ELFAQIH
JURNAL EKONOMI DAN HUKUM ISLAM
E-ISSN: 3063-1866
Editorial Address: Jl. Rawa Sakti, Tibang Syiah Kuala, Banda Aceh

Received: 03-06-2026 | **Accepted:** 17-07-2026 | **Published:** 20-10-2026

THE RISK MANAGEMENT ANALYSIS IN *MURABAHA* FINANCING FOR CIVIL SERVANT PENSION PRODUCTS

(Case Study of BPRS Tanmiya Artha, Ngadiluwih, Kediri)

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ABSTRACT

This study aims to analyze the implementation of risk management in Murabaha financing for Civil Servant Pension products at BPRS Tanmiya Artha, Ngadiluwih, Kediri. The research was conducted to examine how the bank identifies, assesses, monitors, and mitigates financing risks while maintaining compliance with Sharia principles. A qualitative case study approach was employed using observation, semi-structured interviews with marketing officers, and documentation analysis. The collected data were analyzed descriptively to explore the bank's risk management practices. The findings reveal that the bank implements a comprehensive risk management framework through risk identification, risk analysis, and continuous monitoring. Five major financing risks were identified, namely customer default, salary transfer failure, customer death, insurance-related issues, and inaccurate financing analysis. To mitigate these risks, the bank applies the 5C+S framework consisting of Character, Capacity, Capital, Collateral, Condition of Economy, and Sharia Compliance. The study also found that Murabaha financing continues to develop positively despite several non-performing financing cases caused primarily by external customer factors. This research is limited to a single Islamic rural bank, restricting broader generalization. The originality of this study lies in integrating the 5C+S framework with risk management practices specifically for Murabaha-based civil servant pension financing within the context of an Islamic Rural Bank in Indonesia.

Keywords: *Risk management; Murabaha financing; Civil servant pension; Islamic rural bank; 5C+S analysis.*

INTRODUCTION

Islamic banking refers to the entire framework surrounding Sharia-compliant banks and Islamic business units, including their institutional structures, business activities, and the processes through which those activities are carried out, as defined under Law No. 21 of 2008 on Islamic Banking. In practice, this framework encompasses Islamic Commercial Banks, Islamic Business Units, and Islamic Rural Banks. What distinguishes these institutions is not merely the absence of interest, but a different way of thinking about financial relationships. Returns earned by the bank, as well as those received by customers, are shaped by contractual agreements and mutual consent, rather than predetermined interest rates(Indramayu & Ali, 2026).

Beyond its contractual foundations, Islamic banking functions as a financial intermediary, collecting funds from the public and redistributing them through various financing schemes. In Indonesia, the steady growth of the Islamic economy reflects a broader shift in public awareness and demand for financial products aligned with Sharia principles. Among these products, murabaha financing remains particularly popular (Mahmood & Abdulameer, 2026). The structure is relatively simple: the bank purchases a good and resells it to the customer at an agreed price that includes a disclosed profit margin.

Its clarity and predictability explain why murabaha continues to dominate Islamic financing portfolios, even as debates persist about its long-term sustainability and risk profile (Bakhri et al., 2023).

Risk management inevitably enters this discussion. Murabaha financing may appear low-risk at first glance, yet reality often complicates that assumption. Payment defaults can and do occur, sometimes triggered by circumstances beyond the bank's immediate control. At BPRS Tanmiya Artha, Ngadiluwih, Kediri, for example, repayment issues have arisen when pension customers restructured loans at other banks, such as Bank Jawa TimurBanten, resulting in monthly obligations that exceeded their pension income. Situations like this expose how fragile financial balance can be, even among borrowers with seemingly stable income sources. Risk management analysis, in this context, is expected to offer more than administrative formality. It should help the bank read between the numbers, identifying borrower risk profiles and refining strategies to manage potential losses more effectively (Dewi, 2025).

The absence of prudential principles in banking operations can place an institution in a precarious position. Poorly managed financing not only threatens financial performance but may also undermine the bank's ability to meet its obligations to clients. Credit targets must be planned carefully over specific periods, yet targets alone are insufficient. The quality of financing matters just as much, if not more. Non-performing financing often stems from weak initial assessments, suggesting that prevention begins long before problems surface. For this reason, BPRS Tanmiya Artha, Ngadiluwih, Kediri applies the 5C+S analysis as part of its approach to resolving problematic financing, balancing quantitative assessment with Sharia compliance (Ummah, 2019).

From the perspective of Islamic banking law, financing is understood as the provision of funds or claims. Murabaha, more specifically, involves the sale of goods with a transparent disclosure of cost and profit margin, allowing payment to be made either immediately or over time. Murabaha-based financing takes many forms, ranging from consumer financing and working capital to investment, vehicle ownership, and housing. Its administrative simplicity remains a key reason Islamic banks in Indonesia continue to rely on this contract. Over time, murabaha products have diversified further, one notable example being pension financing (Wilson, 1997).

Pension-based murabaha financing is designed to support individuals after they leave active employment, allowing them to manage accumulated income as a resource for future needs. In practical terms, this financing provides retirees with access to funds for consumption or small-scale business activities, with installments deducted directly from pension payments received by the bank. At BPRS Tanmiya Artha, Ngadiluwih, Kediri, pension financing is divided into two main categories. The first serves Taspen pensioners, primarily retired civil servants such as teachers and government officials. The second targets Asabri pensioners, including former military and police personnel. Pension funds, while limited, often become the backbone of post-retirement life, making the role of financial institutions both necessary and delicate (Paper & Recommendations, 2011).

Against this backdrop, the issue becomes difficult to ignore. The interaction between murabaha financing, pension income, and risk management raises questions that deserve closer examination. This study emerges from that curiosity, focusing on risk management in murabaha financing for civil servant pension products at BPRS Tanmiya Artha, Ngadiluwih, Kediri. The objective is not merely to describe procedures, but to understand how risk is identified, assessed, and managed, and how financing analysis is actually carried out within the institution (Purba et al., n.d.).

LITERATURE REVIEW

Risk Management in Islamic Banking

Risk management is an essential component of Islamic banking operations because it enables financial institutions to identify, assess, monitor, and mitigate potential risks that may affect financing quality and institutional sustainability. In Islamic banking, risk management is not limited to preventing financial losses but also involves ensuring that financing activities comply with Sharia principles and maintain fairness and transparency between the bank and its customers.

Islamic banks operate through financial contracts structured in accordance with Islamic commercial principles. Consequently, their risk management practices must consider both financial and contractual risks, including customers' repayment capacity, the accuracy of financing assessments, administrative procedures, and compliance with Sharia requirements. Effective risk management therefore requires systematic evaluation before financing approval and continuous monitoring throughout the financing period (Hakim & Suryantara, n.d.).

In the context of Islamic rural banks, risk management is particularly important because financing activities directly influence institutional performance and the sustainability of financial intermediation. According to the findings of the study at BPRS Tanmiya Artha, Ngadiluwih, Kediri, the risk management process consists of three principal stages: risk identification, risk analysis, and risk monitoring. These stages provide a framework for recognizing potential financing problems and establishing appropriate preventive measures.

Risk identification involves recognizing events that may prevent customers from fulfilling their contractual obligations. Risk analysis evaluates the likelihood and potential consequences of these events, while risk monitoring enables the institution to observe changes in customers' financial circumstances and the implementation of financing agreements. These processes demonstrate that risk management should be implemented continuously rather than treated solely as an administrative requirement.

Murabaha Financing in Islamic Banking

Murabaha is a sale-based financing contract in which the seller discloses the acquisition cost of an asset and adds an agreed profit margin to determine the selling price. In Islamic banking, the bank purchases an asset and subsequently sells it to the customer at a predetermined price, which may be paid immediately or through installments. The transparency of the cost and profit margin distinguishes murabaha from interest-based lending and makes it one of the commonly used financing instruments in Islamic financial institutions.

Murabaha financing is widely applied to consumer needs, working capital, investment, vehicle purchases, housing, and pension-related financing. Its relatively straightforward contractual structure and predictable installment arrangements make it attractive to customers and financial institutions. Nevertheless, the predictability of the selling price does not eliminate the possibility of repayment problems. Customers may experience financial difficulties, incur additional financial obligations, or encounter unexpected circumstances that undermine their ability to meet scheduled payments (Lai & Samers, 2016).

Musaroh et al. (2020) examine determinants associated with murabaha margin income in Indonesian Islamic banking companies, providing a relevant reference for

understanding the financial dimension of murabaha operations. However, the risk management issues discussed in the present study extend beyond profitability and include customer eligibility, repayment capacity, administrative reliability, and the effectiveness of financing supervision.

Accordingly, murabaha financing requires appropriate risk assessment throughout the contractual relationship. Financial institutions must ensure that the financing application is supported by accurate information, that the customer can reasonably meet the agreed installments, and that the implementation of the contract remains consistent with applicable Sharia principles.

Civil Servant Pension Financing

Civil servant pension financing is a financing product intended to support the financial needs of retired government employees. In the case of BPRS Tanmiya Artha, Ngadiluwih, Kediri, the product is designed for eligible pensioners whose repayment obligations are associated with their pension income. The institution serves Taspen pensioners, including retired civil servants, and Asabri pensioners, including former military and police personnel.

Pension income can provide a relatively predictable source of repayment. However, a regular income stream should not automatically be interpreted as evidence of low financing risk. Pensioners may have existing debts, face changes in household expenditure, experience administrative problems in transferring pension payments, or become unable to fulfill their obligations because of unexpected events (Musaroh et al., 2020).

The sustainability of pension financing therefore depends on the relationship between the customer's available income and total financial obligations. A financing assessment that considers only the existence of pension income may overlook other commitments that reduce the customer's actual repayment capacity. This issue is illustrated by a case at BPRS Tanmiya Artha in which a customer experienced payment difficulties after taking additional financing from Bank Jatim. The combined installment obligations exceeded the customer's available income, resulting in non-performing financing.

This case highlights the importance of assessing the customer's overall financial position rather than relying exclusively on the stability of pension payments. Pension financing requires careful verification of income, existing liabilities, pension documentation, and the administrative arrangements governing the transfer of pension benefits.

Risk Identification in Murabaha Pension Financing

Risk identification constitutes the initial stage of the risk management process. It enables a financial institution to recognize potential events that could disrupt repayment, contractual implementation, or the recovery of outstanding financing. Based on the findings at BPRS Tanmiya Artha, five principal risks are associated with murabaha financing for civil servant pension products.

a. Customer Default Risk

Customer default occurs when a financing recipient fails to fulfill installment obligations in accordance with the agreed contract. This risk may arise from insufficient income, excessive financial commitments, weak financial management, or unexpected economic circumstances. In pension

financing, the risk becomes particularly relevant when customers undertake additional borrowing that reduces the income available for existing installments.

The case examined at BPRS Tanmiya Artha demonstrates that pension income alone does not guarantee repayment. The customer's additional financing obligations at another bank exceeded the available income, making it difficult to continue paying installments to BPRS Tanmiya Artha. This finding emphasizes the importance of comprehensive financial analysis and verification of existing liabilities before financing approval.

b. Pension Transfer Failure Risk

Pension transfer failure refers to an administrative or operational problem that prevents pension payments from being transferred to the designated bank account. Although a customer may continue to receive pension benefits through another institution, a delay or failure in transferring those benefits can interrupt the repayment process.

The study identifies the transfer process as a significant concern because it may take approximately three months to complete. BPRS Tanmiya Artha addresses this issue by blocking three installments before the transfer process is completed. Once the pension transfer has been successfully processed, the blocked installments are released according to the bank's procedure.

This practice illustrates the importance of operational risk management in pension financing. Effective coordination, accurate documentation, and timely monitoring of pension transfers are necessary to reduce disruptions in installment collection.

c. Customer Death Risk

The death of a customer during the financing period may affect the settlement of outstanding obligations. In pension financing, this risk is especially relevant because the product is designed for customers who have reached retirement age. The occurrence of death may create administrative and contractual challenges concerning the outstanding balance and the settlement process.

The study identifies life insurance as an instrument intended to mitigate the financial consequences of this risk. Nevertheless, the effectiveness of this protection depends on the applicable coverage, the fulfillment of policy requirements, and the completion of the necessary claim documentation.

Consequently, financing institutions need to clarify insurance arrangements and establish procedures for handling claims and outstanding obligations when a customer dies during the financing period (Fahmi et al., 2023).

d. Insurance-Related Risk

Insurance-related risk arises when the expected protection against outstanding financing cannot be obtained. Potential problems include expired coverage, delayed claims, limitations in policy coverage, or incomplete documentation submitted by the customer's family.

The findings at BPRS Tanmiya Artha indicate that insurance protection does not automatically eliminate the risk of loss. The settlement of outstanding financing may be complicated when the required documents are unavailable or the claim cannot be processed successfully.

Therefore, insurance-related risk management should include verification of coverage, explanation of policy requirements, and monitoring of claim

documentation. These measures can help the bank and its customers understand the extent of the protection provided and the procedures required to access it.

e. Financing Assessment Risk

Financing assessment risk occurs when the bank makes financing decisions based on incomplete, inaccurate, or insufficiently verified information. Such weaknesses may lead to inappropriate financing approval and increase the likelihood of future default.

In pension financing, assessment errors may involve inaccurate income information, unrecognized financial obligations, incomplete pension documentation, or inadequate verification of the customer's repayment capacity. These problems demonstrate the importance of standardized operating procedures and comprehensive document verification (Alam et al., 2023).

The implementation of systematic financing analysis can reduce the possibility of approving applications that do not meet the bank's financing feasibility requirements. It also provides a basis for more consistent and accountable financing decisions .

The 5C+S Framework in Financing Risk Management

The 5C+S framework is a financing assessment approach that combines five conventional financing criteria with an additional Sharia compliance dimension. At BPRS Tanmiya Artha, the framework consists of Character, Capacity, Capital, Collateral, Condition of Economy, and Sharia Compliance. These components provide complementary perspectives for evaluating customer eligibility and managing potential financing risks.

a. Character

Character refers to the customer's integrity, credibility, and willingness to fulfill contractual obligations. The assessment involves examining the applicant's financial history and background to evaluate previous repayment behavior and financial discipline.

BPRS Tanmiya Artha uses BI Checking and supporting background information to assess prospective customers. This procedure helps the institution identify potential warning signs associated with previous financial obligations and provides a basis for evaluating the applicant's reliability.

Character assessment is important because repayment risk cannot be determined exclusively through income calculations. A comprehensive evaluation should also consider the applicant's previous financial conduct and commitment to fulfilling contractual responsibilities.

b. Capacity

Capacity concerns the customer's ability to repay financing from available income. In pension financing, this assessment requires the bank to evaluate pension income, existing installment obligations, and other relevant financial commitments.

The study indicates that BPRS Tanmiya Artha considers employment and income records, financial history, and income stability when evaluating repayment capacity. Such an assessment helps determine whether the proposed installment schedule is consistent with the customer's financial resources.

Capacity analysis is particularly important when customers have existing financing arrangements with other institutions. By evaluating total financial obligations, the bank can reduce the risk of approving financing that exceeds the customer's repayment capability (Setiyowati, 2025).

c. Capital

Capital represents the customer's financial resources and overall financial strength. In the context of pension financing, capital assessment involves reviewing pension statements, salary records where relevant, and other documented sources of income.

The purpose of this assessment is to establish a more complete understanding of the applicant's financial position. Rather than relying solely on declared income, the bank examines supporting documents to determine whether the customer has sufficient resources to meet future installment obligations without experiencing excessive financial pressure.

Capital analysis complements capacity assessment by providing additional information about the customer's financial resilience.

d. Collateral

Collateral refers to an additional form of security intended to reduce the bank's exposure to financing risk. In the pension financing product examined in this study, the Pension Decree (Surat Keputusan Pensiun) serves as the principal supporting document.

The Pension Decree confirms the customer's pension status and provides documentary support for the financing application. Its role in the assessment process is associated with verifying the applicant's eligibility and the pension benefits underlying the repayment arrangement.

Collateral-related assessment should therefore be understood alongside other financing criteria. The presence of supporting documentation does not independently establish that a customer has sufficient repayment capacity.

e. Condition of Economy

Condition of Economy refers to external economic circumstances that may influence the customer's ability to meet financing obligations. Relevant factors include inflation, purchasing power, government policies, and broader regional economic conditions.

For pensioners, changes in living costs may reduce the amount of income available for installment payments and essential household expenditure. Economic developments can therefore affect repayment capacity even when pension income remains relatively stable. By considering these external conditions, the bank can make more balanced financing decisions and recognize risks that may not be apparent from individual financial documents alone.

f. Sharia Compliance

Sharia compliance is the additional component that distinguishes the 5C+S framework from the conventional 5C approach. It requires financing activities to remain consistent with Islamic commercial principles, including the avoidance of riba, the exclusion of prohibited transactions, and the observance of fairness, transparency, and mutual agreement.

In murabaha financing, Sharia compliance requires attention to the contractual structure and the disclosure of the selling price and profit margin. It also provides an ethical dimension to financing decisions by emphasizing the responsibilities of both the bank and the customer.

At BPRS Tanmiya Artha, Sharia compliance is incorporated into the financing assessment framework. Its inclusion indicates that risk management is expected to protect the institution's financial interests while maintaining the integrity of the Islamic financing contract.

Taken together, the six components of 5C+S provide a multidimensional approach to financing assessment. Character examines credibility, Capacity evaluates repayment ability, Capital considers financial resources, Collateral reviews supporting security, Condition of Economy addresses external influences, and Sharia Compliance ensures conformity with Islamic principles (Iqbal, 2007).

Non-Performing Murabaha Financing

Non-performing financing refers to financing in which customers experience difficulties fulfilling their payment obligations in accordance with the agreed terms. Such problems may emerge from weaknesses in financing assessment, ineffective monitoring, customer financial difficulties, or external events that affect repayment capacity.

The study at BPRS Tanmiya Artha identifies three broad categories of factors associated with non-performing financing: internal factors, external factors, and environmental conditions. Internal factors include inadequate financing management, weak monitoring and analysis, possible fraud, financing concentration, and insufficient operational policies or procedures. External factors include customer repayment difficulties, customer-related conduct, inaccurate financial information, and unforeseen events such as natural disasters.

These factors indicate that non-performing financing cannot always be attributed exclusively to customer behavior. Institutional procedures and the quality of the initial financing assessment may also influence financing outcomes. Weak verification and monitoring can allow repayment problems to remain undetected until they affect installment collection (Afrida et al., 2024).

The case of the customer whose combined installments exceeded available income illustrates the relationship between existing liabilities and financing performance. Although the customer received pension-related income, additional financing obligations created a financial burden that undermined the ability to fulfill the existing murabaha contract.

This finding supports the importance of comprehensive financial analysis before financing approval and continuous monitoring after disbursement. The 5C+S framework can serve as a practical instrument for identifying warning signs, evaluating customer eligibility, and strengthening preventive risk management.

Conceptual Relationship Between Risk Management and Financing Quality

Based on the literature and the empirical findings presented in the source article, risk management in murabaha pension financing can be understood as an interconnected process linking customer assessment, risk identification, monitoring, and financing quality.

The process begins with the verification of customer information and the evaluation of financing feasibility. The 5C+S framework provides the analytical foundation for examining the applicant's credibility, repayment capacity, financial resources, supporting documentation, external economic conditions, and compliance with Sharia principles.

Following financing approval and disbursement, monitoring becomes necessary to identify changes in repayment behavior, pension transfer status, insurance coverage, and customers' financial circumstances. When potential problems are detected early,

the bank can evaluate appropriate responses before they develop into more serious financing difficulties. The conceptual relationship can be summarized as follows:

Financing Application and Verification → 5C+S Assessment → Risk Identification and Analysis → Financing Approval and Disbursement → Continuous Monitoring → Prevention and Management of Non-Performing Financing**.**

This relationship suggests that the effectiveness of financing risk management depends not on a single procedure but on the consistency of the entire process. Initial assessment, operational safeguards, monitoring, and Sharia compliance must function together to support financing quality and institutional sustainability.

Research Gap and Analytical Position

The source article examines the implementation of risk management in murabaha financing for civil servant pension products at BPRS Tanmiya Artha, Ngadiluwih, Kediri. Its principal contribution lies in describing how the institution integrates financing risk identification, risk analysis, monitoring, and the 5C+S framework within a specific Islamic rural banking context.

The study identifies five principal risks: customer default, pension transfer failure, customer death, insurance-related problems, and inaccurate financing assessment. It also demonstrates that a customer with a relatively predictable income source may still experience repayment difficulties when total financial obligations exceed available income.

These findings provide a contextual understanding of the challenges involved in pension-based murabaha financing. The study's contribution is primarily descriptive and contextual because it focuses on the practices of one Islamic rural bank rather than statistically testing relationships across multiple institutions (Sofi & Haryadi, 2023).

Accordingly, the analysis establishes a foundation for further research into the relationship between the implementation of 5C+S assessment, financing monitoring, and non-performing financing. Future studies could examine whether stronger implementation of these practices is associated with improved repayment performance across a wider sample of Islamic financial institutions.

In conclusion, the literature and empirical findings discussed in this study indicate that effective risk management in murabaha pension financing requires a comprehensive approach that combines financial feasibility assessment, operational risk control, insurance-related safeguards, continuous monitoring, and Sharia compliance. The 5C+S framework provides an integrated analytical basis for implementing these measures, while the observed case of non-performing financing demonstrates the importance of evaluating customers' total financial obligations rather than relying solely on the regularity of pension income (Badjie, 2022).

METHOD

This study adopts a qualitative approach, one that privileges depth over measurement and pays close attention to meaning as it unfolds in real settings (Rizal et al., 2022). Rather than reducing reality to numbers, the research relies on descriptive data in the form of spoken accounts, written records, and observable behavior. The object of analysis is BPRS Tanmiya Artha, Ngadiluwih, Kediri, approached not simply as an institution, but as a space where policies, decisions, and human judgment intersect in everyday practice(Raco, 2018).

Two types of data support the analysis. Primary data are drawn mainly from direct interviews with staff members in the marketing division, whose roles place them closest to financing assessment and customer interaction (Widiatsih et al., 2020). Their

perspectives offer insight into how policies are interpreted and applied beyond formal guidelines (Panorama & Muhajirin, 2017). Secondary data complement these accounts and consist of books, academic articles, and relevant journals that provide conceptual grounding and comparative context (Handbook, n.d.).

Data collection unfolds through a combination of observation, interviews, and documentation. Observation allows the researcher to grasp routine processes as they occur, sometimes revealing details that formal explanations overlook. Interviews create room for clarification, hesitation, and reflection, while documentation helps anchor these narratives in written evidence (Suhery et al., 2020). Taken together, these methods are intended to capture a fuller picture, acknowledging that understanding risk management is rarely straightforward and often shaped by nuances that resist simple categorization (Aspers & Corte, 2019).

RESULTS AND DISCUSSION

Risk Management in Murabaha Financing for Civil Servant Pension Products

Risk management is commonly understood as an effort to reduce exposure to uncertainty by distributing potential losses in a controlled manner, allowing institutional objectives to remain attainable. In the setting of murabaha financing for pension programs, this effort is closely tied to how income earned during active employment is set aside and later used as a financial resource. Pension-based murabaha financing is intended to support retirees by giving them access to funding for everyday needs, while repayment is arranged through direct deductions from pension income received by the bank. On paper, this structure appears stable, although experience suggests that stability is never entirely guaranteed (Hakim & Suryantara, n.d.).

At BPRS Tanmiya Artha, Ngadiluwih, Kediri, the management of risk in murabaha financing for civil servant pension products is treated as a practical necessity rather than a formal requirement. Identifying potential risks early allows the bank to reduce exposure before problems escalate, particularly in financing aimed at pensioners. For this reason, the bank has begun to strengthen its approach to resolving problematic financing, one of which involves applying the 5C+S analytical framework. Risk management itself follows several interconnected stages, starting with the recognition and identification of risks that may arise throughout the financing period:

1. Risk Identification

During a conversation with Ms. Vina Asyfiya', who handles marketing at the branch, several risks kept coming up whenever murabahah financing is offered to retirees. None of them are unique to this segment, exactly, but they do carry a slightly different weight when the borrower is living on a fixed pension rather than active income (Lai & Samers, 2016).

The first, and probably the most obvious, is default — a customer simply stops paying, whether from financial strain or a change in priorities. Closely tied to that is what staff internally call "failed mutation," which happens when the transfer of pension payments from the relevant institution to the bank account doesn't go through as planned, leaving installments unpaid even though the customer technically still has income coming in somewhere. Then there's the risk of the borrower passing away before the financing term ends, which raises questions about how the remaining balance gets settled. Insurance complications

form another category on their own; sometimes a policy lapses, or claims get delayed, or coverage turns out to be narrower than assumed at the time of signing. And finally, there's the possibility of an analytical misstep on the bank's side — an officer misjudging a client's repayment capacity, or overlooking something during the initial assessment that only becomes apparent later. Taken together, these five points — default, failed mutation, death, insurance-related issues, and analysis errors — give a rough map of where things tend to go wrong in this kind of product (Musaroh et al., 2020).

2. Risk Analysis

a. Default

Default occurs when the debtor is unable to fulfill their installment payment obligations, both principal and margin. Several factors may cause this situation, such as financial difficulties, job loss, or unstable economic conditions.

To mitigate the risk of default, it is important to ensure that the BI Checking status is clear, the salary is not pending, and that proper procedures (SOP) are followed by the bank. In many cases, default occurs because the bank fails to properly implement standard operating procedures at the initial stage, particularly in verifying salary and account mutation records (Fahmi et al., 2023).

b. Mutation Failure

Mutation failure refers to a situation in which a transaction or status change cannot be processed, thereby disrupting administrative and financial procedures. This issue often arises due to system errors or inaccurate data.

In this case, mutation failure occurs because the bank does not properly monitor the process of transferring the customer’s salary from the previous bank to BPRS Tanmiya Artha, Ngadiluwih, Kediri, resulting in an unsuccessful salary transfer (Lewis, n.d.).

To prevent mutation failure, it must be ensured that the salary can be transferred within a maximum of three months. If the salary transfer is blocked during this period, the risk is that three installment payments cannot be processed, and consequently, the contract (akad) cannot proceed.

c. Death

The age factor and the death of a customer can affect the obligation to pay outstanding installments. In such cases, the heirs may submit an insurance claim to settle the deceased customer’s remaining debt.

Death is considered a form of default (breach of contract), as it is not specifically stipulated in the agreement unless covered by life insurance. The occurrence of a customer’s death may also be linked to the absence of regular health checks and periodic surveys, making the customer more vulnerable. When the customer passes away, a default situation arises, and within the context of a murabahah contract, such default may result in the contract being legally terminated (Alam et al., 2023).

d. Insurance

Insurance functions as a form of financial protection that helps settle outstanding debts in the event of unforeseen risks, such as death. Insurance coverage is essential in murabahah financing to reduce risk for the financial institution.

If a customer passes away and the heirs are not cooperative in completing the required insurance documentation, the insurance may not cover the outstanding

debt. In such cases, the debt is transferred to the heirs—even if the children are already married, the obligation remains their responsibility.

When the family of the deceased customer fails to cooperate in processing the insurance requirements and the insurance does not provide coverage, the debt becomes an inherited obligation. As a result, the murabahah contract may be considered legally terminated.

e. Incorrect Analysis

Incorrect analysis occurs when a financial institution makes decisions based on inaccurate or incomplete information. This can lead to inappropriate financing decisions and increase the risk of default. Therefore, it is important to ensure that all required documents are complete and comply with standard operating procedures (SOP) at the time of application. If an error in analysis occurs during the evaluation process, the resulting murabahah financing contract may be classified as defective or invalid due to the flawed assessment (Setiyowati, 2025).

3. Risk Monitoring

Risk monitoring is carried out by evaluating objects or aspects that are vulnerable to potential risks. Based on the experience of BPRS Tanmiya Artha, Ngadiluwih, Kediri, murabahah financing for pension products has not encountered problematic financing cases from year to year.

Based on the explanation above, it can be understood that BPRS Tanmiya Artha, Ngadiluwih, Kediri has implemented a risk management process. In addition to applying risk management procedures, there are also specific aspects considered in murabahah financing for civil servant pension products by applying the 5C+S analysis, namely Character, Capacity, Capital, Collateral, Condition, and Sharia (Iqbal, 2007). These aspects are interrelated and serve as tools for managing the risks associated with murabahah financing for civil servant pension products, as described below:

a. Character

To evaluate the applicant's character, BPRS Tanmiya Artha Ngadiluwih Kediri conducts a comprehensive background assessment before approving financing. One of the primary tools used is BI Checking to review the prospective customer's credit history and previous financial obligations. This process is complemented by collecting relevant background information, allowing the bank to develop a broader understanding of the applicant's integrity, financial discipline, and overall credibility (Afrida et al., 2024).

b. Capacity

The assessment of capacity focuses on the applicant's ability to manage financial obligations and maintain a stable source of income. At BPRS Tanmiya Artha Ngadiluwih Kediri, this evaluation is carried out through both historical and financial approaches. The bank examines the customer's financial track record, employment stability, and income patterns to determine whether the proposed financing can be repaid according to the agreed schedule. This approach provides a clearer picture of the customer's repayment capability over time.

c. Capital

Capital assessment aims to measure the financial strength of prospective customers before financing is approved. Rather than relying solely on declared income, BPRS Tanmiya Artha Ngadiluwih Kediri reviews salary statements,

pension income, and other documented earnings to estimate the customer's financial capacity. These indicators help determine whether the applicant possesses sufficient resources to fulfill future installment obligations without creating excessive financial pressure (Sofi & Haryadi, 2023).

d. Collateral

Collateral serves as an additional safeguard that reduces financing risk for the bank. In the pension financing scheme offered by BPRS Tanmiya Artha Ngadiluwih Kediri, the primary collateral is the official Pension Decree (Surat Keputusan Pensiun or Pension Decree Letter). This document confirms the customer's pension status and provides legal assurance regarding the continuity of pension benefits that support the repayment of financing.

e. Condition of Economy

Economic conditions are also considered during the financing assessment because external factors often influence a customer's financial stability. Changes in inflation, purchasing power, government policies, or regional economic performance may affect an individual's ability to meet financing obligations. Recognizing these circumstances enables BPRS Tanmiya Artha Ngadiluwih Kediri to make more balanced financing decisions, particularly for Murabahah financing provided under the civil servant pension product.

f. Sharia Compliance

Every stage of the financing process is designed to comply with Sharia principles. BPRS Tanmiya Artha Ngadiluwih Kediri ensures that Murabahah financing is free from riba (interest), avoids transactions involving prohibited business activities, and upholds fairness, transparency, and mutual agreement between both parties. Compliance with these principles is regarded as an essential foundation for maintaining ethical financial practices while protecting the interests of both the bank and its customers (Badjie, 2022).

Regarding financing limits, BPRS Tanmiya Artha Ngadiluwih Kediri provides pension financing starting from IDR 5,000,000, with a maximum financing ceiling of IDR 150,000,000. For the regular pension financing scheme, the repayment period may extend up to 15 years (180 months), while the Platinum Pension financing scheme offers a maximum tenor of 5 years (60 months). These financing limits are determined after considering the applicant's financial profile, repayment capacity, and compliance with the bank's risk assessment standards.

The requirements and conditions for applying for pension financing at BPRS Tanmiya Artha Ngadiluwih Kediri, based on interviews and observations conducted by the researcher, are as follows:

1) Taspen and Asabri pensioners
2) Regular pensioners aged 55 years up to 74 years and 11 months
3) Platinum pensioners aged above 75 years
4) Pension Decree (SK Pensiun)
5) Karip Card or Asabri Book
6) NPWP for financing below IDR 50 million
7) Husband and Wife ID Cards (KTP)
8) Family Card (Kartu Keluarga)
9) Salary Slip or Bank Account Book

If all the above requirements and conditions have been completed, the applicant must visit BPRS Tanmiya Artha Ngadiluwih Kediri directly by

bringing the required documents. The process continues with filling out the pension financing application form, after which the bank will review the application by checking the completeness and accuracy of the documents and conducting data verification (Sollehudin & Shuib, 2021).

Based on an interview with Ms. Vina Asyfiya'from the marketing department, the procedures for pension financing at BPRS Tanmiya Artha, Ngadiluwih, Kediri include the following important stages:

a) Financing Application
b) Ratio Analysis
c) Survey (to verify and match the data)
d) Financing Approval
e) Fund Disbursement
f) Monitoring

The bank also conducts an investigation to verify the accuracy of the data provided by the prospective customer. If the application is approved by the authorized decision-maker, both parties proceed to sign the contract (akad). The contract is executed directly in the presence of the customer and the bank representative.

After the contract is signed, the funds may be disbursed after deducting administrative fees, life insurance premiums, and the blocking of three months' installments. This installment blocking is applied before the customer transfers their salary from the previous institution, as PT POS Indonesia requires approximately three months to process salary transfers. Once the salary has been successfully transferred to the new bank within that three-month period, the blocked three installments will be released. At that point, all stages of the financing process—from application to fund disbursement—are considered complete.

Analysis of Non-Performing Murabahah Financing at BPRS Tanmiya Artha, Ngadiluwih, Kediri

Problematic financing that occurs at Bank Perekonomian Rakyat Syariah (BPRS) Tanmiya Artha, Ngadiluwih, Kediri is caused by several factors, including internal factors, external factors, and environmental conditions (El-gamal, 2005).

Non-performing financing in Islamic banks can be minimized through proper understanding by financing officers and the implementation of clear work procedures that serve as operational guidelines in the realization of financing. These factors include:

1. Internal Factors of the Bank
   a. Lack of capability in managing financing
   b. Fraud committed by credit management officers
   c. Weak monitoring and analysis
   d. Credit concentration risk
   e. Absence of adequate policies and procedures
2. External Factors of the Bank
   a. Customer character
   b. Fraud
   c. Mark-up of financial statements
   d. Customer's inability to pay
   e. Natural disasters or unforeseen calamities

Based on interviews, it was stated that there were three customers who experienced problems in murabahah financing. One of the cases involved a customer who defaulted because the customer restructured (rehabilitated) their credit at Bank Bank Jatim, with installment payments exceeding their salary income.

The customer defaulted after undertaking credit restructuring at Bank Jatim, where the newly determined installments were higher than the customer's net income. As a result, the customer was unable to meet their monthly payment obligations, leading to default or non-performing financing (Jedidia, n.d.). The detailed explanation is as follows:

1) Credit Restructuring (Rehabilitation): The customer undertook credit restructuring, which is generally intended to ease the repayment burden. However, in this case, the restructuring resulted in installment payments that exceeded the customer's financial capacity.
2) Salary Income**:** The customer's salary was insufficient to cover the new installment amount, as the revised payments exceeded the customer's financial limits.
3) Default: Consequently, the customer was unable to make timely installment payments, which ultimately led to default or non-performing financing.
4) Non-Performing Loan: This refers to a condition in which the debtor is unable to fulfill credit installment obligations as agreed in the contract. Such a situation may arise from various causes, including improper credit restructuring (Mirjalili et al., 2015).

The statement that the customer defaulted because they undertook rehabilitation (rehab) at Bank Jatim with installments exceeding their salary means that the customer—who previously had financing at BPRS Tanmiya Artha, Ngadiluwih, Kediri—experienced payment difficulties due to the following reasons:

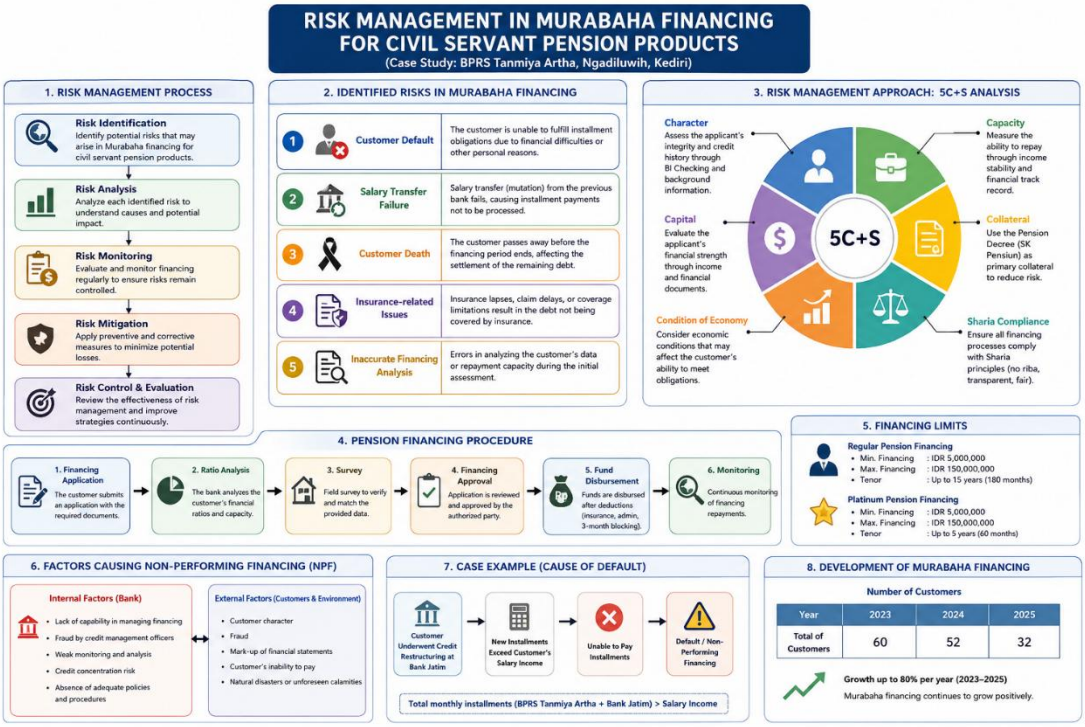
a) Rehabilitation at Bank Jatim: The customer obtained an additional loan from Bank Jawa Timur (Bank Jatim) for housing rehabilitation or home improvement purposes.
b) Installments Exceeding Salary**:** As a result of the new loan from Bank Jatim, the total monthly installments (both from BPRS Tanmiya Artha and Bank Jatim) exceeded the customer's monthly salary income.
c) Default**:** Because the total monthly obligations were higher than the salary received, the customer was unable to continue paying installments at BPRS Tanmiya Artha, leading to a declaration of default (Oladunjoye, 2014).

The development of Murabahah financing at Bank Perekonomian Rakyat Syariah (BPRS) Tanmiya Artha, Ngadiluwih, Kediri has shown continuous growth, increasing by up to 80% per year during the period from 2023 to 2025. The number of customers interested in murabahah financing from 2023 to 2025 includes the following:

Year	Total of Customers
2023	60
2024	52
2025	32

Table Source

The information presented in the table is based on an interview conducted with a marketing staff member at BPRS Tanmiya Artha Ngadiluwih Kediri.



CONCLUSION

The findings of this study provide a clearer understanding of how risk management is implemented in Murabahah financing for the Civil Servant Pension financing product at BPRS Tanmiya Artha Ngadiluwih Kediri. The evidence suggests that risk management is not merely an administrative requirement but a fundamental element in maintaining financing quality and institutional sustainability. Throughout the financing process, the bank anticipates several potential risks, including customer default, salary transfer failures, the death of a customer during the financing period, insurance-related issues, and inaccurate financing assessments. Rather than responding only after problems arise, the institution adopts preventive measures from the initial screening stage. These include conducting BI Checking to review the applicant's credit history, verifying that pension salary transfers can be processed without obstacles, utilizing life insurance coverage to reduce financial exposure, and applying the 5C+S framework, which consists of Character, Capacity, Capital, Collateral, Condition of Economy, and Sharia Compliance. Taken together, these assessment criteria enable the bank to evaluate financing applications more comprehensively while minimizing potential losses.

The study also indicates that non-performing Murabahah financing at BPRS Tanmiya Artha Ngadiluwih Kediri cannot be attributed to a single cause. Instead, financing problems emerge from the interaction of several factors, including internal weaknesses within the institution, external circumstances affecting customers, and broader environmental or economic conditions. Recognizing this complexity, the bank emphasizes careful financing feasibility assessments before approving any application. The 5C+S principle serves not only as an instrument for evaluating customer eligibility but also as a practical framework for managing and resolving problematic financing. Through this structured approach, the bank seeks to reduce financing risk, improve

portfolio quality, and ensure that financing activities remain consistent with prudent banking practices as well as Sharia principles.

ACKNOWLEDGEMENTS

The author would like to express sincere gratitude to STAI Sabilul Muttaqin Mojokerto, particularly the Sharia Economics Study Program, for providing academic support and an environment that facilitated the completion of this research. The author also gratefully acknowledges BPRS Tanmiya Artha, Ngadiluwih, Kediri, for granting access to the research setting and providing valuable information related to the implementation of risk management in Murabahah financing for civil servant pension products.

Special appreciation is extended to the marketing staff of BPRS Tanmiya Artha, particularly Ms. Vina Asyfiya', who contributed valuable information through interviews and supported the data collection process. The author is also thankful to all parties who assisted in the observation, documentation, and completion of this study.

Finally, the author expresses gratitude to all individuals and institutions whose support, directly or indirectly, contributed to the completion of this research. Any remaining shortcomings in this article are entirely the responsibility of the author.

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