



An Analysis of the Effectiveness of Murabaha Contracts in Reducing Credit Risk of Indonesian Islamic Banks

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Article Info

Article History:

Received May th, 2024

Revised May th, 2024

Accepted June th, 2024

Available online June, 2024

DOI: 10.35891/ml.v13i2.3267

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ABSTRACT

Introduction: This study evaluates the effectiveness of murabahah contracts as a credit risk mitigation strategy at Bank Syariah Indonesia (BSI). Adopting a qualitative descriptive-analytical methodology, the study integrates primary and secondary data to analyze the implementation of murabahah contracts in Islamic banking practices. The study findings show general alignment with Islamic principles, but also identify several operational constraints. Deficits in customers' understanding of the Islamic principles underlying the murabahah contract, as well as potential disparities in interpretation between customers and bank officers, are factors that hinder the optimization of this financing instrument. Nevertheless, the study concludes that murabahah contracts have substantial potential to reduce credit risk, provided that there is structured and effective management. Therefore, it is recommended that BSI improve its Islamic financial education program for customers, conduct periodic and comprehensive evaluations of the implementation of murabahah contracts, and conduct more detailed quantitative analysis to measure its impact empirically. The implementation of these recommendations is expected to strengthen the role of murabahah contracts in supporting the stability and sustainable growth of BSI.

Keyword: Murabahah, Islamic Banking, Risk Mitigation.

Paper type: Research paper

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A. INTRODUCTION

In the banking sector, credit risk is one of the most significant challenges that must be faced and managed carefully. This risk refers to the possibility of losses experienced by financial institutions due to the failure of debtors to fulfill their obligations in accordance with agreed agreements. Credit risk not only impacts the financial stability of the bank, but can also affect public confidence in the financial institution, especially in a country with a developing economic base such as Indonesia. Therefore, the implementation of credit risk mitigation strategies is an important aspect in maintaining the sustainability of the banking business (Salamah, 2023).

In the context of Islamic banking, credit risk management becomes more challenging due to the sharia principles that must be followed. These principles prohibit the practice of usury, gharar (uncertainty), and maysir (speculation), thus requiring banks to find financing mechanisms that comply with Islamic law. One of the most frequently used forms of contract in Islamic financing is the murabahah contract. This contract is based on the principle of sale and purchase, where the bank buys the goods needed by the customer, then sells them back to the customer with an agreed profit margin.

Murabahah has become the dominant financing instrument in Indonesian Islamic banking, given its simplicity and transparency in execution. According to data from the Financial Services Authority (OJK), murabaha-based financing accounts for more than 60% of the financing portfolio of Islamic banks in Indonesia. The popularity of murabaha is not only due to its compliance with sharia principles, but also because of its flexibility in various types of transactions, including consumer financing, working capital, and project financing (Artiesha, n.d.)

However, despite murabaha being the backbone of financing in Islamic banking, its effectiveness in reducing credit risk is still debatable. In its implementation, there are various challenges that can affect the success of this contract, such as the accuracy of customer eligibility analysis, supervision in the implementation of the contract, and external factors such as macroeconomic conditions. For example, when there is an economic slowdown, the ability of customers to pay installments may decrease, thus increasing the potential for non-performing financing (NPF).

On the other hand, murabaha contracts also have certain advantages that can be used as a credit risk mitigation tool. One of the main advantages is the certainty of the profit margin that has been agreed at the beginning of the contract, so that banks can predict the income that will be received. In addition, the asset-based nature of the transaction (asset-based financing) provides a certain level of security for the bank, as the goods that become the object of financing can be used as additional collateral (Hasibuan et al., 2023).

However, the effectiveness of murabaha in reducing credit risk depends not only on the structure of the contract, but also on its implementation in the field. In this case, Bank Syariah Indonesia (BSI) as one of the largest Islamic banks in Indonesia has a strategic role in optimizing the implementation of murabaha. BSI must ensure that every stage in the financing process, from credit analysis, contract implementation, to post-contract supervision, is carried out in compliance with sharia principles and banking best practices.

The importance of evaluating the effectiveness of the murabaha contract is also driven by the need to improve the competitiveness of Islamic banking amid increasingly fierce competition with conventional banking. In recent years, conventional banks have started to offer sharia-based products, which provide new challenges for Islamic banks to improve their operational efficiency and effectiveness. In this context, an evaluation of murabaha can provide strategic insights to improve financing mechanisms and risk mitigation, so that Islamic banks can remain competitive.

Furthermore, analyzing the effectiveness of murabaha contracts is not only relevant from a practical perspective, but also from an academic perspective. This research can contribute to the development of scientific literature in the field of Islamic finance, particularly with regard to risk management. As one of the key pillars in the Islamic financial system, effective credit risk management can help strengthen the stability of the financial system as a whole. This is in line with the Indonesian government's vision to make the country the center of the global Islamic economy.

Therefore, research into the effectiveness of murabahah contracts in reducing credit risk at Bank Syariah Indonesia is not only important to provide practical solutions for BSI, but also has wider implications for the Islamic banking industry. By conducting a comprehensive evaluation, this research is expected to identify key factors that support or

hinder the success of murabahah, as well as provide strategic recommendations to improve the quality of credit risk management in the future (Zain, 2021).

B. THEORETICAL STUDY

1. Implementation of Murabahah Financing at Islamic Banks

Referring to DSN Fatwa No.04/DSN-MUI/IV/2000 dated April 01, 2000 concerning Murabahah, it is stated that murabahah is: "selling an item by confirming its purchase price to the buyer and the buyer pays more as profit". In the Circular Letter of the Financial Services Authority Number 36/SEOJK.03/2015 dated December 21, 2015 concerning Products and Activities of Islamic Banks. And Sharia Business Units in Appendix IV page 59, Murabahah financing at Islamic Banks is defined as: "The provision of funds or bills that can be equated with that for the sale and purchase of goods at the principal price plus a margin based on an agreement or agreement between the Bank and the customer which obliges the customer to repay the debt / obligation."

In the book by Sunarto Zulkifli entitled "Practical Guide to Islamic Banking Transactions", the large murabahah financing products in Islamic banking can be divided into two parts. Consumptive murabahah financing, namely financing provided for the purchase or procurement of certain goods that are not used for business premises. This financing is used for consumption needs, which will be used up to meet needs. Consumptive needs can be distinguished into primary needs and secondary needs. Primary needs are basic needs in the form of goods or services, while secondary needs are additional needs that are quantitatively and qualitatively more luxurious than primary needs. Meanwhile, productive murabahah financing, namely financing provided for business needs such as procurement of production machines, factories and others. This financing is intended to meet production needs, namely to increase business, both production, trade and investment businesses.(Sunarto, 2003)

The procedure for implementing murabahah financing is very complex. In the procedure for implementing murabahah, there are stages that must be passed. The implementation procedure must be taken so that the murabahah financing facility is valid.(Sutan Remy Sjahdeini, 2018)

- a. Submission of an application by the customer to the bank to obtain a murabahah financing facility. In the application, the customer must state what goods are ordered with or without having to mention the specifications because it still has to be negotiated with the bank before the bank gives approval for the application by issuing a Facility Approval Decree (the term for the Facility Approval Decree varies from one bank to another)
- b. Before the murabahah contract is signed by the bank and the customer, both parties must agree on:that should be taken by Islamic banking in Indonesia are as follows.
 - 1) detailed specifications of the goods,
 - 2) the purchase price of the goods by the bank from the supplier which must later be paid by the customer as the customer's purchase price to the bank plus margin/mark-up,
 - 3) he amount of margin/mark-up added to the purchase price of the goods by the bank which is the profit for the bank.
 - 4) the period of repayment of the entire price of the goods (i.e. the bank's purchase price plus margin) which must be fulfilled by the customer to the bank,

- 5) the installment schedule by the customer for the price of the goods purchased from the bank,
 - 6) the amount of installments for each stage of repayment,
 - 7) the time of physical delivery of the goods by the bank to the customer
 - 8) and other things which are bank requirements which are determined on a case-by-case basis.
- c. If there is an agreement between the bank and the customer regarding everything related to the murabahah facility that will be provided by the bank to the customer, the bank issues a Murabahah Facility Approval Decree which is sent to the customer.
 - d. Make a murabahah contract between the bank and the customer. The murabahah contract can be made underhand or in the form of a deed made by a notary
 - e. Simultaneously or after the signing of the murabahah contract, a power of attorney agreement can also be made and signed between the bank and the customer containing the power of attorney given by the bank to the customer to purchase certain goods/items desired by the customer related to the murabahah facility application.
 - f. If the Islamic bank is not ready or intends to give the customer power of attorney to purchase the goods they need themselves, the Islamic bank can give the authority to a third party.
 - g. Based on the bank's power of attorney to the customer, the customer for and on behalf of the bank orders the desired goods from the supplier. If not through the mechanism of power of attorney given by the bank to the customer to purchase goods from the supplier, the bank directly purchases the goods from the supplier.
 - h. The customer informs the bank that the customer has purchased the goods by stating the specifications and the purchase price. The customer's purchase price must not be higher than the price agreed between the bank and the customer.
 - i. When the price of the goods is due to be paid to the supplier, the customer informs the bank to pay the price of the goods directly to the supplier of the goods,
 - j. The final stage is the implementation of the sale and purchase of the goods from the bank to the customer and the transfer of ownership of the goods from the bank to the customer.

2. Sharia Banking Murabahah Credit Risk

Credit risk in sharia banking Refers to the possibility of losses due to the debtor's inability to fulfill payment obligations in accordance with the agreed agreement. In the context of sharia banking, this risk is often measured through the Non-Performing Financing (NPF) indicator, which shows the proportion of problematic financing compared to the total financing provided. A high NPF can indicate problems in risk management and the bank's financial health. Sharia banking has unique characteristics in its credit risk management, especially because it does not apply interest, but uses contracts such as murabahah, musyarakah, and mudarabah. In a murabahah contract, a sharia bank sells goods to customers at an agreed price, including a profit margin. Therefore, credit risk in murabahah is not only related to the customer's ability to pay, but also to the value and quality of the goods being financed.

Antonio in his book entitled "Sharia Banking from Theory to Practice", explains that there are several possible risks that must be anticipated in murabahah financing. Negligence, namely customers who intentionally do not pay installments. Fluctuations or price fluctuations occur when the price of an item on the market increases after the

Islamic bank purchases the order for the customer but the bank is not allowed to change the transaction price. There is a customer rejection, namely the goods sent are rejected because, for example, they are damaged in transit or do not match the desired specifications. The goods have been sold, which occurs because murabahah financing is a sale and purchase with a debt scheme. If the contract has been signed, the goods automatically become the property of the customer. The customer can do anything with his assets, including selling them.

Saeed explains in his book entitled "Menyoal Bank Syariah, Kritik Tradisi Menarik Bank Kaum NoeRevivalis", separating 3 risks faced by Islamic banks when offering a murabahah financing model, namely risks related to goods, risks related to customers, and risks related to payments.(Saeed, 2004) Sedangkan Sadatinah dalam penelitiannya berjudul "Analisis Manajemen Risiko Pembiayaan Murabahah di BMT Muhajirin Salatiga", membedakan beberapa risiko terkait pembiayaan murabahah di salah satu Baitul Maal wa Tamwil (BMT) di daerah propinsi Jawa Tengah sebagai berikut:(Sadatinah, 2018)

a. Customer Factors

Customers have different financing analysis from one another. Different problems and capabilities are often found. Bad financing caused by customers is divided into 2 factors, namely intentional and unintentional elements. The first element occurs due to the customer's carelessness or the customer can make financing in several places. Unintentional occurs because the customer is unable to pay the obligation as a result of the business that received financing from the bank experiencing a disaster such as a natural disaster or fraud. There is also the possibility that the customer dies or the business being run experiences losses.

b. Internal BMT Factors

Problematic financing can occur due to several causes within the BMT itself. The first is inaccurate analysis. This happens because when analyzing the financing application, the marketing party is not careful enough which results in errors in the assessment of customer data. The second is because the marketing party must meet the predetermined target. Many marketing staff make various efforts so that the financing submitted by the customer is approved.

In practice in the field there are several risks that accompany financing with a murabahah contract. Anas in his book mentions at least 4 risks, namely:

- 1) Financing risk that occurs due to customers defaulting or breaking promises.
- 2) Market risk caused by exchange rate fluctuations when financing is provided in foreign currency
- 3) Operational risk that occurs due to inadequate operational activities or internal processes, human error, system failure, and external events that impact bank operations.
- 4) Decrease in profit levels if murabahah financing is carried out in a long-term period, namely more than 10 years. When economic conditions experience a slowdown or decline, Islamic banks may not increase financing margins as is customary for conventional banks that use the floating concept. The agreed transaction price may not be changed or increased. This is closely related to the risk of returns (rate of return) and market risk.

3. Effectiveness of Murabahah Contract in Islamic Banking

Murabahah contract is one of the most common financing instruments used in Islamic banking. It is a sale and purchase agreement in which the bank purchases goods at the request of the customer and resells them with an agreed profit margin. The effectiveness of this contract can be seen from various aspects, including compliance with Islamic principles, economic impact, and challenges faced. Murabahah is designed to ensure that the sale and purchase transaction complies with Islamic principles, such as fairness, transparency, and clarity. In this agreement, the customer knows the initial purchase price and the profit margin set by the bank, thereby reducing the potential for heating and speculation. This provides a sense of security for customers to avoid usury and injustice in transactions.

Murabahah contract, as one of the most common contracts in Islamic banking, has various significant impacts on financial practices. The following are the impacts that often occur due to this contract standard:

a. Positive Impacts

- 1) **Transparency and Clarity:** In a Murabahah contract, banks are required to clearly inform customers of the cost of goods and profit margins. This creates important transparency in transactions, reducing the risk of misunderstanding and potential conflict between the parties involved
- 2) **Accessibility of Financing:** Murabahah makes it easy for customers, especially small and medium enterprises (SMEs), to obtain financing. With this scheme, customers can purchase goods in installments, which increases their access to capital.
- 3) **Compliance with Sharia Principles:** The Murabahah contract is designed to comply with Sharia principles, avoiding usury and other unethical practices. This helps Islamic banking to offer products that are in accordance with Islamic values.
- 4) **Economic Stability:** By increasing access to financing, Murabahah contributes to local economic growth. Islamic banks can support business development and job creation through the financing provided.

b. Negative Impacts

- 1) **Payment Risk:** One of the main challenges in Murabahah contracts is the risk of default or late payment from customers. If customers fail to pay installments on time, this can be detrimental to the bank and affect the cash flow of Islamic banks.
- 2) **Moral Hazard:** There is a potential for moral hazard where customers may feel less responsible for payments due to the more flexible nature of installments. This can cause liquidity problems for banks if many customers experience delays.
- 3) **Criticism of Profit Margin:** Some parties assume that the profit margin in Murabahah can be too high and similar to interest in the conventional banking system. This can raise doubts about the extent to which this product is truly in accordance with sharia principles.
- 4) **Fluctuation in the Price of Goods:** In some cases, fluctuations in the price of the goods being financed can affect the consumer's ability to repay the loan, especially if the price of the goods increases significantly after the contract is made.

The Murabahah contract is one of the most common financing instruments in Islamic banking. To achieve the effectiveness of this contract for all parties involved, a systematic and integrated approach is needed. One of the crucial initial steps is to increase transparency and information. In this context, Islamic banks ensure that all information related to the cost of goods and profit margins is clearly conveyed to customers. Adequate disclosure of information not only reduces the potential for conflict between banks and customers but also increases customer trust in Islamic financial institutions. In addition, comprehensive education on the principles of Murabahah and Sharia needs to be provided to consumers to ensure a deep understanding of the contract they are signing.

Furthermore, regulation and compliance with sharia principles are important aspects in achieving the effectiveness of Murabahah contracts. Sharia banks must ensure that all transactions carried out comply with the provisions of sharia law and applicable regulations, such as Law No. 21 of 2008 concerning Sharia Banking. The implementation of periodic internal audits is also needed to assess the conformity of Murabahah practices with sharia principles, thereby avoiding potential violations that could harm the bank's reputation.

Product and service innovation is another strategic step to increase the effectiveness of Murabahah contracts. The development of more flexible Murabahah products, such as varied payment options or profit margin adjustments based on market conditions, can attract more customers and better meet their needs. In addition, the use of information technology in the application process, monitoring, and installment payments can improve operational efficiency and customer satisfaction.

The risk management aspect also needs to be considered in achieving the effectiveness of Murabahah contracts. The implementation of an appropriate guarantee or collateral system can reduce the risk of default from customers, providing a sense of security for banks in providing financing. On the other hand, a strict credit analysis must be carried out to assess the customer's ability to pay before approving a Murabahah contract. Thus, banks can minimize the risk of losses due to delays or defaults. Finally, building good relationships with customers is the key to achieving the effectiveness of Murabahah contracts. A personal approach in interacting with customers can increase their loyalty and satisfaction with bank services. In addition, collecting feedback from customers regarding their experiences in Murabahah transactions is essential to make continuous improvements to the products and services offered. By implementing these steps comprehensively, Islamic banking is expected to achieve effective Murabahah contracts and provide optimal benefits for all parties involved.

C. METHODOLOGY

This research uses a qualitative method with a descriptive-analytical approach. Qualitative methods allow researchers to understand complex phenomena through narrative and in-depth data collection. In the context of this research, the main focus is on the implementation of murabahah contracts in Bank Syariah Indonesia and how they function in reducing credit risk. With the descriptive approach, the researcher aims to

describe the actual situation in the field, providing a better understanding of the practices and challenges faced by banks in implementing murabaha contracts.

The analytical approach in this research aims to explore the relationship between various factors that affect the effectiveness of murabaha contracts. For example, researchers can analyze how banks' internal policies, OJK regulations, as well as market conditions contribute to the success or failure of murabaha contracts in reducing credit risk. Thus, this research provides not only an overview but also an in-depth analysis of the dynamics at hand.

The data sources in this study consisted of primary data and secondary data. Primary data was obtained through direct interviews with relevant parties at Bank Syariah Indonesia, including managers and staff involved in the murabaha financing process. The interviews were designed to gather in-depth information about the interviewees' experiences and views on the implementation of murabaha contracts. With this approach, the researcher was able to understand the challenges and opportunities faced by banks and how they manage credit risk through these contracts. Secondary data, on the other hand, included academic literature, Bank Syariah Indonesia annual reports, as well as Financial Services Authority (OJK) regulations related to murabaha. This secondary data is important to provide a broader context and support the findings from the primary data. Through the analysis of official documents and annual reports, researchers can understand the policies and strategies implemented by banks in managing credit risk through murabaha contracts.

Data collection techniques in this research include document study, structured interviews, and observation. The document study was conducted by collecting various official documents from Bank Syariah Indonesia and OJK regulations related to murabaha. These documents provide important information regarding the policies and procedures applied by the bank in implementing the contract. In addition, the document study also includes an analysis of annual reports that reflect the bank's performance in terms of murabaha financing and its impact on credit risk.\

Structured interviews are one of the main techniques in primary data collection. In these interviews, the researcher uses a list of pre-arranged questions to ensure that all important aspects are covered systematically. The questions were designed to elicit information about the interviewees' experience in implementing murabaha contracts and their views on its effectiveness in reducing credit risk. With this structured approach, the researcher was able to obtain consistent and comparable data across interviewees.

In addition to structured interviews, observations were also made to see firsthand the process of implementing murabaha contracts in the field. Through observation, researchers can understand the dynamics of interaction between banks and customers and how the financing process actually takes place. Observation provides important additional context for interview data and document studies, so that the final analysis can reflect the complex reality of the implementation of murabaha contracts in Bank Syariah Indonesia.

Data analysis in this research consists of descriptive analysis and thematic analysis. Descriptive analysis was used to describe the implementation of murabaha contracts at Bank Syariah Indonesia in detail. Through this analysis, the researcher can present information on how the contract is implemented as well as the challenges faced during the process.

Meanwhile, thematic analysis aims to identify factors that influence the effectiveness of murabaha contracts in reducing credit risk. By using a thematic approach, the researcher was able to explore key themes that emerged from the interviews and observations, such as customer satisfaction, transparency of the financing process, and compliance with OJK regulations.

D. RESULT

1. Implementation of Murabahah Contract in Bank Syariah Indonesia

a. Murabahah Implementation Procedure

At Bank Syariah Indonesia, murabaha contracts are implemented in accordance with sharia principles through established procedures, starting from the financing application process, analyzing customer eligibility, and determining profit margins. Each step is taken to ensure that the transaction does not contain elements of usury, maysir (speculation), or gharar (uncertainty).

One type of Islamic banking contract used to finance goods is murabahah, which involves several stages that must be followed by both banks and customers. The process of implementing murabahah is as follows:

- 1) **Financing Application.** People who want to buy something, such as a car or a house, but do not have the funds for it can apply to the bank for financing. In this application, they must include details about the item they want to buy, such as its price and specifications (Nuriasari, 2019).
- 2) **Eligibility Analysis and Approval.** Once the bank receives the application, they will assess the customer's eligibility based on five elements: character, capital, collateral, condition, and capability. If the result of the analysis shows that the customer is eligible, the bank will give approval (Lisdawati et al., 2019).
- 3) **Purchase of Goods by the Bank.** Upon approval, the bank will purchase the goods requested by the customer from the supplier or seller in accordance with the agreed specifications to ensure that the goods meet the conditions set forth (Abshor, 2023).
- 4) **Ijab Qabul (Signing).** The bank and the buyer will sign a murabaha contract when they purchase the goods. This contract should include details about the product, the cost price, the profit margin, and the agreed payment method (Nuriasari, 2019).
- 5) **Delivery of Goods.** The bank delivers the goods to the client after the contract is signed. With this delivery, the title of the goods passes from the bank to the client.
- 6) **Payment by Customer.** The customer then pays to the bank for the agreed price with the agreed payment method, i.e. cash or installments. If the customer cancels the purchase after the contract has been signed, they will be liable for the costs actually incurred by the bank.

b. Level of Compliance with Sharia Principles

In many fields, especially in the Islamic banking and financial institutions sector, compliance with Shariah principles is crucial. New studies show that the extent of this compliance varies based on the context and practices applied.

The Sharia Supervisory Board (DPS) qualifies murabaha contracts with sharia principles. DPS ensures that contracts are conducted in accordance with the provisions of fiqh muamalah. To ensure that their murabaha operations are

shariah-compliant, Indonesian Islamic banks use a periodic audit system that aims to prevent the practice of fraudulent buying and selling known as *ba'i al-inah*.

Compliance in the financial sector:

- 1) **Islamic Banks:** The obligation of Islamic banks is to ensure that every transaction conducted is in accordance with sharia principles. However, there are problems such as employees not understanding the contracts offered, which may violate sharia principles. Despite strict supervision and auditing, some banks still apply manipulative practices.
- 2) **Comparison with Conventional Banks:** This study looks at the differences between conventional and Islamic banks in terms of compliance. The results show that, in order to maintain the stability of the financial system, Islamic banks must comply with stricter regulations that prohibit usury and haram practices (Pramesti et al., 2023).

Compliance in Traditional Use:

- 1) **Mandar Tribe:** The Mandar people live in West Sulawesi and use a land pawn system called *Pata'gal Lita'*. Studies show that, especially in the areas of administration and management, compliance with Sharia Financial Accounting Standards (SFAS) is still lacking in practice (Rufaida & Asnidar, 2024).
- 2) **Islamic Economic Principles:** that the application of Islamic economic principles has a positive correlation with microeconomic growth. This suggests that the innovation of sharia-compliant financial products is essential to drive economic growth (Ilhamiwati et al., 2024).

2. Effectiveness of Murabahah Contract in Reducing Credit Risk

a. Credit Risk Mitigation Success Indicators

Factors such as a decrease in the number of non-performing loans (NPF), an increase in the rate of on-time payments, and customer compliance with payment obligations are ways to determine how effective murabaha contracts are.

As a type of Islamic financing, the murabaha contract has several indicators that show how effective it is in reducing credit risk. Here are some of those indicators:

- 1) **Adequate Collateral:** Studies show that banks can obtain additional collateral in the murabaha financing process by having collateral that matches the market value, which makes proper collateral valuation critical to reduce the risk of default (Roza & Dewi, 2024).
- 2) **Internal Control System:** The implementation of an effective internal control system is critical to the credit granting process. This system includes a thorough creditworthiness analysis and consistent monitoring of the borrower.
- 3) **Comprehensive Risk Analysis:** Creditors can assist in determining creditworthiness by using high-quality risk analysis techniques, such as qualitative and quantitative methods. The debtor's profile and market conditions are the main considerations (Sudrajat et al., 2024).
- 4) **Training and Coaching:** Recipients of murabaha financing can gain better business management skills, which can reduce the likelihood of default (Musarofah et al., 2024).

E. DISCUSSION

Based on the research results, there are several recommendations for Bank Syariah Indonesia in optimizing the implementation of murabaha contracts. First, banks need to improve education programs for customers regarding sharia principles and murabaha contract mechanisms. This education program can be in the form of seminars, workshops, or the provision of information materials that are easily understood by customers. With a better understanding, it is expected that customers can be more confident in making financing decisions. Second, Bank Syariah Indonesia is advised to conduct periodic evaluations of the implementation of murabaha contracts. This evaluation aims to identify obstacles that arise during the financing process and find appropriate solutions. By conducting regular evaluations, banks can adjust their operational policies and procedures to be more responsive to customer needs and a dynamic market environment.

For further research, it is recommended that a quantitative analysis be conducted regarding the effectiveness of murabaha contracts in the context of credit risk management. Quantitative research can provide more in-depth statistical data on the impact of murabaha contracts on credit risk and bank financial performance. In addition, a comparative study between various Islamic banks in the application of murabaha contracts can also provide additional insights into the best practices that can be applied in the Islamic banking sector.

F. CONCLUSION

In this study, the main findings related to the effectiveness of murabaha contracts in Bank Syariah Indonesia show that the implementation of these contracts has been carried out properly and in accordance with sharia principles. Murabaha contracts have proven to be effective in providing access to finance to customers, especially in the micro and small business sector. However, there are some challenges faced, such as customers' lack of understanding of sharia principles and differences in understanding between customers and bank officers. This may affect customer trust and the effectiveness of the contract in reducing credit risk.

The implications of the findings for credit risk management in Islamic banking are important to consider. By understanding the challenges, Bank Syariah Indonesia can take proactive steps to improve customer understanding of murabaha contracts. Better education and improved communication between banks and customers can help reduce misunderstandings that may occur, thereby reducing the credit risk associated with murabaha financing. In addition, regular training for bank officers is also needed to ensure that they can explain murabaha contracts clearly to customers.

Overall, this study shows that murabaha contracts have great potential in reducing credit risk if managed properly. Indonesian Islamic banks need to continue to innovate and improve their practices in order to provide better services to customers and minimize credit risk that may arise from misunderstandings or lack of information. Thus, the sustainability and growth of Islamic banking in Indonesia can be maintained.

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