PRINCIPLES OF CHARACTER, CAPITAL, COLLATERAL, CAPACITY, AND CONDITION ON MURABAHAH FINANCING RISK

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Abstract *– The purpose of this study is to determine the principles of Character, Capital, Collateral, Capacity, and Condition on the risk of murabahah financing, this research method is qualitative with descriptive analysis of the source of this research data is the publication of journals, books, newspapers and other international journals related to the principles of Character, Capital, Collateral, Capacity, and Conditions on the risk of murabahah financing. The result of this study is that character is a dominant factor because even though prospective financing customers are capable enough to settle their debts, if they do not have good intentions, it will certainly bring various difficulties to financial institutions that provide financing in the future. The assessment of the amount of own capital is important, considering that bank financing is only an additional financing. The creditor will usually not be willing to provide full financing for the financing application submitted by the prospective debtor. Assessment in this aspect includes an assessment of the guarantee provided by the debtor as a security for financing provided by the bank. The financing agreement is to pay off the principal and margin in accordance with the terms and conditions mutually agreed. In assessing this aspect, economic conditions should also be assessed now and for the future according to their respective sectors.*

Keywords: *Character, Capital, Collateral, Capacity, and Condition, Financing, Murabahah*

I. INTRODUCTION

The development of Islamic banks in Indonesia encourages the development of other Islamic financial institutions such as sharia insurance, sharia financing institutions, sharia pawnshops, sharia cooperatives and also sharia microfinance institutions called Baitul Maal wat Tamwil (BMT). The presence of a sharia microfinance institution called BMT is considered to bring financial benefits to small communities that are not bankable and refuse usury. On the other hand, BMT also carries out the mission of sharia economy and carries out the task of people's economy by improving microeconomics. So that the development of BMT is very rapid amid the development of other conventional microfinance institutions.

In principle, in Islamic economics, all muamalah activities are permissible, provided that they are lawful activities and do not include usury, gharar, maytsir or any part thereof of any party to the transaction. Islamic banking established The reason is that every transaction, financial and otherwise, must be interest-free as quoted in QS Al Baqarah: 275, meaning that Allah justifies buying and selling and forbids usury. When you use an interest rate system, it is required by the bank or financial institution Regardless of the debtor, a certain amount of principal and interest must be paid win or lose in his business.(Wahyuni, 2016)

Baitul Mal wat Tamwil or BMT UGT Sidogiri Mempawah Branch is a community economic institution that seeks to develop businesses by providing financing to members or customers in need. One of the financing products provided to BMT UGT Sidogiri members is financing using a murabahah contract. Akad murabahah is a financing transaction of an item carried out by confirming the purchase price and the amount of profit obtained.

Islamic banking finance has many types of contracts. In general, Islamic financing is differentiated according to the type of contract used.(Herman, 2022) The assessment of the character of prospective members or members of the borrower is mainly based on the relationship that has occurred between BMT and the prospective member or members concerned or information obtained from other parties that can be trusted so that BMT can conclude that the prospective member or member of the borrower has a character: honest, good faith, and does not make it difficult for BMT in the future. In researching the ability of prospective members or members of the borrower, BMT must examine the expertise of prospective members or members of the borrower in their business field and BMT feels confident that the business to be financed is managed by the right person.

Islamic banking moves using a system based on Islamic economics. Muhammad (2013: 178) explained that Islamic banking as a financial institution applies sharia principles, including: (1) prohibition of applying interest on all forms and types of transactions; (2) conduct business and trade activities based on fairness and lawful profits; (3) issue zakat from the proceeds of its activities; (4) prohibition of exercising a monopoly; (5) cooperate in building society, through business and trade activities not prohibited by Islam. The five sharia principles become a reference for Islamic banking institutions in carrying out their business activities.(Yanis & Priyadi, 2015)

Sharia Banking has the obligation to supervise and evaluate all processes and also the implementation of financing that has been carried out by fund managers. And if fraud and errors are found in managing funds by the recipient of funds, Islamic banking must direct and also provide guidelines so that all fund management activities can be carried out properly in accordance with existing regulations, so that Islamic banking can produce a satisfactory level of profitability (Pradesyah &; Aulia, 2021).

BMT must first apply for financing with the principles of 5C character, capital, collateral, capacity, and condition. This is done to anticipate the risk of problematic financing in the future. The problems that often occur in BMT Sidogiri, Mempawah Regency, West Kalimantan, are almost similar to the character of members or prospective members who are not honest.

Assessment of the capital owned by prospective members or members of the borrower, BMT must analyze the overall financial position, both for the past and estimates for the future so that the capital capability of the prospective member or member of the borrower can be known in supporting the financing of projects or businesses of prospective members or members concerned. Assessment of collateral, BMT must assess goods, projects or collection rights financed with the relevant financing facility and other goods. In assessing the business projects of prospective members or members of the receiving of financing, BMT must conduct an analysis of market conditions, both for the past and the future so that the marketing process can be known from the results of the project or business of prospective members or members who will be financed with murabahah financing. This is to anticipate the occurrence of problematic financing risks in the future.

II. METHODS

The research approach used in this study is a qualitative approach, where the data collected is not in the form of numbers but in the form of interviews, field notes, personal documents, and others. Qualitative research is research that intends to understand phenomena about what is experienced by research subjects such as behavior, perception, motivation, action, etc. holistically and by way of description in the form of words and language, in a special natural context and by utilizing various scientific methods. This type of reporting uses descriptive analysis, which is a report that contains data quotations to provide an overview of the presentation of the report. This research is descriptive, namely research that provides data about a situation or social symptoms that develop in the midst of society so that this research is expected to obtain a comprehensive, complete and systematic picture of the object of research. In qualitative research, researchers present a picture of data obtained from interviews, observations, and documentation, especially regarding the condition and condition of Baitul Maal wat Tamwil (BMT) Sidogiri, Mempawah regency regarding the principles of character, capital, collateral, capacity, condition (5C) in murabahah financing. All data that has been collected will be processed and selected based on the principle of qualitative approach. In this study, researchers act as key instruments that directly conduct observations in the field and actively interact with data sources/informants to obtain objective data. In addition, researchers also act as human instruments that function to determine the focus of research, choose informants as data sources in collecting data, assess data quality, analyze data, interpret data and make conclusions from the research conducted, so that this research will be more focused on implementing the 5C principles related to murabahah financing at BMT Sidogoiri Mempawah district.

III. RESULTS AND DISCUSSION

In the discussion of 5C (Character, Capital, Collateral, Capacity, and Condition) is carried out in detail in accordance with theory and understanding according to the discussion above, one of which;

Character

When conducting interviews with prospective customers in assessing a person's character, it is necessary to pay attention to the values contained in him. These values include: social value, theoretical value, aesthetic value, economical value, religious value, and political value. Someone who is dominant in political values and economic values tends to have bad intentions. Ideally, customers have values that are balanced in themselves.

In applying this aspect, the AO (Account Officer) must find out the properties of the prospective debtor. This is mainly related to the willingness of the prospective debtor to perform his obligations. The creditor will always expect the financing to be carried out in accordance with the procedure and can return according to the agreed time. This analysis is qualitative, meaning it is illegible with the figures presented.10 To obtain the necessary information AOs can do so by searching for information through: 1) Fellow AOs, both from the same financial institution and different financial institutions. 2) Other customers who have the same line of business as the prospective debtor. 3) Supplier or trading partner of the applicant. From here the AO will obtain information related to the payment system of prospective debtors. Whether the payment has ever been problematic or the payment was made well by the prospective debtor.

Then ***Capital*** where in doing the creditor will usually not be willing to provide full financing for the financing application submitted by the prospective debtor. This means that every customer who applies for financing must also provide funds from other sources or own capital, in other words, capital is to find out the sources of financing owned by customers for the business to be financed by the bank.

Analysis of this aspect includes the structure of paid-up capital, reserves and retained earnings in the company's financial structure. The amount of own capital shows the level of risk shouldered by the debtor in financing a project.

Furthermore**,** ***Collateral,*** in general, institutions have a benchmark that the price (value) of a guarantee must exceed the amount of financing to be approved. This situation is related to the cautious attitude of financial institutions towards the possibility of financing bottlenecks in the future. In connection with that, it is necessary to know various things related to the guarantee submitted by the prospective customer, including: 1) The nature of the guarantee is a material or individual guarantee. 2) If it is an individual guarantee, whether the guarantee is a personal or corporate guarantee. 3) If it is material whether it is tangible or intangible. 4) If the object is tangible whether the object is movable or a fixed item. 5) What is the law of binding of the guarantee. 6) Who owns the pledged goods. 7) Where is the location of the pledged goods. 8) What is the status of the collateral submitted, whether in dispute, still burdened with something else and so on.

Then ***Capacity*** in this case is usually In addition to quantitative data, this aspect must also be analyzed qualitatively, namely management ability including age, experience in the field, and education. To measure this ability, AO can ask for a curriculum vitae of the prospective debtor or its management if the prospective debtor is a company.26 To see the ability of prospective customers to pay credit/financing related to their ability to manage the business and the ability to make a profit. So that in the end it will be seen its ability to return the financing distributed. The more sources a person earns, the greater his ability to repay financing.

And the final is ***Condition*** Analysis of this aspect includes analysis of macro variables which include companies both regional, national, and international variables. In general, the variables that are considered are economic variables, but financial institutions also need to pay attention to other variables such as political conditions, current laws and others.30 In assessing this aspect, economic conditions should also be assessed now and for the future according to their respective sectors. In unstable economic conditions, it is better to provide financing for certain sectors, it is necessary to pay attention to the prospects of the business in the future.

To get an idea of this aspect of condition, it is necessary to conduct research on several things, including: 1) The state of the conjuncture or economic fluctuations, namely continuous development then followed by price slumps and other activities. 2) Government regulations related to current policies. 3) World political and economic situation 4) Other circumstances affecting marketing.

Meanwhile, in another theory, it is explained that 5C can be interpreted as follows: 1) Character, Character is an analysis of the character of a prospective customer financially institution. The purpose of this analysis is to ensure that the person to whom the loan will be given is trustworthy. 2) Capacity, This analysis is an analysis of the ability of prospective customers to pay credit. This analysis can be done by assessing the ability of members to manage their own business. 3) Capital, Capital or capital is an analysis of the amount of capital owned by prospective customers. This analysis relates to the capital owned by the business being run. The greater the capital owned, the higher the seriousness of prospective members in running a business. Thus minimizing the possibility of bad credit risk. 4) Collateral, Collateral is an analysis of the guarantees provided by prospective customers when applying for financing. The value of the guarantee provided must be higher than the financing provided. The purpose of financing underwriting is to give confidence to financial institutions as lenders. If the customer cannot repay the loan, the financial institution reserves the right to sell the goods that serve as collateral. 5) Economic conditions, This analysis is an analysis of the current and future economic conditions of prospective customers (Sunnah &; Roni, 2022).

Financing In a narrow sense, financing is used to define funding made by BMT Sidogiri Mempawah district to members. In this condition, the meaning of financing becomes narrow and passive. This narrowing of meaning could be due to the understanding of business people. The customer's non-current payment of principal installments or profit sharing or financing margin profile causes collectibility.

financing. In general, the collectibility of financing is categorized into five types, namely:

1. A financing classified as smooth can be seen from the business prospects of industries or business activities that have good growth potential. Which includes businesses that have good growth potential, namely a stable market and not affected by changes in economic conditions, limited competition, including a strong position in the market, excellent management, affiliated companies or stable groups supporting the debtor's business, and an adequate workforce that has never been recorded to experience disputes or strikes. Then a financing classified as smooth can be seen from the financial condition. Included in good financial conditions are high and stable profits, strong capital, strong liquidity and working capital, cash flow analysis shows that debtors can meet principal and interest payment obligations without the support of additional sources of funds, and the number of portfolios that are sensitive to changes in foreign exchange rates and interest rates is relatively small or has been hedged well.
2. In Special Attention (DPK), a financing is classified in special attention which can first be seen from the customer's business prospects. Business prospects can be seen from the industry or business activities have limited growth potential, posis in the market is good, not much influenced by changes in economic conditions, market share is comparable to competitors, Good management, affiliated companies or groups are stable and do not have a burdensome impact on debtors, and the workforce is generally adequate and has never been recorded to experience disputes or strikes. A financing classified under special attention can be seen from the customer's financial condition, which includes obtaining good enough profits but has the potential to decrease, capital is good enough and the owner has the ability to provide additional capital if needed, liquidity and working capital are generally good, cash flow analysis shows that although the debtor is able to meet principal and interest payment obligations, there are indications of certain problems that if not overcome will affect future payments, and some portfolios are sensitive to changes in foreign exchange rates and interest rates relative but still under control.
3. Substandard (KL), A financing can be classified as substandard, the first of which can be seen from the customer's business prospects which include industries or business activities that have very limited growth potential or do not experience growth, the market is affected by changes in economic conditions, the position in the market is quite good but many competitors, but can recover if implementing a new business strategy, Market share is comparable to competitors, management is quite good, then relations with affiliated companies or groups begin to have a burdensome impact on debtors, and labor is excessive but the relationship between leaders and employees is generally good.
4. Doubtful (D), A financing classified as doubtful the first can be seen from the business prospects. 41 This can be seen from the declining industry or business activity, the market is strongly influenced by changes in economic conditions, business competition is very tight and the company's operations experience serious problems, inexperienced management, affiliated companies or groups have had a burdensome impact on debtors, and excessive labor in large numbers so that it can cause unrest. Then a financing can be classified as doubtful, the second can be seen from the customer's financial condition. This can be seen from the acquisition of very small or negative profits, operating losses financed by asset sales, high debt to capital ratio, very low liquidity, cash flow analysis shows inability to pay principal installments, business activities are threatened due to changes in

foreign exchange rates and interest rates, new loans are used to meet maturing obligations.

5. Stuck (M), A financing can be classified as stuck which can first be seen from the customer's business prospects. This can be seen from the customer's business continuity is very doubtful, the industry has decreased and it is difficult to recover, most likely business activities will stop, In line with declining economic conditions, management is very weak. Affiliated companies are very detrimental to debtors, and there are labor strikes that are difficult to overcome. A financing can be classified as bad which can be seen from the customer's financial condition. This can be seen from experiencing large losses, debtors are unable to meet all obligations and business activities, the debtor's business cannot be maintained, the debt to capital ratio is very high, experiencing liquidity difficulties, cash flow analysis shows that debtors are unable to cover production costs, business activities are threatened due to fluctuations in foreign exchange rates and interest rates, and new loans are used to cover operational losses.

Murabahah, National Sharia Council Fatwa Number 04/DSN-MUI/IV/2000 concerning Murabahah a) General provisions of murabahah in Sharia Banks: (1) Banks and customers must perform a usury-free murabahah contract. (2) Goods traded are not prohibited by Islamic sharia. (3) The Bank finances part or all of the purchase price of goods for which it has been agreed upon. (4) The bank purchases goods required by the customer on behalf of the bank itself, and this purchase must be legal and usury-free. (5) The bank shall disclose all matters relating to the purchase, for example if the purchase is made on debt. (6) The bank then sells the goods to the customer (orderer) at a selling price equal to the purchase price plus the profit. In this regard, the bank must honestly inform the customer of the cost of goods and the costs required. (7) The customer pays the agreed price of the goods within a certain agreed period. (8) To prevent misuse or damage to the contract, the bank may enter into a special agreement with the customer. (9) If the bank wishes to represent to the customer to purchase goods from a third party, the murabahah sale and purchase agreement must be made after the goods in principle have become the property of the bank. b) Murabahah provisions to the Customer: (1) The Customer submits an application and purchase agreement for an item or asset to the bank. (2) If the bank accepts the application, it must first purchase the assets it ordered legally with the merchant. (3) The bank then offers the asset to the customer and the customer must accept (buy it) in accordance with the agreement he has agreed.

Because legally the agreement is binding; Then both parties must draw up a sale and purchase contract. (4) In this trade, the bank may ask the customer to make a down payment when signing the initial order agreement. (5) If the customer then refuses to purchase the goods, the bank's real cost shall be paid from the advance. (6) If the value of the down payment is less than the loss to be borne by the bank, the bank may claim back the remaining loss to the customer. (7) If the down payment uses the urbun contract as an alternative to the down payment then: (a) If the customer decides to buy the goods, he can only pay the remaining price. (b) If the customer cancels the purchase, the down payment becomes the property of the bank at a maximum of the loss borne by the bank as a result of the cancellation; And if the down payment is insufficient, the customer must pay off the shortfall. c) Guarantee in Murabahah (1) Guarantee in murabaha is allowed so that the customer is serious about his order. (2) The Bank may require the customer to provide a guarantee that can be held. d) Debt in Murabahah: (1) In principle, the settlement of the customer's debt in a murabahah transaction has nothing to do with other transactions made by the customer with third parties for the goods.

If the customer resells the goods at a profit or loss, he remains obligated to settle his debt to the bank. (2) If the customer sells the goods before the installment period ends, he is not obliged to immediately pay off the entire installment. (3) If the seller of the goods causes losses, the customer must still settle the debt according to the original agreement. He must not delay the payment of installments or ask that the loss be taken into account. e) Delay of Payment in Murabahah: (1) The customer who has the ability is not allowed to delay the settlement of his debt (2) If the customer delays payment intentionally, or if one of the parties does not fulfill its obligations, the settlement shall be made through the Sharia Arbitration Board after no agreement has been reached through deliberation.

In general, the procedure for providing financing will be explained as follows: 1) File Submission Prospective customers apply for credit/financing and collect supporting data for making financing proposals to the bank. The data is the financing application form. The financing application file from the customer consists of a financing application letter signed by the customer or the party authorized to apply for financing at the customer's company (if the customer is a business entity), accompanied by documents required by the bank, including the company's establishment certificate (if the company is in the form of a PT), realization and projection of production/sales, customer financial statements, customer account mutations, and collateral data to be submitted.

2) Loan File Investigation The goal is to find out whether the submitted file is complete according to the requirements that have been set. If according to the bank is incomplete or not enough, the customer is asked to complete it immediately and if to some extent the customer is unable to complete the deficiency, then the credit application should be canceled. In the investigation of the file, things that need to be considered are proving the truth and authenticity of the Notary Deed, TDP (Company Registration Certificate), KTP (Identity Card), and guarantee letters such as land certificates, car BPKB to the agency authorized to issue it.then if it is original and correct then the bank tries to calculate whether the amount requested is relevant and the customer's ability to pay. All this by using calculations against the numbers that are carried out by finance with various existing financial ratios.

3) First Interview This stage is an investigation of prospective borrowers by dealing directly with prospective borrowers. The goal is to get confidence whether the file is as appropriate and complete as the bank wants. This interview is also to find out the real wants and needs of customers. This interview should be made as flexible as possible so that it is expected that the results of the interview will be in accordance with the expected objectives.

4) On the Spot After obtaining confidence in the validity of documents from the results of investigations and interviews, the next step is to conduct a review of the location that is the object of credit. Then the results on the spot are matched with the results of the first interview. When you want to do on the spot, you should not be told to the nsabah so that what we see in the field is in accordance with the actual conditions. The purpose of field review is to ensure that the object to be financed really exists and is in accordance with what is written in the proposal / application for financing.

5) Second Interview The results of the field review are matched with existing documents and the results of interview one in interview two. These two interviews are file improvement activities, if there may be deficiencies at the time after being carried out on the spot in the field. The notes on the application and at the time of the first interview are matched with on the spot whether there is conformity and contains a truth. 6) Credit Decision After going through various assessments ranging from the completeness of documents, the validity and authenticity of documents and assessments covering all aspects of creditworthiness studies, the next step is credit decisions. Credit decision is to determine whether credit is worthy of being given or rejected, if feasible then the administration will prepare, usually the credit decision will include: a) Credit agreement to be signed b) Amount of money received c) Credit period d) Fees to be paid As well as the rejected credit, a rejection letter should be sent according to their respective reasons. Before a credit facility is granted, the bank must feel confident in advance that the credit provided will really return. This confidence is obtained from the results of credit assessment before the credit is disbursed.60 One of the principles that is often

used in financing evaluation is the 5C principle, namely character, capital, capacity, collateral, and condition of economic.

7) Signing of Credit Agreement/Other Agreement This activity is a continuation of the credit termination. Before the credit is disbursed, the prospective customer first signs a credit contract, then binds the credit guarantee with a mortgage or letter of agreement that is considered necessary. The signing is carried out, namely: a) Between the bank and the debtor directly b) Through a notary

8) Credit Realization After the credit contract is signed, the next step is to realize the credit. Credit realization is provided after signing the necessary papers by opening a current or savings account at the bank concerned. Thus, credit withdrawals can be made through accounts that have been opened. Disbursement or withdrawal of money from the account as a realization of the provision of credit can be taken according to the terms and objectives of the credit.

9) Financing Monitoring One of the important activities in the financing process is financing monitoring which is a series of activities to find out and monitor the development of the financing process, financing journey, and business development since the financing is given in full. Financing monitoring is carried out through several monitoring activities on: a) Implementation of financing provision b) Completeness of financing documents and administration c) Business development of financing customers d) Use of financing e) Payer history f) Financial performance g) Guarantees (collateral, guarantee value, perfection of guarantees).

10) Repayment The final stage of a financing process is repayment of financing. At maturity, the financing facility provided to the customer must be paid off. However, financing can be extended if it is still needed and eligible for renewal. If at maturity the financing cannot be repaid and/or the financing becomes problematic, the bank must immediately rescue the financing.

IV. CONCLUSION

Character in BMT Sidogiri implementation is more flexible in conducting more detailed surveys and already has special benchmarks for the character of prospective members. Because there is only seeing based on the recognition of family, neighbors, co-workers, and community leaders. If viewed in terms of risk, the character of this prospective member is included in the element of peril risk.

Capital at BMT Sidogiri basically assesses prospective members based on their capital. However, it has stricter requirements because prospective members who apply for financing must include their savings if prospective members have savings. The risk that exists in the principle of capital in BMT is the risk of late payment to bad payment. So capital here is used as an assessment or just in case one day there are members who are late paying. To minimize if the collateralized goods experience depreciation in value lower than the financing provided.

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