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Exploration Of Risk Mitigation Practices For Problematic Financing In Bank Wakaf Mikro's

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ABSTRACT

Bank Wakaf Mikro has considerable MSME development potential by providing access to capital for MSMEs that cannot be financed by banks. However, this potential is not accompanied by high public literacy about BWM. The purpose of this study is to conduct empirical testing on the exploration of micro wakf bank strategies to mitigate financing risks. The common understanding of the community causes this institution only to be able to reach certain circles close to Islamic boarding schools. This study uses ethnomethodology to explore the practice of mitigating the risk of problematic financing in BWM Denanyar and Lirboyo as two of the first ten BWMs in Indonesia. The results of this study show that although managers do not use the term financing risk mitigation, risk mitigation practices have already begun with joint liability obligations on halmi. In BWM Denanyar, the strategy used is 2-2-1 in disbursement, intensive monitoring, and the Sistem Informasi Penerimaan OJK (SIPO). Meanwhile, BWM Lirboyo implements restrictions on the amount of financing, regular recitations, and continuous updating of member data. The impact of this strategy is NPF 0 in two BWMs. This research contributes to the potential addition of BWM waqf funds through direct fund management from Waqif so that the positive impact of BWM can be felt by many MSMEs.

Kata Kunci:

*Bank Wakaf Mikro,
Mitigasi Risiko,
Pembiayaan*

ABSTRAK

Bank Wakaf Mikro memiliki potensi pengembangan UMKM yang cukup besar melalui penyediaan akses permodalan bagi UMKM yang tidak bisa dibiayai oleh perbankan. Meskipun demikian potensi tersebut tidak diiringi dengan tingginya literasi masyarakat tentang BWM. Tujuan penelitian ini melakukan pengujian empiris tentang eksplorasi strategi bank wakaf mikro untuk memitigasi risiko pembiayaan. Rendahnya pemahaman masyarakat menyebabkan lembaga ini hanya mampu menjangkau kalangan tertentu yang dekat dengan pesantren. Penelitian ini menggunakan etnometodologi untuk mengeksplorasi praktik mitigasi risiko pembiayaan bermasalah di BWM Denanyar dan Lirboyo sebagai dua dari sepuluh BWM pertama di Indonesia. Hasil penelitian ini menunjukkan bahwa meskipun pengelola tidak menggunakan istilah mitigasi risiko pembiayaan, praktik mitigasi risiko sudah dimulai dengan kewajiban tanggung renteng pada halmi. Pada BWM Denanyar strategi yang digunakan adalah 2-2-1 dalam pencairan, monitoring yang intensif, dan penggunaan Sistem Informasi Penerimaan

OJK (SIPO). Sedangkan BWM Lirboyo menerapkan pembatasan jumlah pembiayaan, pengajian rutin, dan update data anggota yang berkelanjutan. Dampak strategi ini adalah NPF 0 di dua BWM. Penelitian ini berkontribusi terhadap potensi penambahan dana wakaf BWM melalui pengelolaan dana langsung dari Waqif sehingga dampak positif BWM dapat dirasakan oleh banyak UMKM

INTRODUCTION

The government has provided light credit as MSME business capital through the People's Business Credit (KUR) program, which has existed since 2007 through designated banks. KUR has a positive impact on the development of the recipient's business (Nur et al., 2019). However, KUR has not been able to reach all MSMEs, especially in rural areas around Pesantren schools. Therefore, the government continues to make efforts to provide capital facilities for MSMEs around Pesantren schools by maximizing economic potential through zakat, infaq, shadaqah, and waqf, called philanthropic funds (Nurhayati & Nurjamil, 2019).

One of the philanthropic funds that have great potential is cash waqf. According to data from the Badan Wakaf Indonesia (2020), waqf money collected in 7 years (starting from 2011-2018) amounted to Rp 255 billion. This figure is still far from the potential revenue of IDR 180 trillion. In 2020, this figure increased by IDR 328 billion (managed by Islamic banks) and IDR 597 billion for the project-based waqf of the Badan Wakaf Indonesia (2020). However, this amount has not reached 1% of the potential waqf receipts. The main factor causing the low management of cash waqf is the lack of public literacy about waqf money (Tanjung et al., 2020). Some ways that can be done to increase waqf receipts are effective education and dissemination about waqf money, innovative waqf institution marketing strategies, and transparency and accountability of waqf institutions (Tanjung et al., 2020). Even though it is hoped that by channeling it to economic activities, productive SMEs will make recipients become givers in the future. Islamic economics not only has a profit-oriented industry, there are also social institutions that collect and channel funds to the public for good. Islamic philanthropy consists of *Zakat*, *Infaq*, *Shadaqah*, *Waqf* and other social funds. (Trimulato et al., 2020)

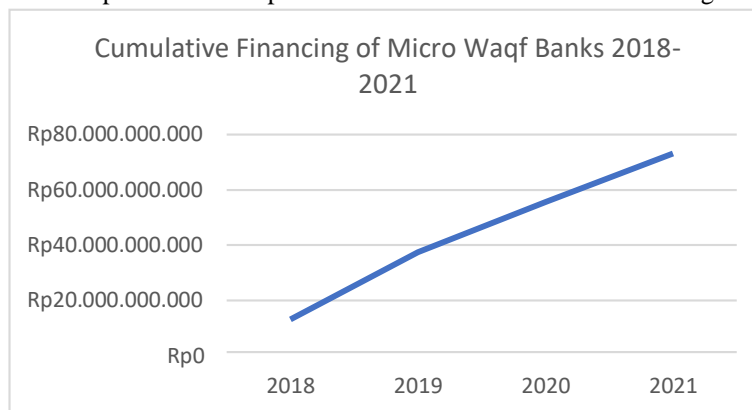
The Bank Wakaf Mikro was formed as a Non-Bank Sharia Microfinance Institution, which the OJK supervises. Pesantren schools manage the Bank Wakaf Mikro with a permit from the OJK (Sulistiani et al., 2019). The purpose of the Bank Wakaf Mikro is to provide capital for MSMEs around Pesantren schools that do not yet have access to capital from large-scale financial institutions (Disemadi & Roisah, 2019). The financing scheme provided by the Bank Wakaf Mikro is soft and without collateral. The Bank Wakaf Mikro was formed in October 2017, pioneered by ten units of Waqf Banks spread across various Pesantren schools on the island of Java. Table 1. Shows the 10 Bank Wakaf Mikros that were first established.

Table 1. Bank Wakaf Mikro which was established for the first time

No	Bank Wakaf Mikro	City
1.	BWM Alpansa	Klaten
2.	BWM Amanah Berkah Nusantara	Banyumas
3.	BWM Ranah Indah Darussalam	Ciamis
4.	BWM Berkah Bersama Baiturrahman	Bandung
5.	BWM Buntet Pesantren	Cirebon
6.	BWM Denanyar Sumber Barokah	Jombang
7.	BWM Al Muna Berkah Mandiri	Bantul
8.	BWM Berkah Rizki Lirboyo	Kediri
9.	BWM Khas Kempek	Cirebon
10.	BWM Pesantren An Nawawi Tanara	Serang

Source: lkmsbwm.id

Graphic 2. Development of Bank Wakaf Mikro Financing



Source: lkmsbwm.id

Bank Wakf Mikro is a Sharia microfinance institution that supports community empowerment activities and MSMEs (Pramono & Wahyuni, 2021). Bank Wakf Mikro contributes to the increase in business turnover (Maghfirroh, 2020). The increase in financing is not directly proportional to the smooth return of financing by MSMEs at the Bank Wakaf Mikro. One of the reasons for problematic financing is the insufficient mitigation of financing risks (Salwe et al, 2020). Furthermore, Salwe et al (2020) stated that the risk management components must be implemented within the scope of waqf management and development, including risk identification, risk measurement analysis, and risk handling and control, as monitoring and evaluation, which are not much different from the company's risk component. Risk management is an obligation that the nadzir must carry out because waqf assets are a mandate given by the wakif. Therefore, risk management serves to maintain the mandate in maintaining the use value of the goods represented so that their usefulness can be felt by mauquf 'alaih (Salwe et al, 2020). Implementing appropriate risk management can create a good internal control system in Islamic microfinance institutions so that corrective actions can be taken immediately in line with the strategies and ideals of Islamic microfinance institutions. One of the methods applied to micro waqf banks uses joint responsibility, or if there is a problem, it will be borne in groups (Wijayanti & Adityawarman, 2022).

The main risk in the process of collecting waqf is the process of transferring the legal rights of waqf assets. Meanwhile, the main risk in disbursing profits from waqf assets is the number of mauquf 'alaih, greater than the proceeds of the waqf surplus that can be distributed (Kuncorowati et al., 2018). Based on the background above, this study aims to explore the mitigation of financing risks at the Bank Wakaf Mikro so that the funds disbursed are not exhausted and can continue to provide benefits to the community.

LITERATURE REVIEW

Financing risks

Risk is the presumption of danger, loss, or something that has inferiority that can occur to both individuals and companies (Rosas et al., 2017; Zubaidah & Ninglasari, 2021). The crucial problem financial entities face the credit risk that exists in conventional institutions and the risk of financing in Islamic financial institutions. Credit/financing risk is a potential bank loss because customers who receive financing or credit loans cannot return their obligations (Budiman et al., 2018). Credit risk is the most crucial risk in the industry of Islamic, conventional, or microfinance institutions (Budiman et al., 2018). Financial technology (fintech) is very good for the development of sharia micro financial institutions such as BMT and BPRS. All existing fintech forms can be applied, such as crowdfunding, peer to peer, payment and BMT and BPRS can serve as an intermediary for people who want to invest in sharia-compliant instruments/bussiness.(Trimulato et al., 2020)

Risk Management

Risk management in non-bank Islamic microfinance institutions is adopted from the company's risk management, namely the planning of events that can cause losses due to employees, services, board members, operations, technology, programs, or financial management (Khalid et al., 2019). Therefore, risk

management aims to ensure the appropriateness of the plan in the management structure of both institutions over technology, human resource capabilities, financial condition, production, and marketing levels (Park, 2010; Zubaidah & Ninglasari, 2021). Kuncorowati et al., (2018) group risk management in two cases: risk in the collection and waqf distribution processes.

Bank Wakaf Mikro

Bank Wakaf Mikro does not mean a bank, financial institution, or waqf institution. However, it is a Non-Bank institution included in the Islamic Microfinance Institution. PP No. 42/2006 concerning the Implementation of Law No. 41/2004 concerning The OJK has determined the risk mitigation provisions for Bank Wakaf Mikros with a joint responsibility system. Head of the Sharia Banking Supervisory Department of the OJK Ahmad Soekro Tratmono said that although the name is a waqf bank, this financial institution does not carry out the function of waqf (Sulistiani et al., 2019). The name of the Bank Wakaf Mikro is because of its operation and location in the pesantren area (Sulistiani et al., 2019). However, the presence of the Bank Wakaf Mikro is one of the government's ways to reduce economic inequality in Indonesia and cooperate with Pesantren school-based institutions (Sulistiani et al., 2019). The term BWM was chosen by the state ruler in to hope that the funding distributed to the community would be intact without reducing its benefits (Sulistiani et al., 2019). The FSA has issued permits to 20 Micro Waqf Bank institutions in the Islamic boarding school environment. Until the beginning of March 2018, out of 20 Bank Wakaf Mikro which are pilot projects, financing has been distributed to 2,784 customers with a total financing value of Rp 2.45 billion (Sulistiani et al., 2019).

The financing mechanism used in BWM is the Qardhul Hasan scheme and joint responsibility. Qardhul Hasan's financing is in accordance with Qardh's contract, namely, this financing shown to social and please help, and the client is only obliged to return the principal of the financing alone, without being subjected to a waqf margin of money, can help development of Islamic banks, especially Sharia BPR. The advantages of waqf funds, in addition to being perpetual or long-term, the waqf fund is the cheapest fund that should be the target of Islamic banks (Bank Wakaf Mikro) (Faujiah, 2020). The As research conducted by Azizah & Islamiyah (2021), the provision of financing at the Sumber Barokah Denanyar Jombang Bank Wakaf Mikro uses the Qardhul Hasan contract with the joint responsibility method. It was done as one of the efforts if there are customers who forget to pay their obligations (Azizah & Islamiyah, 2021). The joint responsibility model applied at BWM Sumber Barokah Denanyar Jombang has been running optimally and effectively, so that the non-performing financing figure at BWM Sumber Barokah Denanyar Jombang from its inception until now is recorded at 0% (Azizah & Islamiyah, 2021).

METHOD

This research uses qualitative ethnomethodology as a research method. Ethnomethodology was chosen because the calculation of financing risk is a routine activity that the Waqf Micro Bank usually carries out to mitigate financial risks. According to Kamayanti (2016) ethnomethodology's definition implies four words: everyday activities, members method, visibly-rational-and-reportable-for-all-practical purposes, and accountability. Everyday activities refer to ethnomethodology's purpose for photographing routine activities such as assessment, measurement, and disclosure of habituation risks (Kamayanti, 2021). Member's method focuses on the relationship between individuals and groups, such as in risk mitigation involving the chairman, managers, financing managers, and other related parties (Kamayanti, 2021).

Visibly, rational, and reportable for all practical purposes are rational reasons or justifications for financing risk mitigation practices (Kamayanti, 2021). Accountability is an activity experienced and observed by all group members (Kamayanti, 2021). Accountability is crucial in capturing financing risk mitigation practices because other values should not erode Islamic values in waqf activities. The objects of this study are the Bank Wakaf Mikro Berkah Rizqi Lirboyo and the Bank Wakaf Mikro Denanyar Sumber Barokah. The two institutions were selected, including ten Bank Wakaf Mikros established for the first time in Indonesia (Badan Wakaf Indonesia, 2020).

The unit of analysis in this study is the Bank Wakaf Mikro and its managers. Informants in this study were BWM managers. Table 3. Presents a list of informants in the study.

Table 2. List of Research Informants

	Informant's Name	Position
Key Informants of Berkah Rizqi Lirboyo		
1	Mochammad Syaihul Izzat	Manager
2	Faris	Operational Section
Key Informants of Denanyar Sumber Barokah		
1	Hubbun Naja	Treasurer
2	Puguh Zainuri	Manager

(Source : Data processed, 2022)

This study used primary and secondary data. Primary data obtained directly according to the informant's experience through interview and observation techniques. Secondary data in the form of documentation of the financing agreement, completeness of disbursement documents (family card and husband and wife ID card), SOPs, halmi financing lists, billing lists, photos, and videos of routine halmi meetings, and other supporting documents. These data were the basis for researchers exploring the practice financing risk mitigation.

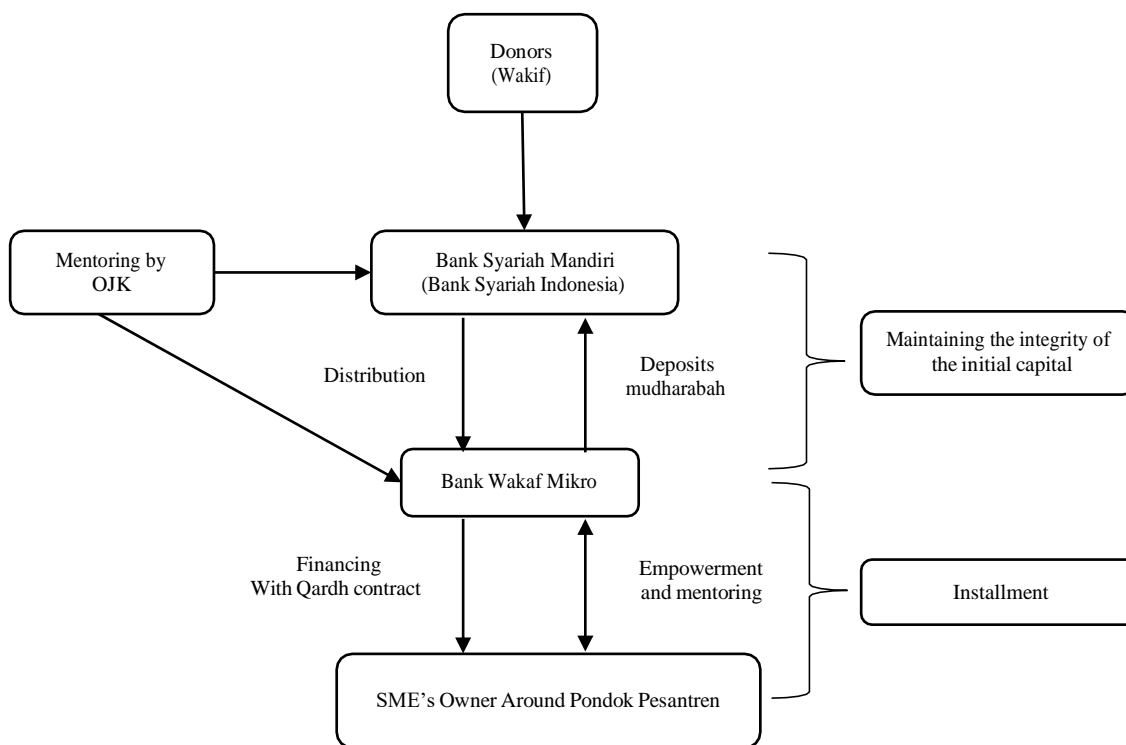
Interviews were conducted with six research informants to find out more about the risk mitigation practices of financing. Interviews were conducted at different times, more than twice for some informants depending on the urgency of the informant in data collection. Researchers created an interview grid to facilitate the direction of the discussion. However, describing the risk mitigation activities of the abuse according to the actual conditions, the interviews were allowed to flow according to the informant's answers. Recordings and interview notes are also carried out to make it easier for researchers to analyze data. Observations are made by visiting the Waqf Micro Bank's financing department to learn firsthand the practice of mitigating financing risks.

This study uses four data analysis stages: indexing, reflexivity, contextual action analysis, and the presentation of common sense knowledge of social structures (Kamayanti, 2021). The explanation of each stage is as follows.

- a. Indexicality analysis in this study was carried out by paying close attention to the expressions, terms, and gestures of the parties involved in financing risk mitigation activities. The use of index analysis is mainly used to see the consistency of informants' answers to ambiguous questions through observation of body gestures, eye position, and the informant's hands during the interview process (Kamayanti, 2021).
- b. A reflexivity analysis ensures that researchers find a wow-effect mindset in the data search process (Kamayanti, 2021). This analysis the author got when listening to the explanation of one of the informants, especially about the ability to do billing and attending regular meetings as a means of mitigating the risk of problematic financing with a salary level that is not comparable. It became a fairly oppressive language amid the materiality entrenched in all fields.
- c. A contextual action analysis describes recognizable and reportable activities (Kamayanti, 2021). The third stage is carried out in observation activities to get a complete picture of the expression, rationalization, and actions carried out by informants on financing risk mitigation practices.
- d. The presentation of the general culture of the entity is used to lay out the reasons for mitigating financing risks. These reasons are expected to lead researchers to understand that the practice is a norm agreed upon and implemented by the managers of the Micro Waqf Board. It can be seen in the function of group meetings which serve not only as billing but also as a means of proselytizing through recitation by BWM managers.

RESULT AND DISCUSSION

The Bank Wakaf Mikro has been operating since 2017, inaugurated directly by President Joko Widodo accompanied by the establishment of 10 Bank Wakaf Mikros in various cities in Java. The Bank Wakaf Mikro located in a Pesantren school whose job is to distribute financing to people who have small businesses in the environment around the establishment of Pesantren schools that cannot be reached by microfinance institutions, both sharia and conventional. It aims to increase the customer's profit by increasing capital through financing. The financing carried out by the Bank Wakaf Mikro uses the Qardhul Hasan contract. Figure 1 shows the BWM financing flow.



Picture. 1 Financing Flow

Denanyar Bank Wakaf Mikro and Lirboyo Bank Wakaf Mikro are the first ten Bank Wakaf Mikros in East Java. The first Bank Wakaf Mikro received funds from donors through Bank Syariah Mandiri (BSM), which is now Bank Syariah Indonesia (BSI), a government program in the form of cash waqf of Rp. 4 billion and Rp. 250 million for managing the establishment and purchasing assets (Balqis & Sartono, 2019) However, based on the agreement in the program, the waqf funds disbursed are only around 7.5-12% or a maximum of RP 500 million, and the rest is placed on BSI deposits to get a profit share for BWM operations. Distribution is carried out with the contract of qardhul hasan. The amount of financing in Denanyar is Rp. 300 million and in Lirboyo Rp. 500 Million. The amount was obtained from the results of interviews with operational managers of both BWM with the following questions:

Q1: How much is the amount of financing distributed to members?

"We are one of the BWM that received the nomination as the best BWM because we were able to channel the most financing. Our first distribution was Rp 500 million." (Izzat, June 6, 2022)

In contrast to the attitude of optimism in BWM Lirboyo. Different things happened at BWM Denanyar. Managers are skeptical of the ability to repay financing by members, so they prefer to be careful in the first financing process. Mr. Puguh revealed it.

"If members cannot afford to pay, our funds will be drained to cover the financing. In addition, we are also trying to maintain our deposit funds so that the profit sharing obtained can still meet our operational needs." (Puguh, June 7, 2022)

With the same amount of funds obtained by each Micro Waqf Bank, but the policy to divide these funds into investments and financing for each BWM has differences. This happens because there is no regulation from the OJK in distributing the portion of investment and funding to small micro enterprises around pesantren. The funds invested in Bank Syariah Indonesia use a mudharabah contract with a deposit period of 1 year. However, the profits from this investment are used to reward the managers of the Micro Waqf Bank. Meanwhile, the funds used to provide financing to Small Businesses around pesantren only take a small amount of wages for employee transportation when visiting customers.

Both BWM BWM Lirboyo and BWM Denanyar each have about 60 members. The average financing received by members is a maximum of Rp. 3 million. Both BWMs have their way of channeling. At BWM Denanyar, before providing financing for members who have passed the financing feasibility test, they get training for one week, and then the next process is carried out. Unlike BWM Denanyar, BWM Lirboyo was initially given counseling related to financing to the process of returning financing. This difference is noticeable in the second question.

Q2: How technical is the financing at BWM, sir?

"For financing, each group is required to take part in compulsory group training (URP). This training is carried out for five days at the home of one of the members" (Puguh, June 7, 2022).

"The main reason for receiving the BWM program is the potential for syiar over the operationalization of BWM, starting from the beginning of providing financing, financing decisions, and installment payments. Regular reviews are always carried out to members or prospective members. The impact is that many prospective members also do not continue because they still have to participate in the study." (Faris, June 6, 2022).

This answer indicates that the function of BWM is not only as a means of improving the community's economy (Arinta et al., 2020; Balqis & Sartono, 2020; Ramadhan & Sukmana, 2020) but also the function of community Islamic empowerment following sharia maqasid (Arinta et al., 2020).

BWM's operations are not only derived from the profit sharing of deposits but also from the administrative costs and profit sharing of BWM when disbursing financing. Balqis & Sartono (2020) corroborate that the average revenue share of BWM is 3% without collateral. However, disbursing financing in the two BWM does not require profit sharing. However, members should pay administrative costs in the financing disbursement process, including stamp duty. Mr. Puguh explains this practice in the following question.

Q3: On average, how long is the financing period, and are there any costs that members have to incur in the disbursement process?

"Administrative costs of Rp. 1,700- for the financing of Rp. 5 Million and Rp. 700- for the financing of Rp. 3 Million, which is withdrawn every week, for the stamp duty agreement becomes the members' burden. If a group wants bigger, we usually recommend taking 20 weeks with a financing amount of Rp. 5,000,000,- (Five Million Rupiah), this is the same as Rp.4.0000.000,- (Four Million Rupiah) with a period of forty weeks. We do this to keep members loyal to BWM Denanyar and not move to other banks or unclear loans. The repayment period of BWM Denanyar is 20 weeks, 25 weeks, 30 weeks, and 40 weeks depending on the amount of financing." (Puguh, June 8, 2022).

"The administrative costs at BWM Lirboyo are Rp. 30,000,- (including the stamp duty for the contract), which has all the costs incurred. There are only two financing periods, namely 25 weeks and 50 weeks." (Faris, June 6, 2022)

The disbursement of financing at BWM Denanyar is only carried out at the chairman's house or group members previously subjected to recitation activities. As for BWM Lirboyo, it is more flexible according to the recitation activities of members. It can be in mosques and group houses. BWM Denanyar has criteria for providing financing for its members; in addition to passing the feasibility test, members also have character and the ability to return their financing. As for BWM Lirboyo, in addition to passing the due diligence, character, and ability to return financing, members must participate in routine recitation activities

in each group. Otherwise, this will be one of the considerations not to be given further financing. Mr. Izzat, on the following question, expressed it.

Q4: Are there any specific characteristics in your financing distribution?

"Members in the group are required to attend weekly recitations as a control of the BWM. If the customer is often absent even though he is in full swing, for the next disbursement, we will stop for that person. Because it is considered unable to meet the provisions of discipline and responsibility." (Izzat, June 6, 2022).

Implementation of risk mitigation in Bank Wakaf Mikros

Every financial institution has the potential to experience the risk of bad debts or the risk of non-performing financing, including Bank Wakaf Mikros (Nugrahana & Zaki, 2020). However, what happened was that problematic financing at micro waqf banks was still included in the low class with the implementation of the liability system. This can be seen in the financial statements and data on the website which states that small Micro Waqf Banks have the potential to experience macer loans or non-performing financing. Mr. Faris conveyed this as the admin of BWM Lirboyo on the following question.

Q5: The financing distribution system is good, sir. Isn't there any bad financing at all here?

"The name of the debt must have bad installments, there are one or two people in each financing group, but it is still considered reasonable by the OJK. According to the OJK, it is considered NPF if it is no longer able to gradually up to 4 to 6 rounds (4 to 6 weeks), which is then considered problematic. Nevertheless, what is there is that if you have not paid the installments this week, it will be doubled in the next week." (Faris, June 6, 2022).

The type of financing risk mitigation that the OJK has determined to Bank Wakaf Mikros with a joint responsibility system. Joint responsibility means that if one member forgets or neglects to pay his obligations, the other must bear the member's obligations (Azizah & Islamiyah, 2021; Balqis & Sartono, 2020). This system runs by creating a disbursement group with 15-20 members in 3 halmi (Balqis & Sartono, 2020). Halmi is a small group in a large group that usually contains three members (Ghofur et al., 2021). However, the implementation of liability risk mitigation is different (Balqis & Sartono, 2020) in each Bank Wakaf Mikro, including the two BWMs in this study.

Implementing risk mitigation at BWM Denanyar uses the 2-2-1 technique, namely providing a disbursement distance in one case to minimize financing risks. It was expressed by Mr. Hubbun Naja on the following question.

Q6: Is the disbursement of financing carried out simultaneously on all members?

"We did not thaw right away in the first week of all mom, so it is gradual. With the gradual disbursement, we can assess the personnel of the members in the group." (Hubbun Naja, June 7, 2022).

This 2-2-1 technique is not in the BWM Denanyar SOP. This technique is developed during OJK training. In addition to prevention in the financing process, mitigation is carried out by maintaining financing returns. Poses maintenance is carried out with regular weekly visits in recitation activities and maintains communication with Whatsapp groups. This customer maintenance process is also following the results of research by Aulia Nur Cahyani et al., (2020), which states that one form of mitigating the risk of problematic financing is regular visits to customers. Mr. Pugh, on the following question, reaffirmed it.

Q7: In addition to phased financing, what other steps are you taking to mitigate the risk of non-performing financing?

"For the refund deposit, each group member gathers at the home of one of the group members wrapped in recitation activities. The problems experienced by each group and members can be communicated using WhatsApp groups as evidenced by using this method to maintain financing can reach NPF 0%". (Pugh, June 7, 2022).

Mitigating financing risks in addition to joint responsibility both in the disbursement and maintenance processes, BWM also uses the USSI system from the OJK. The USSI system can only be

accessed through the LAN network at the BWM office by conducting intensive monitoring of each member's financing either personally or in a case. The continuous improvement process continues to be carried out by the OJK, including changing the USSI to the Sistem Informasi Penerimaan OJK (SIPO). Mr. Puguh confirmed this statement with an answer to the following question.

Q8: Is there a system in place for BWM to monitor the financing of your members?

"The system that was USSI, but now using SIPO is easier, more effective, efficient and flexible. It can be accessed anywhere by logging in via the SIPO web". (Puguh, June 6, 2022).

The strict financing selection process, intensive monitoring, and the use of SIPO caused covid-19 did not significantly impact the operationalization of BWM. However, there were at least two changes in the operationalization of BWM, namely the amount of financing and the number of meetings. The initial financing amount was Rp. 5,000,000 to Rp. 3,000,000. In addition, meetings every week become several times a month due to limited government regulations related to social distancing. It was expressed by Mr. Hubbun Naja on the following question.

Q9: Is there any impact of the pandemic on your BWM activities?

"Financing during a pandemic is reduced to the maximum amount, mom. Initially, it can be up to Rp. 5,000,000 - during the pandemic, it is a maximum of Rp. 3,000,000,- . Continued, which was originally recitation every week at once for installment payments at the time, reduced the meeting, and kalua was carried out with strict health protocols, bu. So far, there is no problem, mom. Our activities are still running smoothly." (Hubbun Naja, June 7, 2022).

Almost like implementing risk mitigation in BWM Denanyar, BWM Lirboyo also limits the number of loans to members to level financing due to the increase in the number of members in several areas in Kediri. Mr. Faris on the following question expressed it.

Q10: Is there a difference in the amount of financing before and during the pandemic?

"At the beginning, we only gave loans of 1 million to customers. They could add up to 1.5 million in financing if they graduated and had a good image. The increase is a multiple of 500.000. Because there are more and more customers, we limit it to financing. If it used to be, it could be from 1 million to 2 million directly." (Faris, June 8, 2022)

The gathering place for regular recitations is the agreement of the members of the group, whether in the chairman's house, the member's house, or in the mosque and mosque. It continues until each group gets a turn. If the member changes domicile or type of business, the member should update the data. The data update process is also a way of mitigating risks at BWM Lirboyo. Mr. Izzat, on the following question, expressed it.

Q11: many BWM members are not women fathers. How about they move out because of their husbands or other reasons?

"If a group member whose residence or business has changed, then other members must inform the member concerned to update the data and us. If there is a group that has paid off the loan, it is immediately disbursed back to another group. So this financing fund did not arrive at the hold. So, if one group is stuck, it hinders the thawing of the other group." (Izzat, June 6, 2022).

The financing risk mitigation process is carried out in such a way in both BWMs that the NPF is almost 0%. However, the quantification process of financing risk mitigation is important to avoid losses in BWM activities. Some quantification strategies for financing risk mitigation that can be done are ratings for individual financing customers, financing portfolio management, collateral, cash flow supervision, recovery management, and insurance (Cahyani et al., 2020). In addition, there is another important problem in BWM, namely the high rotation of group members either due to the increasing economy or the disagreement of group members. Mr. Faris expressed it in the following question.

Q12: financing is almost said to be non-problematic. Sir, can it be said that there are no significant challenges in BWM?

"The problem right now is, in 1 group, there are many incomplete, aka the people are reduced. This reduction is also because the person is not diligent in coming during the gathering or often jamming. It is a pity that other friends have to hang out first. They want to put in 1 more, which is really a match with no worries. It is also difficult. So yes, now the number is incomplete, 15 people. There are 14. There are 13. The disadvantage of this liability system is that if the customer is stuck with the smallest financing, it does not burden other members to bear it. If the bad one is the member with the highest financing, it becomes a heavy burden for the other members." (Faris, June 6, 2022).

CONCLUSION

Bank Wakaf Mikros have the potential to face the risk of non-performing financing. PP No. 42/2006 concerning the Implementation of Law No. 41/2004 concerning The OJK has determined the risk mitigation provisions for Bank Wakaf Mikros with a joint responsibility system. Each Bank Wakaf Mikro has a different system for implementing a joint responsibility system. BWM uses a 2-2-1 strategy in disbursement, aggressive monitoring, and the use of SIPO. Meanwhile, BWM Lirboyo applies restrictions on the amount of financing, regular recitations that all group members must attend to apply discipline and responsibility to the group, and continuous member data updates. The next study suggests a more systematic and measurable formulation of financing risks to determine the more dominant elements of financing in other BWM such as BWM Alpansa, BWM Amanah Berkah Nusantara, BWM Ranah Indah Darussalam, BWM Berkah Bersama Baiturrahman, BWM Buntet Pesantren, BWM Al Muna Berkah Mandiri, BWM Khas Kempek, BWM Pesantren An Nawawi Tanara.

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