The Problem of Murabaha Financing of Islamic Microfinance Institution and The Handling Strategies in Indonesia: A Literature Review

Azhar Alam[1,2], Ririn Tri Ratnasari[3], Nida’ Al-Karimah Makkawi[4], Aminudin Ma’ruf[5]

[1]Fakultas Ekonomi dan Bisnis, Universitas Airlangga, Jl. Airlangga No.4 Surabaya 60286, Indonesia, azhar.alam-2021@feb.unair.ac.id
[2]Fakultas Agama Islam, Universitas Muhammadiyah Surakarta, Jl. A. Yani, Surakarta 57162, Indonesia, aa123@ums.ac.id
[3]Fakultas Ekonomi dan Bisnis, Universitas Airlangga, Jl. Airlangga No.4 Surabaya 60286, Indonesia, ririnsari@feb.unair.ac.id
[4]Fakultas Agama Islam, Universitas Muhammadiyah Surakarta, Jl. A. Yani, Surakarta 57162, Indonesia, nidaaalkarimah@gmail.com
[5]Fakultas Agama Islam, Universitas Muhammadiyah Surakarta, Jl. A. Yani, Surakarta 57162, Indonesia, aminudin.maruf@ums.ac.id

Abstract. Indonesia is a country with the largest Muslim population in the world and has extraordinary potential in the amount and assets of Islamic microfinance and can be a reference for the application of Islamic Microfinance in other countries. The purpose of this study was to review the problems in murabaha financing at Islamic Microfinance Institution (IMFI) and the treatments. The approach used was a qualitative analysis of Indonesian literature studies about the specific type of murabaha financing with content analysis and thematic analysis techniques. This study found that internal and external factors caused problematic murabaha financing in BMT. Internal factors include the inaccuracy of BMT in 5C (Character, Capacity, Capital, Collateral, and Condition), lack of supervision, procedures violations, facilities and infrastructure, and lack of human resources (HR). Meanwhile, external factors include bad customers, unexpected circumstances of customers, lack of customer income, inflation, and government policies. The actions done by the BMTs to overcome problematic murabaha financing were by implementing BMT guidelines for prospective customers, preventing and repressive supervising, applying a democratic leadership style, applying fines, rescheduling, restructuring and reconditioning write off, auction of collateral, and legal actions. This study recommends strengthening financing selection by improving human resource skills and also variations in handling murabaha financing with a humanist approach.

Key words: Islamic microfinance institution, literature review, murabaha, problematic financing.

***Abstrak**. Indonesia merupakan negara dengan penduduk Muslim terbesar di dunia dan memiliki potensi yang luar biasa dalam jumlah dan aset keuangan mikro syariah serta dapat menjadi acuan penerapan keuangan mikro syariah di negara lain. Tujuan dari penelitian ini adalah untuk mengkaji permasalahan pembiayaan murabahah di Lembaga Keuangan Mikro Syariah (IMFI) dan penanganannya. Pendekatan yang digunakan adalah analisis kualitatif studi kepustakaan Indonesia tentang jenis pembiayaan murabahah tertentu dengan teknik analisis isi dan analisis tematik. Penelitian ini menemukan bahwa faktor internal dan eksternal menyebabkan pembiayaan murabahah bermasalah di BMT. Faktor internal meliputi ketidaktepatan BMT dalam 5C (Karakter, Kapasitas, Modal, Agunan, dan Kondisi), kurangnya pengawasan, pelanggaran prosedur, sarana dan prasarana, dan kurangnya sumber daya manusia (SDM). Sedangkan faktor eksternal meliputi pelanggan yang buruk, keadaan pelanggan yang tidak terduga, pendapatan pelanggan yang kurang, inflasi, dan kebijakan pemerintah. Tindakan yang dilakukan BMT untuk mengatasi pembiayaan murabahah bermasalah adalah dengan menerapkan pedoman BMT bagi calon nasabah, pencegahan dan pengawasan represif, menerapkan gaya kepemimpinan demokratis, menerapkan denda, penjadwalan ulang, restrukturisasi dan rekondisi hapus buku, lelang agunan, dan tindakan hukum. Kajian ini merekomendasikan penguatan seleksi pembiayaan dengan meningkatkan keterampilan sumber daya manusia dan juga variasi penanganan pembiayaan murabahah dengan pendekatan humanis.*

***Kata kunci**: Kajian literatur, lembaga keuangan mikro syariah, murabahah, pembiayaan bermasalah.*

AL-MUZARA’AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30
Received: 19 August 2022; Accepted: 22 June 2023

INTRODUCTION

The establishment of Islamic financial institutions is a implementation of the understanding of Muslims to the principles of muamalah and Islamic economic law (Muhtarom, 2016). It is believed that Islamic Microfinance Institutions (IMFIs) are expanding too rapidly. Since the founding of the first IMFI in 1990, the number of active IMFIs has increased to 6,051 in 2016 (Mawardi et al., 2020). *Baitul Maal wat Tamwil* or Islamic Microfinance Institution (BMT) is a microfinance institution that operates on the principle of profit-sharing to develop the degree and dignity of the poor and defend them from interests (Padmantyo et al., 2020; Sholahuddin and Yunitasari, 2019). The initial capital comes from existing community leaders based on Islamic economic system (Yulianto, 2018). IMFI is not a pure banking institution, but an islamic microfinance institution whose operations are similar with Islamic banking (Arifah, 2017). IMFI has a significant role in the Indonesian economy to help people who are still unemployed and experiencing an economic downturn (Susila, 2007).

In the meanwhile, Islamic microfinance institutions (IMFI) known as *Baitul Maal wa Tamwil* (IMFI) can assist Indonesia in achieving its SDG goals by providing solutions to micro and small companies (Bhinekawati, 2021). One of the strategy is the distribution system of funds in the form of financing. IMFI is a microfinance institution without interest (*riba*) practices commonly applied by conventional financial institutions and moneylenders. Therefore, IMFI helps people who need loans to meet their economic needs without being burdened by interest.

In general, IMFI has two main functions, namely collecting and distributing funds. In the study of Azahra and Muchlisin (2015) showed that fund distribution activities are more often carried out than fund collection activities in IMFI. The statistical analysis reinforces this in their study. Financing is one of the main activities of IMFI in the distribution of funds, namely providing fund facilities to meet the needs of people who experience unit deficits (Maslihatin and Riduwan, 2018). Sharia principle in the form of provision of money based on an agreement between bank with other party which requires to return the money after a certain period in exchange for or profit-sharing (Fatimah and Suharto, 2020).

In IMFI, there are various forms of financing, one of which is murabaha financing. Murabaha is a term in islamic jurisprudence which means a sale and purchase in which the seller mentions the cost of acquiring the goods. This also including the price of the goods and other costs incurred to obtain the goods, and mentions the desired profit or margin (Kusumastuti, 2018). Murabaha financing can be defined as a sale and purchase agreement with an obligation for the seller to explain the amount of capital issued and the desired profit (Fikruddin and Mufid, 2015). Due to its easy implementation, murabaha financing has now become financing in great demand and used by public at IMFIs and Islamic banks (Aspiranti et al., 2021; Sentikawati, 2018). In addition, Faradilla et al. (2017) also explained a statistical data that proves that among other financings, the portion of murabaha financing is the most dominant financing used.

In providing murabaha financing to customers, there would be some risks or problems faced by the IMFI and its customers. It is possible that non-performing financing will occur in financing. Non-performing financing is a distribution of funds carried out by financial institutions, which in the implementation of financing payments are stuck, not running smoothly, do not meet the promised requirements, has the potential to be in arrears within a specific time, and does not meet the installment schedule. These problems give a negative impact to both parties (Aryani, 2015). Problematic murabaha financing is a condition where the customer cannot pay part or all of his obligations as in the financing contract (Habibi, 2019).

LITERATURE REVIEW

Mansori et al. (2015) reviewed the Islamic ideas and motivations of Islamic microfinance activities, as well as the techniques provided by Islam to better the lives of the poor, prevent them from falling into

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

poverty, and enhance the economic links between all parts of society. Obaidullah (2015) reviewed the ideas, techniques, and models of Islamic agricultural financing that are geared toward small-holder farmers.

Wediawati et al. (2018) examined the topic of Islamic Microfinance Institutions' (IMFIs) sustainability in Indonesia and indicated that financial, social, and spiritual mediation has a considerable favorable impact on IMFI's sustainability in Indonesia. Said et al. (2019) evaluated the financial sustainability of Islamic Saving Credit Corporative Society (SACCOS) and the factors impacting their financial sustainability in the Tanzanian environment. Said et al. (2019) discovered that Tanzania's IMFIs are not financially viable. Tisdell and Ahmad (2018) explored arguments on the economic and moral value of microfinance and found that microfinancing is less admirable than is often believed.

Alam et al. (2021) stated that in Indonesia, the function of Islamic financial institutions has yet to reach grassroots populations. Hidayah et al. (2021) found that musharakah funding of IMFI played a significant role in the growth of Micro and Limited firms, particularly in terms of boosting business capital, quick access to financing, and a small number of payments.

Utami (2020) concluded that IMFI is more selective in selecting prospective financing customers and anticipating non-performing financing. IMFI uses the 5C criteria to analyze the eligibility of customers. Fatimah and Suharto (2020) stated that the handling of non-performing financing at IMFI applies the 6C analysis with the addition of "Constraints". Constraints is an assessment of the business by conducting administrative checks on financing or required documents.

There are two strategies in handling non-performing financing namely before and after financing problems (Sudrajat and Rachmawati, 2019; Wahyuni and Maulidia, 2020). The before financing strategy is used by analyzing prospective customers according to the interview guidelines owned by IMFI. While the after financing strategy is used when financing has occurred restructuring, injection of funds, auction of collateral, and write-off of receivables. This strategy can be realized optimally if several parties involved can cooperate reasonably, both internal and external parties in carrying out tasks that are balanced to pay. The obligation is done to reduce the number of NPF (Non-Performance Financing).

Safitri (2018) stated that if the customer has been given additional time but cannot pay, based on the agreement of both parties, the customer will give up the guarantee for sale to cover the installments. Anggraini (2019) found that one of strategy in overcoming problematic financing is to conduct Islamic economic studies to customers who experience murabaha financing deadline. The customers would be aware of the importance of paying debts in the world so they are not billed in the hereafter.

Previous literature review research still focuses on Islamic microfinance's fundamental ideas and sustainability principles (Mansori et al., 2015; Obaidullah, 2015; Said et al., 2019; Tisdell and Ahmad, 2018; Wediawati et al., 2018). Based on the research of Laila et al. (2021), literature research in Islamic finance should focus more on emerging issues, including Islamic Microfinance (IMFI). Rohman et al. (2021) conducted general literature on Islamic microfinance publications and have not discussed specific problems. Hassan et al. (2021) found that Indonesia is a densely populated country that requires the application of Islamic microfinance. Meanwhile, Martiana and Rahmanto (2021) conducted a literature review on the impact felt by the poor from the Islamic Microfinance program.

Many local studies discuss problematic murabaha financing. However, there is no study in the form of a literature review, especially in IMFI, which discusses a specific financing program such as murabaha related to problems and strategies for handling them. Therefore, the authors were interested in discussing the literature review to solve the related issue. The purpose of this study was to review the problems in murabaha financing at IMFI. This review can help the community to know more about the factors that cause murabaha financing problems at IMFI and how to handle the situation.

(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

METHOD

In this study, the authors used a qualitative approach with the literature review method from several scientific articles. According to Mirzaqon (2018), the literature review method is a study used to collect information and data with the help of various materials in the library such as documents, books, magazines, and historical stories. At the same time, the qualitative approach is intended to understand the phenomena of what has been experienced by the subjects, such as behavior, perceptions, and actions, by describing them in the form of words and language, by utilizing various scientific methods (Langit, 2019).

Data Collection

At this stage, the authors takes data from an electronic database through Google Scholar search engine. The data searched was following the author's research theme and a minimum of publication in 2018. The results of an electronic database search with the keywords "Problematic Murabaha Financing" IMFI obtained 224 articles (see Table 1):

Table 1**:** Data collecting result

Literature	**Amount**
Journal article	22
Thesis	187
Internship report	1
Uncategorized	10

Data Table 1 reveals, not all articles are considered relevant or follow the criteria. Irrelevant articles are caused by:

1. Several articles discuss problematic murabaha financing not in IMFI but other Islamic financial institutions such as islamic banks.
2. Publication before 2018.
3. The contents are incomplete.
4. The study focus on journals and theses only.
5. Not the issue of the murabaha financing.

Therefore, the authors took 3 article journals, and 16 thesis that were most relevant and suitable to be used as material. All of them total 19 titles. This study focuses on articles that review certain case studies regarding the problems and handling of murabaha financing.

Data Analysis

In this study, the authors used analytical methods with content analysis techniques and thematic analysis (interpretive thematic analysis). The content analysis technique is a systemic technique to analyze the meaning, message, and way of expressing the message. At the same time, thematic analysis is a research method by identifying, classifying, and reporting the existing patterns in the data. There are two steps in conducting thematic analysis: reading the research as a whole, and then interpreting the contents of the research. In this process, the authors focuses on data that is relevant to the criteria. The second activity of this analysis includes reading, recording data, re-reading, identifying data, classifying data, discussing data, presenting data, and withdrawal of inference. Both of these methods use a specific theme to reduce textual data in order to find a data set; it includes several steps:

1. The data sought in the form of an article journal or undergraduate thesis is limited from 2018.
2. The data only in Indonesian.
3. Classifying and analyzing murabaha financing problems that generally occur.
4. Finding the results of common murabaha financing problems and appropriate solutions.

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

Descriptions of the data from the articles are combined into units of information which are then analyzed according to the criteria to obtain specific categories, certain themes and processed correctly to obtain appropriate results and to obtain the possibility of emerging new categories from existing categories.

RESULTS AND DISCUSSION

Based on the results of the study, it can be categorized into three themes, namely internal factors, external factors, and handling problematic murabaha financing. This study also concludes that most previous researchers divided the causes of problematic murabaha financing in IMFI into two factors, namely internal and external factors. Internal factors are problems that come from within IMFI itself, and external factors are problems from IMFI customers. While the actions are taken to resolve problematic murabaha financing in IMFIs that have been studied in the literature above are rescheduling, reconditioning, restructuring, write-off (debt elimination), giving warning letter 1 to 3 times, injection of funds (adding funds), and collateral auction.

In addition, IMFIs also prepares ways to prevent problematic murabaha financing, namely by preventive supervision and repressive supervision. Almost all internal factors, external factors, and actions taken on financing problems have similarities among each other. However, some IMFIs whose handling prioritizes the application of fines to customers who are late in paying installments to be a deterrent.

Internal Factors in Murabaha Financing

According to Sentikawati (2018), internal factors are inherent in the company itself. So internal factors are factors that come from within the IMFI. A good IMFI is supported by an organized system, complete facilities, and good employee morale. However, not all IMFIs look perfect. There are some financing problems that arise from IMFIs themselves, as the authors examine in previous studies as follows (see Table 2):

Table 2 Internal factors of problematic murabaha financing

No	Internal factors	Mapping Study Analysis
1.	IMFI's inaccuracy in 5C	IMFIs performs inaccuracies in the analysis carried out before providing murabaha financing to prospective customers. The analysis carried out must include all aspects in the 5C. This problem was found in several studies (Anggraini, 2019; Fatimah and Suharto, 2020; Putri, 2019; Safitri, 2018; Sudrajat and Rachmawati, 2019; Wahyuni and Maulidia, 2020; Wiradhian, 2018). The inaccuracy of IMFIs causes other problems.(Mahmudah, 2019) said another problem that arises is that customers are not trustworthy by using murabaha financing inappropriately. In the study of Pinarto (2018) the IMFI is less capable and the management is not good. The IMFI is also lacking in collecting data (Habibi, 2019).
2.	Lack of supervision from the IMFI	It can be seen from the lack of maximum guidance and monitoring from the IMFIs to customers. This problem was found in several studies (Pinarto, 2018; Putri, 2019; Sari, 2020; Sudrajat and Rachmawati, 2019; Wahyuni and Maulidia, 2020; Wiradhian, 2018).
3.	Procedure violation	One example of a procedural violation committed by IMFIs is the presence of IMFI's excessive trust in customers. Thus giving special treatment to customers (Anggraini, 2019; Sari, 2020).
4.	Inadequate facilities and infrastructure	This problem can be found in study by Sari (2020).
5.	Lack of HR	Some IMFIs still lack HR as in several studies (Anggraini, 2019; Fatimah and Suharto, 2020; Pinarto, 2018; Sari, 2020).

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

Table 2 explains that one of the internal factors that most often appears in problematic murabaha financing is the IMFI's inaccuracy in 5C when analyzing its customers. 5C are Character (knowing the nature of the customer), Capacity (knowing the ability of the customer), Capital (knowing the assets owned by the customer), Collateral (assessing the feasibility of the guarantee given by the customer), and Condition (considering the economic condition of the customer). The inaccuracy of 5C causes the IMFIs to be less familiar with its customers, and this dramatically affects the smoothness of the financing payments provided. The analysis carried out by the IMFIs is to determine the appropriateness of the financing before it is given to customers (Fatimah and Suharto, 2020). Inaccuracy occurs due to several things, namely:

a. Marketing is not observant because IMFI only focuses on socializing existing products and financing so that they do not know the customer's personality (Wahyuni and Maulidia, 2020).
b. The ability and acceptance of information that the IMFIs lacks in analyzing financing, especially on the characteristics of the customer and the business run by the customer (Habibi, 2019; Mahmudah, 2019; Wiradhian, 2018).
c. IMFI has a good relationship with customers (Kusumastuti, 2018).
d. Target orientation burden where IMFI managers demand to meet financing targets for their employees. The employees are in a hurry so they pay less attention to the analysis of customers who will be given financing (Putri, 2019).

The second internal factor that causes problematic murabaha financing of IMFI is the lack of supervision from the IMFI. According to Putri (2019), this supervision is carried out from the beginning of the financing approval to the evaluation stage. The supervision in the form of monitoring or coaching every month to find out if the customer has made his installment payments or not. However, the monitoring carried out by the IMFI has not been maximized and is still very weak. This weak financing causes monitoring of financing performance not to run smoothly so that problematic financing cannot be detected early and causes losses (Mahmudah, 2019).

The third internal factor is the violation of procedures by the IMFIs. IMFIs certainly has guidelines or rules in its activities. However, some IMFI employees do not follow these rules and abuse the trust that IMFI has given. One example is providing more service to customers whom IMFI employees know well to give special treatment to these customers, such as not asking for guarantees (Anggraini, 2019). This is a trigger for customers to act arbitrarily towards the IMFI even the payment is stuck.

The fourth factor is the lack of support for IMFI facilities and infrastructure. Some IMFIs have difficulty achieving their goals because the existing facilities and infrastructure are inadequate both in technical work and in IMFI administration (Sari, 2020). This also triggers the occurrence of problematic murabaha financing in IMFI.

The last factor is the lack of HR in IMFI. The lack of HR is also an influence in problematic murabaha financing. Fatimah and Suharto (2020) stated that every year the number of customers would increase, and the number of HR should also increase. However, the existing HR are still very lacking so that not all customers receive supervision from the IMFI. The lack of supervision obtained by customers will trigger problems at the time of financing payment.

External Factors in IMFI Murabaha Financing

External factors are factors caused by the environment outside the company (IMFI). In this case are IMFI customers and the environment outside IMFI. According to Mahmudah (2019), although IMFI has been working well and progressing smoothly, there are still difficulties caused by external factors. External factors can occur intentionally or unintentionally. Deliberate external factors usually occur because customers do not have good intentions, while unintentional external factors usually occur due to unexpected things. In this study, the authors found several external factors that caused problematic murabaha financing of IMFI (see Table 3):

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

Table 3 External factors of problematic murabaha financing

No.	External Factors	Mapping Research Analysis
1.	Bad customer	Bad customer is untrustworthy (not using the financing funds properly), dishonest, negligent, and deliberately reluctant to pay his installments at IMFI. This problem is found in almost all previous studies (Anggraini, 2019; Fatimah and Suharto, 2020; Habibi, 2019; Indarti, 2019; Khariroh, 2020; Kusumastuti, 2018; Mahmudah, 2019; Prasetyawan, 2019; Putri, 2019; Safitri, 2018; Sari, 2020; Sudrajat and Rachmawati, 2019; Suryani, 2018; Wahyuni and Maulidia, 2020; Wiradhian, 2018; Yani, 2018).
2.	Urgent circumstances experienced by customers	Customers are affected by natural disasters, sick, fire, and pests attack for farm business (Fatimah and Suharto, 2020; Kusumastuti, 2018; Mahmudah, 2019; Pinarto, 2018; Safitri, 2018; Sari, 2020; Sudrajat and Rachmawati, 2019; Wiradhian, 2018).
3.	Lack of customer income.	Decreased customer income due to: unstable business conditions, experiencing losses, not being competent in managing their businesses, bankrupt, decreasing people's purchasing power, being laid off, and unfavorable market conditions (Anggraini, 2019; Habibi, 2019; Indarti, 2019; Khariroh, 2020; Kusumastuti, 2018; Mahmudah, 2019; Pinarto, 2018; Safitri, 2018; Sari, 2020; Suryani, 2018; Utami, 2020; Wahyuni and Maulidia, 2020; Wiradhian, 2018; Yani, 2018).
4.	Inflation	This inflation was found in the study of Fatimah and Suharto (2020).
5.	Government policy	This government policy is found as external factor (Mahmudah, 2019; Pinarto, 2018).

External factors that often cause problematic murabaha financing are bad customers, such as lying, abusing the financing, being stingy, or being lazy to spend money to pay their debts, or do not want to pay the obligation. Therefore, before carrying out financing, it is essential for the IMFI to conduct an assessment of its prospective customers. Fatimah and Suharto (2020) argued that the assessment made can be seen from other bills that customers have, such as electricity bills and water bills. Whether the customer pays on time or not.

The second external factor is the urgency experienced by customers. The urgent situation referred to here is a situation where IMFI customer really cannot carry out their obligations due to certain things, namely:

a. Customer affected by natural disasters such as flood, landslide, and earthquake.
b. There are more critical household needs such as paying school fees, electricity and water.
c. Customer is affected by a disaster such as an accident, fire, being attacked by pests, sick, or dies.

Then the third external factor is the lack of customer income so that financing becomes stuck. When running a business, not all businesses are profitable. Due to declining business conditions, income will also decrease (Fatimah and Suharto, 2020). This has an impact on the installment payments made by customers. The lack of customer income is caused by several reasons:

a. Unstable business conditions.
b. Customer's inability to manage his business. Usually the customer has a pessimistic attitude because the business is not appropriate and joyfull. The customer lacks enthusiasm in running his business (Habibi, 2019).
c. The business goes bankrupt. In this case, IMFI is forced to postpone the customer's obligations first (Safitri, 2018).
d. The decrease in people's purchasing power. This affects whether or not a business runs smoothly (Pinarto, 2018).

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

e. Affected by layoffs (employment breakers). Usually occurs due to the company of customer in trouble. For example, due to Covid-19, many companies are unstable, so they choose to lay off their employees.
f. Unfavorable market conditions usually occur because the businesses managed by customers are less attractive, affecting the financing carried out.

The fourth external factor is inflation. Fatimah and Suharto (2020) stated that when the Rupiah's value decreased, the price of goods rose. This condition made people's interest in buying and selling fell, resulting in an unstable economy. This impacts the income of customers so felt difficult to pay the debt.

The last external factor is the existence of government policies. For example, such as the government's policy of relocating street vendors. It will cause losses because the last place is more strategic and already known to many people. This situation affects ongoing financing (Pinarto, 2018).

Actions Taken by IMFI to Handle Problematic Murabaha Financing

The actions taken by IMFI in dealing with problematic murabaha financing are diverse. This study mapped it into several parts (see Table 4):

Table 4 Handling strategies of problematic murabaha financing

No.	Action taken	Mapping Study Analysis
1.	Conduct analysis with IMFI guidelines (5C) for prospective customers	Before providing financing, it is required to analyze the prospective customers carefully. Following 5C guidelines to find out the attitude, background, ability, economic condition, and recognize the guarantee that will be given by the customer (Indarti, 2019; Sudrajat and Rachmawati, 2019).
2.	Carry out preventive and repressive supervision	Supervision carried out with maximum guidance and monitoring when financing takes place. In Mahmudah (2019) study, monitoring can be done by contacting the customer and making direct visit (Fatimah and Suharto, 2020; Sentikawati, 2018).
3.	Applying democratic leadership style	This treatment can be found in (Pinarto, 2018). The democratic leadership style can be seen from the IMFIs which takes an intensive approach (Anggraini, 2019; Habibi, 2019; Khariroh, 2020; Kusumastuti, 2018; Mahmudah, 2019; Putri, 2019; Safitri, 2018; Sari, 2020; Suryani, 2018; Utami, 2020; Wiradhian, 2018). In addition, giving warning letter to customers who have problems (Kusumastuti, 2018; Putri, 2019; Safitri, 2018; Sari, 2020; Suryani, 2018; Utami, 2020; Wiradhian, 2018).
4.	Applying fines	Fine withdrawal by the IMFIs (Prasetyawan, 2019; Wahyuni and Maulidia, 2020; Yani, 2018).
5.	Rescheduling, reconditioning, and restructuring	Rescheduling, reconditioning, and restructuring is found in several studies (Anggraini, 2019; Habibi, 2019; Khariroh, 2020; Mahmudah, 2019; Pinarto, 2018; Putri, 2019; Safitri, 2018; Sudrajat and Rachmawati, 2019; Utami, 2020; Wahyuni and Maulidia, 2020; Wiradhian, 2018; Yani, 2018).
6.	Write off	IMFIs write off their customers' debts if they cannot pay (Habibi, 2019; Sudrajat and Rachmawati, 2019; Utami, 2020; Wahyuni and Maulidia, 2020).
7.	Collateral auction	IMFIs auctions the collateral guaranteed by its customers (Habibi, 2019; Kusumastuti, 2018; Prasetyawan, 2019; Putri, 2019; Safitri, 2018; Sari, 2020; Sudrajat and Rachmawati, 2019; Suryani, 2018; Utami, 2020; Wahyuni and Maulidia, 2020; Yani, 2018).
8.	Through legal channels	IMFI is going to court if the customer is irresponsible (Suryani, 2018).

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

The first action that the IMFI can take to deal with problematic murabaha financing is to conduct an analysis to prospective customers. According to Sudrajat and Rachmawati (2019), this analysis is done to consider whether or not they are entitled to receive murabaha financing. The analysis was carried out following the IMFI or 5C guidelines. The description of 5C are character (knowing the character of the customer), capacity (customer ability), capital (knowing the assets owned by the customer), collateral (knowing the value of the customer's guarantee), condition of economic (knowing the economic condition of the customer).

Indarti (2019) stated after analyzing prospective customers, IMFI did not just immediately provide financing. However, IMFI will monitor again the use and ability of customers in managing their business whether it is in accordance with the contract or not. The second action taken by IMFI is to carry out preventive and repressive supervision on murabaha financing. The supervision by IMFI according to Fatimah and Suharto (2020) includes:

a. *Steering control* (supervision before providing financing); in other words this supervision is preventive. Preventive supervision is supervision by conducting administrative checks on the analysis data of prospective customers based on the 6C (character, capacity, capital, collateral, condition of economic, and constraint).
b. *Post action control* (supervision during the financing approval process).
c. *Feedback control* (supervision after the granting of financing), this supervision after the granting of financing is called repressive supervision. This repressive supervision is carried out with direct and indirect supervision. According to Sentikawati (2018), direct supervision is when the IMFI conducts gatherings or routine visits directly to the customer's place of business. The purpose of the visit is to check all customer reports. While indirect supervision is also called administrative supervision, namely collecting data or customer letters in running their business.

Besides supervising IMFI, it also monitors its customers (Fatimah and Suharto, 2020). Monitoring is carried out by providing guidance and assistance when financing is in progress. IMFI carries out monitoring with home visit and interview with customers who experience problems in financing. IMFI plays a role as a consultant who then provides solutions to the problems faced by their customers.

The third action is to apply a democratic leadership style. Democratic leadership is described as a IMFI leader always giving his subordinates opinions, solutions, or other matters regarding problematic murabaha financing (Pinarto, 2018). This democratic leadership is very well applied because it gives a role to everyone, regardless of superiors or subordinates, to share their opinions to create cooperative working relationships. This study mapped out several actions that are also related to democratic leadership, namely:

a. Take an intensive approach:
   - Each IMFI has its own solution, but the intensive approach is to visit the customer's home, and the problem is resolved by deliberation (Anggraini, 2019; Habibi, 2019; Khariroh, 2020; Mahmudah, 2019; Putri, 2019; Suryani, 2018; Wiradhian, 2018). In the deliberation, they will discuss the causes of problematic financing and complaints from customers; then, the IMFI will remind them of the agreement that was made previously (Sari, 2020). Safitri (2018) added that the deliberation is carried out if after 6 months the customer does not have good faith to pay.
   - According to Utami (2020), an intensive approach that is taken if the customer does not pay the obligations according to the agreement will be contacted by telephone first, if there is no good faith, then the IMFI will assume the customer has violated his promise, and the IMFI will visit the customer's place.
b. Giving warning letters, warning letters are given three times if the customer has no good will anymore (Utami, 2020). The warning letters contains warnings for arrears in installments by customers who are in default (Putri, 2019). Sari (2020) added that the warning letters also invite the customer to come to resolve the problem through deliberation. Safitri (2018)

AL-MUZARA’AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

explained the warning letter 1 will be given to customers who are in arrears in their installments for two months, warning letter 2 for three months, and warning letter 3 s for six months.

The fourth action that IMFI can take when there is problematic murabaha financing is to apply an exemplary system. Fines are usually applied to customers who can afford it but are reluctant or even deliberately do not pay their obligations. According to Wahyuni and Maulidia (2020), customers who are deliberately reluctant to pay installments will be subject to a fine for one delay, and the fine applies to large or small financing. Meanwhile, customers who cannot pay their installments due to unintentional errors will not be subject to a fine.

In the study of Yani (2018), the amount of the fine will be applied in accordance with the initial agreement between the IMFI and the customer when making the contract. The amount is 0.01% to 1% of the profit obtained from the financing results multiplied by the amount of delay. While in Prasetyawan (2019). It was found that the purpose of the application of the fine was to remind customers to be disciplined in paying installments, where the funds would later be channeled to the charity institution of the IMFI.

The fifth action taken by IMFI to deal with problematic murabaha financing is rescheduling, reconditioning, and restructuring.

a. Rescheduling is an extension of time given by IMFI to customers who have the willingness to pay off their arrears to IMFI by rescheduling based on the agreed period and the customer's ability to pay the remaining debt (Mahmudah, 2019; Wahyuni and Maulidia, 2020). An example of an extension of the term is from six months and then extended to a year so that the customer has a long time to repay the arrears (Utami, 2020). According to Habibi (2019), this extension is very influential on murabaha financing because this effort can reduce the number of customer installments. IMFI can also find out the capabilities and conditions of its customers with rescheduling (Putri, 2019).
b. Restructuring is a realignment carried out by IMFI to customers who have problems with their financing. According to Sudrajat and Rachmawati (2019), restructuring is an improvement effort for customers who experience problematic murabaha financing by lowering margin rates, providing time extensions, and reducing arrears. Meanwhile, according to Suryani (2018), restructuring is carried out by adding funds (fund injection) from IMFI to customers, changing contracts, and changing financing into medium-term sharia securities. The addition of funds in this restructuring is very influential because customers who used to have difficulty paying their installments can paying their installments smoothly (Habibi, 2019).
c. Reconditioning is a return requirement. According to Suryani (2018), reconditioning can be done by changing the payment schedule, installments, period, ratio, profit sharing projections, and discounts to customers.

Not all previous studies have used these three treatments at once. However, the authors mapped them into one because all three have the same purpose, which is to provide convenience both in terms of extension of time, and additional capital to customers who have problems in solving murabaha financing problems.

The sixth handling is write off (elimination of receivables). According to Sudrajat and Rachmawati (2019), write-off is done by taking the general reserve of the IMFI. Write off is done if:

a. The customer has been given time slack, additional funds, and a guarantee execution has been carried out by the IMFI, but the customer has not been able to complete the financing. This has also been in the teachings of Islam (alms of debt) (Habibi, 2019).
b. The customer dies, and his heirs have no income to pay the installments (Utami, 2020).

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

The seventh handling is to conduct an auction of collateral by the IMFI. Another word for collateral auction is collateral execution. The execution of this guarantee is carried out if there are no other businesses that can solve murabaha financing problems, such as:

a. Have re-evaluated, no business prospects, and customers are no longer cooperative (Wahyuni and Maulidia, 2020).
b. Have done home visit and given warning letter but it does not produce results (Sari, 2020).
c. Have made two contract renewals (Prasetyawan, 2019).

Before the IMFI executes the guarantee, the customer is usually given a warning letter up to three times. If there is no good will from the customer, the guarantee will be executed. Habibi (2019) and Putri (2019) explained that the execution of the guarantee was carried out first by confiscation. After the confiscation, the good was not immediately auctioned, but the customer would be given time to complete his obligations. If the customer does not want to complete his obligations, the IMFI will auction the guarantee. If there is an excess of results in the execution of the guarantee, the rest will be returned to the customer. If the result is less, the customer is still considered to have debt (Utami, 2020).

The last handling that the IMFI did to deal with problematic murabaha financing was to take legal action. In the study of Suryani (2018), if all the ways have been done to help customers who are experiencing financing problems, but there is no way out and the customer concerned does not also have a good will, the IMFI will resolve the problem through legal action in court.

CONCLUSION

The cause of problematic murabaha financing at BMT is caused by two factors, internal and external. Internal factors are problems that come from within the BMT itself, while external factors are problems caused by the environment outside the BMT. Internal factors consist of BMT's inaccuracy in 5C, lack of supervision from BMT, violations of procedures, facilities, and infrastructure that are less supportive and lack of human resources. Meanwhile, external factors include bad customer, unexpected circumstances experienced by customers, lack of customer income, inflation, and government policies. The handling carried out by the BMT to overcome problematic murabaha financing is to conduct an analysis with the guidelines of BMT or 5C on prospective customers, carry out preventive and repressive supervision, apply a democratic leadership style, implement fines, rescheduling, restructuring and reconditioning, write off, auction of collateral and finally through legal channels.

REFERENCES

Alam, A., Nizam, R. S. & Hidayat, M. T. (2021). The role of islamic microfinance institution in empowering indonesian fishing communities. *Universal Journal of Accounting and Finance,* 9(2), 178–183. https://doi.org/10.13189/UJAF.2021.090205.

Anggraini, Z. P. (2019). *Analysis of Maturity Financing on Murabahah Contracts at KSPPS BMT Nur Insan Mandiri Sukoharjo*. (Undergraduate Thesis, IAIN Surakarta, Surakarta, Indonesia).

Arifah, O. N. (2017). Analysis of troubled mudharabah financing at BMT Mitra Hasanah Semarang. *Jurisprudence*, 7(1), 40–46.

Aryani, S. W. (2015). Problematic financing analysis study at BMT Al-Fattah Pati. (Undergraduate Thesis, UIN Walisongo, Semarang, Indonesia).

Aspiranti, T., Nu'man, A. H., Nugraha, Y. D., Amaliah, I., & Mafruhat, A. Y. (2021). The role of government policy in boosting the Islamic microfinance institutions performance in Indonesia. *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah,* 5(1), 136–154. https://doi.org/10.29313/amwaluna.v5i1.6935.

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

Azahra, R. & Muchlisin, S. (2015). Comparison of BMT functions as baitul maal and baitul tamwil (study of five BMTs in Bogor Regency). *Jurnal Syarikah*, 1(2), 83–90. https://doi.org/10.30997/jsei.v1i2.261.

Bhinekawati, R. (2021). Synergizing Islamic microfinance institution with village owned enterprise initiative: a holistic approach for village development. *El-Qist: Journal of Islamic Economics and Business (JIEB)*, 11(1), 1–16. https://doi.org/10.15642/elqist.2021.11.1.1-16.

Faradilla, C., Muhammad, A. & Shabri, M. (2017). The effect of murabahah, istishna, ijarah, mudharabah and musyarakah financing on the profitability of Islamic commercial banks in Indonesia. *Journal of Masters in Accounting*, 6(3), 10–18.

Fatimah, S. & Suharto, T. (2020). Implementation of supervision and guidance of troubled murabahah financing at KSPPS BMT Husnul Aulia Ciledug. *Banco: Journal of Islamic Banking and Management*, *2*(1), 81–94. https://doi.org/10.35905/banco.v2i1.1001.

Fikruddin, T. & Mufid, F. (2015). Strategy for handling murabahah financing risks in BMTs in Demak Regency. *Equilibrium*, 3*(2)*, 255–270.

Habibi, A. (2019). *Analysis of Troubled Murabahah Financing Strategy Analysis at KJKS BMT Berkah Al-Fath Mulia Pati*. (Undergraduate Thesis, UIN Walisongo, Semarang, Indonesia).

Hassan, M. K., Alshater, M. M., Hasan, R., & Bhuiyan, A. B. (2021). Islamic microfinance: A bibliometric review. *Global Finance Journal*, 49. https://doi.org/10.1016/j.gfj.2021.100651.

Hidayah, K., Daud, D., Zainal, N., & Ibrahim, S. S. (2021). Effectiveness of musharakah financing in empowering small micro enterprises. *Estudios de Economia Aplicada*, 39(10), 1–14. https://doi.org/10.25115/eea.v39i10.5847.

Indarti, Y. R. (2019). *Analysis of the Implementation of Prudential Principles on the Prevention of Problematic Financing Risks in Murabahah Financing Products in an Islamic Perspective (Study on BMT Fajar Metro).* (Undergraduate Thesis, UIN Raden Intan Lampung, Bandar Lampung, Indonesia).

Khariroh, D. (2020). *Problematic Financing Handling Strategy for Mudhorobah and Murabahah Financing at BMT Sahara Kauman Tulungagung*. (Undergraduate Thesis, UIN Sayyid Ali Rahmatullah Tulungagung, Tulungagung, Indonesia).

Kusumastuti, D. R. (2018). *Analysis of Troubled Murabahah Financing at BMT Anda Karanggede Branch Office*. (Undergraduate Thesis, IAIN Salatiga, Salatiga, Indonesia).

Laila, N., Salleh, M. C. M., Rusydiana, A. S., & Sukmaningrum, P. S. (2021). a survey on Islamic economics and finance literatures indexed by scopus Q1 via thematic analysis approach. *Review of International Geographical Education Online*, 11(4), 453–468.

Langit, D. S. (2019). *Implementation of the Murobahah Financing Agreement and its Problem Resolution (Case Study at BMT Al-Karomah in Jatipurno)*. (Undergraduate Thesis, Universitas Muhammadiyah Surakarta, Sukoharjo, Indonesia).

Mahmudah, A. N. (2019). *Analysis of the Causes of Problematic Murabahah Financing and its Solution (Case Study on BMT Mandiri Sejahtera Dukun Gresik)*. (Undergraduate Thesis, UIN Maulana Malik Ibrahim, Malang, Indonesia).

Mansori, S., Kim, C. S. & Safari, M. (2015). A Shariah perspective review on islamic microfinance. *Asian Social Science*, 11(9), 273–280. https://doi.org/10.5539/ass.v11n9p273.

Martiana, A. & Rahmanto, M. (2021). Islamic microfinance and poverty alleviation in Indonesia: a systematic review of the evidence. *Islamic Studies*, 60(4), 431–444.

Maslihatin, A., & Riduwan. (2018). Murabahah financing analysis and problem solutions at BMT Rizky Barokah Talun Magelang Branch. *Jurnal Maps (Manajemen Perbankan Syariah)*, 1, 15–30.

Mawardi, I., Widiastuti, T., Al Mustofa, M. U., & Prasetyo, A. (2020). Do Indonesian Islamic microfinance institutions need lender of the last resort?. *Al-Uqud : Journal of Islamic Economics*, *4*(2), 235. https://doi.org/10.26740/al-uqud.v4n2.p235-249.

Mirzaqon, A. (2018). Literature study regarding the theory and practice of expressive writing counseling library. *BK UNESA Journal*, *1*, 1–8.

Muhtarom, M. (2016). Reformulasi peraturan hukum lembaga keuangan mikro syariah di Indonesia. *Profetika: Jurnal Studi Islam*, 17(1), 90–102. https://doi.org/10.23917/profetika.v17i01.2103.

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

Obaidullah, M. (2015). Enhancing food security with Islamic microfinance: Insights from some recent experiments. *Agricultural Finance Review*, 75(2), 142–168. https://doi.org/10.1108/AFR-11-2014-0033.

Padmantyo, S., Irawati, Z., Murwanti, S., Sulton, A. S., & Sholahuddin, M. (2020). The role of spiritual leadership models in supporting poverty alleviation programs (study at baitul mal wat tamwil). *BENEFIT: Jurnal Manajemen dan Bisnis*, 5(1), 15–30.

Pinarto, J. (2018). *Analysis of Manager's Leadership Style on Problematic Murabahah Financing (Study at Baitul Maal Wat Tamwil Assyafiiyah Kc Pringsewu)*. (Undergraduate Thesis, UIN Raden Intan Lampung, Bandar Lampung, Indonesia).

Prasetyawan, R. (2019). *Implementation of DSN-MUI Fatwa NO. 17/DSN-MUI/IX/2000 and NO. 47/DSN-MUI/II/2005 on Sanctions for Defaulting Customers in Murabahah Contracts at BMT Nurul Barokah Sambi Boyolali*. (Undergraduate Thesis, IAIN Surakarta, Surakarta, Indonesia).

Putri, F. C. (2019). *Mitigation Analysis for Handling Problematic Murabahah Financing at BMT Taruna Sejahtera Bringin Branch*. (Undergraduate Thesis, IAIN Salatiga, Salatiga, Indonesia).

Rohman, P. S., Fianto, B. A., Ali Shah, S. A., Kayani, U. N., Suprayogi, N., & Supriani, I. (2021). A review on literature of Islamic microfinance from 2010-2020: lesson for practitioners and future directions. *Heliyon*, *7*(12). https://doi.org/10.1016/j.heliyon.2021.e08549.

Safitri, E. N. (2018). *Analysis of the Factors that Cause Default and its Resolution on Murabahah Products (Study on BMT Mitra East Lampung)*. (Undergraduate Thesis, UIN Raden Intan Lampung, Bandar Lampung, Indonesia).

Said, M. S., Annuar, H. A., & Hamdan, H. B. (2019). An investigation into the financial sustainability of Islamic Saving, Credit Cooperative Society (SACCOS) in Tanzania. *International Journal of Ethics and Systems*, 35(2), 242–259. https://doi.org/10.1108/IJOES-11-2018-0159.

Sari, D. W. (2020). *Default Settlement Mechanism for Murabahah Financing at BMT Al-Hikmah Karangjati Branch According to DSN-MUI Fatwa No. 47/DSN-MUI/II/2005*. (Undergraduate Thesis, IAIN Salatiga, Salatiga, Indonesia).

Sentikawati, T. (2018). *Analysis of Supervision Implementation in an Effort to Minimize Problematic Murabahah Financing at KSPPS BMT Al-Hikmah Ungaran Timur Branch*. (Undergraduate Thesis, UIN Walisongo, Semarang, Indonesia).

Sholahuddin, M. & Yunitasari, V. (2019). The role of baitul mal wat tamwil for the economic recovery of customers victims of echo in Changewarno Klaten. *BENEFIT: Jurnal Manajemen dan Bisnis*, 14(2), 9–25.

Sudrajat, V. & Rachmawati, L. (2019). Analysis of troubled murabahah financing strategy analysis in suppressing the NPF level number 07/per/dep.6/iv/2016 on BMT Madani Throughout. *Journal of Islamic Economics*, 2(2), 50–61.

Suryani, S. (2018). *Mechanism for Settlement of Troubled Murabahah Financing at BMT KBE Colomadu Sejahtera in terms of DSN-MUI Fatwa NO. 47/48/49 DNK-MUI/II/2005*. (Undergraduate Thesis, IAIN Surakarta, Surakarta, Indonesia).

Susila, I. (2007). Microfinance institution efficiency analysis. *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi Dan Pembangunan*, 8(2), 223. https://doi.org/10.23917/jep.v8i2.1043.

Tisdell, C. & Ahmad, S. (2018). Microfinance: economics and ethics. *International Journal of Ethics and Systems*, 34(3), 372–392. https://doi.org/10.1108/IJOES-02-2018-0028.

Utami, S. O. (2020). *Strategy for Resolving Troubled Murabahah Financing at BMT Hira Tanon According to the Fatwa of DSN MUI NO.47/DSN MUI/II/2005 (Case Study at BMT Hira Tanon Sragen)*. (Undergraduate Thesis, IAIN Surakarta, Surakarta, Indonesia).

Wahyuni, E. & Maulidia, S. (2020). Analysis of non performing financing (NPF) murabahah handling with mitigation of risk in Islamic financial institutions at KJKS BMT Al-Makmur Cubadak Lima Kaum, Flatland. *Istikhlaf: Islamic Journal of Economics, Banking & Management*, 2(1), 14–35. https://doi.org/10.51311/istikhlaf.v2i1.219.

Wediawati, B., Effendi, N., Herwany, A., & Masyita, D. (2018). Sustainability of Islamic microfinance in Indonesia: a holistic approach. *Academy of Strategic Management Journal*, 17(3).

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30

Wiradhian, S. P. (2018). *Strategy for Handling Problematic Micro Financing (Murabahah) in Islamic Financial Institutions (Case Study of KSPPS BMT Surya Madani, Boyolali)*. (Undergraduate Thesis, IAIN Surakarta, Surakarta, Indonesia).

Yani, Y. S. (2018). *Fines for Default on Murabahah Financing at BMT Assyafi'iyah Berkah Nasional Pekalongan Branch Judging from Sharia Economic Law*. (Undergraduate Thesis, IAIN Metro, Metro, Indonesia).

Yulianto, M. A. (2018). *Seasonal Financing Marketing Strategy With Rahn Contract at BMT Marhamah Kertek Wonosobo Branch*. (Undergraduate Thesis, UIN Walisongo, Semarang, Indonesia).

AL-MUZARA'AH Vol. 11 No. 1, 2023
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.11.1.17-30