

## Analysis of Strategies for Handling Non-Performing Financing in Rahn Products at KSPPS BMT Mandiri Sejahtera, Dukun Branch

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### ABSTRAK

Penelitian ini bertujuan untuk menganalisis strategi penanganan pembiayaan bermasalah (NPF) pada produk Rahn (gadai Islam) di KSPPS BMT Mandiri Sejahtera, Cabang Dukun, Jawa Timur. Penelitian ini menggunakan pendekatan deskriptif kualitatif dengan menggunakan wawancara, observasi, dan dokumentasi. Hasil penelitian menunjukkan bahwa pembiayaan bermasalah terutama disebabkan oleh faktor internal dan eksternal, seperti analisis awal yang lemah, kondisi ekonomi yang tidak stabil, dan kelalaian anggota. Strategi penanganan meliputi proses sistematis berupa peringatan, kunjungan langsung, pemberitahuan resmi, penjadwalan ulang, penjualan agunan, dan PPAP. Selain itu, pendekatan personal berdasarkan silaturahmi dan tidak adanya margin tambahan mencerminkan penerapan keadilan dan prinsip-prinsip Islam dalam menjaga kualitas pembiayaan.

**Kata kunci:** Pembiayaan Rahn, Pembiayaan Bermasalah, BMT, Strategi Penanganan, Keadilan Islam

### ABSTRACT

This study aims to analyze the strategy for handling non-performing financing (NPF) in Rahn (Islamic pawn) products at KSPPS BMT Mandiri Sejahtera, Dukun Branch, East Java. The research employs a qualitative descriptive approach using interviews, observations, and documentation. The results reveal that problematic financing is mainly caused by internal and external factors, such as weak initial analysis, unstable economic conditions, and member negligence. The handling strategies include a systematic process of warnings, direct visits, formal notices, rescheduling, collateral sales, and PPAP. Moreover, a personal approach based on silaturahmi and the absence of additional margins reflect the application of justice and Islamic principles in maintaining financing quality.

**Keywords:** Rahn Financing, Non-Performing Financing, BMT, Handling Strategy, Islamic Justice

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## INTRODUCTION

The development of the Islamic finance industry in Indonesia has grown rapidly over the past decade, particularly in the Islamic microfinance sector (LKMS), which plays a crucial role in strengthening the grassroots economy. Baitul Maal wat Tamwil (BMT) is one of the key institutions that not only provides financial services but also empowers local economies based on Islamic values such as justice, sustainability, and mutual cooperation (ta'awun). According to data from the Financial Services Authority (OJK, 2024), there are 253 microfinance institutions in Indonesia with total assets of IDR 1.64 trillion, 79 of which operate under Islamic principles. Non-bank Islamic financing also grew by 10.11%, reaching IDR 27.43 trillion, indicating the significant role of BMTs in expanding national financial inclusion.

BMT Mandiri Sejahtera is one of the Islamic microfinance institutions that has developed in East Java under a cooperative legal entity. Its branch in Dukun District, Gresik, serves market traders and local communities as an alternative source of business financing. One of its flagship products is Rahn (Islamic pawn financing), which allows members to obtain quick funds using valuable goods as collateral. However, in practice, non-performing financing (NPF) often arises due to weak credit analysis, economic instability, or members' personal issues.

Problematic financing occurs when members fail to meet their contractual obligations, affecting the institution's financial stability and increasing its NPF ratio, which reflects declining financing management performance. Himami (2020) found that the handling of problematic financing at BMT UGT Sidogiri involved rescheduling, reconditioning, and socio-religious approaches, which effectively reduced risks. Meanwhile, Nurussalam Adjeng et al. (2025) emphasized the importance of risk analysis and financing supervision to maintain portfolio quality.

To prevent the emergence of problematic financing, Islamic financial institutions must apply the 5C principle: Character, Capacity, Capital, Collateral, and Condition. Through these principles, institutions can comprehensively assess the feasibility of prospective financing recipients and ensure that funds are disbursed prudently and responsibly. However, when risks still occur, effective, targeted, and sustainable handling strategies are required.

This study focuses on analyzing strategies for handling problematic Rahn financing at KSPPS BMT Mandiri Sejahtera, East Java. The research aims to provide an in-depth understanding of how the institution implements strategic measures to maintain financing quality and minimize non-performing financing (NPF) risks. The findings are expected to offer not only empirical insights into the effectiveness of these strategies but also practical contributions to strengthening risk management and developing sustainable financing policies within Islamic financial institutions.

## RESEARCH METHOD

This study employs a qualitative research method with a descriptive approach. Qualitative research is based on the post-positivist paradigm, in which the researcher acts as the main instrument to understand phenomena naturally without experimental manipulation. This approach emphasizes meaning and deep understanding of the research object through triangulated data collection, combining interviews, observations, and documentation. The descriptive analysis is used to examine data that are relevant,

significant, and directly related to the research problems.

The data in this study consist of primary and secondary data. Primary data were obtained through in-depth interviews with the branch manager, account officers, and staff of KSPPS BMT Mandiri Sejahtera, as well as direct observations of financing operational activities. Meanwhile, secondary data were collected from internal BMT documents, academic literature, and previous related studies. Data analysis was conducted using the Miles and Huberman interactive model, which includes three main stages: data reduction, data display, and conclusion drawing, ensuring that the research findings are presented systematically and comprehensively.

## THE ORETICAL REVIEW

### A. Profile of BMT Mandiri Sejahtera

Baitul Maal wat Tamwil (BMT) Mandiri Sejahtera Gresik was established on April 3, 2005, under the name Koperasi BMT Kube Sejahtera Unit 023. It was later renamed Koperasi BMT Mandiri Sejahtera on October 20, 2011. Currently, BMT Mandiri Sejahtera operates 31 branches spread across four regencies: Gresik, Lamongan, Tuban, and Bojonegoro. The institution carries out activities in both Maal (social/charitable) and Tamwil (business/financial) sectors, offering financing products such as Mudharabah, Murabahah, Qardh, Rahn, and Hajj financing.

KSPPS BMT Mandiri Sejahtera provides three main product categories: savings, financing, and services. Savings products include Simaster, Simjaka, Qurban Savings, and Hajj and Umrah Savings. Financing products consist of Murabahah, Musyarakah, Mudharabah, Rahn, Ijarah, Hawalah, Qardhul Hasan, and Hajj and Umrah financing. Service products include interbank transfers, bill payments, vehicle tax payments, BPJS contributions, currency exchange, and other financial services.

### B. Definition of Problematic Financing

Financing is defined in Article 1, point 12 of Law Number 10 of 1998 and Law Number 7 of 1992 concerning Banking as the provision of funds or claims considered equivalent thereto, carried out based on an agreement between a bank and another party. The recipient of financing is obligated to repay the funds or claims within a specified period, accompanied by a return or profit-sharing mechanism.

According to legal provisions, every member of an Islamic financial institution who obtains financing must repay it within the agreed timeframe. Problematic financing, or Non-Performing Financing (NPF), equivalent to Non-Performing Loan (NPL) in conventional banking, is the ratio of problematic financing to total financing. NPF includes categories such as substandard, doubtful, and bad debts—covering cases of late payments up to uncollectible financing (Nuraeni & Habibi, 2021).

Article 1 paragraph 25 of Law Number 21 of 2008 on Islamic Banking defines financing as the provision of funds or claims equivalent thereto, in the form of:

1. Profit-sharing transactions, such as Mudharabah and Musyarakah;
2. Leasing transactions, both Ijarah and Ijarah Muntahiya Bittamlik (leasing ending in ownership);
3. Sale and purchase transactions in the form of Murabahah, Salam, and Istisna receivables;
4. Loan transactions in the form of Qardh receivables;
5. Service lease transactions in the form of Ijarah for multi-service purposes.

These transactions are conducted based on agreements between Islamic banks or Islamic business units and other parties. The recipient of financing is required to return the funds within the agreed period, with compensation in the form of *ujrah* (service fee), without compensation, or through profit-sharing mechanisms (Turmudi, 2020).

According to Nuraeni and Habibi (2021), problematic financing does not occur suddenly but is a result of various internal and external factors, either from the financial institution or its members. These factors include:

1. Weak member character, indicated by lack of good faith in fulfilling obligations, business failure, or intentional disappearance.
2. Member negligence, such as fund misuse or delegating business management to unskilled family members.
3. Member incompetence, including inability to repay due to disrupted operations, weak managerial skills, outdated production technology, ineffective marketing strategies, limited business experience, and insufficient access to information.
4. Weakness in financing analysis, including inaccurate or incomplete data, careless assessment, improper financing period (too short or too long), and lack of accountability in financing decisions.
5. Weakness in financing documentation, such as inaccurate records and non-compliance with regulatory requirements.
6. Unfavorable economic conditions, such as financial crises affecting currency values.
7. Unstable political conditions, including civil unrest, strained diplomatic relations, or changes in leadership.
8. Natural disasters or environmental events that cause losses and negatively impact the community's economic activities.

#### *C. Definition of Rahn Financing Product*

The term *rahn* originates from the Arabic word *al-rahn*, which means "fixed" or "continuous," and etymologically derives from *rahana-yarhanu-rahnan*, meaning "to pledge" or "to mortgage." In terminology, *rahn* refers to making a valuable item a guarantee for a debt, where the pledged item can be sold to repay the debt if the borrower is unable to pay. The primary purpose of *rahn* in Islam is to help others meet their living needs (Alexander, Fauzi, & Yani, 2023).

*Rahn* financing, also known as collateral-based financing, is a type of Islamic financing in which an asset is pledged as security for a loan. In Islamic finance, the *rahn* concept is grounded in the principles of trust and assurance for both the lender and the borrower (Rahman et al., 2024).

#### *D. Definition of BMT (Baitul Maal wat Tamwil)*

Baitul Maal wat Tamwil (BMT) is an Islamic financial institution that functions as an integrated micro-enterprise body, providing investment services to support small entrepreneurs and promote productive economic development. In addition, BMT collects and distributes *zakat*, *infaq*, and *sadaqah* funds in accordance with Islamic law. This institution emerged as a response to the capitalist economic system, aiming to channel funds from capital owners (*shohibul maal*) to those in need (*mudharib*) to empower small businesses (Eza Putri et al., 2024).

BMT (Baitul Maal wat Tamwil) is a non-bank Islamic financial institution that manages *zakat*, *infaq*, *sadaqah*, and *waqf* funds for social purposes (*maal*), as well as mobilizes public funds for business financing based on Sharia principles (*tamwil*). Its

primary objective is to enhance welfare and promote the economic empowerment of small-scale communities (Rosidah & Indrarini, 2022).

## RESULTS AND DISCUSSION

### *1. Procedures for Rahn Financing at KSPPS BMT Mandiri Sejahtera, Dukun Branch*

The rahn financing procedure at KSPPS BMT Mandiri Sejahtera, Dukun Branch, is carried out based on prudential principles and Sharia compliance. The objective is to ensure that the distributed financing is feasible, secure, and beneficial for members while minimizing institutional risk. Based on interviews with the branch manager and Account Officers (AOs), the rahn financing process follows several stages, from application to repayment, designed to maintain smooth financing and prevent non-performing financing.

#### 1. Application and Document Verification

The process begins when a prospective member submits a financing application. The members must provide administrative documents such as a copy of the Identity Card (KTP), Family Card (KK), and proof of ownership of the collateral (marhun). The staff verifies document authenticity and ensures that the collateral truly belongs to the applicant. This initial stage functions as an early screening process to prevent misuse of financing and confirm that the data aligns with institutional standards.

The AO then conducts a field visit to assess the applicant's business, environment, and the five credit principles (5C): Character, Capacity, Capital, Collateral, and Condition. In rahn products, Character and Collateral are the most critical, as they relate directly to risk. Personal approaches such as silaturahmi (relationship building) and on-site observation are key strengths of micro-Sharia institutions in understanding the financial and social conditions of members.

#### 2. Survey and Feasibility Analysis

The AO visits the member's home or business location to evaluate character, business capacity, and economic conditions using the 5C principle. In rahn products, character and collateral are prioritized. Personal interaction provides BMT with a deeper understanding of members' socio-economic contexts. The survey results serve as the basis for determining financing eligibility and amount.

#### 3. Collateral Assessment (Marhun)

At this stage, the institution evaluates the market value of the collateral. The valuation is conducted carefully to ensure that the financing value aligns with the collateral's worth. In a rahn contract, the collateral's value directly affects the loan amount and serves as protection against default risk. KSPPS BMT Mandiri Sejahtera, Dukun Branch, typically sets a maximum financing limit between 80–90% of the collateral's appraised value.

#### 4. Financing Analysis and Decision

After a thorough evaluation of repayment capacity, business sustainability, and financial health, the manager or financing committee decides whether to approve, reject, or revise the application. Weak decision-making procedures, such as inadequate verification, can increase the likelihood of non-performing financing.

#### 5. Contract Agreement (Akad) and Disbursement

Once the analysis is completed, the financing agreement is formalized through a written rahn contract specifying the loan amount, term, collateral value, and maintenance fee (ujrah). The agreement is executed following Sharia principles—free

from riba, gharar, or maisir. Upon signing, the funds are disbursed, and the collateral is held by the institution as security.

#### 6. Monitoring and Repayment

The institution actively monitors members' repayment progress. AOs conduct personal follow-ups to ensure that members understand their obligations and maintain communication to avoid delinquency. Supervision is done through both field visits and administrative tracking. If payment delays occur, BMT immediately takes persuasive measures. Once the financing is fully repaid, the pledged collateral is returned to the member.

Overall, these stages demonstrate that KSPPS BMT Mandiri Sejahtera, Dukun Branch, applies risk management and prudential financing framework. The systematic process ensures that financing remains Sharia-compliant, productive, and supportive of institutional stability.

### 2. Factors Causing Non-Performing Financing in Rahn Products at KSPPS BMT Mandiri Sejahtera, Dukun Branch

The quality of financing in micro-Islamic financial institutions such as KSPPS BMT Mandiri Sejahtera, Dukun Branch, depends largely on members' repayment discipline. This aligns with the principles of prudence and good governance. Indicators such as repayment regularity, business prospects, and member character are key benchmarks. A decline in any of these can increase financing risk and affect institutional stability.

In rahn contracts, risk may arise from economic conditions, collateral value, or member behavior. Declining business performance, poor collateral management, or administrative negligence are common causes of non-performing financing. Payment delays disrupt liquidity and profitability, weakening institutional trust. Therefore, an integrated risk management and monitoring system is essential from the outset.

Consistent with Farizki and Komarudin (2022), non-performing financing is influenced by both internal and external factors, also observed in KSPPS BMT Mandiri Sejahtera, Dukun Branch.

#### 1) Internal Factors

These originate from weaknesses in internal systems, procedures, and policies:

- Weaknesses in Survey and Initial Analysis  
The branch manager stated that inadequate due diligence during the survey and analysis stage often leads to financing granted to unqualified applicants, despite existing SOPs.
- Lack of Post-Disbursement Control  
Many cases show insufficient monitoring after disbursement. Regular oversight is crucial for ensuring members' sense of responsibility and repayment compliance.
- Ineffective Evaluation and Handling Systems  
Slow response in addressing delinquent accounts—such as delays in issuing warning letters—reduces handling effectiveness.

#### 2) External Factors

External causes lie beyond BMT's control but significantly affect repayment ability:

- Economic and Employment Conditions  
Many members face declining income due to unstable businesses, crop failures, or job loss.

- Family and Household Factors  
Domestic conflicts or family crises disrupt financial management, leading to repayment problems. Death or severe illness of a breadwinner can also hinder payment ability.
- Members Disappearing or Relocating  
Some delinquent members leave their residences, making follow-up difficult. Despite tracing efforts through neighbors or social media, unresolved cases are eventually classified under PPAP (Allowance for Earning Asset Write-Off).

### 3. *Strategies for Handling Non-Performing Rahn Financing at KSPPS BMT Mandiri Sejahtera, Dukun Branch*

To maintain financing quality and reduce risk, KSPPS BMT Mandiri Sejahtera, Dukun Branch, adopts a phased, persuasive approach emphasizing silaturahmi, fairness, and Sharia principles. The management and AOs handle problematic financing through the following steps:

1. Initial Confirmation via phone or text message to remind members of overdue payments.
2. Personal Visits (silaturahmi) to assess members' conditions, understand financial obstacles, and provide moral-spiritual guidance.
3. Issuance of Warning Letters to members categorized under "Special Attention" (DPK) who do not respond to prior communication.
4. Rescheduling or Payment Relief, allowing installment adjustments without additional ujah or profit margin. For instance, a member unable to pay IDR 500,000 per month may be allowed to pay IDR 50,000 with an extended term.
5. Collateral Sale with Consent, where the collateral may be sold to settle outstanding debt, and any remaining balance is returned to the member. If the member refuses, the collateral remains in custody. Unresolved cases are classified as PPAP.

Findings show that the causes of non-performing financing align with Farizki and Komarudin (2022)—notably weak initial analysis and external household economic factors. However, this study highlights the community-based and personal approach (silaturahmi) as a unique strategy of Islamic microfinance institutions.

Furthermore, BMT's policy of not charging additional fees for late payments reflects its commitment to Sharia justice. Innovations such as daily savings programs for micro-traders help members maintain regular payments. Overall, the process follows a sequence of reminders, visits, warnings, rescheduling, collateral liquidation, and PPAP—with challenges mainly in post-disbursement control.

## CONCLUSION

The study concludes that non-performing financing at KSPPS BMT Mandiri Sejahtera, Dukun Branch, arises from both internal and external factors. Internal causes include weak survey and analysis procedures and inadequate post-disbursement monitoring, while external causes include economic instability, family conflicts, illness or death of income earners, and missing members.

Problem-handling strategies involve phased measures—reminders, personal visits, warning letters, rescheduling, daily savings, collateral sales, and PPAP. BMT maintains its Sharia principles by avoiding additional charges and emphasizing personal silaturahmi as a distinctive ethical approach.

**RECOMMENDATIONS**

It is recommended that KSPPS BMT Mandiri Sejahtera, Dukun Branch strengthen survey and analysis procedures for more selective financing distribution. Post-disbursement monitoring should be improved through regular supervision and digital systems. Member education on repayment discipline and the consequence of delinquency is essential. Additionally, cooperation with local communities and religious leaders should be enhanced to improve problem-financing management, institutional stability, and member trust.

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