

Sharia Micro Banks in Food Security: Study of Regional Government BPRS in North Maluku Province

Syaifuddin

Institut Agama Islam Negeri Ternate, Indonesia

Email: ifudsby@iain-ternate.ac.id

Abdul Wahab

Universitas Muhammadiyah Surabaya, Indonesia

Email: abdulwahabfo4@gmail.com

Abd. Rauf Wajo

Institut Agama Islam Negeri Ternate, Indonesia

Email: abdraufwajo@iain-ternate.ac.id

Nirwan Umasugi

Institut Agama Islam Negeri Ternate, Indonesia

Email: nirwan@iain-ternate.ac.id

Abstract

This research aims to analyze the development of community welfare programs through food security programs through zakat distribution in sharia banks. Food and energy security will be a national issue in the future. The role of Islamic micro banks in food issues is worth exploring and used as an important issue in determining the strategic role of Islamic banks. The research was carried out using qualitative methods, collecting data by interviewing financing committees and bank management, as well as analyzing financing documents at Islamic micro banks in Indonesia. The population in this study includes 21 Islamic banks whose majority shares are owned by the regional government. This research took a sample of 2 BPRS in North Maluku as role analysis units. The results of this research include: BPRS Saruma Sejahtera, South Halmahera Regency and BPRS Bahari. Impressive with their respective programs, they have paid attention to the food security program which is marked by the distribution of zakat which continues to increase.

Keywords: Sharia Micro Bank, Food Security, Contribution

Introduction

The involvement of Islamic banks in overcoming social inequality is clearly manifested in their inherently fair financial system. However, Islamic banks are also more involved with the mechanism for distributing zakat funds. Through the management of zakat funds, sharia banks can play a role in community welfare programs and food security. (Putri & Mukhlis, 2022; Salim et al., 2024)

The development of Islamic banks in Indonesia is quite rapid. From 1991 to 2020 it has grown from 0 to 5%. The total assets of Islamic banks per quarter 1 of 2020 are 616 trillion compared to conventional 12,030 trillion. The number of sharia bank offices is 843 branch offices, 1,519 sub-branches and 570 cash offices. 15 Islamic commercial banks, 19 UUS banks and 163 Sharia People's Financing Banks (BPRS). Productive financing of Islamic banking in Indonesia until March 2024 reaches 572 trillion rupiah (OJK, 2024). Islamic banks in their operational systems are more efficient than conventional ones. Therefore, Islamic banks can be

more attractive to the public. The fairness of the distribution of Islamic bank profits creates its own attraction.(Nugroho et al., 2020; Salim et al., 2024)

Ordinary people often compare Islamic banks with conventional banks from the comparison of bank credit interest with profit sharing in Islamic banks. They feel that financing at Islamic banks has a higher rate of return. Often compared to Islamic banks with smaller assets, conventional government-owned banks with larger assets. (Rizvi et al., 2020; Smaoui et al., 2020)

Islamic banks and conventional banks also have the same ability to provide returns to depositors if the age of the bank is balanced. Profit sharing for customers who invest in Islamic banking deposits gets a larger mudaraba profit sharing if they deposit in an older Islamic bank. (Bitar & Tarazi, 2019; Tata Fatima Azzahra et al., 2023)

A phenomenon that is widely used in several countries, Islamic banks provide more financing than conventional banks. Conventional bank third party funds are larger than Islamic banks. This condition results in the profits obtained by Islamic banks being smaller than conventional banks. People take more financing from Islamic banks because it is more profitable for customers, on the other hand customers save their funds in the form of savings and deposits because conventional bank interest is higher than Islamic banks. (Mushtaq & Siddiqui, 2017; Paltrinieri et al., 2021)

Sharia micro banks that use the Sharia People's Financing Bank (BPRS) legal entity are increasingly growing and developing. BPRS is used by local governments in various provinces to create a sharia financial system. The advantage is the flexibility of work while being able to realize people's aspirations in obtaining sharia financial services. In some places, BPRS owned by regional governments can increase economic growth significantly.

Several BPRS were able to increase the zakat receipts received significantly. Through collaboration with BAZNAS, we can design programs to improve the welfare of the community. BPRS in rural areas can be directly involved in creating a good food safety system. In urban areas, the form of food safety program that is created is not directly in contact with the agricultural and fisheries sectors. (Delila, 2022; Sugiman, 2019)

To uncover what happened at BPRS in managing non-performing financing. So it is necessary to examine the phenomenon of financing risk management practices carried out by researchers related to risk management in Islamic banks. (Shufiah, 2023)

Financing management and anticipation of financing risk are also related to the behavior of Islamic banks' consumers. Sharia bank consumers have unique characteristics in each region or region. Religious factors and non-religious factors such as economics, socio-culture affect the behavior of Islamic banks' consumers. East Java has a heterogeneous ethnic and regional diversity, which certainly affects the characteristics of financing customers, thereby affecting bank risk management (Syafuddin, 2018).(Novitasari et al., 2022)

Sharia banks have unique risks based on research conducted by the Islamic Development Bank. Based on the results of a survey in several countries of 11 sharia financial institutions, it is stated that the Murabahah and Ijarah contracts are the least risky contracts. Murabaha is by far the most widely used contract in

Islamic banking. At BPRS murabahah contracts occupy the first position of financing chosen by customers. (Siagian et al., 2017; S. Syaifuddin et al., 2023)

Non-performing financing at Islamic banks is quite low compared to non-performing loans at conventional banks in several countries that implement a dual banking system. Financing also affects the economic growth of a country, and vice versa, economic growth also affects the financing of Islamic banks. such as the results of research conducted by Gudarsi Farhani on Islamic banking in Indonesia and Iran in the span of 10 years, 2000-2010 (S. A. Syaifuddin & Turmudi, 2024; Yazdan & Hossein, 2012).

Islamic banks and conventional banks also have the same ability to provide returns to depositors if the age of the bank is balanced. Profit sharing for customers who invest in Islamic banking deposits gets a larger mudaraba profit sharing if they deposit in an older Islamic bank. Research comparing the financial performance of 16 Islamic banks and 19 conventional banks in Malaysia proves the truth of the conclusions above (Rozzani & Rahman, 2013).

Zakat, whether managed by sharia banks or other zakat managers such as BAZNAS (National Amil Zakat Agency) and LAZ (Institute Amil Zakat) has created a food safety program. The agricultural and plantation sectors immediately receive development facilitation. Likewise in the fisheries and livestock sectors which are synergized with qurban and aqiqah. (Efendi et al., 2022)

Another finding states that the behavior of depositors towards Islamic banks and conventional banks is interrelated. Depositors will move from conventional banks to Islamic banks, if the higher profit sharing for Islamic banks is accepted by customers. On the other hand, if conventional bank interest rates are higher, depositors will transfer their deposits to conventional banks. Such customer behavior affects Islamic banks in making financing plans, so that Islamic bank financing is strongly influenced by the behavior of depositors, even though the third party funds received at BPRS are mostly from customer deposits (Kasri & Kassim, 2009; Othman et al., 2017; Shaban et al., 2014)

Several sharia banks also have food security programs, stunting management, and livestock development. In East Java, several livestock programs receive financing support from sharia banks. (Amuda & Faizah, 2020; Hidayat & Salsabila, 2024)

The financial management strategy that is carried out will determine the financial performance of Islamic banking. Therefore, liquidity management affects financing risk in Islamic banks. Sharia bank liquidity risk management is influenced by net capital, the amount of Islamic bank assets and the ability of Islamic banks to gain profit (profitability) which is related to asset utilization or Return Of Assets (ROA) (Rahman & Banna, 2016).

Not only internal factors that must be observed by banks. It is always realized that the business fluctuations of debtors are influenced by macroeconomic conditions. Macroeconomic conditions between districts in the province of East Java are also different. Macroeconomic differences affect the profitability of Islamic banks. Macroeconomic differences have an influence on the risk management of Islamic bank financing (Masood, et al., 2015).

There is a public assumption that the increasing number of Islamic banks in Indonesia will increase the risk of competition between banks. Competition

between Islamic banks turned out to lead to stability in the financial system of Islamic banks. The results showed that the competition of Islamic banks resulted in the stability of the Islamic banking industry, although it did not increase profitability (Rizvi et al., 2020).

Research on 77 Islamic banks in 13 countries in the 2003-2017 period, shows that Islamic bank financing based on the principle of buying and selling and renting is not affected by bank interest, and vice versa. The profit and risk sharing system also does not occur in these two principles. This is positive for Islamic banks, because the form of risk is not always parallel to the risk in conventional banks that use interest rates as a credit reference (Šeho et al., 2020).

High credit growth will increase credit risk in the following year, especially financing in Islamic banks. Therefore, Islamic banks with large capitalization should be more careful, because research shows there is a greater risk in this bank. The risk increases when faced with a crisis situation like today. The Covid-19 pandemic has an influence on the risk of a financial crisis and must be a vigilance for Islamic banks, in managing financing risk (Sobarsyah et al., 2020).

For Islamic banks in Indonesia, financing with mudharabah contracts ranks second after buying and selling contracts. In another study it was stated that the risk of mudharabah financing was lower than the risk of financing with a musharaka contract. The financing strategy carried out by Islamic banks in Indonesia is appropriate by prioritizing mudharabah over musyarakah, because musyarakah financing whose portion is above 35% of total financing has a very high risk (Warninda et al., 2019).

Islamic microfinance institutions are an important concern of regional development banks and regional government-owned sharia banks. The risk of financing in Islamic microfinance institutions is very risky. There are 5 out of 14 Islamic financial institutions whose financing returns are very bad, and 9 of them have very good returns. In terms of providing financing to Islamic microfinance institutions in Indonesia, Islamic banks should be more careful (Fianto et al., 2019).

State-owned Islamic banks, managed by local governments or managed by state-owned enterprises will always be associated with political decisions. These banks have advantages over private banks. These banks also have a greater risk than private banks due to political decisions. Using a sample of 1,245 from a population of 34,452 banks in various countries, the study concludes that conventional banks are more vulnerable than Islamic banks (Belkhir et al., 2019).

Compared to conventional banks, Islamic banks are more profitable in dividend distribution, especially banks that are owned by the government. Therefore, the opportunity for state-owned Islamic banks to develop is greater than state-owned conventional banks (Duqi et al., 2020). On the other hand, this provides investment opportunities in Islamic banks and increases the ability of Islamic banks to channel financing more freely and selectively. And that step minimizes the risk of financing. (Tata Fatima Azzahra et al., 2023)

The risk management of Islamic banks is influenced by their competitiveness with fellow Islamic banks and with conventional banks in an area. Competition conditions in the dual banking system, such as what happened in Indonesia, are stronger among Islamic banks, because conventional banks charge

higher interest rates. Large conventional banks with strong capital charge lower interest rates, thus weakening the attractiveness of Islamic banks (Meslier et al., 2017). This aspect will affect the financing strategy of Islamic banks and the risks it entails.

In developing countries, Islamic bank liquidity is a determining factor in leading and gaining an edge over other banks. Because other studies have found risks due to unstable politics, corruption, access to the capital market and weak law enforcement against Islamic banks. Therefore, Islamic banks must look at liquidity factors and these risks as the main consideration (Bitar et al., 2018).

The political system affects the health of banks, both sharia and conventional banks. In a democratic country the health of banks is strongly influenced by the state. Meanwhile, in countries that use a dual banking system, Islamic banks have better competitiveness over conventional banks. This study does not explain what is the cause, and also does not explain what is a democratic measure or not and its effect on differences in the competitiveness of Islamic banks and conventional banks (Bitar et al., 2017). It is important for Islamic banks to make different strategies tailored to the political conditions of a country.

Several studies related to the incidence of the economic crisis, prove that there is a strong impact on increasing financing risk in Islamic banks. The ability of Islamic banks is also different in recovering from the impact of the economic crisis. By using quantitative methods the research explains some of the impact of the crisis on the financial ratios of Islamic banking. In the end, the financial ratios will affect the financial risk management of Islamic banking (Olson & Zoubi, 2017).

During the financial crisis, the portfolio performance of Islamic banks and conventional banks. Two methods are used to compare the ability to manage risk in times of crisis. Islamic banks are superior to conventional banks. Not only in the banking sector, in other fields when compared to the Islamic stock portfolio with conventional stocks during the crisis, the Islamic stock portfolio is superior. The recommendation is to include Islamic bank shares in the stock portfolio, effectively reducing risk in the stock market (Sorwar et al., 2016).

Method

This study employs a comprehensive research methodology to gain an in-depth understanding of financing management at BPRS. The methodology is designed to examine and analyze the activities of planning, organizing, implementing, and monitoring financing activities, as well as to investigate how Mikrobank Syariah or food security programs.

The main data for this study consists of both verbal and non-verbal information. Verbal data is collected through semi-structured interviews, conversations, and question-and-answer sessions with key stakeholders at Mikrobank Syariah, including managers, employees, and customers. These interactions are recorded and transcribed for analysis. Non-verbal data, in the form of publications and banking report documents, is also gathered to support the verbal data (Syaifuddin, 2021). The main data comes from BPRS Bahari Berkesan and BPRS Saruma Sejahtera, as samples from the total population of 21

BPRS. Purposive sampling is employed to select participants for the interviews and conversations.

A thematic analysis approach will be employed to extract meaning from the collected data. This rigorous process involves a series of steps. First, the researcher will embark on a thorough familiarization with the data, meticulously reviewing transcripts and documents to gain a comprehensive understanding of the content. Subsequently, the data will undergo a systematic coding process, which entails identifying and labeling relevant segments of text that capture key concepts and ideas. Following this, the analysis progresses to generating themes. Through meticulous examination of the coded data, broader themes and patterns that emerge across the dataset will be identified. To ensure the accuracy and relevance of the identified themes, a review and refinement stage will follow. Finally, the themes will be clearly defined and named, capturing their essence and connection to the study's objectives. The culmination of this analysis will be a comprehensive report that presents the findings in a clear and concise manner, substantiated by relevant quotes and illustrative examples gleaned from the data.

To bolster the robustness and credibility of this investigation, a multifaceted approach will be employed to ensure both the validity and reliability of the data. Triangulation, achieved through the utilization of diverse data sources, both verbal and non-verbal, and a confluence of data collection methods, including interviews, open-ended conversations, and document analysis, will facilitate the cross-validation of the research findings. Furthermore, member checking will be implemented, which entails sharing the emergent themes and interpretations with participants to confirm the accuracy of these constructs and to glean any supplementary insights. To mitigate the influence of potential researcher bias and to identify inconsistencies, peer debriefing sessions will be conducted with colleagues and established authorities within the field. Finally, a meticulous audit trail will be meticulously documented, encompassing all stages of the research process, from data collection and analysis to the final interpretation. This comprehensive record will ensure transparency and allow for the potential replication of the study's methodology and subsequent findings.

This research focuses on the food security program carried out by two government-owned BPRS in North Maluku province as a representation of the characteristics of sharia micro banks in Indonesia. The main data of this study is verbal information supported by non-verbal data in the form of publications and banking report documents (Syaifuddin, 2019). Verbal data were obtained through interviews, conversations and questions and answers, which were recorded and recorded.

Results

The form of attention from practitioners and academics is to make many innovations to improve their performance. Efforts to improve the performance of Islamic banks by developing instruments to measure the performance of Islamic banks. The researchers unearthed from a treasure trove of classical thought that underwent metamorphosis and methodological modernization. Islamicity performance index, maqashid sharia index is an instrument to measure the performance of Islamic banking whose basic concept is taken from the value of the

basic value of Islamic Economics. Another measure of financial performance is profitability. Profitability is a financial performance concept that is commonly used in the conventional financial system.(Maisaroh, 2015; Makruflis, 2019; Nurdin & Suyudi, 2019; Yusnita, 2019) Therefore, to measure the degree of Islam as well as business competitiveness, it is important to find the relationship between the three variables to see that banking is profitable in business, while still achieving the goals of sharia goals optimally.

The development of Islamic banks in Indonesia can be seen from the increase in the number of Islamic commercial banks and Islamic people's financing banks. Islamic commercial banks grew from 1 to 13 banks and 1,954 offices in a span of 33 years. At the same time, the Islamic People's Financing Bank grew from 1 to 173 banks and 520 offices. (Rifa'i, 2017)(Syaifuddin, 2021)

There is a positive trend from local governments to be directly involved in the development of the Islamic economy through Islamic financial institutions in the form of Islamic people's financing banks. (Novitasari et al., 2022; OJK, 2024; Tukhfatul Aeny et al., 2023) This sharia microbank contributes to increasing local revenue as well as financing small, micro and sharia microfinance institutions. Seven provinces are actively establishing sharia microbanks spread across 21 districts and cities throughout Indonesia.

Table 1. BPRS Owned by Local Governments in Indonesia by Province

No	Bank	Province
1	PT BPRS Gayo	Aceh
2	PT BPRS Berkah Dana Fadhillah	Riau
3	PT BPRS Kota Juang	Aceh
4	PT BPRS Cilegon Mandiri	Banten
5	PT BPRS Magetan Mandiri	Jawa Timur
6	PT BPRS Ngawi	Jawa Timur
7	PT BPRS Bakti Arta Sejahtera Sampang	Jawa Timur
8	PT BPRS Bakti Makmur Sumekar	Jawa Timur
9	PT BPRS Situbondo	Jawa Timur
10	PT BPRS Kota Mojokerto	Jawa Timur
11	PT BPRS Lampung Timur	Lampung
12	PT BPRS Kotabumi	Lampung
13	PT BPRS Tenggamus	Lampung
14	PT BPRS Rajasa Lampung Tengah	Lampung
15	PT BPRS Way Kanan	Lampung
16	PT BPRS Tani Tulangbawang Barat	Lampung
17	PT BPRS Lampung Barat	Lampung
18	PT BPRS Bandar Lampung	Lampung
19	PT BPRS Bangka Belitung	Bangka Belitung
20	PT BPRS Bahari Berkesan Kota Ternate	Maluku Utara
21	PT BPRS Saruma Sejahtera	Maluku Utara

Source: OJK (2024) and Perbamida (2024) Reports Processed

From the distribution of regions, it can be concluded that the distribution of government-owned BPRS still leaves room for more than 80% of provincial areas that are not interested in developing sharia microbanks. Based on the experience of 7 provinces that already have BPRS representatives, the original income of districts and cities that have sharia microbanks.

In the last five years, several regions have Islamic economic and financial development programs, but these Islamic microbanks have not been seen as an important factor in the development of Islamic economics and finance in Indonesia. Of the more than 16 provinces that have Islamic economic and financial development programs, only 7 provinces have Islamic microbanks owned by local governments.

Table 2. BPRS Owned by Local Governments in Indonesia by Regency/City

No	Bank	District
1	PT BPRS Gayo	Aceh Tengah
2	PT BPRS Berkah Dana Fadhillah	Kampar
3	PT BPRS Kota Juang	Bireun
4	PT BPRS Cilegon Mandiri	Cilegon
5	PT BPRS Magetan Mandiri	Magetan
6	PT BPRS Ngawi	Ngawi
7	PT BPRS Bakti Arta Sejahtera Sampang	Sampang
8	PT BPRS Bakti Makmur Sumekar	Sumenep
9	PT BPRS Situbondo	Situbondo
10	PT BPRS Kota Mojokerto	Mojokerto
11	PT BPRS Lampung Timur	Lampung Timur
12	PT BPRS Kotabumi	Lampung Utara
13	PT BPRS Tenggamus	Tenggamus
14	PT BPRS Rajasa Lampung Tengah	Lampung Tengah
15	PT BPRS Way Kanan	Way Kanan
16	PT BPRS Tani Tulangbawang Barat	Tulangbawang Barat
17	PT BPRS Lampung Barat	Lampung Barat
18	PT BPRS Bandar Lampung	Bandar Lampung
19	PT BPRS Bangka Belitung	Pangkal Pinang
20	PT BPRS Bahari Berkesan Kota Ternate	Ternate
21	PT BPRS Saruma Sejahtera	Halmahera Selatan

Source: OJK (2024) and Perbamida (2024) Reports Processed

Mudharabah and musharakah are the main forms of existence of Islamic banks in carrying out their business activities. To find out how Islamic microbanks strengthen mutually beneficial profit sharing, it is sought to calculate the profit sharing ratio. The data on the profit sharing ratio of Islamic micro banks is as follows:

Table 3. Profit Sharing Ratio of BPRS Owned by Local Governments in Indonesia

No	Name of Bank	Total Financing	Mudharabah & Musyarakah	Ratio
1	PT. BPRS Gayo	46,642,509	-	0.00%
2	PT. BPRS Berkah Dana Fadhillah	42,513,003	893,400	2.10%
3	PT. BPRS Kota Juang	1,448,922	-	0.00%
4	PT. BPRS Cilegon Mandiri	71,097,072	11,429,436	16.08%
5	PT BPRS Magetan	48,170,029	8,243,821	17.11%
6	PT. BPRS Ngawi	122,895,928	-	0.00%
7	PT. BPRS Bakti Arta Sejahtera	103,730,040	14,225,739	13.71%
8	PT. BPRS Bhakti Sumekar	701,773,417	26,255,920	3.74%
9	PT. BPRS Situbondo	15,919,597	1,114,000	7.00%
10	PT. BPRS Mojokerto	97,252,976	18,915,511	19.45%
11	PT. BPRS Lampung Timur	75,711,654	815,000	1.08%
12	PT. BPRS Kotabumi	136,671,549	100,000	0.07%
13	PT BPRS Tanggamus	38,787,129	-	0.00%
14	PT. BPRS Rajasa	49,292,787	-	0.00%
15	PT. BPRS Way Kanan	62,302,298	-	0.00%
16	PT. BPRS Tani	32,535,224	694,444	2.13%
17	PT BPRS Lampung Barat	52,861,463	-	0.00%
18	BPRS Bandar Lampung	82,762,926	-	0.00%
19	BPRS Bangka Belitung	227,241,343	34,036,461	14.98%
20	PT BPRS Bahari Berkesan	71,199,113	900,000	1.26%
21	PT BPRS Saruma Sejahtera	35,078,264	10,661,150	30.39%

Source: OJK (2024) and Perbamida (2024) Reports Processed

Profit sharing provided by BPRS to stakeholders, especially third-party fund owners, ranges from 0.07%-30.39%. This information shows that the quality of BPRS between each other has different qualities. There has been no synergy between local governments and others to work together to improve their quality. Political factors are also the cause of fluctuations in the development of BPRS. Some banks have experienced a decline in quality due to intervention from the authorities. Almost all BPRS have experienced turbulence due to political intervention and the change of regional heads. But in the end, all BPRS survived and developed. The numbers in table 4 reflect the condition of BPRS in the period this study was conducted.

The non-performing finance ratio that occurs in BPRS is shown in Table 4 as follows :

Table 4. Non Performing Finance of BPRS Owned by Local Governments in Indonesia

No	Name of Bank	Total Financing (thousand rupiah)	Ratio
1	PT. BPRS Gayo	46,642,509	4.21%
2	PT. BPRS Berkah Dana Fadhillah	42,513,003	1.34%
3	PT. BPRS Kota Juang	1,448,922	11.92%
4	PT. BPRS Cilegon Mandiri	71,097,072	9.68%
5	PT. BPRS Magetan	48,170,029	0.19%
6	PT. BPRS Ngawi	122,895,928	3.45%
7	PT. BPRS Bakti Arta Sejahtera	103,730,040	8.61%
8	PT. BPRS Bhakti Sumekar	701,773,417	4.39%
9	PT. BPRS Situbondo	15,919,597	1.34%
10	PT. BPRS Mojokerto	97,252,976	4.41%
11	PT. BPRS Lampung Timur	75,711,654	4.12%
12	PT. BPRS Kotabumi	136,671,549	1.91%
13	PT. BPRS Tanggamus	38,787,129	3.41%
14	PT. BPRS Rajasa	49,292,787	9.67%
15	PT. BPRS Way Kanan	62,302,298	1.68%
16	PT. BPRS Tani	32,535,224	2.69%
17	PT. BPRS Lampung Barat	52,861,463	0.17%
18	BPRS Bandar Lampung	82,762,926	3.15%
19	BPRS Bangka Belitung	227,241,343	1.32%
20	PT BPRS Bahari Berkesan	71,199,113	1.34%
21	PT BPRS Saruma Sejahtera	35,078,264	27.64%

Source: OJK (2024) and Perbamida (2024) Reports Processed

Discussion

The lowest Non-Performing Finance was recorded by BPRS West Lampung in Lampung province at 0.17% and financing of 52.8 billion rupiah, and BPRS Magetan East Java at 0.19% with a total financing of 48 billion rupiah, indicating that BPRS owned by the local government was able to minimize the amount of non-performing financing. Of course, in its operations, it is overshadowed by political intervention, but the management is able to manage its independence.

Often problematic financing problems come from interventions that occur in BPRS, originating from local government political problems such as those that occur at PT. BPRS Saruma Sejahtera. BPRS, which is located in South Halmahera district, has an NPF ratio of 27.64% of financing of 35 billion rupiah. The problem arose due to the political decision of the Regent of South Halmahera for the 2016-2019 period with the Regent of the next period.

Five BPRS are above the threshold whose NPF ratio is not safe, namely: PT BPRS Saruma Sejahtera, PT. BPRS Rajasa, PT. BPRS Bakti Arta Sejahtera, PT. BPRS Cilegon Mandiri and PT. BPRS Kota Juang. Sixteen other BPRS are below the threshold, even seven other BPRS have NPF ratios below 1%. From this information, it shows that NPF governance is very good, five BPRS that have NPF

problems can also be identified as the causative factors, so that the solution can be estimated

The average financing provided by BPRS owned by the government is 100 billion rupiah per year. The highest was given by BPRS Bhakti Sumekar with a financing of 700 billion rupiah. The lowest financing was distributed by BPRS Juang of 1.5 billion rupiah. This shows that BPRS can make a great contribution to dynamizing the economy, especially the micro, small and medium enterprise sector. In accordance with the purpose of BPRS's presence to work on sectors that are not in demand by Islamic commercial banks.

As an intermediary institution, the risks faced by BPRS are the same as other banks. One of the risks faced by BPRS is non-performing financing. Problem financing can occur due to external and internal factors of the customer. These two factors are the most dominant factors that occur in BPRS, as stated by Sohiful Iman

“In general, the factors that cause non-performing financing at BPRS are the ability and willingness to pay obligations/installments that are not fulfilled by customers. In terms of willingness to pay, there are certain areas, such as in Sampang Regency, where some debtors do not want to pay. This is not because they are unable to pay, but because of the character of the person, the character of the person does not want to pay. (Iman, 2023)

Based on Table 1, it can be seen that from year to year the financing issued by banks also increases. Likewise, the number of problematic financing in the category of col 3-5 also tends to increase, although with a balanced ratio. This increase is the bank's concern so that preventive and corrective steps are taken to handle financing in the future.

The number of non-performing financing and financing found in Jatim Syariah banks tends to increase following the financing with the percentages that can be seen in Table 3. However, the increase in certain stages is considered reasonable based on the information provided by the financing committee team. To deal with a number of financing that is categorized as bad, BPRS has taken corrective steps.

In understanding the problem of non-performing financing in the banks take a number of steps. As Prasetyo P said:

The thing called collectibility is also not directly falling customers, but there are several problems, analyzed to find the best, considering there are various kinds of customers. there are good customers and remain good (the business), there are good customers eventually fall; therefore need to be continuously monitored and evaluated. Because he could be a good person and his business was good at first but because it was not monitored and evaluated, it ended up falling. there are also discarded customers, customers from other banks who experience collectibility, are healthy but are taken over to BPRS. To accept customers like this requires caution and in-depth analysis. Because not infrequently the first installment, the second is smooth, after that it doesn't happen again. So there are several factors: even good customers, if they are not maintained properly, they can fall too (Anto, 2024)

When BPRS faces problematic financing, the bank's management will carry out a rescue strategy. The stages of rescue at BPRS can be briefly explained by Shohibul Iman as follows:

“Verbal and written warnings, calling customers, efforts to save financing/restructuring if the customer still has the ability and ability to pay even though it is decreasing from before, if you do not have the ability to pay, it is advisable to sell the collateral together and/or auction and the last stage is the execution of the collateral”. (Iman, 2023)

Restructuring by rescheduling (re-scheduling). most often done because it is the simplest and does not cost much, at the time of rescheduling a new contract is made and requires additional contract fees to the Notary (Rp 500.000,00) and insurance costs. Insurance extension is needed because the installment period is getting longer.

To handle collectability 1 and 2, a separate team was formed (handling branch) while for collectability 3, 4, and 5 a special team was formed. Financing rescue is not solely to provide benefits to the bank, but also to overcome customer difficulties and is carried out according to the customer's ability, for example, usually installments of 5 million to 2 million, the period from 5 years to 15 years, or it could be for the results to change, For example: initially the profit sharing for the bank is 60% and for the customer 40%, it becomes 40% for the bank and 60% for the customer. However, such a process has the impact of additional costs, because there must be a new contract, there are additional provisions and administrative costs (Iman, 2023).

Restructuring as an effort to save financing is carried out when customers are in collectibility 1 and 2. Financing restructuring is carried out in collectibility positions 1 and 2, not waiting for 3, 4 let alone 5, but it is still possible for positions 3 and 4. Restructuring is carried out in 3 ways (scheduling rescheduling, reconditioning and restructuring) in other words, restructuring can be in the form of a period of time, the number of installments or profit sharing. According to the POJK, restructuring can be done twice, but BPRS does it once.

"If customers want to pay off non-performing financing faster, BPRS can provide relief in the form of reducing or eliminating margins or fines or ta'wid (compensation) or all three. If you don't make a payment, then an auction of the collateral will be carried out, but previously BPRS gave the opportunity to customers to sell themselves, given a period of 6 months to 1 year. If it is not possible, it will be sold together with the bank and the customer. A special team was formed to assess the price of the collateral. 1) first stage with high price, 2) fair/market price, 3) liquidity price. If you can't just auction it off. Since the auction is registered until the auction process, the customer is notified of each stage(Cahyono, 2024) (Iman, 2023)

The collateral auction process is on average long, it is not easy to sell collateral items, as explained by Shohibul Iman:

"The auction of the collateral took a long time, some of the collateral that was sold at auction did not sell well, such as collateral in the form of two shop houses in Keraksaan Regency, it had been auctioned off for years, the price was not getting more expensive, no one even bidding on the price. has been taken down, because Kraksaan is not an urban area. Likewise, in Sampang there were some

collaterals that did not sell well at auction, in the end the bank money did not return immediately and was included in the write-off report." (Iman, 2023)

As for the sincerity of debtors whose collateral is auctioned, on average they are willing to sell the collateral at auction and even submit the sale to a bank from which the collateral sells, there is only one debtor who objected to the auction price determined by an independent appraisal, as explained by Shohibul Iman as follows:

"Debtors who fail to pay and can no longer save their financing, at the time of auction of collateral, on average they receive a price determined according to the market price by an independent appreciator, some even hand it over completely to the bank, he said, the important thing is that it sells, sir, and can be closed. , but there is one debtor, and this is the first time, namely the debtor in the form of a company. The bank has ordered the customer to sell the collateral himself and has been given one year, but can't sell it, finally the bank sells it by auction with a high value (above 2 billion). " (Iman, 2023)

Attempts to sell the collateral by the customer alone or jointly by the Bank and the customer and even the auction of the collateral take a long time. In accordance with the LPS Law and also PJOK, BPRS must write off the books. To write off the bill is not used by BPRS even though it is an obligation.

The management consideration of BPRS is not to write off the receivables because BPRS is owned by residents of East Java province, where the largest share is owned by the Governor as the leader of the Regional Government of East Java Province. As a regional government-owned banking institution, the accountability report is addressed to the regional government of East Java and the Regional Representatives Council of East Java. In addition, write-offs must be followed by additional capital by the shareholders.

The increase in non-performing financing at BPRS was due to the ability and willingness of customers to pay installments. Non-performing financing is dominated by customers in the consumptive sector. Consumptive sector financing usually comes from customers whose installment payments come from fixed income. When there is a default or underpayment in one period, it has the potential to continue, because of the customer's income deficit.

To reduce the NPF value, BPRS made efforts to save and settle financing. BPRS makes efforts to save financing not solely for the benefit of the bank, but also to overcome customer difficulties and is carried out according to the ability of the customer, and begins with verbal and written warnings, calling customers, efforts to save financing by restructuring if the customer still has the ability, although his ability to pay decreased from before. Restructuring is carried out on customers with collectability 2. If this effort is not successful and the customer experiences collectability, the bank management will offer the customer to sell the collateral independently and given a period of 6 months to one year, and if the customer cannot sell it himself and the time required given has been exhausted, the bank will conduct a collateral auction through the auction agency and market.

When credit and financing risks arise, both internal and external factors, BPRS, both take rescue actions by restructuring, one of which is restructuring resheduling (extending the repayment time). Initially, the nominal installments were felt to be burdensome for the customer, with the restructuring of the

resheduling, the installment time became longer, but the nominal installments became small, thereby easing the burden on the customer.

Conclusion

Studying the contribution of regional government-owned BPRS to the creation of a food safety system is the focus of this research. This research uses data and information from 21 sharia banks, but due to limitations in several aspects, the research focuses on two BPRS in North Maluku province. This research focuses on the role of Bank Bahari Berkesan and Bank Saruma Sejahtera in creating a food security system through the distribution of zakat funds.

Sharia banks synergize with zakat, infaq and alms management institutions to carry out economic empowerment in communities that are food vulnerable and stunted.

This study is limited to some BPRS owned by local governments throughout Indonesia, which number only 21 out of 176 BPRS. In the future, more in-depth research needs to be carried out on sharia bank financing programs that contribute directly to the food security system and financing based on agriculture, plantations, livestock and fisheries.

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