

**HANDLING THE FINANCING PROBLEM:
A NARRATIVE STUDY OF AGRICULTURAL CAPITAL FINANCING
MURABAHAH CONTRACTS AT BMT**

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Abstract

This research aims to determine how the implementation of agricultural capital financing with the murabahah contract, the factors that caused problematic financing, and how to handle problematic financing, especially in the financing of agricultural capital with a murabahah contract at BMT BUS KPU Tuban Branch. Agricultural capital financing is a type of financing that is quite rare for BMT in Tuban District, because in providing agricultural financing, BMT is very vulnerable to suffer losses due to problematic financing. This research was a field research with a qualitative approach. Data collection techniques were carried out through interviews and documentation. Data sources consists of primary and secondary data. Data analysis used analytic descriptive technique. The results explained that the murabahah financing procedure implemented at BMT BUS KPU Tuban Branch on agricultural capital financing practices can be said to be good, because in its implementation each prospective member of the financing was obliged to meet the applicable requirements and procedures, the factors that cause problematic financing were external and internal factors, The strategy for handling problematic financing at BMT BUS KPU Tuban Branch used a family approach, intensive billing, financing restructuring, collateral takeover, collateral execution and finally if it was not successful with financing elimination.

Keywords: *Agricultural Capital Financing, Murabahah Contract, Problematic Financing*

Introduction

So far, the agricultural sector still plays an important role in the country. Given that Indonesia is a large agrarian country, agriculture is a source of income and livelihood for most rural communities, as well as a supplier of raw materials and a market for industry. The agricultural sector even has a role that cannot be replaced by other sectors, namely as a source of food. Several things show the importance of this sector. First, the potential of natural resources is very large. Second, the contribution of the agricultural sector to employment is still large and

significant. Third, become the foundation of rural development.¹ From a financial perspective, especially the banking business, apart from being an intermediary, it is also profit-oriented, and avoids choosing a high-risk industry to increase the level of non-performing financing. Greece in 2017 states that Banks apply this behavior because the maximum limit for non-performing financing should not exceed 5%.

Capital strengthening in the rural agricultural sector is still very small. Because there are not many formal institutions that provide loans to farmers.² In addition, the loan system that requires customers to have collateral and pay interest is also an obstacle, because farmers do not have monthly income and circulation of money waiting for harvest.

The characteristics of agribusiness contain many risks, causing a reduction in the interest of banking institutions in funding the sector.³ The low level of banking alignment with the agricultural sector is one of the reasons the agricultural sector does not seem to be moving forward. Due to limited banking funds, it is still difficult for farmers to develop their own agricultural businesses.

In this regard, the Ministry of Agriculture seeks to make it easier for farmers to obtain the capital they need by optimizing the functions of existing and developing Microfinance Institutions (MFIs) in the community and using sharia financing programs to develop systems that can facilitate farmers. BMT is a financial institution that cooperates with sharia cooperatives as an alternative to farmers on a micro scale.

The Sharia Financing Savings and Loans Cooperative BMT Bina Ummat Sejahtera Tuban, hereinafter referred to as KSPPS BMT BUS Tuban, is one of the financial institutions located in the Tuban area. Through agricultural capital financing, KSPPS BMT BUS Tuban distributes special financing for farmers to fight against the entrapment of moneylenders. KSPPS BMT BUS Tuban has several types of savings products, including Current Voluntary Savings, Voluntary Term Savings, Education Student Savings, Hajj and Umrah Savings,

¹ Muhammad. "Peningkatan Peranan Perbankan Syariah Untuk Pembiayaan Usaha Pertanian". *Jurnal MIQOT*, Vol XXXV No. 1, Januari-Juni 2011.

² Aziz, Muhammad bin Abdul, "Opportunity for Agro Entrepreneur for Developing Agro Initiative by Islamic Banking in Malaysia", *The Journal of Animal & Plant Sciences*, 21 Februari 2011.

³ Wahyudi, Ach. Firman. "BMT untuk Sektor Pertanian" *Jurnal Ekonomi Islam Republika, Iqtishodia*, 24 November 2011.

Eid Savings, Future Savings and School Savings. Its financing products are trade capital financing, industrial financing, and multi-service financing. KSPPS BMT BUS Tuban uses mudharabah and murabahah contracts.

The development of interest in murabahah financing in KSPPS BMT BUS Tuban has increased from year to year. In 2015 total financing reached 3,133,239,965 with 253 members, in 2016 it increased to 3,446,655,211 with 272 members, and in 2017 it increased to 3,824,706,193 with 312 members (Brochure KSPPS BMT BUS 2019).

Murabahah means a sale of goods for which the price of the goods is added to the profits agreed upon by both parties. In other words, members have obtained financing from the procurement of these goods. In KSPPS BMT BUS Tuban, this type of financing for agricultural capital is operated on transactions for purchasing tools, agricultural machinery, agricultural production facilities and livestock production facilities.

This agricultural capital financing has a fairly high financing risk because seasonal harvests can allow for the risk of crop failure and a decrease in selling prices in the market which will ultimately affect the return of business capital, so that it can lead to inability to pay in installments which causes the risk of financing problems.

Table 1

Total NPF ratio by sector KSPPS BMT BUS Tuban Financing

No.	Financing Sector	Receivables and Financing					
		2015	NPF (%)	2016	NPF (%)	2017	NPF (%)
1	Trading	2.279.171.077	3,4 %	2.504.403.706	3.8%	2.724.188.758	3.2%
2	Agriculture	1.876.964.417	3,2 %	2.062.455.052	4.1%	2.243.449.565	3.6%
3	Industry	1.608.826.643	2,8%	1.767.813.616	2.5%	1.922.956.770	2.7%
4	Service	938.482.308	2,6%	1.031.227.5226	2.3%	1.121.724.782	2.6%

Source: KSPPS BMT BUS Tuban

From the table above, it can be seen that the NPF level of the agricultural sector increased in 2016, even being the highest NPF in 2016 and 2017. This proves that agriculture is a business full of risks, including the risk of crop failure and commodity prices which tend to fluctuate. These two things often hinder the smooth return of financing among farmers.

During the financing period, it is not impossible for deviations to occur, especially in terms of payments that cause delays in returning payments, this condition is often referred to as non-performing financing. Non-performing financing has a negative impact on the development of KSPPS BMT BUS Tuban. Failure to pay customers increases the risk for BMT, especially liquidity to decrease, so that members become distrusted. mudharabah financing for the agricultural sector at BPRS Al Barokah Depok, mudharabah financing in the agricultural sector was only practiced in the first year, namely the 2009/2010 period and for the following year it was abolished, because agricultural businesses managed by customers failed and the number of only 7 customers.⁴

Research Methodology

The research used by the author was field research. Field research was carried out in certain fields in order to obtain various data and obtain the necessary information.⁵ To obtain data relating to the title of the study, the data collection techniques used were Interviews (Interviews) and Documentation. In this study, interview questions were addressed to the Account Officer, Head of the Finance Division, Remedial Division, Deputy for Financing, and Operations Manager. Documentation is a way to find data or information from books, notes, transcripts, newspapers, magazines, inscriptions, meeting notes, and others. In this case the author takes data from KSPPS BMT BUS Tuban which is located on Jl. M Yamin No. 22 Tuban in the form of brochures, murabahah financing application forms, Standard Operating Procedures (SOP) for Financing, and written data such as organizational structure, management structure, vision and mission, and the history of the institution's establishment. The data analysis technique that the author uses is narrative analysis, which analyzes and presents facts systematically so that it can be easier to understand and conclude.

Results and Discussion

Overview of Agricultural Business Financing

According to Law number 10 of 1998 Article 1 paragraph 12 “financing is the provision of money or an equivalent claim, based on an agreement or

⁴ Arif, Zurrahmah. “Pelaksanaan Pembiayaan Mudharabah untuk Sektor Pertanian di BPRS Al Barokah Depok”. Skripsi, UIN Syarif Hidayatullah, 2011

⁵ Hasan, Iqbal. *Metodologi Penelitian dan Aplikasi*. Jakarta: Graha Indonesia, 2002.

agreement between the bank and another party that requires the party being financed to return the money or claim after a certain period in return for or profit sharing”.⁶

According to the Decree of the Minister of Cooperatives and Small and Medium Enterprises No. 91 of 2004 concerning Guidelines for the Implementation of Sharia Financial Services Cooperative Business Activities, financing is an activity of providing funds for investment or capital cooperation between cooperatives and members, prospective members, other cooperatives and or their members, which requires the recipient of the financing to pay off the principal received to the cooperative. in accordance with the contract accompanied by financing a number of profit sharing from income or profits from the activities financed or the use of these financing funds.⁷

From some of the definitions above, it can be concluded that financing is an activity of providing funds by an institution or an individual to finance the needs of the recipient of financing so that it requires the recipient to return it within a certain period of time plus a number of rewards or profit sharing.

Financing with the sale and purchase principle is applied in the murabahah (deferred payment sale) scheme, namely the purchase of goods by banks for customers in order to meet production (inventory) needs with deferred payments for under one year (short run financing).⁸

The agricultural sector is a very strategic sector, and there are at least five reasons that make the agricultural sector strategic. First, agriculture is a sector that provides food for the community. Second, suppliers of raw materials for the industrial sector (agricultural industry). Third, contribute to the country's foreign exchange through export commodities. Fourth, provide job opportunities for rural workers. Fifth, the balance of the ecosystem (environment) needs to be maintained.⁹

Dalam rangka meningkatkan daya saing produk pertanian, perlu dirumuskan strategi investasi yang menarik di sektor ini agar badan usaha dan

⁶ Sjahdeini, Sutan Remy. *Perbankan Syariah*. Jakarta: Kencana, 2014.

⁷ Sholihin, Ahmad Ifham. *Pedoman Umum embaga Keuangan Syariah*. Jakarta: Gramedia Pustaka Utama, 2010.

⁸ Dahlan, Ahmad. *Bank Syariah*. Yogyakarta: Teras, 2012.

⁹ Ubaedillah, Ibnu. “Efektifitas Pembiayaan Pertanian Terhadap Pemberdayaan Petani”. Skripsi. Jakarta: UIN Syarif Hidayatullah, 2013.

lembaga keuangan dapat ditempuh untuk memperluas peran Lembaga keuangan syariah adalah dengan mendorong Lembaga keuangan syariah untuk memainkan peran intermediasi melalui dua aspek yaitu kelembagaan keuangan syariah dan petani.

In order to increase the competitiveness of agricultural products, it is necessary to formulate an attractive investment strategy in this sector so that business entities and financial institutions can be taken to expand the role of Islamic financial institutions by encouraging Islamic financial institutions to play an intermediary role through two aspects, namely Islamic financial institutions and farmers. .

From the perspective of Islamic financial institutions, among others, providing loan portfolios for the agribusiness sector, especially for small and medium enterprises, as well as providing various alternative Islamic financing models based on sub-sectors (food crops, plantations, and livestock). From the perspective of farmers, farmers can be given guidance as customers, as well as evaluate the form of sharia financing plans that can serve the plantation sector and other agribusiness actors. (Center for Agricultural Financing, 2007).

Implementation of Agricultural Capital Financing with Murabahah Contract at KSPPS BMT BUS Tuban

One type of financing that is in great demand by members of the BMT BUS KPU Tuban Branch is financing in the agricultural sector. This financing uses a murabahah contract to provide short-term financing to customers for the purchase of goods even though the customer may not have the money to pay directly.

Murabahah comes from the word ribhun (profit), which is a type of transaction where the bank refers to the amount of profit. The bank acts as the seller, while the customer acts as the buyer. Islamic banks in Murabaha contracts use it to provide short-term financing for customers to purchase goods, even though the customer does not have the money to pay.¹⁰

In the murabahah (deferred payment sale) scheme, financing is adopted based on the principle of buying and selling, namely goods or commodities

¹⁰ Seed, Abdullah. *Menyoal Bank Syariah: Kritik dan Interpretasi Bunga Bank Kaum Non-Revivalis*. Jakarta: Paramadina, 2004

purchased by banks to meet the production needs (inventory) of customers and used to pay deferred payments for under one year (short run financing) (Dahlan , 2012).

While the agricultural capital financing applied by BMT BUS KPU Tuban Branch is used to provide business capital loans to BMT members to buy agricultural needs such as seeds, fertilizers and others where members are given the power to meet their needs, with a period of time that is adjusted to each harvest period. - each commodity. This is done to help members of agricultural capital financing so as not to experience difficulties in the process of returning the financing.

The murabahah contract implemented by BMT BUS KPU Tuban on agricultural capital financing in its operations is where a member who wants to apply for financing comes to the BMT to buy a commodity or item needed on a murabahah basis, which is according to the cost of purchase plus the level of profit agreed upon by both sides. In determining the amount of margin, BMT BUS KPU Tuban Branch adjusts the average income of farmers who are prospective members of the financing each harvest period. Then members will make periodic payments in accordance with a predetermined period of time with a maximum period of 12 months.

Problematic Financing in Agricultural Capital Financing at KSPPS BMT BUS Tuban

The problematic financing of agricultural capital is caused by 20% of officers' non-compliance with financing procedures; 50% crop failure. Non-performing financing for agricultural capital is 80% of the total non-performing financing of KSPPS BUS Tuban. The disbursement of implemented financing does not consider agricultural areas. The findings show that financing is given to farmers who do not carry out production or cultivation. This finding indicates that not only agricultural factors have a high risk, but the non-compliance of officers in carrying out financing procedures causes problems. Harvest failure is influenced by climatic and weather conditions, while KSPP BMT BUS Tuban does not yet have a special business analysis instrument for agricultural businesses. A risky business requires caution, it does not mean that the sector is abandoned or does not become a niche market for BMT.

Handling Problematic Financing on Agricultural Capital Financing at KSPPS BMT BUS Tuban

Non-performing financing is financing which describes a situation where there will be a risk of failure to repay obligations, even showing symptoms of a failure. (Aziz, et al., 2008). This problematic financing is no longer a new thing in the banking world, both sharia and non-Islamic, both bank and non-bank. Not a few financial institutions collapse because they are not able to manage problems properly. Likewise with BMT BUS KPU Tuban Branch, one of which is given to the agricultural sector, where the agricultural sector is a type of financing that has a high level of risk, considering that the income generated by farmers is seasonal and the risk of crop failure is quite difficult to predict. For this reason, it is important that appropriate efforts be made in dealing with non-performing financing which cannot be avoided.

Efforts made by BMT BUS KPU Tuban Branch in resolving non-performing financing on agricultural capital financing with murabahah contracts include:

1. Having persuasion. Members who are unable to pay after maturity due to crop failure are given time to pay the principal after 2 (two) months, while the margin to be paid can be paid in installments.
2. Rescheduling, which is carried out by changing the payment term, changing the installment schedule, and changing the number of installments. Rescheduling aims to save the principal of financing, for the margin obtained by KSPPS BMT BUS Tuban is given a discount of up to 50%. Rescheduling is backed up with a benevolent loan (qardhul hasan)
3. Elimination of financing is given to members who are unable to pay and experience crop failure for two consecutive periods, the value of the financing is not more than Rp. 5,000,000.00. The cost of removing financing from the reserve fund.

Conclusion

The practice of financing agricultural capital with murabahah contracts at BMT BUS Tuban has a high risk. As much as 80% of non-performing financing is in this sector. Enforcement of employee compliance with Financing SOPs must be carried out firmly, with zero tolerance for mandatory requirements, such as

character, must enter the strategic agricultural area. Several other factors that cause financing problems include weak financing supervision and problematic financing information systems. Strategies to overcome non-performing financing of agricultural capital with murabaha contracts by means of persuasion, rescheduling of combinations with benevolent loans (qordul hasan); eliminate financing. Recommendations from this research, for financing agricultural capital there needs to be cooperation with local governments through the Department of Agriculture. The role of the Department of Agriculture is to be a guarantor for customers. The form of guarantee provided is in the form of a margin subsidy for the financing of the murabahah contract. Farmers as customers only bear the principal financing.

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