



Financing Risk Management in the Micro Business Unit of Bank Syariah Indonesia: A Case Study of the Parepare Branch

I Nyoman Budiono¹, Syahriayah Semaun², Andi Kiki Patmawati³, Sri Sugiarti Salim⁴, Nur Aisah Sari⁵

^{1,2,3,4,5}Faculty of Islamic Economics and Business, Institut Islam Negeri Parepare, Indonesia

Email: inyomanbudiono@iainpare.ac.id; syahriyahsemaun@iainpare.ac.id; andikikipatmawati18@gmail.com

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ABSTRACT

Risk Management is a structured and systematic process of identifying, measuring, monitoring, controlling, and communicating risks in Islamic banks. This study, entitled "Financing Risk Management in the Micro Business Unit of Bank Syariah Indonesia, Parepare Branch", aims to analyze the financing process and implementation of risk management within BSI's micro business segment in Parepare. The research employed a Descriptive Qualitative method with a case study approach. Primary data was gathered through in-depth interviews with BSI employees responsible for the Micro Business Unit in the Parepare Branch, supplemented by comparison data from BSI employees outside the region. This qualitative approach ensured a deeper understanding of financing distribution procedures and specific risk strategies. The findings reveal two main results. First, the micro financing process at BSI Parepare is comprehensive, involving customer application, SLIK Checking, field checks, thorough 5C analysis, committee approval, legal binding, disbursement, and rigorous monitoring. Second, risk management is continuous, focusing on identification, measurement, monitoring, and control. Control mechanisms emphasize the analysis of micro debtors' character and capacity, utilizing early warning systems, and offering financing restructuring to effectively minimize potential default risks.

1. Introduction

The Micro, Small, and Medium Enterprises (MSMEs) sector constitutes a fundamental pillar of the national economy, particularly in developing countries such as Indonesia. Globally, MSMEs are recognized as engines of inclusive economic growth, contributing significantly to employment generation, poverty reduction, and economic resilience. In the Indonesian context, MSMEs account for more than 60% of Gross Domestic Product (GDP) and absorb approximately 97% of the national workforce as of 2024 (Parepare, 2024). At the micro level, micro-enterprises play a crucial role in sustaining household economies and strengthening local communities, functioning as a social safety net

during periods of macroeconomic instability.

In parallel with the growth of MSMEs, Islamic banking has emerged as an essential financial intermediary that operates based on sharia principles. Islamic banks not only mobilize funds through instruments such as savings, current accounts, and deposits under contracts like wadiah yad dhamanah and mudharabah mutlaqah, but also channel financing using sharia-compliant principles, including sale-based (murabahah), profit-sharing (mudharabah and musyarakah), and leasing (ijarah) contracts (Agustin, 2021). All operational activities are strictly governed by regulatory frameworks and religious compliance mechanisms, including fatwas issued by DSN-MUI, supervision by the

Financial Services Authority (OJK), Bank Indonesia (BI), and adherence to Law No. 21 of 2008 concerning Islamic Banking. These frameworks ensure that Islamic banking activities remain free from prohibited elements such as *riba*, *maysir*, and *gharar*, while upholding principles of transparency, accountability, and fairness.

Despite its ethical and regulatory foundation, Islamic banking operations are inherently exposed to various risks that may adversely affect financial performance and institutional stability. Risk management in Islamic banks involves systematic processes of identification, measurement, monitoring, control, and communication (Budiono, 2019). These processes rely on both historical loss data and forward-looking risk assessments, combining quantitative and qualitative approaches. Risk oversight is conducted through dedicated units such as the Risk Management Work Unit (SKMR), with continuous monitoring of risk limits and reporting to internal management and external stakeholders, including OJK, BI, and DSN-MUI (Roos Nelly, Saparuddin Siregar, 2022). Effective risk management is therefore indispensable to ensure the sustainability and resilience of Islamic banking operations.

Financing activities represent the core revenue-generating function of Islamic banks and are central to their operational sustainability. These activities are conducted under principles of transparency, accountability, and fairness. For instance, transparency is reflected in *murabahah* contracts where profit margins are explicitly disclosed to customers (Chairina, 2025). Accountability is demonstrated through the bank's responsibility in managing risks arising from unforeseen circumstances, while fairness is embedded in profit-sharing schemes such as *mudharabah* and *musyarakah*. Nevertheless, financing activities are exposed to multiple risks, including credit risk, legal risk, and compliance risk, all of which require robust mitigation strategies to prevent potential

losses and maintain institutional health (Jainuddin, 2020).

In this context, Bank Syariah Indonesia (BSI), established through the merger of major Islamic banks in Indonesia on February 1, 2021, plays a strategic role in supporting MSME financing. From a socio-religious perspective, BSI's adherence to sharia principles such as justice, risk-sharing, and prohibition of exploitative practices makes it a preferred financial institution for communities that prioritize Islamic values in economic transactions. At the regional level, the BSI Parepare Branch operates as a key financial intermediary, strategically located to serve both urban and surrounding rural economic activities. Its proximity to major economic centers such as Lakesi Market enhances its role in facilitating micro and consumer financing (Agustin, 2021).

The micro-financing segment, however, presents distinct challenges and risks. Micro-enterprises are typically characterized by limited formal financial records, high vulnerability to local economic fluctuations, and minimal collateral availability. These conditions significantly increase the likelihood of financing default and pose serious risks to asset quality, particularly in terms of Non-Performing Financing (NPF). At BSI Parepare Branch, the Micro Business Unit managed by a Micro Relationship Manager (MRM) is responsible for achieving financing targets while maintaining NPF levels below 2.5%. The financing process, which includes prospecting, document collection, proposal analysis, contract execution, and repayment monitoring, is inherently exposed to credit, legal, and compliance risks. Consequently, the implementation of effective and adaptive financing risk management becomes a critical necessity financial risk.

The existing body of literature has extensively examined risk management in Islamic banking, highlighting the importance of integrating sharia compliance with financial risk frameworks (Sadeq, 2003). Prior studies also emphasize the relevance of traditional

credit analysis models such as the 5C framework (Character, Capacity, Capital, Collateral, Condition), although their applicability in the micro-financing context remains limited due to information asymmetry and the informal nature of micro-enterprises. Furthermore, some studies underline the importance of qualitative assessments in evaluating micro-business feasibility. However, there remains a significant research gap concerning how Islamic banks, particularly Bank Syariah Indonesia (BSI), implement and adapt financing risk management strategies at the micro level in the post-merger context, especially within regional branch operations such as Parepare.

Based on this gap, this study formulates the research problem as follows: How is financing risk management implemented in the Micro Business Unit of BSI Parepare Branch, and how are risk mitigation strategies adapted to address the unique characteristics of micro-enterprises? Accordingly, the objective of this study is to analyze the implementation, challenges, and adaptive strategies of financing risk management within the micro-financing segment at BSI Parepare Branch.

This study contributes theoretically by enriching the literature on Islamic banking risk management, particularly by integrating formal risk frameworks with contextual, qualitative, and trust-based approaches in micro-financing. Practically, the findings provide insights for policymakers, Islamic banking practitioners, and financial analysts in designing more adaptive and context-sensitive risk management systems. The novelty of this study lies in its focus on post-merger BSI operations at the branch level and its emphasis on the role of local knowledge and analyst expertise in managing micro-financing risks, offering a nuanced understanding of how large Islamic financial institutions operate within localized economic environments ([Kamarudzaman, 2021](#)).

2. Literature Review

2.1 Conceptual and Theoretical Foundations

Islamic banking operates within a dual framework that integrates financial intermediation with compliance to sharia principles. Unlike conventional banking, Islamic financial institutions are governed not only by economic rationality but also by ethical and religious values, particularly the prohibition of *riba*, *gharar*, and *maysir*. This duality shapes the conceptual foundation of Islamic financing and risk management practices. According to ([Agustin, 2021](#)), Islamic banks function as intermediaries that mobilize and allocate funds through contracts such as *mudharabah*, *musyarakah*, *murabahah*, and *ijarah*, each carrying distinct risk characteristics.

From a theoretical perspective, Risk Management Theory provides the primary analytical lens for understanding financing risk in banking institutions. Risk management is defined as a structured process involving risk identification, measurement, monitoring, and control to minimize potential losses ([Budiono et al., 2023](#)). In the context of Islamic banking, this framework is extended by Sharia Compliance Theory, which emphasizes that risk mitigation strategies must remain consistent with Islamic legal and ethical standards. This creates a unique intersection between financial risk management and normative religious compliance ([Mansur, 2025](#)).

Additionally, Information Asymmetry Theory plays a critical role in explaining financing risk, particularly in microfinance contexts. Micro-enterprises often lack formal financial records, leading to asymmetric information between banks and borrowers. This condition increases adverse selection and moral hazard risks, thereby necessitating more intensive qualitative assessments such as character evaluation and field verification. The traditional 5C framework (Character, Capacity, Capital, Collateral, Condition) remains relevant

but requires contextual adaptation in microfinance settings.

Furthermore, Agency Theory helps explain the relationship between banks (principals) and customers (agents), where conflicts of interest may arise due to differing objectives. In Islamic banking, this relationship is further complicated by the requirement to uphold fairness and transparency, making monitoring and trust-based mechanisms essential components of risk management (Al-Arif, 2021).

Thus, the theoretical foundation of this study lies in the integration of Risk Management Theory, Sharia Compliance Theory, Information Asymmetry Theory, and Agency Theory, which collectively explain the complexity of financing risk management in Islamic microfinance.

2.2 Review of Empirical Studies

Previous empirical studies have extensively examined risk management practices in Islamic banking (Subdibyo, 2021). Highlights that effective risk management in Islamic banks requires the integration of credit risk, operational risk, and sharia compliance within a unified framework. This study emphasizes that failure to align these elements may lead to increased non-performing financing (NPF).

Further studies indicate that the application of conventional credit analysis models, such as the 5C framework, remains relevant but insufficient in the context of microfinance. Research shows that micro-enterprises often operate informally, making quantitative financial analysis less reliable and increasing dependence on qualitative assessments, including character evaluation and field observations. This is consistent with findings that emphasize the importance of on-the-spot (OTS) verification and relational trust in assessing borrower credibility.

Empirical evidence also demonstrates that information asymmetry is a dominant challenge in micro-financing. Borrowers may provide incomplete or misleading information,

increasing the risk of default. Studies suggest that effective mitigation strategies include intensive monitoring, frequent customer interaction, and adaptive risk assessment mechanisms (Fitri, 2025).

In the Indonesian context, research on Islamic microfinance highlights the importance of government-supported financing programs such as KUR Syariah, which aim to improve financial inclusion among micro and small enterprises (Listiwati, 2024). However, these programs also introduce additional risks, particularly due to relaxed collateral requirements and the inclusion of previously unbanked customers.

Despite these contributions, most empirical studies focus on macro-level analysis or general Islamic banking systems, with limited attention to branch-level operational practices, especially in the post-merger context of Bank Syariah Indonesia (BSI). Moreover, there is insufficient exploration of how risk management frameworks are adapted to local socio-economic conditions.

2.3 Identification of the Research Gap

Based on the synthesis of theoretical and empirical literature, several critical gaps can be identified. First, while existing studies have established the importance of risk management in Islamic banking, they predominantly focus on general frameworks and lack specificity regarding micro-level implementation, particularly in microfinance units. Second, prior research tends to emphasize quantitative risk assessment models, with limited attention to qualitative and context-based approaches required in informal micro-business environments.

Third, there is a notable lack of empirical evidence on post-merger institutional dynamics, particularly in the case of Bank Syariah Indonesia (BSI), which represents a significant structural transformation in Indonesia's Islamic banking sector. The merger has implications for organizational processes, risk management practices, and operational strategies that remain underexplored.

Fourth, existing literature rarely addresses regional and local contexts, such as Parepare, where socio-economic characteristics, cultural values, and market conditions significantly influence financing risk. Therefore, this study addresses these gaps by examining how financing risk management is implemented, adapted, and operationalized in the Micro Business Unit of BSI Parepare Branch, with a particular focus on contextual and qualitative dimensions of risk mitigation.

2.4 Development of the Conceptual Framework

This study conceptualizes financing risk management as a multidimensional process consisting of five interrelated components: risk identification, risk measurement, risk monitoring, risk control, and risk communication.

Risk identification involves recognizing potential sources of financing risk, including internal factors (e.g., weak analysis) and external factors (e.g., customer default, economic conditions). Risk measurement assesses the magnitude of potential losses, often reflected in indicators such as Non-Performing Financing (NPF). Risk monitoring ensures that financing performance remains within acceptable thresholds through continuous evaluation and supervision. Risk control includes preventive and corrective actions, such as credit analysis, restructuring, and insurance mechanisms. Finally, risk communication ensures that risk information is effectively reported to internal and external stakeholders.

In the context of microfinance, these components are influenced by moderating factors, including:

- a. Information asymmetry
- b. Customer characteristics (informal business structure)
- c. Analyst expertise (MRM/MBR)
- d. Local socio-economic conditions

The relationship among these variables suggests that effective financing risk management is not solely determined by

formal procedures but also by adaptive and context-sensitive practices.

2.5 Research Propositions

Given the qualitative nature of this study, research propositions are formulated instead of hypotheses. These propositions are grounded in theoretical frameworks and supported by empirical findings.

Proposition 1: Financing risk management in Islamic microfinance is implemented through a structured process consisting of risk identification, measurement, monitoring, control, and communication.

Proposition 2: The effectiveness of financing risk management in microfinance is significantly influenced by information asymmetry and the informal nature of micro-enterprises.

Proposition 3: Qualitative assessment approaches, such as character evaluation and on-the-spot verification, play a more critical role than quantitative analysis in mitigating micro-financing risks.

Proposition 4: The adaptation of risk management practices to local socio-economic conditions enhances the effectiveness of financing risk mitigation at the branch level.

Proposition 5 (Novelty Proposition): In the post-merger context of Bank Syariah Indonesia, financing risk management effectiveness is strongly influenced by the expertise of local analysts and the integration of trust-based monitoring mechanisms.

3. Research Methods

3.1 Research Design

This study employs a descriptive qualitative research design using a field research approach. The qualitative design is selected because it enables an in-depth exploration of complex phenomena, particularly the implementation of financing processes and risk management practices in Islamic banking. This approach is appropriate for addressing the research objective, which focuses on understanding how financing risk management is operationalized within a real

institutional context rather than testing predefined hypotheses.

The research design serves as a strategic framework that guides the entire research process, including data collection, analysis, and interpretation. By adopting a qualitative approach, this study emphasizes contextual understanding, interpretive analysis, and the exploration of meanings behind observed practices, ensuring methodological alignment with the research problem.

3.2 Research Context and Setting

This study is conducted at the Micro Business Unit of Bank Syariah Indonesia (BSI) Parepare Branch, Indonesia. The selection of this setting is based on its strategic role in distributing micro-financing products, particularly Sharia People's Business Credit (KUR Syariah) and commercial micro-financing (Agustin, 2021).

The Parepare Branch represents a relevant research context due to its operational characteristics, including its proximity to local economic centers and its focus on micro-enterprises with informal structures. Furthermore, as part of Bank Syariah Indonesia—a post-merger Islamic banking institution—the branch provides a unique setting to examine how standardized risk management frameworks are implemented and adapted at the regional level. This context enhances the relevance and contribution of the study to both academic literature and practical applications in Islamic microfinance.

3.3 Research Participants

The participants in this study consist of key informants directly involved in the financing process and risk management activities within the Micro Business Unit of BSI Parepare Branch. These include:

- Micro Business Relationship (MBR) officers
- Micro Relationship Manager Team Leader (MRMTL)
- Relevant staff involved in financing analysis and monitoring

A purposive sampling technique is

employed to select participants based on their roles, expertise, and direct involvement in financing operations. This approach ensures that the data collected are rich, relevant, and capable of providing deep insights into the phenomenon under study (Sugiarto, 2017).

The selection criteria include:

- Direct involvement in micro-financing processes
- Experience in financing risk management activities
- Ability to provide detailed and accurate information

This sampling strategy supports the credibility and depth of the qualitative findings (Creswell, 2021).

3.4 Data Sources and Data Collection

This study utilizes primary data sources, collected through in-depth interviews and field observations. The primary data focus on capturing detailed information regarding financing processes and risk management practices.

The data collection techniques include:

- Semi-structured interviews, allowing flexibility to explore participants' experiences and perspectives.
- Direct observation (on-the-spot/OTS) to understand real operational practices.
- Document analysis, including internal procedures and financing-related records where accessible.

The data collection process is conducted systematically to ensure consistency and minimize bias. The use of multiple data sources enables data triangulation, enhancing the accuracy and richness of the findings.

3.5 Measurement of Variables and Research Instruments

In this qualitative study, key concepts are operationalized as analytical dimensions rather than quantitative variables. The main construct examined is Financing Risk Management, which is decomposed into the following indicators:

- a. Risk Identification
- b. Risk Measurement
- c. Risk Monitoring
- d. Risk Control
- e. Risk Communication

These indicators are derived from established risk management frameworks in Islamic banking literature ([Budiono, 2023](#)) and are adapted to the micro-financing context.

The primary research instrument is the interview guide, which is developed based on these indicators to ensure consistency and depth in data collection. The guide includes open-ended questions designed to capture both procedural and experiential aspects of financing risk management.

3.6 Data Analysis Techniques

The data analysis in this study employs qualitative descriptive analysis, following a systematic and iterative process. The analysis consists of three main stages:

- a. Data Reduction. Raw data from interviews and observations are selected, simplified, and organized to focus on relevant information.
- b. Data Display. The reduced data are presented in a structured format, such as narrative descriptions and thematic categorizations, to facilitate interpretation.
- c. Conclusion Drawing and Verification. Conclusions are drawn based on identified patterns and relationships, followed by verification through cross-checking with multiple data sources.

This analytical approach ensures that the findings are grounded in empirical data and aligned with the research objectives.

3.7 Validity, Reliability, and Trustworthiness

To ensure the quality and rigor of the study, several strategies are employed:

- a. Credibility: Achieved through prolonged engagement, triangulation of data sources (interviews, observations, documents), and member checking with participants
- b. Dependability: Ensured by maintaining a

clear and systematic research process that can be audited. Confirmability: Supported by documenting all research procedures and minimizing researcher bias

- c. Transferability: Enhanced by providing detailed descriptions of the research context and setting

These measures strengthen the trustworthiness and robustness of the research findings.

3.8 Ethical Considerations

This study adheres to ethical research principles to protect participants and ensure academic integrity. Key ethical considerations include:

- a. Informed consent: Participants are informed about the purpose of the study and their voluntary participation
- b. Confidentiality: Personal and institutional information is kept confidential and used solely for research purposes
- c. Anonymity: Participants' identities are anonymized in reporting
- d. Data protection: Collected data are securely stored and accessed only by the researcher

Compliance with these ethical standards ensures the credibility and acceptability of the study in academic publications.

3.9 Research Procedure

The research procedure is conducted in several structured stages:

- a. Research Planning. Identification of research problems, literature review, and development of research instruments
- b. Data Collection. Conducting interviews, observations, and document analysis at BSI Parepare Branch
- c. Data Processing. Organizing and preparing collected data for analysis
- d. Data Analysis. Applying qualitative descriptive analysis (data reduction, display, and conclusion drawing)
- e. Interpretation and Reporting. Interpreting findings in relation to research objectives and presenting them systematically

This structured procedure enhances transparency and allows for potential replication of the study.

3.10 Methodological Limitations

This study acknowledges several limitations:

- a. The research is limited to a single branch (BSI Parepare), which may affect the generalizability of findings to other regions or institutions.
- b. The qualitative approach relies on subjective interpretations, although efforts have been made to minimize bias through triangulation.
- c. Access to internal documents and sensitive financial data is limited, which may constrain the depth of analysis in certain aspects.

Despite these limitations, the study provides valuable insights into financing risk management practices in Islamic microfinance, particularly at the operational branch level, and offers a foundation for future research.

4. Results and Discussion

4.1 Research Results

4.1.1 Sample Description and Descriptive Statistics

The unit of analysis in this study is the Micro Business Unit of Bank Syariah Indonesia (BSI) Parepare Branch, focusing on financing processes and risk management practices. Data were collected through in-depth interviews with key informants, including Micro Business Relationship (MBR) officers and Micro Relationship Manager Team Leader (MRMTL), as well as documentation analysis ([Al-Arif, 2021](#)).

The findings indicate that financing products include Sharia KUR (Super Micro, Micro, and Small) and Commercial Micro Financing. Sharia KUR is a government-supported financing scheme distributed through Islamic banks to support micro and small enterprises based on Islamic principles ([Listiwati, 2024](#)). Financing contracts applied include murabahah, musyarakah, and ijarah.

4.1.2 Data Quality and Preliminary Analysis

The credibility of the data was ensured through triangulation of sources, including multiple informants and documentation. The consistency of responses between MBR and MRMTL indicates high reliability of qualitative findings. The use of the I-Kurma system also supports data accuracy through audit trails and structured input processes.

4.1.2 Main Analytical Results

a. Financing Process

The financing process at BSI Parepare Branch consists of several structured stages:

1) Request for Financing from Prospective Asaba

Financing applications for Sharia KUR and Commercial Micro are a process that customers must complete by submitting their application to the BSI Parepare Branch ([Zain, 2025](#)). Financing applications are submitted in writing by prospective BSI Parepare financing customers, attaching financing documents. Anggi Anggraeni, an employee of the BSI Parepare Branch with the position of Micro Business Relationship (MBR), stated that:

"The general requirements for applying for financing for both Sharia KUR and Micro Commercial are to attach 1. KTP 2. KK 3. NPWP 4. Marriage Certificate 5. Unmarried Decree (for those who are not married). These requirements are mandatory if the NPWP is IDR 50,000,000, if it is below IDR 50,000,000 then it is not mandatory. 6. Bank Statement for the last three months" ([Anggi, 2025](#)).

Ms. Anggi Anggraeni's statement was strengthened by a statement from Mr. Ismail Abdullah as the Mikro Relationship Manager Team Leader (MRMTL) who stated that

"Generally, all financing requirements are the same, namely 1. KTP 2. Marriage certificate 3. NPWP, legally competent or aged 21 to 22 years old. Non-KUR financing above 25 million requires collateral, while KUR financing is regulated

to be up to Rp. 400 million without collateral, but the BSI Parepare Branch policy for Sharia KUR above 100 million requires collateral to minimize the occurrence of problematic financing" ([Anggi, 2025](#)).

From the explanation above, it can be understood that the document requirements that must be attached to the financing application consist of an ID card, marriage certificate, NPWP and the provision of collateral for a certain amount of financing ceiling. KTP (Resident Identity Card) is an official document issued by the government to prove a person's identity as a resident in a region or country. The contents of the ID card are population registration number, full name, place & date of birth, gender, address, religion, marital status, occupation, citizenship status, validity period as well as photo and signature. In the context of Micro financing, the KTP is mandatory for financing applicants, namely husband, wife or parties who provide collateral (for example parents). The existence of this KTP is an absolute requirement that must be present, even the absence of this KTP can be categorized as a major deviation in providing bank financing. Without a KTP, bank financing cannot be disbursed.

A marriage certificate is an official state document that legally proves a marriage has taken place according to religious and legal principles. It is issued by the Office of Religious Affairs and is intended only for Muslim couples registered at the Office of Religious Affairs (KUA). The certificate resembles a passport and consists of two copies with different cover colors. The husband's book is maroon or brown, and the wife's is dark green. Information contained in the certificate includes passport photos of the bride and groom, the location and time of the wedding, personal information of both bride and groom, the name of the father/guardian, details of the dowry given, and a tahluk (certificate of marriage) signed by the husband. The certificate serves as a legal

document for the marriage, an administrative requirement, an official family identity, a legal basis for divorce, and a prevention of multiple marriages. The government has now issued a digital marriage card to complement the certificate ([Saputra, 2026](#)). For non-Muslim clients, proof of a valid marriage is a Marriage Certificate issued by the Population and Civil Registry Office (Dukcapil) of the Ministry of Home Affairs. The marriage book/marriage certificate requirements are intended for prospective customers who are married, while for customers who are not married, it is sufficient to attach a certificate of unmarried status from the local sub-district office ([Yahya, 2023](#)).

The NPWP, or Taxpayer Identification Number, is an identification number issued by the Directorate General of Taxes (DGT) of the Ministry of Finance to taxpayers. The NPWP serves as a taxpayer's personal identification number or as a taxpayer identification in exercising their tax rights and obligations. Every individual or business entity that meets the requirements will have one NPWP throughout Indonesia. In the old NPWP format, the NPWP consisted of 15 unique digits. However, since 2024, individual taxpayers are required to use the Population Identification Number (NIK) on their KTP (National Identity Card) as their NPWP, while taxpayers in the form of corporate or non-resident individuals use the NPWP with a 16-digit format. This is used to simplify and integrate tax administration. This NPWP document requirement is intended for prospective KUR (People's Business Credit) and Micro Commercial customers applying for financing above IDR 50 million.

Internal collateral requirements are imposed by the Parepare Branch of SI, namely for Sharia KUR customers with financing above IDR 100 million to IDR 500 million, while for Commercial Micro financing customers, it is imposed on customers with financing ceilings above IDR 25 million to IDR 500 million.

2) SLIK Checking Process

SLIK stands for Financial Information Services System, which is an information system managed by the Financial Services Authority (OJK) which contains all funding facilities (financing/credit) that have been or are currently owned by a person either in banks or various financial institutions in Indonesia (Setiawan, 2021). SLIK Checking is a check or examination of a person's or agency's loan history through the OJK Financial Information Services System. SLIK Checking has been used by the OJK since January 1, 2018, before that date the checking process was carried out by Bank Indonesia and was known as BI Checking. The difference between SKLI Checking and BI Checking is that in SLIK Checking, checks can be carried out on financing facilities both in bank financial institutions and non-bank financial institutions, while in BI Checking, checks are only on financing history in banking institutions (Wahid, 2022).

The research results related to the SLIK Checking process are in accordance with the explanation from Ms. Anggi Anggraeni (MBR) as follows:

"The SLIK Checking process involves preparing complete data in the form of KTP, KK, etc., then we (marketing) input it and after the results are available, the customer can qualify for KUR. If there is no investment history, it can be the opposite, if there is, the customer cannot qualify for KUR or cannot qualify for SLIK" (Ismal, 2025)

Based on this explanation, the SLIK Checking process is carried out using the I-Kurma application using KTP, KK and NPWP documents. For SLIK Checking for individual customers is done using the NIK number on their ID card or family card, while for corporate customers, SLIK Checking is done using the NPWP number. SLIK Checking results will be displayed in the form of a report stating the collectibility of each financing or credit facility available at all banks and non-bank financial institutions.

Collectibility is stated in numbers 1, 2, 3, 4 and 5. Number 1 indicates that the customer's financing facility is in a smooth condition and has never been late in paying the loan installments either in part or in full. Collectibility 2 indicates that there is a delay in payment between 1 to 90 days, collectibility 3 indicates a delay between 91 to 120 days, collectibility 4 indicates a delay of 121 to 180 days and collectibility 5 indicates a delay in payment of more than 180 days. Collectibility 1 is called current (L), collectibility 2 is called in special attention (DPK), collectibility 3 is called substandard (KL), collectibility 4 is called doubtful (D) and collectibility 5 is called bad (M). The checking result is considered positive if the financing position is in collectibility 1 or current (L). Meanwhile, collectibility scores of 2, 3, 4, and 5 indicate that the loan is in a problematic state and cannot be funded (funding is rejected) (Sari, 2023). A collectibility score of 2 can sometimes be tolerated, depending on the reason for the delay and, of course, considering the prospective customer's other advantages. If the customer has a collectibility score of 1 or is in good standing, the financing process will continue with an on-the-spot (OTS) process or field visit.

In general, SLIK Checking OJK consists of a login page, a main dashboard, a debtor report display, and additional features (for internal financial institutions). The login page contains username, password, and captcha fields, an OJK logo at the top, and usually displays the words OJK Financial Information Services. After logging in, you will enter a dashboard containing several menus including debtor search, debtor reporting, reporting institutions, and logout. Debtor disbursement can be done using NIK, NPWP, and CIF. The debtor report displays credit history, collectibility, collateral, and the number of facilities. After the debtor's data is searched and found, a report will appear consisting of: debtor identity data, credit/financing facility data, collectibility data from 1 to 5, the number of ceilings and

outstanding financing, payment history data, and reporting institutions. Additional features in SLIK OJK include data extraction to PDF, report printing, uploading data updates, and report data validation.

3) Process On the Spot

On the spot or OTS is a direct visit activity carried out by bank employees to prospective financing customers, usually consisting of marketing, analysts (risk) and the collateral appraisal section. This visit is conducted after the prospective financing customer submits a financing application and attaches the required documents and has undergone a SLIK Checking with positive results. The purpose of conducting OTS is to ensure the implementation of the bank's prudential principles and minimize the risks faced by the bank in disbursing funds to its customers. The bank ensures the customer's residence (domicile) and business, the bank checks the customer's character, business capabilities, capital, collateral and others. The bank checks neighbors and directly observes the prospective customer's business operations. The results of research related to the On The Spot process as explained by Anggi Anggraeni (MBR) who stated that:

"During the OTS process, we conducted interviews with several questions, examples of what his business is, how is his business going now, is it running smoothly, how has his business been in the last three months and is it true that his business is his, etc" ([Ismal. 2025](#)).

This is clarified by the statement of Mr. Islail Abdullah, Micro Manager (MRMTL) who stated that:

"We all conduct surveys, whether with direct customers, neighbors, or paying suppliers, those are the ones who must be visited to ensure that the customer's business is really like that." ([Ismal. 2025](#)).

From the statements of the two employees of the BSI Parepare Branch, it can be understood that the OTS activities carried out by the bank are basically carried out to

determine the actual condition of the customer's business and apply the principles of prudence and the Know Your Customer principle. The bank conducts direct analysis in the field of the prospective customer's character, business conditions, capital, the condition of the collateral provided, and analyzes macro conditions that may affect the sustainability of the prospective customer's business. The bank conducts checks by directly observing business activities and the collateral provided and asking directly to the prospective customer's neighbors so that comprehensive, accurate and reliable information is obtained. The results of this OTS will be realized in the form of a written report containing a financing analysis memorandum which is poured into the I-Kurma application for processing and obtaining approval from the financing committee.

4) Financing Proposal Preparation Process

A proposal is a financing proposal written and submitted by bank marketing, which in this case at BSI Parepare Branch is called Micro Business Relationship or MBR) containing the character, business, capital, collateral and macro conditions surrounding the business run by the prospective customer to obtain financing approval from the financing committee. The financing proposal is made by inputting the required data on the form provided in the I-Kurma Application. The data consists of customer character data including SLIK Checking results, business data, capital, collateral conditions and macro conditions. The results of research related to the writing of financing proposals by BSI Parepare Branch MBR marketing as stated by Anggi Anggraeni (MBR) are as follows:

"We record all of the client's details on a form, including their mother's name, business address, and the number of years they've been in business. Before submitting a proposal, we must review the client's form, as we must coordinate with the financing committee to determine

whether they are confident in their business and income." ([Anggi, 2025](#))

This statement was continued by Mr. Ismail Abdullah (MRMTL) who stated that:

"In preparing a financing proposal, there are three things to do: first, write down business income, and second, write down household expenses. If business income is known first, how much is received per day or per month, then subtract how much expenses to get the business's net income. For household expenses, it is how many people the household supports. If the residence and business are different, then different electricity costs, etc. must be calculated, but if it is only one place, then just the business expenses are enough. Third, there are also unexpected costs, where we usually estimate how much the family will bear if problems occur, such as illness, etc., well, all of that will later be included in the proposal." ([Ismail, 2025](#))

From this statement, it can be understood that the proposal creation process involves inputting data into a form within the I-Kurma application. The data entered consists of the prospective customer's personal and business information, as well as business income and household expenses. This inputted data will be processed into ([Mansur, 2025](#)).

The scoring system in the I-Kurma application will then determine their ability to repay the installments. With this scoring system, marketing no longer needs to manually calculate the ability to repay the financing installments, as this is already calculated by the system based on data input by the marketing team.

5) Proposal Submission Process

After marketing inputs the prospective customer's data, the proposal is submitted to the Analysis (risk) department for analysis and comments or responses. Regarding the work of the risk department, Mr. Ismail Abdullah (MRMTL) explained that:

"The duties and responsibilities of the risk/analysis section for KUR and Micro Commercial financing are to ensure that prospective customers truly have a business, ensure original documents, ensure collateral and location, and calculate income. Risk is not a determinant, it is only a consideration, risk will make a report to MRMTL (Micro Relationship Manager Team Leader) regarding customers who want to apply for KUR funds, then it will be considered by MRMTL. So the Financing Committee at BSI Parepare Branch is a Micro Business Relationship (MBR), Micro Relationship Manager Team Leader (MRMTL) and Branch Manager (BM). If the risk section receives negative information, the risk party is required to make a Minutes (BA) to MRMTL regarding the report on the customer's business condition so that MRMTL decides whether it is accepted or not. The types of negative information that are usually revealed by the risk section include customers applying for funds but the business is not theirs or borrowed (fictitious), customers applying but not theirs but only as employees, There are also customers who apply without their parents' knowledge even though the business belongs to their parents that they use to apply for financing. For now, the risk section is concurrently by MRMTL because its officers moved to Makassar". ([Ismail, 2025](#))

From the statement, it appears that the risk department's task here is to provide reviews, responses and comments regarding the completeness of documents, income calculations and provide other information obtained during the financing process ([Mubarok, 2022](#)). Negative information that is usually obtained by the risk department includes: prospective customers apply for financing but the business shown is not theirs or in other words the business is fictitious, prospective customers apply for financing but it turns out the prospective customer is not

the business owner but only an employee, prospective customers apply for financing but it turns out the business belongs to their parents and the prospective customer does not have permission from their parents, etc ([Nugroho, 2021](#)). All negative information revealed by the risk department is made in a report and forwarded to the MRMTL department to be used as a consideration in making a financing decision proposal. The risk department does not have the authority to reject financing applications. Currently the risk department is doubled by MRMTL because the officer has moved to Makassar and there is no replacement yet. After MRMTL studies the financing proposal from marketing and the response from the risk department, MRMTL submits a financing decision proposal to the Branch Manager for approval. The Branch Manager provides financing approval accompanied by covenants that must be fulfilled by the prospective customer ([Nasution, 2024](#)).

6) Financing Approval

Financing approval is a stage in the financing process in providing a decision to accept or reject a financing application from a prospective customer ([Santoso, 2025](#)). Financing decisions at the BSI Parepare Branch are made by a Financing Committee consisting of 3 members consisting of Marketing (MBR), Micro Manager (MRMTL) and Branch Head (BM). Financing approval is given after marketing (MBR) writes down the conditions of the prospective customer and their business that have been verified through the data collection process, SLIK Checking and On The Spot (field activities) and are included in the I-Kurma Application. The results of an interview with Mr. Ismail Abdullah (MRMTL) stated that:

"The Financing Committee at the BSI Parepare Branch consists of three members: Marketing (MBR), Micro Manager (MRMTL), and Branch Manager (BM). The Risk Division is not a member of the Financing Committee, so it only

provides analysis and does not have the authority to reject financing" ([Ismail, 2025](#)).

From the explanation, it is very clear that the Financing Committee at the BSI Parepare Branch, especially for Miro financing, consists of three people, namely a marketing (MBR), Micro Manager (MRMTL), and Branch Manager (BM). For the BSI Parepare Branch, the Branch Manager has a Financing Decision Authority Limit (BWMP) of a maximum of IDR 200 million. If the financing is above IDR 200 million, then the authority to decide on financing is held by one level above (one up level approval), in this case, held by the Area Leader. BWMP is the limit of authority to decide on financing held by the branch manager of a bank ([Pratama, 2026](#)).

The BWMP is attached to the individual branch leader given by the director at the head office and is usually stated in a substitution power of attorney from the director to the branch leader in question. The size of the BWMP for each branch leader depends on the branch leader's experience in deciding on financing and this is the right of the head office director to determine it based on the capabilities and abilities of the branch leader in question ([Putri, 2023](#)). The limits of the Authority to Decide on Financing must not be violated, and if violated, the violation is considered a major violation and cannot be tolerated. Every branch leader is obliged to comply with the limits of the authority to decide on financing ([Ramadhan, 2022](#)).

7) Offer Letter Process (Offering letter) Financing.

Once the financing is approved, marketing will create a financing offer letter for the prospective customer. This offer letter will outline the type of financing facility, the amount of financing, the financing term, the contract used, and the financing terms (covenants) that must be met. The financing offer letter must be given to the prospective customer. If the prospective customer agrees

to the offer letter, they must sign it and submit it to the bank within seven days. The prospective customer's signature on the offer letter serves as proof that they agree to all the requirements proposed by the bank for providing financing. After the offering letter is signed by the prospective customer, the financing agreement or contract will be signed.

8) Financing Binding Process

Regarding the financing binding process, Mr. Abdulah Ismail (MRMTL) explained that:

"After the financing is approved by the Branch Manager (BM), then the IKURMA application will automatically enter the CRC to submit a search agreement to be ordered at the center in Makassar called FF (Financing Factory). Then after going to FF, it will return to AO to print the agreement related to the signature for the disbursement of the funds and return to FF for such a search" (Ismail. 2025)

From the explanation above, it appears that the creation of a financing agreement is automatically submitted to the Financing Factory in the Makassar Area office through the I-Kurma Application. After the agreement is made, it is returned to the marketing department (MBR) for signing. The signing of the financing agreement takes place at the Pinrang Branch of Bank Syariah Indonesia, represented by the branch manager, while the prospective customer is represented by the prospective customer and his wife. If the collateral is in another person's name, the collateral owner and his wife must also be present at the signing of the financing agreement.

For Sharia KUR financing, for loan amounts exceeding Rp 100 million, the customer is required to provide collateral and be notarized (before a notary). However, financing amounts below Rp 100 million do not require collateral, so the agreement for financing under Rp 100 million is conducted privately without involving a notary. This is in

accordance with the explanation of Ms. Anggi Anggraeni (MBR), who stated that: "The contract process for KUR financing depends on the conditions. If the loan is not bound by a notary or there is no collateral, the notary is not required to be present. However, if the financing is above IDR 100 million, the notary must be present. Therefore, the notary, Branch Manager, MRMTL (Micro Relationship Manager Team Leader), and MBR must be present during the contract process," (Anggi. 2025).

The statement explains that KUR financing of more than IDR 100 million requires collateral and is notarized before a notary at the BSI Parepare branch office, in the presence of the Branch Manager, Micro Manager (MRMTL), and Marketing Manager (MBR). KUR financing, on the other hand, is conducted undercover.

In Commercial KUR financing, collateral is required for commercial microfinance with a financing ceiling above IDR 25 million. Therefore, the financing signing is carried out by notary. Meanwhile, for commercial microfinance ceilings below IDR 25 million, no collateral is required from the customer, so the financing agreement is carried out privately. The following is an explanation from Mr. Ismail, Micro Manager (MRMTL) regarding the binding of commercial microfinance:

"In Micro Commercial agreements above Rp. 25 million that require collateral, all customers and collateral holders must be present. If the collateral holder is a parent, the parent must also come to sign along with the notary, MRMLTL, BM/Manager, and they must be present." (Ismail. 2025).

From this statement, it is very clear that for commercial micro financing that requires collateral, the financing binding provisions are the same as KUR above IDR 100 million which requires collateral, namely it is done in person.

Notary or notary. Currently, the only collateral accepted is in the name of the prospective customer, not just the customer's

parents or in-laws.

8) Funding disbursement process.

Financing disbursement is a mechanism by which funds from financing to BSI Parepare Branch customers are disbursed to the customers, either through the customer's account or to a vendor account that has collaborated with the bank and agreed upon by the customer. This disbursement of funds is carried out by the Finance Factory in Makassar after the agreement is signed by the interested parties. Regarding the disbursement of these financing funds, Mr. Ismail Abdullah stated that:

"The disbursement of financing funds goes directly into the customer's account 100% without any deductions for provision or administration fees, except if the financing is intended for investment in purchasing equipment, etc., then the disbursement of financing funds goes into the vendor's account that has collaborated with the bank and has been agreed upon by the customer" [\(Ismail. 2025\)](#)

From this explanation, it appears that in working capital financing, the disbursement of funds is made directly into the customer's account and then used to finance working capital based on a wakalah agreement between the bank and the customer. Meanwhile, in investment financing, the disbursement of funds is made directly to the accounts of vendors or suppliers who are partners with the bank and have been agreed upon by the customer.

b. Financing Risk Management at the Miro BSI Business Unit, Parepare Branch

Financing risk is the potential loss faced by Islamic banks due to counterparties failing to fulfill their obligations, either partially or completely, as stipulated in the agreed contract. Islamic bank financing risk is essentially the same as conventional bank credit risk, but the difference lies in the use of Islamic contracts. Financing risk in Islamic

banks can be caused by several factors or parameters, including internal factors, external factors, and product-specific factors and Islamic contracts.

Internal factors in Islamic banks stem from the bank's operations and financing policies. Weak internal factors can increase non-performing financing (NPF). Conversely, strong internal factors can reduce non-performing financing (NPF). The results of research on non-performing financing at the BSI Parepare Branch, as explained by Mr. Ismail Abdullah (MRMTL), are as follows:

"Bank Syariah Indonesia's Parepare Branch has problematic microfinance, namely, there is bad financing of IDR 600 million from outstanding financing of IDR 32 billion" [\(Ismail. 2025\)](#)

From Mr. Ismail's explanation, it appears that the Net NPF value of Micro financing (KUR and Commercial) is 1.87%. This figure is still very good and indicates that the financing of BSI Parepare Branch is still very healthy (i.e. below 2%). Financing risk management is a structured and systematic process in identifying, formulating, monitoring, controlling and communicating financing risks with the aim of mitigating financing risks in products or various activities of Islamic banks.

c. Financing Risk Identification

Financing risk identification is a structured and systematic process in understanding all potential events both internal and external to the bank that can cause default, Compiling a list of risks inherent in all products, functional activities and business processes of the bank including the provision of funds, treasury activities and financing and analyzing the characteristics of each identified risk including finding the source and cause. The results of research on financing risk identification at BSI Parepare Branch based on the statement of Ms. Anggi (MBR) stated that:

"The factors that cause problematic financing at the BSI Parepare Branch are that the customer's loan from the start is

not in accordance with the intended use of the application or is misused" ([Anggi. 2025](#)).

Furthermore, Mr. Ismail Adullah, Micro Manager (MRMTL) stated that:

"The factors causing problematic financing in micro units are: misuse of funds from financing disbursements, decreased customer business income and natural disasters" ([Ismail. 2025](#)).

From the explanation of the two employees of BSI Parepare Branch, several factors causing problematic financing at BSI Parepare Branch are: more often occurs in external factors of the bank, including lies from its customers by creating fictitious businesses, misuse of funds from financing disbursements (side streaming), and the occurrence of natural disasters). Although external factors are suspected to be the cause of problematic financing, internal factors certainly also contribute to the problematic financing, namely the bank's lack of thoroughness in analyzing information when conducting on-the-spot (field) activities. Thus, both external and internal factors must receive attention so that problematic financing can be minimized further. Problematic financing caused by product factors or financing contracts is sometimes also used as an excuse by customers to justify the occurrence of problematic financing. This is in accordance with the explanation of Mr. Ismail Abdullah, Micro Manager (MRMTL) who stated that:

"The contract factor is sometimes used as an excuse by customers for being in arrears, namely that customers feel that the contract at a sharia bank only involves paying the principal without any excess that must be paid" ([Ismail. 2025](#)).

Customer statements like these are essentially just excuses to justify late payments. However, preventative measures should also be taken by providing an explanation of Sharia contracts related to the possibility of late payments and problematic financing.

d. Financing Risk Measurement

Financing risk measurement is a structured and systematic process in measuring or assessing the magnitude of potential losses arising from the counterparty failing to fulfill some or all of its obligations in accordance with the agreed contract. By knowing the estimated potential bank losses due to this default, the bank will be able to reserve its capital to anticipate such losses. The purpose of this financing risk measurement is: determining capital adequacy, determining risk limits (risk limits) in this case determining the acceptable loss limit (risk appetite) and the tolerable loss limit (risk tolerance), determining financing prices (pricing) and assessing bank health using NPF. The results of research on financing risk measurement at BSI Parepare Branch as stated by Mr. Ismail Abdullah are as follows:

"Based on the events that caused problematic financing, the risk profile is inherently in the Low category, the acceptable risk limit at the BSI Parepare Branch is the same as other BSI Branches, namely a maximum NPF value of 2.5%." ([Ismail. 2025](#)).

From the explanation, it appears that the risk profile of BSI Parepare Branch is still in the Low category or is in the number 2 category in the inherent assessment. This is evidenced by the relatively low number of problematic financing events in the past and is evidenced by the current NPL figure of around 1.87% which is still controlled below the risk appetite that has been set at 2.5%. In terms of NPF which is valued at around 1.87%, the health level of BSI Branch is declared Very Healthy from the NPF Value perspective.

e. Financing Risk Monitoring

Financing risk monitoring is an important stage in Islamic banking risk management which aims to ensure that the

financing risks that arise remain within the limits of the risk management process.

Within the tolerance limits set by the bank. Financing risk monitoring also serves as an early warning system, detecting potential losses that the bank could experience. Financing risk monitoring is conducted periodically and continuously over the long term, from the time the financing is disbursed until it is repaid.

Steps taken in financing risk monitoring include: conducting periodic evaluations of financing risk exposures, conducting financing monitoring, measuring financing performance and quality, and conducting risk reporting (Dahlan, 2022). Periodic exposure evaluations are the initial step to ensure that previously identified risks remain relevant to the bank's current risk profile. The purpose of conducting periodic portfolio evaluations is to measure the extent to which the bank is exposed to the risk of loss from the existing financing portfolio (Kusuma, 2022). Periodic evaluation activities include evaluating financing that has a significant impact on bank capital. In financing supervision and monitoring, banks monitor the condition and performance of customers and financed projects. Monitoring can be carried out both directly and indirectly (Basri, 2024). Direct supervision is carried out by visiting customers directly (on the spot), while indirect supervision is carried out by studying customer financial transactions and customer compliance with agreed contracts. In measuring financing performance and quality, several key indicators are used, namely Non-Performing Financing (NPF), customer collectibility, and customer financial performance (profitability, liquidity, cash flow, etc.) (Mubarok, 2022). The results of research on financing monitoring, as stated by Ms. Anggi marketing (MBR) as follows:

"In the process of monitoring micro-financing after the disbursement of financing until it is paid off, we conduct monthly visits regarding how the customer's business is running smoothly

or not, so we communicate regularly with customers" (Anggi, 2025)

Furthermore, Mr. Ismail Abdullah emphasized and stated that:

"Microfinancing monitoring is carried out considering that microfinancing is risky financing, financing that has greater risks like that, so we have to really monitor it continuously, so there is something called monitoring every 3 months with customers after disbursement, whether the funds are really used according to their business as it is, and how much progress the customer's business has made" (Ismail, 2025).

From the explanation of the two employees of BSI Parepare Branch who work in the micro business unit, it can be understood that post-financing disbursement customer monitoring is carried out periodically and continuously until the financing facility is paid off. The bank conducts a review of the customer's business performance and ensures that the funds from the financing disbursement are not side streaming or misuse of financing funds. Risk reporting requires risk reporting both internally (Board of Commissioners, Board of Directors and Sharia Supervisory Board) and external parties (OJK, BI, MUI, etc.).

f. Financing Risk Control

Financing risk control is an integral part of financing risk management that can be grouped into two, namely preventive and repressive efforts (Effendi, 2023). Preventive means efforts made to prevent problematic financing while repressive is an effort to resolve financing that is already problematic (Rahman, 2026). Repressive or preventive efforts include: conducting business feasibility analysis, SLIK Checung, guarantees, financing diversification, etc. While repressive efforts or resolution of problematic financing include: collection, rescheduling, reconditioning, restructuring, etc. The results of the study related to the control process on

financing risks as stated by Ms. Anggi (MBR) are as follows:

"The process of resolving problematic financing in KUR micro financing is that it must be handled every month with the note that if the customer is no longer able to pay or does not want to pay at all then he has fallen into NPF (Non Performing Finance) then it will be claimed by the insurance guarantee section if paired with insurance if there is no one it will be included in the auction list." (Anggi, 2025)

From the statement it can be understood that in Micro KUR financing, for late payment of customer installments will be done persuasive collection, however if the customer is truly unable to pay his obligations and has become Non Performing Financing (NPF), then as the KUR financing scheme the obligation to repay the customer's financing is transferred to the financing insurance company (Ismanto, 2024). The process of transferring to the insurance company that guarantees the customer's financing, namely the bank, after the customer's collectibility becomes 4 (doubtful), the bank continues to make collection and restructuring efforts (Hakim, 2021). If the customer is still unable to pay off his obligations for any reason, the bank will collect from the insurance guarantor by attaching the required evidence. Based on this evidence, the bank will pay off 70% of the principal and margin bills, the remaining 30% is the bank's risk. After repayment, the customer remains obligated to his debt and if there is a payment from the customer, then 70% of the payment is returned to the insurance company and 30% is returned to cover the bank's payment losses (Zakaria, 2025).

Regarding the control process for Commercial Microfinance risks, Mr. Ismail Abdullah stated that:

"There are several ways to address problematic micro-commercial customers, including debt collection and restructuring, whereby the loan payments of customers whose businesses are

declining are adjusted to reflect monthly installments, for example, by adding a certain amount of principal and a certain tenor or other period, with the same value, without any additional loan amounts. Furthermore, insurance payments are usually provided for customers affected by disasters, or if they die, insurance usually provides similar payments," (Ismail, 2025).

From the explanation above, it is clear that the process of controlling or resolving problematic financing in Micro Commercial financing is not much different from KUR financing, namely through collection, restructuring and can be through life insurance, or loss insurance if the customer's business is affected by a natural disaster. The difference between KUR and Micro Commercial financing lies in the existence of a guarantee from credit insurance from either Jamkrindo or Askrindo for problematic financing in KUR, while this type of insurance does not apply to Micro Commercial financing (Fitri, 2025).

g. Financing Risk Communication

Financing risk communication is the final stage in bank risk management, following risk identification, risk measurement, risk monitoring, and risk control. Risk communication involves first providing reports on Micro KUR and Micro Retail Financing, and reporting them to internal parties (board of commissioners, board of directors, etc.) and external parties (BI, OJK, Sharia Supervisory Board, etc.). Regarding financing risk reporting, Ms. Anggi, as the marketer (MBR), stated:

"Marketing makes reports and it is mandatory to send them to the BSI Area office in Makassar, namely reports on Micro KUR and Micro Commercial financing." (Anggi, 2025)

Furthermore, Mr. Ismail Abdullah, Micro Manager (MRMTL) stated that:

"Yes, marketers must report on the condition of their clients' businesses every three months, whether the client's business is running smoothly or not, and

the report is submitted to me as the Micro Manager (MRMTL)." ([Ismail, 2025](#))

The two employees' explanations clearly demonstrate that the reporting system for financing risks involves internal reporting on customer business development from marketing to the Micro Manager (MRMTL) and internal reporting to the BSI Area office in Makassar. Reports have been submitted on time.

4. Hypothesis Testing Results / Key Findings

The key empirical findings of this study are:

- a. Financing processes at BSI Parepare Branch follow structured and standardized procedures supported by digital systems (I-Kurma).
- b. Risk management practices are comprehensive, covering identification, measurement, monitoring, control, and communication.
- c. The NPF level (1.87%) indicates effective risk management and healthy financing performance.
- d. External factors (customer behavior, economic conditions) are dominant contributors to financing risk.

4.2 Research Discussion

4.2.1 Interpretation of Key Findings

The findings indicate that the financing process at BSI Parepare Branch reflects strong adherence to prudential banking principles and Islamic financing contracts. The integration of digital systems such as I-Kurma enhances efficiency, transparency, and accuracy in financing decisions. Furthermore, the low NPF level (1.87%) demonstrates the effectiveness of risk management practices in maintaining financial stability ([Nurhasanah, 2021](#)).

4.2.2 Comparison with Previous Studies

These findings are consistent with prior studies emphasizing the importance of structured financing procedures and risk management in Islamic banking ([Listiwati, 2024](#)). The role of SLIK checking and OTS aligns with findings by (Sanjaya, A. W., dan

Susanti, 2023), which highlight the importance of due diligence in reducing financing risk.

However, this study reveals a stronger emphasis on digital integration (I-Kurma system), which extends previous research by demonstrating how technology enhances risk assessment accuracy ([Alifiyah, 2024](#)).

4.2.3 Theoretical Contributions

This study contributes to Islamic banking and risk management literature by:

- a. Extending risk management theory through the integration of digital systems in financing decisions.
- b. Reinforcing agency theory, where monitoring mechanisms (OTS, SLIK) reduce information asymmetry.
- c. Supporting Islamic finance principles, particularly in risk-sharing and ethical financing practices.

4.1.4 Practical and Policy Implications

Practically, the findings suggest that:

- a. Islamic banks should strengthen digital integration in financing processes.
- b. Continuous monitoring is essential for micro-financing due to higher risk exposure.
- c. Policymakers should enhance financial literacy to reduce misuse of financing funds.

4.1.5 Integration with the Research Gap

This study addresses the research gap related to the limited empirical evidence on micro-level financing processes and risk management in Islamic banking, particularly in regional branches. It provides detailed insights into operational practices and risk mitigation strategies, thereby enriching the existing literature.

4.1.6 Acknowledgement of Study Limitations

This study is limited to a single branch (BSI Parepare), which may affect generalizability. Additionally, the qualitative approach relies on informant perspectives, which may introduce subjectivity. Future studies are recommended to use mixed

methods and broader samples to enhance robustness (Maulidiah, 2023).

5. Conclusion

5.1 Summary of Key Findings

This study examines the implementation of micro financing processes and risk management practices at the BSI Micro Business Unit, Parepare Branch. The findings indicate that the micro financing process, including both KUR and commercial financing, is conducted in a structured and systematic manner. The process begins with a written application submitted by prospective customers, followed by SLIK checking, field verification (on-the-spot), proposal preparation by marketing officers, submission through the I-Kurma system, and approval by the Financing Committee. Subsequently, the process continues with the issuance of an offer letter, contract signing, fund disbursement, and periodic monitoring until full repayment. The entire procedure complies with established service level agreements, ensuring that disbursement is completed within a maximum of one week after all required documents are fulfilled.

Furthermore, the study reveals that financing risk management has been implemented effectively. This includes key stages such as risk identification, measurement, monitoring, control, and communication. The overall risk profile, particularly for financing risk and legal risk, is categorized as "Low to Moderate" or Category 2, indicating a relatively controlled and manageable level of risk exposure.

5.2 Theoretical Contributions

This study contributes to the development of risk management theory in Islamic banking, particularly in the context of micro financing. The findings reinforce the relevance of integrated risk management frameworks that emphasize a comprehensive approach, including identification, measurement, monitoring, and control mechanisms. Additionally, this study extends

existing literature by providing empirical evidence from a micro-level operational unit within Islamic banking, which is often underexplored.

The research also highlights the importance of aligning operational financing procedures with risk management principles, thereby supporting theoretical perspectives that emphasize the integration between operational efficiency and risk governance. By demonstrating that structured financing processes contribute to lower risk profiles, this study refines the understanding of how procedural discipline influences risk mitigation in Islamic financial institutions.

5.3 Practical and Policy Implications

The findings of this study offer several practical implications for practitioners and policymakers in Islamic banking. First, the effectiveness of risk management can be further enhanced through continuous dissemination and reinforcement of policies and standard operating procedures to all responsible employees. This ensures consistency in implementation and minimizes the likelihood of operational errors.

Second, strengthening human resource capacity is essential. Branch Managers and Micro Managers (MLMTL) are encouraged to obtain Risk Management certification up to Level 5 from the Sharia Financial Professional Certification Institute (LSPKS). This will improve their competence in managing increasingly complex financial risks.

Third, policymakers and institutional leaders should maintain strict adherence to service level agreements to ensure efficiency without compromising risk control. The integration of digital systems such as I-Kurma should also be continuously optimized to support transparency and accountability in financing processes (Santoso, 2025).

5.4 Limitations of the Study

This study has several limitations that should be considered when interpreting the findings. First, the research is limited to a

single micro business unit at the Parepare Branch, which may affect the generalizability of the results to other branches or Islamic financial institutions with different operational characteristics.

Second, the study focuses primarily on financing risk and legal risk, without extensively examining other types of risks such as market risk, operational risk, or liquidity risk. As a result, the overall risk profile presented in this study may not fully capture the complexity of risk exposure in Islamic banking operations.

5.5 Directions for Future Research

Future research is recommended to expand the scope of analysis by including additional types of risks, such as market risk, operational risk, and liquidity risk, to provide a more comprehensive understanding of risk management practices in Islamic banking. Moreover, further studies could explore comparative analyses across different branches or financial institutions to enhance the generalizability of findings. Researchers are also encouraged to apply alternative methodological approaches, such as quantitative or mixed methods, to validate and enrich the insights obtained from this study. Finally, future research may incorporate additional variables, such as technological adoption, organizational culture, and governance structures, to examine their influence on the effectiveness of risk management in Islamic financial institutions.

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