



Risk Management Analysis of *Qardhul Hasan* Financing Model in Islamic Financial Institutions

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Abstract

Qardhul hasan loans are loans that do not use collateral to obtain capital assistance to improve micro, small and medium enterprises to be more developed, without collateral there is a very large possibility of risk. This study aims to analyze the *qardhul hasan* financing procedure and the risk of *qardhul hasan* financing management in one of the *Baitul Mal Wat Tammil Nuansa Umat* on the island of Java. Observations were made of the operational activities of *Baitul Mal Wat Tammil Nuansa Umat* and customer activities to see the impact of financing. This research uses a type of qualitative field research. Data collection techniques are obtained through interviews, observation and documentation. The data collection technique was carried out through interviews with four informants including the head of the Purwoharjo Branch, the Central Board of Directors, the financing department, and Loan customers. Data validity uses data triangulation. Data analysis techniques using Miles and Huberman techniques, namely data collection, data display, data condensation and conclusions. The results of the study reveal that the *qardhul hasan* financing procedure at *Baitul Mal Wat Tammil Nuansa Umat* is designed to provide access to financing without collateral that is transparent and efficient with *Forum Silaturahmi Anggota* which functions as a social control mechanism to support the sustainability of payments. In terms of risk management at *Baitul Mal Wat Tammil Nuansa Umat*, it still needs to be improved. requires improvement to reduce the risk of many collectabilities and also arrears that occur, such as business bankruptcy, fraud, names used by others, defaults due to partners working outside the island or out of the country. The risk management process includes identifying, measuring, monitoring and controlling risks.

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INTRODUCTION

Baitul Mal Wat Tamwil Nuansa Umat is a financial institution based on Sharia. *Baitul Mal Wat Tamwil Nuansa Umat* is a popular Sharia savings and loan cooperative institution in East Java that has implemented sharia principles. In *Baitul Mal Wat Tamwil Nuansa Umat* East Java there are several financing products, including *qardbul hasan* financing, *murabahah* and *bai'bitsamanil ajil* financing, *muđlarabah* and *musyarokah*, multi-use blessings (Melina, 2020; Syafitri, 2023).

Baitul Mal Wat Tamwil Nuansa Umat East Java has many branch offices in Banyuwangi, one of which is *Baitul Mal Wat Tamwil Nuansa Umat* Puwoharjo Branch. *Baitul Mal Wat Tamwil Nuansa Umat* East Java Purwoharjo Branch is a sharia savings and loan and financing cooperative institution based on sharia principles. *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo Branch has many financing products Among the financing products that are in great demand is *qardbul hasan* financing, because the purpose of this financing is to increase financial inclusion by providing access to financing to people in need, micro businesses, especially for low-income communitie (Susetyo et al., 2024; Yultisya & Daulay, 2023). A *qardbul hasan* loan is a type of loan that is based on good will and free of additional fees. The borrower is required to repay the amount of money borrowed, although he may be able to give more, as long as he feels comfortable in doing so (Al Arif et al., 2020; Ibrahim & Alenezi, 2024).

Al-Qard is one of the muamalah transactions allowed in Islam. Literally, *qard* means "to cut" because the lender is considered to cut some of his wealth to give to people in need in the hope of getting a good return in the afterlife. In Tafsir Ibn Katsir, the sharia basis of *qard* is referred to from the interpretation of the Quran surah Al-Baqarah verse 245.

مَنْ ذَا الَّذِي يُقرضُ اللَّهَ قَرْضًا حَسَنًا فَيُضِعَّهُ لَهُ أَضْعَافًا كَثِيرَةً ۗ وَاللَّهُ يَقْبِضُ وَيَبْسُطُ ۗ وَإِلَيْهِ تُرْجَعُونَ

Meaning: *Whoever lends Allah a good loan, Allah will repay him generously. Allah restrains and expands (sustenance) and it is to Him that you will be returned* (QS. Al-Baqarah : 245)

Ibn Katsir explains that *qard hasan* is a loan given with the sincere intention of helping others without expecting worldly rewards such as usury. This loan is a good deed done to earn the pleasure of Allah. Allah uses the term "borrowing to Allah" as a form of encouragement for Muslims to do good to others, because Allah will compensate them with multiple rewards in the afterlife (Maksum & Hidayah, 2023).

At *Baitul Mal Wat Tamwil Nuansa Umat* this type of loan does not need to use collateral to get capital assistance, by applying the principle of *qardbul hasan*, it is hoped that *Baitul Mal Wat Tamwil Nuansa Umat* will be able to increase micro, small and medium enterprises to develop further. With this type of loan, partners are not burdened by high interest rates that cause business bankruptcy. However, partners are given the convenience of providing services or gifts to *Baitul Mal Wat Tamwil Nuansa Umat* with the service method as sincerely as possible. The risks that may occur in *qardbul hasan* financing are very large, with loans that do not use collateral as a binder, this becomes a gap for default or other things that can harm the institution. For this reason, risk management is needed as a form of anticipation of financial institutions in management so that bankruptcy does not occur (Sri Hayati & Si, 2017).

The risks that often occur in *qardbul hasan* financing at *Baitul Mal Wat Tamwil Nuansa Umat* especially the Purwoharjo Branch are quite varied, ranging from defaults, financing used by others and also installments used by

other group members. Within *Baitul Mal Wat Tamwil Nuansa Umat* itself, it has made SOPs (Standard Operating Procedures) and SOMs (Management Operational Standards) to minimize the risks that will occur, in *qardhul hasan* financing or Congregation-Based Services (LASISMA) it is mandatory to have a FORSA (*Forum Silaturrahim Anggota*) meeting with this forum, it is hoped that installment payments can be made in an orderly and safe manner (Ambarwati, 2018).

Financing risk is usually related to the risk of default, this risk can lead to losses faced when the financing provided goes bad or cannot be repaid. This means that customers are unable to fulfill their obligations to return the financing funds that have been received from banking institutions (Mustofa & Khoir, 2020). The implementation of risk management in Islamic banking operations in Indonesia cannot be delayed and must be immediately managed in a healthy and consistent manner and in line with sharia principles, based on the size of the bank, business complexity and performance. Islamic banking requires adequate resources to measure and identify risks and develop risk management techniques (Agustin et al., 2022; Pratama, 2018).

The financing procedures implemented at *Baitul Mal Wat Tamwil Nuansa Umat* kalibaru branch are structured, the existence of structured financing procedures can reduce the risks that occur, including problematic financing (Nwozor et al., 2021). The application of risk management is carried out effectively using the 3C principle, especially in *qardhul hasan* financing (character, capacity, condition of economy). In solving problems using an approach to find out the problem, provide solutions, and make regular and scheduled billing (Rizkullah & Suhel, 2023).

BPR Syariah Artha Mas, risk management includes risk identification such as: Using the 5C+1S technique: Character, Capital, Capacity, Collateral, Economic Condition and Sharia. We then measure risk by categorizing the recovery of loan customers. In addition, we monitor and manage risks and resolve them through advice, giving our clients the opportunity to restructure their financing (Adeyonu et al., 2021; Wujie, 2023).

This study aims to analyze *qardhul hasan* financing procedures and *qardhul hasan* financing management risks at KSPPS *Baitul Mal Wat Tamwil Nuansa Umat* East Java Purwoharjo Branch, Banyuwangi. This research is expected to provide insight into how Islamic financial institutions, especially *Baitul Mal Wat Tamwil Nuansa Umat*, maintain the sustainability of *qardhul hasan* financing while remaining committed to sharia values that prioritize justice and social welfare. The novelty expected from this research is the disclosure of risk management methods that are in accordance with local practices in Purwoharjo Branch, which can be different from other branches or similar institutions. In addition, this research has the potential to produce a model or framework that can serve as a reference for other BMTs in effectively managing *qardhul hasan* financing risks. By focusing on local analysis, this research is also expected to make a real contribution to the development of risk management practices that are relevant, innovative, and have a direct impact on improving the efficiency and sustainability of Islamic microfinance operations.

METHODS

This research uses a qualitative method with the type of *field research* conducted through direct observation and interaction with research subjects in their natural environment (Engkizar et al., 2022; Eriyanti et al., 2020; Zakariah et al., 2020). This method was chosen to obtain an in-depth

understanding of risk management in the *qardhul hasan* financing model in Islamic financial institutions, especially at KSPPS *Baitul Mal Wat Tammil Nuansa Umat* Purwoharjo Branch, Banyuwangi. The data sources in this research consist of primary data and secondary data. Primary data is obtained through in-depth interviews with the Head of Purwoharjo Branch, the Central Board of Directors, the financing department, and loan customers. Secondary data is obtained from literature such as books, journals, official reports, and other documents relevant to the research (Adel & Anoraga, 2023; Eriyanti et al., 2020; Ganefri et al., 2017).

Data collection techniques include interviews and observations. Interviews were conducted with the Head of Branch, Directors of Central Financing and managers of the financing section to explore information related to risk management procedures and management. Observations were conducted directly in the field to observe the financing process and interactions with partners. Data validity in this research uses triangulation techniques, namely by comparing data from various sources and methods to ensure consistency and validity of information. Data analysis was conducted using the Miles and Huberman model, which consists of four stages: data collection, data reduction, data presentation, and conclusion drawing and verification (Oktarinda et al., 2021; Zalnur et al., 2022). This process was carried out simultaneously to produce a comprehensive and in-depth analysis (Jauhar & Roziq, 2019; Mughni, 2019; Muljadi, 2014).

RESULT AND DISCUSSION

Qardhul hasan financing procedure

In this finding, the *qardhul hasan* financing procedure at KSPPS *Baitul Mal Wat Tammil Nuansa Umat* East Java Purwoharjo Branch is designed to provide transparent and efficient services, in accordance with sharia values. Based on the results of interviews, this procedure involves several main stages that support the smooth operation of financing. Based on the results of interviews with informant, the financing section of *Baitul Mal Wat Tammil Nuansa Umat* Purwoharjo Branch, related to the flow of *qardhul hasan* financing is as follows:

"Members submit registration documents such as KTP and Family Card. The Branch Head conducts disposition, 5C survey (Character, Capacity, Capital, Collateral, Condition of economy), and DIKDAS (Basic Education) about the contract and the dangers of usury. Administration verifies the data, makes SP3, and realizes the financing." (I-3)

Table 1. Procedure for establishing *qardhul hasan* financing

Executive	Description
Customer	Receive and write requests
Customer	Submit Form
Finance & Admin	Receiving and Examining Forms Submit a Lasisma financing application
Branch head	Receive the application file for establishment Lasisma
Branch head	Create and submit dispositions
Financing section	Receive disposition
Financing section	Conduct a survey
Customer	in the survey
Financing section	Submit Survey Results

Finance & admin	Create and Submit sp3
Branch head	Making and submitting meeting decisions FORSA (<i>Forum Silaturahmi Anggota</i>) formation committee
Finance & Admin	Receive the decision of the formation committee meeting Forsa
Financing section	Receive and submit sp3
Customer	Receiving sp3
Branch Manager	Conduct a committee meeting to establish forsa
Branch Manager	Doing basic education
Customer	Following basic education

From the table above, it is known that the *Qardbul Hasan* financing procedure at *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo branch includes several stages, first the customer requests financing to *Baitul Mal Wat Tamwil Nuansa Umat* in writing, the manager investigates the financing file, conducts a location review (survey), conducts interviews, makes financing decisions and conducts dikdas.

Table 2. Lasisma financing realization procedure

Finance & admin	Make a contract and submit
Bank finance & admin	Making realization slips Submit a slip and some money
Financing section	Receive the contract, slip and amount of money
Financing section	Submit the contract, slip and amount of money
Member	Receive and sign contracts and slips and receive money Submit contracts and slips
Financing section	Receive contract and slip
Financing section	Submit contracts and slips
Branch manager	Receive contract and realization slip
Branch manager	Sign and submit the contract and realization slip
Finance & sadmin	Receive and file the contract
Finance & admin	Receive the realization slip and give it to the teller.
Teller	Receive realization slips and input data
Financing section	Submit financing book
Member	Receive financing account book

The table above explains the realization of *qardbul hasan* financing at *Baitul Mal Wat Tamwil Nuansa Umat*, Purwoharjo branch, in the realization of the formation of a contract, after the contract is signed then realizing the financing. The realization of financing is carried out after coming up with the necessary papers and opening a financing account book. After the formation of the financing account book, the withdrawal of funds or disbursement of financing can be done through the book.

In this discussion, the process of applying for *qardbul hasan* financing is quite easy, with no collateral required, prospective partners only need an ID

card to be able to get a business capital loan, where in the *qardhul hasan* loan it is required that there must be a group called FORSA (*Forum Silaturrahim Anggota*) consisting of 5 to 20 people, for capital that can be received for the first time of Rp. 2,000,000 with a weekly, half-monthly or monthly payment system. The requirements needed in applying for this *qardhul hasan* loan include; photocopies of husband and wife's ID cards or other identity cards, photocopies of family cards, and the presence of a companion, both husband and other family members, to support the application process.

With this *qardhul hasan* financing, partners or members are not burdened with services or fees set by *Baitul Mal Wat Tamwil Nuansa Umat*, partners are required to return the principal loan in accordance with the nominal loaned, but partners are allowed to give more on the basis of *keridhoan*, this is in accordance with the provisions of Islamic law which are not allowed to take advantage of the assets on loan because it is included in usury which is hated by Allah SWT. The following explanation refers to the interpretation of Surah Ali Imran verse 130:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَهُمْ مَرْضَةً ۚ وَأَتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ

Meaning: "O you who have believed, do not eat usury with double] and fear Allah so that you may have good fortune" (QS. Ali-Imran: 130)

According to Ibn Katsir's Tafsir, this verse strictly prohibits the practice of usury that was prevalent in the Jahiliah society, where they increased the debt if the borrower was unable to pay at the specified time. The initial small debt is multiplied by adding interest after interest. This prohibition is a form of Allah's justice to prevent exploitation of the economically weak. Ibn Katsir also explains that the word "eat" here is a metaphor for taking unfair advantage of *riba*-based transactions, not just in the literal sense. Tafsir Al-Qurtubi adds that this verse hints at the moral ugliness of usury, namely greed and indifference to the difficulties of others. This prohibition of usury is absolute, although in this verse it is called "multiplying", it only explains the practice at that time, but usury in any form is still forbidden (Budiantoro et al., 2018; Ghofur, 2016; Pardiansyah, 2022).

Risk Management of *Qardhul Hasan* Financing at *Baitul Mal Wat Tamwil Nuansa Umat*

Qardhul hasan financing applied at the *Baitul Mal Wat Tamwil Nuansa Umat* Branch Office located in Purwoharjo District and has been running for more than two years and already has quite a lot of members. This type of financing has a considerable potential risk, ranging from the absence of collateral provided to the owner of the guarantee, to the application of services or rewards that are not specified.

Qardhul hasan financing itself is a type of financing that does not use collateral as a debt binder, in this financing the most important thing is honesty, even so *Baitul Mal Wat Tamwil Nuansa Umat* has made regulations related to *qardhul hasan* financing in order to anticipate the occurrence of defaults, these regulations include; required joint responsibility, writing down other items besides those guaranteed, meeting every time making financing installments.

This is in accordance with the results of interviews with the Directors of Central Financing informant said, "In *qardhul hasan* financing, it is not that there are no items that are pledged, but it is necessary to fill out a form of submission of non-guaranteed valuables, which later can be temporarily secured if the partner does not make payments." (I-4)

The risks of *qardhul hasan* financing vary, ranging from partners whose businesses go bankrupt, the name is used by others so that the person

concerned does not want to pay, installments are used by others to the occurrence of partners running out of the island or abroad.

With the potential risks that exist, *Baitul Mal Wat Tamwil Nuansa Umat* implements SOPs and SOMs for *qardbul hasan* financing which aim to be a shield against future risks. Standard Operational Procedures that are applied include, conducting quality surveys, there must be an association of members formed in one FORSA (*Forum Silaturrahmi Anggota*), with this form it is hoped that each member will have emotional closeness both members with members or members with officers, in addition to being a forum for friendship, this forum is also a bridge to convey circumstances or obstacles when making installment payments.

The steps taken by *Baitul Mal Wat Tamwil Nuansa Umat* purwoharjo branch in the risk management process are as follows:

Risk identification

The informant of the Financing Section of *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo Branch, as well as serving as a supervisor in the interview session, said that it was related to risk identification.

"So to identify risks at Baitul Mal Wat Tamwil Nuansa Umat we use the application that has been provided, scheduling partners from collect 1 to collect 4, risk identification is also carried out through surveys, so the usefulness of the survey is to overcome the non-achievement of the goals and objectives of a company, so identifying risks in financing of course we have to do a good survey, of course we will look for information related to the economy, household circumstances, social life, willingness and ability to pay. This is important because with this information the customer is eligible or not to be given financing" (I-2)

Risk measurement

Risk measurement at *Baitul Mal Wat Tamwil Nuansa Umat* by looking at partner data that has entered collectability in the application. The results of the interview by informant s of the financing section of *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo Branch regarding the measurement of collectability risk.

"In measuring collectability, we look at the data that has been provided in the application, starting from collection 1 to collection 4, with this data we can see partners who are in arrears so that intense collection actions can be taken" (I-3)

Risk monitoring

Based on the results of interviews with the financing section of informant regarding risk monitoring carried out at *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo branch.

"So for risk monitoring, every day the administration department provides a schedule and visit paper which later the visit paper is given to the financing department, for further execution, namely billing to the partner's house, for the stages when the partner is still in arrears, it is only a friendship and asks about the arrears, when it enters collection II, a visit paper will be made, later the financing department will go to the partner's house to ask what the obstacles are that cause it not to be paid off according to the specified time, when the partner has entered collection III, intense billing is carried out." Collect IV there will be confiscation of non-collateral goods, the goods will be used as collateral if the partner pays then the goods are returned".

Risk control

In the risk control process, the manager of *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo branch takes several steps, starting from maximizing survey results, to monitoring installments and making intense collections to partners who are late in making installments.

Informant a Head of *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo

branch explained; *"In terms of risk control, we do it at the beginning when the survey is carried out, we must prioritize a good and maximum survey, it is to reduce collectability or bad financing. For risk control at Baitul Mal Wat Tamwil Nuansa Umat there is such a thing as joint responsibility where in one forsa the forsa association does not pay, other members must bear it (I-1)*

Informant s of the financing section in his interview added;

"The control carried out by Baitul Mal Wat Tamwil Nuansa Umat in overcoming the problem of default is by carrying out routine financing monitoring actions, starting from the installment date, due date, arrears of financing and resceduling (extension of the loan period) of financing if the partner cannot pay off the financing until maturity, if the partner experiences default due to the departure of the partner or escapes, the steps that need to be taken are, finding information on the whereabouts of the partner, contacting the partner, finding the heirs to write off the financing from the asset list." (I-2)

This is corroborated by the statement of the *resceduling* partner of *qardhul hasan* financing, in an interview with informant said.

"In the past, the cause of the arrears was because I was deceived, until I could not make payments. Then the solution provided by Baitul Mal Wat Tamwil Nuansa Umat is to extend the loan period, and installments through savings that are taken every day by officers" (I-3)

In this discussion, the occurrence of risk can be caused by a less thorough analysis, both when checking files to partner surveys. *Baitul Mal Wat Tamwil Nuansa Umat* will usually check the data to conduct a survey, the survey aims to determine the level of feasibility of partners and the ability of partners to make payments later.

Risk management *qardhul hasan* financing at *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo Branch does not seem to have been implemented optimally, as evidenced by the large number of collectability and arrears that occur, according to the results of interviews and observations in the field found many problems that occur to partners, such as business bankruptcy, fraud, names used by others, to the occurrence of defaults due to partners working outside the island or out of the country. Steps in carrying out the risk management process carried out by *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo Branch.

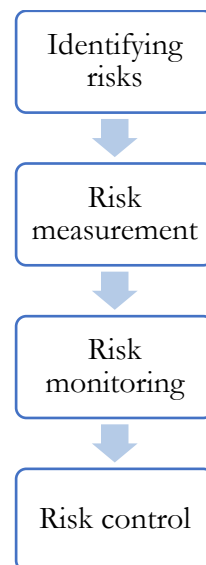


Fig 1. Steps in carrying out the risk management process carried out by *Baitul Mal Wat Tamwil Nuansa Umat*

The first, identifying risks. Risk identification is the process of determining the likelihood of a risk occurring, what causes the risk to occur, and how the risk occurs. Therefore, the Bank identifies risks to prospective

Murabahah loan customers before deciding to provide loans. This step is taken to prevent the emergence of risks in problematic financing (Girma & Teshome, 2023).

Risk identification carried out by *Baitul Mal Wat Tammwil Nuansa Umat* Purwoharjo Branch is to use the application that has been provided for scheduling collectability, starting from collect 1 to 4 risk identification can also be done through surveys. In conducting this survey, there are several criteria that must be met, so that the partner is indeed eligible for financing (Efe Güney et al., 2022). The manager will certainly look for informants, where the informants are interviewed regarding economic, household, social, willingness and ability to pay. It is important because with this information the customer the manager can find out whether or not financing is given. The informants needed in the survey according to the existing SOP are seven people, two from members, two from neighbors, two from community leaders, one from colleagues. In addition, the FORSA (*Forum Silaturrahim Anggota*) association must make every installment.

The second, risk measurement. Risk measurement is intended to measure risk exposure and serve as a reference for management. Risk measurement should be conducted periodically for both products and portfolios, and for all business activities (Cesario, 2023; Mohtar et al., 2022). Risk measurement is carried out by *Baitul Mal Wat Tammwil Nuansa Umat* to assess the risks that may arise from institutional activities. Risk measurement carried out by *Baitul Mal Wat Tammwil Nuansa Umat* is carried out by classifying *qardhul hasan* financing from current to total loss.

Table 3. Financing Collectability

Collectability	Time range
Collect I (Current)	-
Collect II (Special handling)	01-90 days
Collect III (Doubtful)	90-180 days
Collect IV (Stalled)	180-270 days

Collect I indicates that the partner is still categorized as current, collect II the partner is classified as substandard, in collect III the partner has entered risky financing, and if the partner has entered collect IV the partner is classified as a total loss.

The third, risk monitoring. Risk monitoring carried out at *Baitul Mal Wat Tammwil Nuansa Umat* is by looking at collectability data, with collectability data the manager can monitor partners through the application. For risk monitoring, the administration makes a visit schedule every day, the schedule is given to the financing department. For the stages, when the first collection the manager only stays in touch and asks about the arrears, when entering collection II the manager asks what the obstacles are that cause it not to be able to pay off according to the predetermined date, when the partner has entered collection III the manager has made intense billing. And for partners who have entered collect IV, the manager will confiscate non-collateral goods, these goods are used as collateral (Kabonga, 2020; Soekarni et al., 2024).

The fourth, risk control. A financial institution must have an adequate risk control system, in accordance with established policies and procedures. The risk control process implemented by the bank must be adjusted to the level of risk exposure and risk tolerance that will be taken (Fanaja et al., 2023).

The risk control carried out by *Baitul Mal Wat Tammwil Nuansa Umat* Purwoharjo branch is quite effective, with quality surveys being carried out,

besides that the policies applied by *Baitul Mal Wat Tamwil Nuansa Umat* to partners who experience default vary considerably according to the circumstances of the partners, ranging from routine monitoring of financing, resceduling to securing assets as a form of pressure on partners, where if the partners are unable to pay off the loan, the sale of non-collateral assets can be carried out together but if they have paid, the goods are returned by the manager to the partners. *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo branch also applies the name joint responsibility, where in one FORSA (*Forum Silaturrahim Anggota*) association or one group there are those who cannot pay according to a predetermined schedule, then other members must bear the payment of members who are unable to pay and when the partner pays, the money will be returned to the group.

CONCLUSION

In this finding in accordance with the objectives of the research, it is revealed that the *qardbul hasan* financing procedure at *Baitul Mal Wat Tamwil Nuansa Umat* Purwoharjo Branch is designed to provide access to financing without collateral that is transparent and efficient. The process includes stages from submitting files to disbursing funds, with the main requirements such as KTP and Family Card, as well as membership in the FORSA (*Forum Silaturrahim Anggota*) group. The research found that FORSA (*Forum Silaturrahim Anggota*) functions not only as an administrative requirement, but also as a social control mechanism to support the sustainability of payments.

In terms of risk management at *Baitul Mal Wat Tamwil Nuansa Umat*, it is in accordance with the theory, but still needs to be improved. as evidenced by the large number of collectability and arrears that occur, such as business bankruptcy, fraud, names used by others, defaults due to partners working outside the island or out of the country. The risk management process includes identification, measurement, monitoring and risk control. New findings from this research are the implementation of joint liability that provides a collective solution to the risk of default, as well as a flexible rescheduling policy for partners who face economic constraints. Although this system is quite effective, there are still significant risks such as partners who run away or businesses that go bankrupt, indicating that the implementation of risk management has not been optimal. This research contributes to the understanding of sharia-based financing and the importance of strengthening risk management in microfinance institutions to minimize potential losses.

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