

## MANAGEMENT RISK INVESTMENT (CASE STUDY: DEFAULT ON MUDHARABAH)

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### *Abstract*

*Investment is a term that is always related to finance and economics. As the times develop, investment is increasingly adjusting to people's interests. One of them is the development of sharia investment. In investing, it is certainly not always profitable, sometimes experiencing ups and downs to losses. This is the background for the birth of investment risk management, so that later every investment risk that will occur investors can be prepared to take further steps to prevent losses. Meanwhile, the deliberations of both parties contributed. The investment that is risky between the two is mudharabah. This is because if the investment suffers a loss, the bank will be fully responsible for everything. Coupled with other risks that can still occur such as default. The existence of this phenomenon, the author will discuss investment risk management in the case study of default in Mudharabah.*

**Keywords:** *Investment Risk, Default, Mudharabah*

### **Abstrak**

Investasi merupakan istilah yang selalu berhubungan dengan keuangan dan perekonomian. Seiring berkembangnya zaman, investasi semakin menyesuaikan dengan kepentingan masyarakat. Salah satunya adalah pengembangan investasi syariah. Dalam berinvestasi tentu tidak selalu menguntungkan, terkadang mengalami naik turun hingga kerugian. Hal inilah yang melatarbelakangi lahirnya manajemen risiko investasi, agar nantinya setiap risiko investasi yang terjadi investor dapat bersiap mengambil langkah lebih lanjut untuk mencegah kerugian. Sementara itu, musyawarah kedua belah pihak turut andil. Investasi yang berisiko di antara keduanya adalah mudharabah. Sebab, jika investasi mengalami kerugian maka bank akan bertanggung jawab penuh atas semuanya. Ditambah lagi dengan risiko lain yang masih bisa terjadi seperti gagal bayar. Adanya fenomena tersebut, penulis akan membahas manajemen risiko investasi pada studi kasus gagal bayar pada Mudharabah.

**Kata Kunci :** *Resiko Investasi, Gagal Bayar, Mudharabah*

### **Introduction**

Investment is a term that is always related to finance and economics. Investment can also be called capital investment. Where every investor or company invests its capital in various forms, whether shares, bonds or others, aimed at obtaining maximum profits. As time progresses, investment increasingly adapts to people's interests. One of them is

the development of sharia investment. Sharia investment is a form of investment that is based on sharia principles, which aims to ensure that investments are carried out in a manner that complies with sharia principles, and is protected from everything that is haram (usury, maysir, gharar, etc.).

When investing, you definitely don't always make a profit, sometimes you experience ups and downs and even losses. Both in terms of declining company performance, bankruptcy, payment failure and so on. This is the background to the birth of investment risk management, so that in the future, every investment risk that occurs, investors can be prepared to take further steps to prevent losses. The application of sharia investment is divided into two, namely, mudharabah and musyarakah. Where both of them have a cooperation agreement in investment activities that adhere to Islamic sharia principles. The only difference is that one party is the mudharabah manager and one party is the fund manager. Meanwhile, in musyarakah, both parties contribute equally. The riskiest investment of the two is mudharabah. This is because if the investment experiences a loss then the bank will be fully responsible for everything. In addition, there are other risks that can still occur, such as payment failure (default). From the explanation above, then writer will discuss about Investment risk management in case studies of default on Mudharabah.

## **Theoretical Basis**

### **1. Understanding Investment Risk Management and Default**

The term investment comes from the Latin word *investire* (to use), while in English it is called *investment*. Investment can be defined as capital investment made by investors, both overseas (foreign) and domestic (domestic) investors in various business fields that are open for investment, with the aim of making a profit. Investment risk is the risk resulting from the bank sharing in the customer's business losses which are financed in profit-sharing financing based on *profit* and *loss sharing*. So investment risk management is planning, managing and controlling the risk of loss in investment (Jalaludin, 2019).

Every investment made definitely contains risks. One of them is mudharabah investment. Mudharabah is an investment with a cooperation agreement between the capital owner ( *shahibul mal* ) and the fund manager (mudharib) where the profits are shared according to the agreement of both parties, while the losses are borne by the fund/capital owner. Mudharabah contracts can be divided into two, namely mudharabah mutlaqah (not bound by conditions/free) and mudharabah muqayyadah (bound by conditions proposed by the capital owner) (Latif, 2020).

Compared to other cooperation/investment contracts in sharia banking, mudharabah contracts are the riskiest contracts. The risks of mudharabah financing include: first, the problem of information asymmetry, namely the tendency of one party who controls more information to be dishonest. Second, side streaming, namely the customer uses the funds not as stated in the contract. Third, negligence and intentional errors. In a mudharabah financing agreement, the bank as *shahib al-maal* entrusts a certain amount of capital to the mudharib manager with an agreed agreement. The mudharib is given active rights over the business, and vice versa the bank is not (Fiyanto, 2018).

One of the problems faced in mudharabah is default. Default is the implementation of an agreement that is not carried out on time or is carried out inappropriately or is not carried out at all. Default refers to non-performance by the debtor. The occurrence of a default results in the loss of the other party (the opponent of the party in default). Due to losses caused by the other party, the party who has defaulted must bear the consequences of the opposing party's demands, which can be in the form of cancellation of the agreement; cancellation of the agreement accompanied by a claim for compensation; fulfillment of agreements and fulfillment of agreements accompanied by demands for compensation (Darwis, 2020).

## **2. Influencing Factors There is Default on Mudharabah**

The factors that cause default also vary, such as internal factors from the sharia financial institution itself and external factors such as from the sharia financial institution's customers. Factors that cause financing problems include:

1) Internal factors

Several factors that cause default can also come from internal parties, including:

- a. Bank employees, in this case, who are tasked with analyzing every transaction or financing that will be provided during its implementation, are often careless and careless in the process of assessing potential customers, resulting in the wrong financing targets.
- b. The financing system and procedures that have been established and approved by members who apply for financing at the bank, in several cases violations or defaults on the agreed agreements are found, this factor is related to ineffective supervision or monitoring on the part of the bank. Supervision is basically very important for banks because with supervision or monitoring the bank as the provider of funds can determine whether members can be trusted to have used the funds according to the agreement.
- c. When a customer has received financing, the customer is not active in saving. So that when there is a financing problem, customers do not have reserve funds to cut to reduce their financing. Activating savings is used to avoid bad financing and prevent risks. So it is very important to implement savings so that financing becomes lighter.

2) External Factors

Next, what causes default in banks is one of external factors, there are several reasons why members become defaulters, namely:

- a. The condition of the mudharib's business is declining, this is what causes members to experience default because their business is declining and the results of their business are unable to repay the financing, resulting in default.
- b. *Force majeure* , a situation where many things happen beyond human ability, such as natural disasters and death, this situation has a very big influence on the implementation of financing returns.
- c. There was bad faith on the part of the mudharib by delaying payment and the funds provided were not used according to the agreement which resulted in a default.

- d. Pain is a condition that cannot be predicted beforehand. Customers who carried out mudharabah financing at the bank experienced illness, resulting in the financing becoming stuck (Arifin, 2021).

## Research Methods

Method used in study This is descriptive qualitative . Research methods which utilizes qualitative data and is explained descriptively . This type of qualitative descriptive data analysis is often used to analyze social events, phenomena or situations .

## Discussion

### 1. Completion Default on Mudharabah

Resolving default disputes can be resolved through 2 options, namely first through litigation. Settlement of cases using litigation means if the dispute resolution between parties is carried out in court. Second, with the non-litigation route, resolving cases using the non-litigation route has meaning in resolving legal problems outside of court (Alternative Dispute Resolution). Dispute resolution outside of court can be carried out using various methods, including arbitration, consultation, mediation, negotiation and consultancy dispute resolution methods.

Several efforts to resolve problematic mudharabah financing carried out by banks can be described into a series of resolution flows, including the following:

- 1) Reprimand, namely by reminding problematic customers to pay their overdue installments using a mobile phone;
- 2) Conduct visits to problem customers' homes to jointly find solutions to the causes of customers being late in paying installments;
- 3) Notification with a letter of warning (summation 1,2,3);
- 4) Calling problematic customers to come to BJB Syariah KCP Patrol to find solutions to the problems that occur;
- 5) Depositing collateral, in this case the bank does not simply auction or sell the collateral. However, first give customers time to pay off their obligations;

- 6) Providing relief with preventive efforts, starting from understanding and implementing correct financing processes regarding internal and external matters, as well as understanding the factors that cause financing problems.
- 7) Carrying out 3R activities ( *Rescheduling*, *Reconditioning*, *Restructuring* )  
*Recheduling* , namely by changing the financing period, payment schedule (date, grace period), and number of installments. *Reconditioning* , namely the process of re-arranging the initial agreement or contract that was previously agreed upon plus a reduction in profit sharing/margin, then the margin becomes the principal debt, delaying margin payments until the margin is freed. *Restructuring* , namely additional financing capital if members are deemed to have good prospects in the future.

One form of rescheduling carried out by BJB Syariah KCP Patrol for borrower customers is extending the repayment time and providing a discount from the customer's total payment obligations and allowing customers to only pay the principal amount without a margin in mudharabah transactions for customers who experience a decrease in payment ability. The basis of consideration for the BJB Syariah KCP Patrol in carrying out rescheduling is that the BJB Syariah KCP Patrol still believes that the borrower customers are only experiencing temporary difficulties, the borrower customers still have good intentions and still have business prospects;

- 8) Stage of confiscation of collateral.

If the series of steps above have been carried out and there is still no change or response from the customer, the bank can consider what steps can be taken in the future. If financing is problematic it is impossible to save it and become smooth again through peaceful actions, with coaching efforts, rescue efforts and the absence of good faith, so that the financing distributed remains in a problematic condition. Then the bank can complete the financing, namely by confiscating the collateral. At this stage, the bank does not simply execute or confiscate the collateral, but first gives the customer the opportunity to show their good faith by giving them the option to personally deliver the collateral to the office as safekeeping until the customer can pay off his obligations.

## 2. Mitigation Default on Mudharabah

Risk mitigation that sharia financial institutions should carry out as well as the factors determining investment risk in mudharabah contracts are as follows:

1. Debtors carry out moral hazard
  - a) Institutions must get to know their debtors better by implementing KYC ( *Know Your Customer* ) principles well. It is better for those who use a mudharabah contract to only use it for customers who have previously been debtors and have experience in transactions with banks and of course have a good track record.
  - b) With the need for accountability reports, banks need to ensure that financing customers have adequate capabilities in preparing financial reports and other reports.
  - c) Institutions can involve customers in determining the profit sharing ratio so that customers have a moral interest in implementing this mudharabah agreement.
  - d) Institutions can ensure that customers have used the funds provided by the bank for their business in a way that does not conflict with the decisions agreed upon at the beginning of the contract. This can also be done by maintaining good relationships through monitoring mechanisms that are carried out regularly to ensure that customers have carried out activities that should be carried out honestly and efficiently.
  - e) Guarantee policies must be adjusted to the customer's level of credibility.
2. The bank made a mistake in assessing the debtor's ability to manage this business. So the mitigation carried out is:
  - a) Creating a new division that specifically handles customer coaching regarding managerial, spiritual and motivational matters.
  - b) Create a new division specifically for data and information validation.
  - c) Confirmation and validation of data or information submitted by the customer
  - d) Standardize the data/information requirements form filled in by the customer.
  - e) Ask for items that must be guaranteed.

- f) Create an integrated ranking system with a selection system and determine policies on business financing periods, fund refund mechanisms, profit/margin distribution, and the business fields financed.
  - g) Collaborating with independent rating institutions to provide regular customer ratings.
3. The debtor does not share the results in accordance with the previously agreed calculations, so the mitigation that can be done is as follows:
- a) Banking continues to strive for customers to hand over the profit sharing that is their right to the bank, just as the institution has sought repayment of other people's receivables.
  - b) Banking still recognizes its rights as well as profit sharing receivables and profit sharing income.

The stages carried out by the bank in managing investment risk are as follows:

1. Identifying activity risks by using profit sharing based contracts in existing portfolios and even possible risks that will arise in order to facilitate the preparation and implementation of investment policies that use clear and careful profit sharing agreements, so that these risks can be managed and controlled .
2. Implementing the investment approval process with contracts that use an effective profit sharing system, namely by determining the limits of authority and mechanisms for making investment decisions with contracts that use a profit sharing system.
3. Supervision and monitoring of the concentration of fund distribution using a profit sharing system agreement in accordance with the bank's risk appetite.
4. Supervise and control the characteristics, nature and quality of investments with contracts that use a profit sharing system.
5. Guidelines and procedures are implemented, communicated, monitored and reviewed periodically taking into account changes in external and internal conditions.
6. Having and developing policies and channels for channeling funds using a profit sharing system agreement and adequate investment risk management guidelines by

carefully managing the level of risk on several characteristics such as quality, concentration, collateral security, maturity time, and others.

### **3. Sample case**

For example, in the case of KSPPS BMT An Najah in 2021, efforts were made to confiscate collateral in the form of land and buildings in Bandar village. In this case, the member committed a default in the form of doing something that was prohibited in the agreement, namely the financing provided by KSPPS BMT An Najah amounting to IDR 80,000,000 (eighty million rupiah) apparently not only the member concerned but 3 (three) members used it. others, resulting in difficulties in paying installments. After all efforts such as rescheduling, re-requirements and re-arrangements have been carried out and the mudharib in this case is still unable to fulfill its obligations, the next step taken by KSPPS BMT An Najah is to submit an auction to the State Property and Auction Services Office (KPKNL), in In this case, the auction application can be made without notifying the mudharib because it is stated in the initial agreement.

In this case, all the conditions that must be submitted in the file to conduct an auction include the auction request, the owner of the goods, the place of the auction, the time of the auction, the land certificate, cancellation before the auction, the auction bidder's security deposit, the limit value, the auction announcement. After all the requirements have been approved by the KPKNL, the KPKNL will schedule the auction, then the KSPPS BMT An Najah will take the obligation costs plus profit sharing which must be completed by the mudharib, but if the price of the guarantee has an excess then the proceeds will be the auction will be returned to the mudharib (Fikry, 2022).

### **Conclusion**

Investment risk management is planning, managing and controlling the risk of loss in investments. One of them is mudharabah investment. Mudharabah is a cooperation agreement between the capital owner (shahibul mal) and the fund manager (mudharib) where the profits are shared according to the agreement of both parties, while the losses are borne by the fund/capital owner. Compared to other cooperation/investment contracts

in sharia banking, mudharabah contracts are the riskiest contracts. One of the problems faced in mudharabah is default. Default is the implementation of an agreement that is not carried out on time or is carried out inappropriately or is not carried out at all. The factors that influence it also vary, ranging from internal and external factors or intentional factors on the part of the customer. The resolution is carried out in stages starting from a warning, summons to 3R ( *Rescheduling, Reconditioning, Restructuring* ). From here the bank must be careful and thorough in choosing customers, so that later things like this don't happen and if it does happen the bank can handle it.

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