analysis that is less thorough when conducting a financing analysis, the credit analysis collaborates with the debtor, which causes the analysis to be carried out unobjectively, lack of financing supervision, lack of qualified human resources, providing credit that is less or excessive in amount compared to the needs of members, and poor credit planning. Second, due to external factors or factors originating from outside the company, namely from the members themselves, such as the element of deliberate members who deliberately do not want to pay their obligations to the institution, commit fraud such as using the financing provided not in accordance with the intended use at the beginning, and there is an element of accident, namely the financing member wants to pay but is unable to. Such as when members lose their jobs or get sick which results in not being able to pay installments (Wangsawidjaja, 2012, hlm. 92).

## **Troubled Financing Handling**

Handling problematic financing can be done in several ways. First Rescheduling, can be done by extending the credit period or extending the installment period. Second Reconditioning, can be done by changing part or all of the existing financing requirements such as postponing interest payments until a certain time, reducing interest rates, and waiving interest. Third Restructuring, which is the bank's action to the customer by increasing the customer's capital with the consideration that the customer really needs additional funds and the business being financed is still feasible. Fourth management assistance. Fifth confiscation of collateral (Kasmir, 2015, hlm. 120–122). It can also be

done by deleting books, which is an action taken by financial institutions to remove customer financing books that have poor quality from the balance sheet in the amount of customer obligations without removing the bank's billing rights to customers. As well as write-off, which is to write off customer obligations that have poor quality, and cannot be resolved (Usanti, 2013, hlm. 118).

### **Research Methods**

This research uses a qualitative approach, which is a study that aims to describe existing conditions or phenomena in detail and in depth. The data generated from this research are in the form of written or spoken words from people or behaviors that can be observed from interviews, field notes, and documentation (Moleong, 2013, hlm. 14). While this type of research is comparative research, which is research that compares one object with another (Sugiyono, 2016, hlm. 53). This research is located at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri City. The data collection method is interviews with resource persons who are related and have the authority to determine the provisions for handling problem financing at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha, such as managers, AOs, and members who experience problem financing, observation at the research location, and documentation related to the research focus. The data analysis technique of this research is by data reduction, data presentation, and conclusion drawing (Sugiyono, 2016, hlm. 336).

### **Research Results**

Based on the results of interviews and observations conducted by researchers with KSPPS BMW Rahmah Jatim, KSSU Harum Dhaha, and also members who experienced problematic financing, researchers found several findings. First, the provision of *murabaha* financing to members at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha has its own procedure, and analyzes the provision of financing with 5C to determine the feasibility of members in returning financing. Second, the factors causing non-performing financing in the *murabaha* contract at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha mostly come from external factors, namely the existence of natural disasters or disasters such as the *Covid* pandemic, members are unable to manage their business properly, the business is run has decreased due to decreased purchasing power, and business competition, using their financing funds for other purposes, unstable economic conditions, and government policies that can affect members' income receipts. The internal factors are the analysis that is less thorough when analyzing the condition of the member's

business, the lack of a financing supervision system, and also the lack of human resources. Third, the handling of problematic financing in the *murabaha* contract at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha is almost the same, namely by giving summons 1, 2, and 3 in advance to members who experience problematic financing for deliberation. KSPPS BMW Rahmah Jatim provides *Rescheduling* (rescheduling), and *Restructuring* (additional capital) policies that are adjusted to the problems of members. Even if from several ways it has been done but the member still cannot pay, then the execution of collateral is carried out. However, in KSSU Harum Dhaha, the handling of problematic financing is done by *Rescheduling* (rescheduling), and *Restructuring* (changing the contract to qardh), changing the contract to qardh because this qardh contract is almost the same as social funds intended for people in need. This financing has no collateral, and members only pay the principal. If several policies have been implemented but the member still cannot pay, a write-off or write-off will be carried out according to the member's condition, so it does not reach the execution of collateral.

## **Discussion**

### **Factors Causing Problematic *murabaha* Financing at K SPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri.**

Non-performing financing is financing that experiences repayment problems, such as when members are unable to pay part or all of their predetermined obligations, which causes delays in returns, and may also cause losses to the cooperative, such as losses due to non-receipt of funds that have been channeled or income that should have been received. Non-performing financing that occurs in every financing, of course, is caused by several factors. In general, the occurrence of problematic financing is caused by two factors, namely internal factors, namely factors originating from the institution itself, and external factors, namely factors originating from outside the institution, or from the members themselves.

Based on the results of observations, interviews, and research at KSPPS BMW Rahmah Jatim, KSSU Harum Dhaha, and members who experience problematic financing, it is true that the factors that cause problematic financing come from external and internal factors. But the majority comes from external factors: first, the covid pandemic yesterday, causing many business people to be unable to sell due to *lockdown*. This causes members who do this financing to be unable to sell and not get income. Second, members are not able to manage their business properly which causes their income to decrease, and have difficulty paying back their obligations. Third, the business run by members has

decreased, due to business competition with others. So that the financing member cannot get the profit as before. Fourth, using financing funds for other urgent needs and not according to the initial agreement. Fifth, unstable economic conditions have an impact on the income of members, especially trading businesses. Many members have flocked to do financing to reorganize their business, but the economy has declined, which also has an impact on people's purchasing power. Finally, these members find it difficult to return their financing funds. Sixth, there are government policies, which have an impact on financing members who do business, such as rising raw material prices, tax increases, and others.

The internal factors that cause problematic financing are: the analysis party is less thorough when analyzing the condition of the member's business, the lack of a supervisory system carried out, and the lack of human resources. Even though before distributing this financing, KSPPS BMW Rahmah Jatim and also KSSU Harum Dhaha have analyzed the provision of financing in accordance with the applicable procedures with 5C for members who apply for financing. This is in accordance with the theory put forward by Kasmir, before providing financing, the cooperative must analyze the provision of financing with 5C to members who apply for financing. The aim is to find out and determine whether the member is eligible or not to be given financing, and to reduce the risk of problematic financing in the future.

Although KSPPS BMW Rahmah Jatim and also KSSU Harum Dhaha before providing financing have implemented preventive efforts such as conducting 5C analysis to members to see how capable members are in returning their financing, and to minimize the occurrence of problematic financing in the future, but it does not rule out the possibility of problematic financing still occurring. Because the factors that cause the occurrence of non-performing financing mostly come from outside the member's ability, and also due to economic instability.

### **Handling Problematic *murabaha* Financing at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha Kediri.**

Handling problematic *murabaha* financing as much as possible is done in a family manner, this is done to maintain good relations between problematic members and the cooperative. Then the cooperative also conducts supervision of member financing either directly or indirectly to see how the condition of the business is. Previously, the cooperative first grouped members according to their collectibility, starting from current,



substandard, doubtful, and bad debts, this was done to make it easier for the cooperative to supervise the financing provided. If someone has started to be in arrears, the cooperative provides Summons 1, 2, and 3 for problematic members to be willing to come to the cooperative to deliberate on solutions to resolve their problematic financing. In providing handling policies, the cooperative also pays attention to what problems cause members to have difficulty paying.

As for several ways that the cooperative has done in order to help members to complete their obligations, they are also in accordance with OJK policy, namely restructuring financing, first: *Rescheduling* or rescheduling is a change in the payment schedule for member obligations or the time period. It can be by extending the financing period, or the installment period. In this case the cooperative provides a policy of increasing the financing period to ease members in returning their financing. The additional period at KSPPS BMW Rahmah Jatim is between 3-12 months. For the substandard category, the maximum addition time is 3 months. Doubtful the addition of time is a maximum of 6 months. And for the bad debt category the maximum time increase is 12 months. Whereas in KSSU Harum Dhaha the additional period is in accordance with the contract at the beginning.

Second *Restructuring* or rearrangement is the action of financial institutions to the second way, namely with members by increasing member capital with the consideration that members really need additional funds and the business being financed is still feasible. In this case the cooperative sees in advance how the member's business is doing, if it is possible to add capital, the cooperative will provide it. Because it could be that if a problematic member is not added to the capital, the member is getting worse and cannot continue his business. Then resulting in financing that has been channeled cannot be returned. If in KSSU Harum Dhaha this *Restructuring* is done by changing the financing contract, for example, what was originally *murabaha* is changed to *qardh*. Because financing with a *qardh* contract is used to help members who really need it without any additional services.

If some of these methods have been carried out but the member still cannot settle his obligations, KSPPS BMW Rahmah East Java inevitably has to execute collateral to problematic members based on the agreement of both parties to settle their obligations. However, KSSU Harum does not execute collateral if the member still cannot settle his obligations, but by writing off or writing off the bill. Write-off only applies to members whose financing is classified as bad debt, but based on the cooperative's analysis, there is still a possibility that the member can pay back in the future even though the amount is

limited. Meanwhile, write-offs only apply to members whose financing is already bad and based on economic analysis conducted by the cooperative, the member concerned really does not have the source or ability to pay anymore.

## Conclusion

Based on the results of the research that the researchers have done, the factors that cause problematic *murabaha* financing at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha mostly come from external factors such as natural disasters such as the *co-19* pandemic, government policies, and unstable economic conditions. Which is beyond the member's ability. As for the internal factors, namely the analysis party is less thorough when analyzing the business conditions of members, the lack of a supervisory system, and the lack of human resources at the research location. The handling of problematic *murabaha* financing at KSPPS BMW Rahmah Jatim and KSSU Harum Dhaha starts from giving SP 1,2,3 to problematic members, to deliberate to find solutions to the problems that occur. Then the cooperative also applies financing *restructuring*, by applying *Rescheduling* (rescheduling) with an additional time of 3 to 12 months which is adjusted based on the collectibility of the financing, as well as *Restructuring* or additional capital for members with a note that the business being financed is feasible, and also changes to the member's financing contract.

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