

Restructuring of Problematic Financing at BMT UGT Kalibaru and Its Impact on Financial Circulation

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Abstract. *Baitul Maal wa Tamwil (BMT)* functions as a representation of Islamic financial institutions established by government entities to foster and develop a banking framework that is in line with the doctrine of Islamic principles. One of its leading products is Islamic financing. Behind the scenes, financing restructuring often occurs due to problems. This study focuses on BMT UGT Kalibaru in handling financing cases. This study aims to analyze the causes of problematic financing, examine the stages of resolution used by BMT UGT Kalibaru in handling problematic financing cases, and to determine the impacts caused and their solutions. This type of research is a case study. The data sources used are primary and secondary data. Data collection techniques use documentation, archival recordings, interviews and observations. Data analysis uses an interactive model. The results of this study state that the causes of problematic financing in general are two causes, namely internal and external causes, and the stages of resolving problematic financing in general are two paths, namely litigation and non-litigation. The mechanism carried out by BMT UGT Kalibaru starts from the rescheduling stage, re-requirements, collateral deliberation, and collateral confiscation, and the impact of problematic financing results in members being unable to withdraw savings and the state of financial circulation in the office.

Keywords: Financing restructuring; Financial circulation; BMT.

Abstrak. *Baitul Maal wa Tamwil (BMT)* berfungsi sebagai representasi lembaga keuangan syariah yang didirikan oleh entitas pemerintah untuk membina dan mengembangkan kerangka perbankan yang sejalan dengan doktrin prinsip-prinsip Islam. Salah satu produk unggulannya adalah pembiayaan syariah. Di balik layar, seringkali restrukturisasi pembiayaan terjadi karena adanya permasalahan. Penelitian ini fokus pada BMT UGT Kalibaru dalam penanganan kasus pembiayaan. Kajian ini bertujuan untuk menganalisis penyebab terjadinya pembiayaan bermasalah, untuk mengkaji tahapan penyelesaian yang digunakan BMT UGT Kalibaru dalam menangani kasus pembiayaan bermasalah, dan untuk mengetahui dampak yang ditimbulkan serta solusinya. Jenis penelitian ini adalah studi kasus. Sumber data yang digunakan adalah data primer dan sekunder. Teknik pengumpulan data menggunakan dokumentasi, rekaman arsip, wawan-

cara dan observasi. Analisis data menggunakan interaktif model. Hasil penelitian ini menyatakan bahwa penyebab terjadinya pembiayaan bermasalah secara umum ada dua penyebab, yakni penyebab internal dan eksternal, dan tahapan penyelesaian pembiayaan bermasalah secara umum terdapat dua jalur yaitu litigasi dan non litigasi. Ada pun mekanisme yang dilakukan oleh BMT UGT Kalibaru dimulai dari tahapan penjadwalan ulang, persyaratan kembali, rebus jaminan, dan penyitaan jaminan, serta dampak dari adanya pembiayaan bermasalah mengakibatkan anggota tidak dapat menarik tabungan dan keadaan sirkulasi keuangan yang ada di kantor.

Kata Kunci: Restrukturisasi pembiayaan; Sirkulasi keuangan; BMT.

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BACKGROUND

Baitul Maal Wa Tamwil is an economic actor born from the womb of sharia economics in its implementation (Imaniyati, 2010). BMT is a cooperative legal entity whose activities, especially fundraising and allocation, are in accordance with the provisions stipulated in the Law. Guidelines for the Implementation of Cooperative Business Activities related to Financial Services are outlined in the Decree of the Minister of State for Cooperatives and Small and Medium Enterprises Number 91/Kep/M. KUKM/IX/2004, Government Regulation Number 9 of 1995 concerning the Implementation of Savings and Loan Business Activities by Cooperatives, and Number 25 of 1992 concerning Sharia Cooperatives, and Regulation of the Minister of State for Cooperatives and Small and Medium Enterprises Number 91/Kep/M. KUKM/IX/2004 concerning the Implementation of Cooperative Business Activities in the Field of Sharia Financial Services, and Regulation of the Minister of State for Cooperatives and Small and Medium Enterprises Number 35.2/per/m.kukm/x/2007 which provides a Standard Operating Framework for Cooperatives for Managing Sharia Financial Cooperative Services (Muslim & Novizas, 2018).

In BMT there are several attractive sharia features, one of which is financing. Financing that is implemented usually uses a murabahah contract. The murabahah contract itself is a sale and purchase contract which states that the bank is in the position of the seller, while the member is the buyer. While the selling price is the bank's purchase price then added to the profit (Melina, 2020). This contract is very helpful for the micro and small MSME community, because the procedure process is easy, the service is fast and uses a pick-up system (Soemitra & Syahbudi, 2022).

This is confirmed in the Qur'an, Surah An-Nisa (4) verse 29 which means "O you who believe, do not consume each other's property in a false way, except through trade that is mutually agreed upon between you. And do not kill yourselves; surely Allah is Most Merciful to you (Hanafi, 2019). This verse has the interpretation that we should not take the rights of others in a way that is prohibited by sharia or in a false way, unless we carry out a fair trade transaction between the two voluntarily or by agreement. if both parties are open about what they are transacting, do not deceive or hide each other's

shortcomings, so that the transaction process ends with mutual consent (Munandar & Ridwan, 2023).

In the implementation process, this sharia financing program often experiences problematic financing or can be called bad credit. This is in accordance with research conducted by Amin and Ajib (2022) which explains the resolution of controversial financing problems in BMT UGT Probolinggo that the procedures implemented by BMT UGT Nusantara KCP Kota Probolinggo must comply with established protocols and require prior membership among financing clients. The implementation of risk management at BMT UGT Nusantara KCP Kota Probolinggo includes the process of risk identification, risk measurement, risk monitoring, and risk control. In addition, this institution uses a 5C framework for its financing customers, which consists of character, ability, condition, and collateral. In the context of handling problematic murabahah financing, BMT UGT Nusantara KCP Kota Probolinggo is involved in practices such as rescheduling, reconditioning, revoking collateral, and finally, confiscation of collateral (Amin & Ridwan, 2022).

Based on research conducted by Hidayat, Alaydrus and Bakri (2022), it was stated that the main cause of problematic financing is that customers have difficulty paying installments due to business that is not running smoothly, business failure, use of funds that are not in accordance with planning, and borrower delinquency, who from the start had bad intentions in applying for financing. It is clear that viewing this problem from an Islamic business perspective is not appropriate. The strategies for resolving problematic financing used by BMT include rescheduling, reconditioning, and restructuring, as well as other strategies. They also use a personal approach in the NU organizational path (Hidayat et al., 2022).

Likewise, research conducted by Mawardi (2023) namely to identify problematic financing, preventive, detective, and curative mechanisms are used. Some problematic financing is caused by errors made by the BMT Institution or lack of careful examination when analyzing financing. Causes outside the BMT UGT Sidogiri Sidoarjo Branch Institution affect the efforts made by members (Mawardi, 2023).

According to the description above, this also happened to BMT UGT Kalibaru. Both the financing program and the problems. Therefore, this study was conducted to dig deeper into the steps in resolving problematic financing and the efforts made to overcome the impact of financing cases on the financial circulation line. So that the study can be used as a reference for educators, students and even the public in general. This study seeks to uncover the Restructuring of financing at BMT UGT Kalibaru. Based on this review, the purpose of this study is to analyze the causes of problematic financing and the steps in resolving problematic financing and the impact on financial circulation.

THEORETICAL REVIEW

Islamic financial institutions are companies that run banking and financial businesses based on Islamic law fatwas issued by authorized institutions in the field of sharia. Islamic financial institutions are divided into two, namely Islamic banking financial institutions and non-bank Islamic financial institutions (Nurzianti, 2021). Non-bank Islamic financial institutions such as *Baitul Maal wa Tamwil*.

Baitul Maal wa Tamwil (BMT)

BMT stands for *Baitul Maal wa Tamwil* which comes from two terms *baitul maal* and *Baitul tamwil*. *Baitul maal* comes from the word *baitul* which means house and *maal* means wealth. So *baitul maal* means a house that functions to collect and store wealth (Pamitkatsih, 2020). *Baitul maal wa tamwil* can also be interpreted as an integrated independent business center that carries out its activities, namely developing productive businesses and investments in increasing the percentage of the economy of small entrepreneurs by saving and financing (Melina, 2020). BMT itself is an economic institution that has two functions, namely social functions and commercial functions. This is different from other institutions that already exist in Indonesia which only function as social functions. Because of that, *baitul maal wa tamwil* functions as a financial institution that collects and distributes funds to the community (BMT members) (Sugianto, 2022). *Baitul maal wa tamwil* (BMT) has several roles that are applied to the community as economic support, including (Amratul, 2020):

- a. Keeping society away from non-Islamic economic activities.
- b. Carry out coaching and funding of small businesses.
- c. Free yourself from dependence on loan sharks.
- d. Maintain the principle of justice with equal distribution.

BMT is a microfinance institution with a cooperative legal entity that operates based on sharia principles, in accordance with Law Number 17 of 2012 concerning Cooperatives. Article 87 paragraph (3) states that cooperatives can run businesses based on sharia economic principles, and Article 87 paragraph (4) states that provisions regarding cooperatives are based on sharia economic principles (Abidin, 2020). *Baitul Maal wa Tamwil*'s existence is increasingly visible, this is because the main focus of this financial institution is in the micro-business sector which is currently dominating in Indonesia. In addition to the available target market, BMT is also supported by a design of the institution itself, so that the performance obtained is appropriate, meaning that the institution determines its failure and success (Khairunnisa et al., 2022).

Sharia Financing

Financing in the context of Islamic banking, as described by Law No. 10/1998 concerning banking operations, is characterized as a financial arrangement based on a contractual agreement between a banking institution and a client. This agreement stipulates the reimbursement of funds or financial instruments after a certain period of time, which can be compensated through fees (remuneration) or through a profit-sharing mechanism (Himmawan et al., 2023). The term financing is broadly derived from the meaning of *I believe, I trust*, which means *I believe or I put my trust*. The word financing, which means trust, means that the bank places its trust in someone to carry out the mandate given to the bank as *shohibul maal* (Fajri, 2021). Financing can also be interpreted as an activity of distributing funds to parties in need for a productive or profitable activity so that members can pay it off (Ningsih, 2020).

In the process of distributing funds, sharia financing can use sale and purchase contracts that are in accordance with *muamalah fiqh*, including *murabahah*, *salam* and *parallel salam*, *istina'* and *parallel istina'*, *mudharabah*, *musyarakah*, *ijarah* and *ijarah muttabia bi tamallik* (Ningsih, 2020). The types of sharia financing include sharia working capital financing, sharia investment financing, sharia consumer financing,

syndicated financing, takeover financing and letter of credit financing (Firmansyah et al., 2021).

Problematic Financing

Difficulties in financing, commonly referred to as non-performing loans, are a significant challenge for all financial institutions, both Islamic and conventional, because financing is the main source of income compared to other financial products. If this financing experiences a problem, it will greatly affect the incoming income. So to anticipate this, financial institutions that serve financing must have prudential principles. In addition, a feasibility study is also needed before providing financing to prospective customers (Aznin & Alam, 2022).

In general, problematic financing is financing caused by members or members who are not right in paying their installment schedules and do not meet the terms of the agreement. According to Veithzal, problematic financing describes a situation where credit repayments do not match the agreement until they ultimately fail, even tending to experience potential losses (Elwardah, 2020). Problematic financing is one of the risks that every bank will definitely face. Robert Tampubolon stated that credit risk is an exposure caused by the failure of the counterparty to fulfill its obligations. The principle used in a financing analysis is the principle of prudence so that the financing that is distributed can be on target and return on time according to the agreement (Ulpah, 2024).

Restructuring

Restructuring is a financial intervention, referred to in the context of Islamic banking as a proactive action taken to improve a distressed financing situation (Akbar, 2023). By lowering interest rates, extending the term, reducing principal and interest arrears, increasing financing credit facilities, and/or changing credit or financing into temporary equity participation, the restructuring itself can be completed in accordance with OJK provisions (Kholiq & Rahmawati, 2020). From another opinion, it is stated that restructuring is an action taken by a banking institution that aims to reduce the ratio of non-performing loans so that the condition and health level of the bank are maintained properly (Hariyani, 2010).

Financial Circulation

Financial circulation can refer to banks, namely central banks that are authorized to circulate banknotes and coins as legal tender. Central banks or circulation banks have several roles, including: Maintaining currency stability, Maintaining the country's financial system, Ensuring the balance of the banking industry as a whole, Supervising the flow of currency in the Indonesian economy. As Indonesia's central bank, Bank Indonesia also functions as a circulation bank. In addition, Bank Indonesia also acts as a banker's bank, namely a source of funds for all banks in Indonesia (Yunita et al., 2022).

RESEARCH METHODS

This type of research uses a case study with a qualitative research design, meaning that it is a type of research that examines and analyzes events, life phenomena, both individuals and groups, to tell their lives. After that, this information is conveyed again

by the researcher in a descriptive chronological perspective. The characteristics of this research are data obtained from words, pictures, and not numbers like quantitative (Rusandi & Rusli, 2021). The informants used are divided into three categories, namely key informants, main informants, and supporting informants (Rany & Yunita, 2022). There are nine informants consisting of all internal parts of BMT UGT Kalibaru itself. This can be seen in the Table 1.

Table 1. Description of Informants

No.	Information	Type of Informant	Amount
1	Branch Head	Key Informant	1 Person
2	Cashier	Main Informan	1 Person
3	Financing Account Officer	Main Informan	2 Person
4	Account Officer Financing Analysis	Supporting Informant	2 Person
5	Saving and Loan Account Officer	Supporting Informant	3 Person

Data collection techniques using documentation, archival records, observation interviews. Documentation in the form of information sources including letters, memoranda, official announcements, agendas, reports, and meeting conclusions. Administrative documents, written events, proposals, progress reports, internal documents, research, official evaluations, clippings, and mass media articles. Benefits include ensuring correct spelling, titles, and names and adding specific details, making conclusions. Archival records can include computerization, service records, organizational records, and maps and charts. geographic information, lists of names and items, survey data (records, censuses), and personal records such as diaries, calendars, and telephone numbers. Interviews are open, concentrated, structured. Observations are made during meetings, events, factory work, classrooms (Yin, 2014).

The validity test of the data found uses Credibility (internal validity), Transferability (external validity), Dependability (reliability), Confirmability (objectivity) (Anggito & Setiawan, 2018). The data sources used are primary and secondary data. Primary data is data obtained or collected by researchers from various data sources, namely interviews, observations or through discussion group forums. While secondary data is information obtained from research objects in the short term. This information is usually obtained from the Central Statistics Agency (BPS), books, journals, and other sources (Fadila & Wulandari, 2023). The type of data analysis using the Analysis Interactive Model technique includes data reduction, data presentation and conclusions (Miles et al., 2014).

RESULTS AND DISCUSSION

Causes of Problem Financing at BMT UGT Capem Kalibaru

Based on the results of observations and analysis from several informants met by the researcher, there are several causes that cause problematic financing. The classification is as follows:

1. Internal Causes

This is a cause that originates from within the BMT UGT Kalibaru office. This cause has implications for branch managers and loan analysts, causing several financing problems. Several internal causes that cause financing problems:

a) Discipline

The purpose of this is the lack of discipline of the loan analyst and branch manager in disbursing financing funds to members who have experienced delays in payments. As a result, these members will experience even worse delays than before. This happens because members feel they will be given relief again.

b) Lack of Communication

The purpose of this is the lack of communication between the branch manager and the Account Officer for Financing Analysis (AOAP). Based on research, branch managers sometimes directly disburse financing funds without communication and knowledge of the AOAP. In this case, it violates the disbursement rules, as a result, financing can be stalled because it has not passed the survey stage.

c) Lack of Trust

The meaning is the lack of trust of the branch head with the AOAP. It should be noted that the branch head is involved in determining whether or not it is feasible to disburse funds. In this case, the branch head sometimes does not trust the analysis party who has surveyed according to the rules.

2. External Causes

This is a cause that comes from outside the BMT UGT Kalibaru office and is related to the individual or member receiving the financing. The following are the causes:

a) The Person's Character

What is meant is that financing members have a character that likes to borrow but finds it difficult to return. As is the case with financing members at BMT UGT Kalibaru whose characteristics are very relaxed when they do not have money at maturity.

b) Economic (Business Failure)

Some borrowers at BMT UGT Kalibaru use their money for business capital, both in agriculture, industry, animal husbandry and so on. The cause of their failure is that the business they founded went bankrupt or failed.

c) Members Experience Disaster or Calamity

This third factor is often unexpected by the members of BMT UGT Kalibaru themselves. For example, being hit by a natural disaster or having an accident, namely illness. As a result, members cannot pay their bills when they are due.

Referring to the problematic financing issues, it can be concluded that in general there are two causes, namely internal and external causes. The internal causes include discipline, lack of communication and lack of trust. While external causes include the character of the person, economy (failed business) and members experiencing disasters

or calamities. Therefore, BMT UGT Sidogiri Capem Kalibaru applies the principle of prudence which can be interpreted as BMT being very careful in distributing funds to members so that there is no congestion, and providing protection to members so that they are right on target. Apart from this principle, BMT UGT Sidogiri Capem Kalibaru also continues to evaluate according to the causes that have occurred.

This is reinforced by the explanation of Aznin and Alam (2022) that the principle of prudence is a principle of banks that must be careful in using money collected from the public so that the funds are safe and public trust in them can be maintained. This discussion is also reinforced by previous research conducted by Hidayat, Alaydrus and Bakri (2022), namely the internal cause of problematic financing, namely the lack of good management, both in terms of communication, trust, discipline, skills and planning. While from an external perspective, it is in the form of delinquency of borrowers (members) who no longer intend to return, business continuity.

Restructuring of Problem Financing at BMT UGT Capem Kalibaru

Based on the research results, BMT UGT Kalibaru is one of the BMT UGT in Banyuwangi that has a high level of financing problems. This was conveyed by the Head of BMT Banyuwangi Barat Branch (Hasyim, 2024). The following Figure 1 is the results of the financing recapitulation.

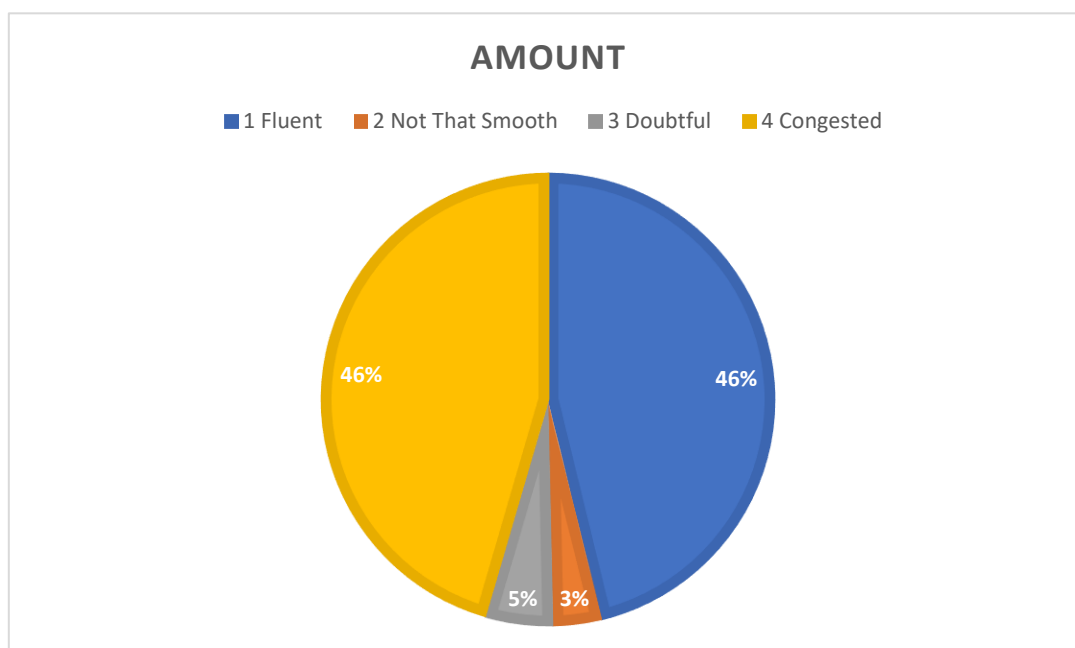


Figure 1. October Financing Report

Based on the Figure 1, we can conclude that, the confirmed smooth financing members are 46%. While Less Smooth is 3%, Doubtful 5% and defaulted is 46%. We can conclude that the defaulted financing members are very many, even the results are the same as the smooth members. However, these defaulted members are the remaining data from the previous financing management before the reform. There are several ways that

can be done in resolving problematic financing. The general strategies that are often used by several BMT UGT offices include (Wahid, 2024):

1. Non-Litigation Route

It means a path that is resolved peacefully. So, when there is problematic financing, the financing account officer comes to the problematic member and resolves it through mutual deliberation.

2. Litigation Route

This means that problematic financing is resolved legally. This must be related to the collateral used as collateral when registering as a financing member at BMT UGT Kalibaru. The realization of this path is that the loan account officer will take the collateral and report to the Kalibaru Police regarding the confiscation of the collateral.

However, the detailed mechanism implemented by BMT UGT Kalibaru goes through the following stages:

1. Rescheduling

The initial step in resolving problematic financing is through the rescheduling stage. This step is carried out when members have entered the default category. Default members can be seen from the financing data. The party responsible for this is the Financing Account Officer (AOP) of BMT UGT Kalibaru. An AOP before leaving records and divides tasks to visit several defaulted members. When the AOP has reached the location and met with the members, the first thing to do is to provide an understanding of the member's stalled financing. And also mixed with the *mauidhotul hasanah* method as a form of difference with conventional banks. In this process, the AOP also listens to the members' complaints and tries to find a joint solution after agreeing to reschedule.

After this process is complete, the next step is for the AOP to offer how much the member is able to pay the financing shortfall. Based on data from the AOP, members are not measured by the maximum percentage of reduction. However, it is according to their respective abilities. This is because the BMT is already grateful when the money is returned even though it takes a long process, the most important point is that members can pay regularly. After the monthly payment amount has been agreed upon and the rescheduling program has been agreed upon, the AOP also explains the additional installment months due to the reduction in the amount. After it has been agreed upon, the AOP submits several letters to be signed by the member as proof of the document archive approved by the member. Then, the member is given advice and a message again and reminded that next month they must be able to pay according to the bill. And this member is re-entered into the current category.

2. Reconditioning

In this second phase, members who have agreed to be rescheduled are given insight and are required to return to pay according to the latest bill and comply with the applicable terms and conditions. Namely, they must not be late and pay according to the bill. The process of re-requirement is the same files as when the financing application was first submitted. The difference is only related to the installment period due to the reduction in the nominal.

3. Collateral Consultation

This third phase is a phase where the AOP feels that the member is said to be unable to pay the bill even though the nominal amount has been reduced. This guarantee discussion phase is carried out when the member experiences a default again with the criteria of not being able to pay the bill within a period of three months or more. This means that for three months or more the member is unable to pay his bill.

When this has happened, the AOP will return to the member with the aim of questioning and discussing the collateral used at the time of the initial application. This is done because the member is considered unable to do so. In this case, the AOP will not provide further relief because relief has been given in the previous period. The AOP will discuss with the member regarding the collateral to cover and pay off the remaining bill. The offer from BMT UGT is between selling the goods alone or selling them together. When sold together, BMT UGT will assist in the sales process. When there is excess money, the money will be returned to the member. Then, when the selling price of the collateral is still not enough to pay off the bill, the AOP will still charge it according to the shortfall and its ability. This case will be a loss for BMT UGT Kalibaru.

This process can also be through legal or family channels, but BMT usually uses family or litigation channels. This is because if dealing with the police it will increase the cost of expenses. BMT will make every effort to use the litigation channel, unless the collateral has a serious problem, for example the collateral is sold by a member. When this happens, it will definitely deal with the police.

4. Confiscation of Collateral

The final phase in resolving problematic financing is the confiscation of collateral. The process of confiscating collateral must be based on the willingness of members, not suddenly confiscated. When members are willing, the AOP will confiscate the goods. Confiscation of collateral is carried out when members agree that the collateral is sold together. This means that the BMT also takes part in transacting the collateral. If there is an excess, it will be returned to the members.

Confiscation of collateral has occurred at BMT UGT Kalibaru because members were unable to pay off their financing obligations. At that time, members applied for financing worth five million for a business in the agricultural sector with a motorcycle collateral worth around ten million. In this case, according to financing regulations, collateral can be disbursed as much as 50% of the collateral price when the collateral is in the form of movable objects such as motor vehicles. Then in the middle of the bill payment journey, members were no longer able to pay it off. Until finally the collateral was sold together.

In this discussion, the resolution of problematic financing in general has two paths, namely litigation and non-litigation. However, in terms of implementation at BMT UGT Kalibaru, it goes through four stages, namely settlement, including rescheduling, reconditioning, collateral deliberation and collateral confiscation. In this process, it is a form of non-performing loan process which aims to maintain financial health so that bankruptcy does not occur. In terms of problematic financing, especially at the rescheduling stage, this is also in accordance with research conducted by Ekaningsih, Kharis and Fathoni (2019) which shows that one approach to dealing with problematic financing is the rescheduling policy, because the problems that exist in BMT come from

various elements, such as customers, employees, and natural causes (Ekaningsih et al., 2019).

This is reinforced by the theory put forward in Hariyani's book (2010) entitled *Restructuring and Credit Elimination* which states that non-performing loans are the goal of maintaining bank health when bad debts occur. This is also supported by previous research conducted by Amin and Ridwan (2022) that restructuring of problematic financing can be done by rescheduling, re-requirements, collateral discussions and collateral confiscation. Restructuring of problematic financing is also reinforced by the word of Allah in the letter Al-Baqarah verse 280 which means "And if (the person in debt) is in difficulty, then give him respite until he is free. And giving (some or all of the debt) in charity is better for you, if you only knew" (Hanafi, 2019). In the letter Al Baqarah verse 280, Allah commands creditors or people who give money loans to be patient. He commands them to give additional time to debtors who are having difficulty paying and do not find a way to pay off their debts. As explained by Ibn Kathir in his interpretation, the behavior of increasing the amount of debt that must be paid because of the provision of additional payment time is called usury of jahiliyah, because it is included in the category of usury which is prohibited in Islam (Ubaidillah & Aji, 2020).

The Impact of Problem Financing on Financial Circulation at BMT UGT Kalibaru

Based on the results of our observations, there are impacts that occur in financial circulation in problematic financing problems. However, these impacts can be overcome and solutions have been found. The impacts include:

1. Members Cannot Withdraw Savings

In this case, it is necessary to understand that the money collected by BMT UGT Kalibaru through savings products is given to the community in the form of funding. In this case, funds from savings accounts are diverted to generate profits or profits for BMT UGT through financing products. Then, when the process of distributing money (financing) has a problem, in quotation marks problematic financing which means a member who gets a funding channel cannot return the money according to maturity. Then the financial circulation will be affected, the impact is when the owner of the money in the savings account takes it. The picture is that there is no money in the office because it is distributed to the community along with problematic financing. This can be ascertained that a savings owner cannot take his money because of this.

When this happens, it is certain that a member or savings member feels wronged because they cannot withdraw their money even though their savings account still has a balance. A solution to this problem has been found, namely by borrowing money from other BMT UGT offices. BMT UGT is a large cooperative that has spread throughout cities in Indonesia. BMT UGT Nusantara already has 278 branches that have spread across various cities in Indonesia. In Banyuwangi Regency, BMT UGT has 3 branches, 13 sub-branches and 1 cash office. So the strategy used to overcome this problem is to ask for help from other offices in the form of a loan. The point is, if the distribution of funds has some problems (stalls), then there are also many members who withdraw their savings, then that is the strategy used. Based on informant reports, not all BMT UGT offices are successful, so BMT UGT offices that have excess money can lend their money to BMT UGTs that are short of money with a profit-sharing system. This means that BMT

UGTs that are short of money have the right to return the money according to maturity and pay a profit-sharing margin of 2%.

2. Financial Circulation

Based on the observation results, when the percentage of bad financing exceeds 50% and members who save their money decrease, then this BMT UGT can be declared financially unhealthy and has the potential to go bankrupt. Based on the existing data, both the Savings Growth Report and the Financing Report are interrelated in supporting the health of the bank. This is what makes BMT UGT Capem Kalibaru remain healthy, because the number of savings members is increasing and smooth financing members are still in the safe category. The Figure 2 illustrates the savings growth graph for each month in 2024. The percentage did fluctuate before August. However, from August to December, there was a continuous increase. From this graph, BMT UGT Kalibaru can still support the needs of savings members, when the funds that have been collected are distributed to the community and MSMEs in Kalibaru District and its surroundings.

The system implemented by BMT UGT Capem Kalibaru in overcoming bankruptcy is one of them by positioning money according to the rules from the center. The illustration is that 50% of the money is distributed so that it grows, 30% of the money is put in a safe to be on the safe side regarding the withdrawal of savings and 20% is sent to the head office whose function is if one day there is a shortage of money, then just confirm. The calculation of the financial percentage depends on the collection of funds per month.

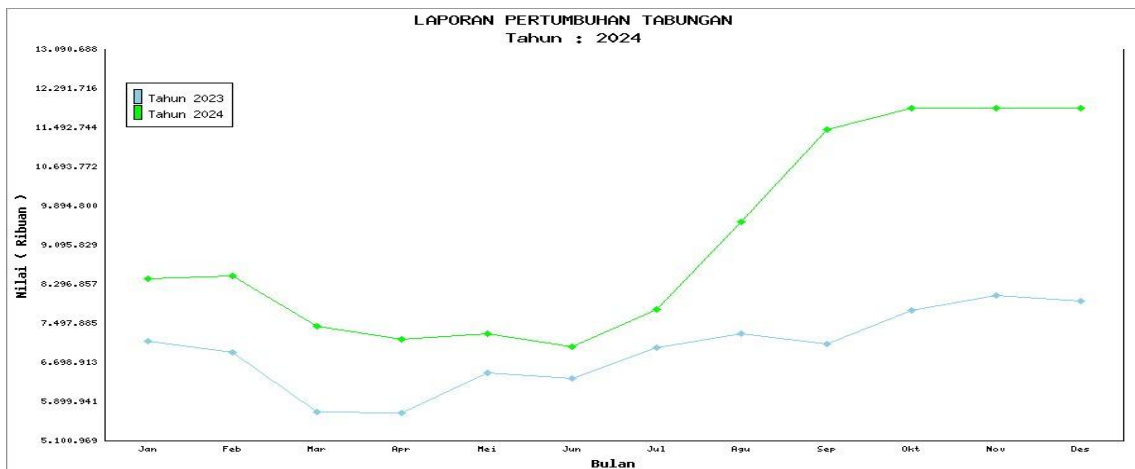


Figure 2. 2024 Savings Growth Report

Based on the results of observations and interviews conducted, the tragedy of problematic financing can be affected by two categories, namely savings members and office financial circulation. In mitigating both of them, BMT UGT Sidogiri Kalibaru's strategy is to divide the finances that have become the operational standards of the BMT UGT center. Namely 50% of the money is distributed, 30% is placed in the office safe and 20% is sent to the head office. This is an effort if one day the money in the safe runs out, the 20% deposited at the center can be taken. If this is still not possible, the center will give instructions to borrow from another office that has excess money. This is also in

accordance with previous research conducted by Alam and Oktavia (2021) that the impact in problematic financing cases is members who have savings and financial conditions in the office. This can be overcome by increasing savings members and facilitating members who experience bad credit. Not only that, when collecting funds, 50% is distributed, 30% is placed in the office and 20% is sent to the head office.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the discussion of the research results entitled Restructuring of Problematic Financing at BMT UGT Kalibaru and its Impact on Financial Circulation, it can be concluded that the causes of problematic financing in general are internal and external causes. The classification of internal causes is discipline, lack of communication and lack of trust. While the external causes are the character of the person who likes to borrow but finds it very difficult to pay or return the funds when due, business failure, and being hit by a disaster that cannot be predicted by the members of the BMT UGT Kalibaru cooperative.

Problematic financing is a risk of financing programs. However, with high risk, financing programs are the largest contributor to a bank's income, especially at BMT UGT Kalibaru. In cases of problematic financing carried out by members, steps can be taken to resolve or mitigate losses. The steps are generally through two channels, namely litigation and non-litigation. However, in detail, implementation in the field goes through stages, including rescheduling, re-requirements, collateral discussions and collateral confiscation.

In this case of problematic financing, it will certainly also have an impact on financial circulation. The biggest impact is on members who have savings and office financial circulation. Because if the money collected through savings members is channeled through a financing program and it turns out that the financing is problematic, the impact is that members cannot withdraw their money. And there is a big possibility of bankruptcy. Therefore, BMT UGT Kalibaru continues to strive to increase the percentage of savings members and reduce problematic financing members with the steps mentioned above. If these steps still cannot meet the needs of withdrawing money in the savings sector, then BMT UGT Kalibaru will confirm to the head office to borrow from other BMT UGT offices that have excess money with the mudharabah system.

Suggestions

With the completion of this article, of course there are still many shortcomings, but thank God, the author expresses his gratitude with full respect to Allah jalla jalaaluh who has given His guidance so that this article can be compiled and completed. In fact, this study has many shortcomings because there are some informants who are less open in providing answers so that it cannot be discussed in depth. Suggestions for further researchers to be able to discuss this in more detail and hopefully there will be new breakthroughs in solving this problem, so that the cases that occur can be overcome using relevant concepts according to the times. Suggestions from readers are also very open to us, hopefully it can add to the wealth of knowledge for the author, Jazakumullah bil khair.

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