

IMPLEMENTATION OF PRUDENTIAL PRINCIPLES IN IMBT CONTRACTS HOUSE FINANCE PRODUCTS IN BANK SYARIAH INDONESIA

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ABSTRACT

The development of changes in Islamic banks places demands on the diversity of collection and financing products in Islamic banking. The terms *ijārah* and *ijārah Rompiyah bi al-tamlīk* (IMBT) are examples of financial products and services in Islamic banking. In terms of meeting the needs of the community in obtaining housing finance, trust is very important. Banks are required to comply with the precautionary principle. Based on these thoughts, this study aims to find out how Islamic bank financing policies work and how to apply the precautionary principle in preventing congestion in financing. The method used in this research is a literature review with a descriptive qualitative approach. The results of this study found that the precautionary principle has an important role in the smooth payment of financing.

Keywords: Precautionary Principles, Non-Performing Financing, *Ijarah*.

INTRODUCTION

Everything related to *muamalah* is regulated in Islam. *Al-Ijarah* is one of the *muamalah* activities that aims to meet the needs of human life, such as leasing, selling services and others. The use of this contract is now increasingly being used, one of the options is financing which ends with the transfer of ownership to the customer known as *Ijarah Muntahia Bit-Tamlīk*. This method of transfer of ownership distinguishes it from ordinary *ijarah*. In Islamic banking, this contract is rarely used because of the lack of community literature and the implementation of this contract is quite complicated, therefore very few people are interested.

In this modern era, the need for housing is a priority for every individual. Therefore, Islamic banking as a financial institution seeks to meet

these needs through home financing products. In carrying out its operational activities, Indonesian Islamic banks prioritize the principle of prudence as the main foundation in preparing home financing contracts.

The precautionary principle is one of the many basic principles of Islamic banking which protects the interests of customers, shareholders and the stability of the entire banking system. This principle obliges banks to consider risks, avoid risks of non-compliance with sharia principles and ensure that sufficient funds are available to meet customer obligations. (Usman, 2001)

Therefore, the author will describe one by one the formulation of the problem regarding:

1. How to apply the precautionary principle in anticipating happening bottleneck in the Ijarah contract Muntahia Bittamlik (IMBT)?
2. What are the obstacles in applying the precautionary principle to the contract Ijarah Muntahia Bittamleek (IMBT)?

Thus, this journal aims to explain the application of the principle of caution in housing finance in Indonesian Islamic banks. This is expected to increase understanding of best practices in risk management and the sustainability of Islamic banks in providing services that are safe, fair and in accordance with sharia principles.

RESEARCH METHOD

This study uses a descriptive qualitative approach because the sources of literature come from journals, research reports, print media and the internet. The purpose of this study is to provide an overview of Ijarah contracts in Islamic banking products.

RESULTS AND DISCUSSION

1. Application of the Precautionary Principle in IMBT Contracts

Economic development has a major impact on Indonesia's prosperity, but economic development that is entirely left to the market mechanism does not always lead to progress and opportunity optimal work for the good community in a developed or developing country, so that it usually fails to create equal distribution of income and solve social problems. (HR, 2006)

As a developing country, according to (Mulyati, 2016) Indonesia is trying to achieve national targets that are in line with Pancasila and the 1945 Constitution. Indonesia's economic development also requires a strong financial system. Particularly with regard to the growth of the country's banking sector, the role of banks greatly influences the country's economic growth, and considering that this industry is Indonesia's biggest asset, banks are considered the center of the current economy.

Based on RI Law no. 10 of 1998 concerning banking, it is said that Islamic banks are commercial banks based on sharia principles and provide payment services in their business. According to the Republic of Indonesia Sharia Banking Law No. 21 of 2008, it is stated that Islamic banks are banks that run their business based on sharia principles consisting of types of Islamic Commercial Banks and Islamic People's Financing Banks.

Similar to conventional banking regulations, Islamic banks are subject to operational restrictions. If in activity his efforts If an Islamic bank is not restricted, it can endanger its existence, which in turn can harm the interests of customers. Violation of these operational restrictions can result in sanctions, not only administrative sanctions, but also imprisonment, fines and civil penalties for managers of Islamic banks. When raising funds, distributing, and providing services, sharia banks must adhere to sharia principles, which are carried out by following the core provisions of Islamic law, including the basis of justice, balance, benefit and not contain gharar, maysir and usury.

In carrying out its sharia banking business apply prudential principles regulated in Law No. 7 of 1992 paragraph 2 which stipulates that the country's banking system operates on the basis of economic democracy that applies the principle of prudence. The Prudential Principle itself is a principle in which banks are ordered to act carefully to fulfill their obligations and efforts to maintain the public budget entrusted to them, as well as the distribution of the collected budget. Before a bank can provide financing, it must ensure that the financing that has been offered will actually be repaid. This trust is based on the results of customer analysis before providing financing. A number of precautionary principles as well applied when carrying out a financing analysis, including:

a. Principle 5 C

1) Character

Assessment of character or nature is reflected in professional and individual background according to lifestyle, family situation, hobbies as well as social life. The aim is to find out the honesty and sincerity of prospective customers, whether the financing will be returned, so as not to complicate bank operations in the future.

2) Capacity

The purpose of this assessment is to identify the customer's capacity to manage the business and seek profits to pay off the financing. This ability is related to educational background and work experience.

3) Capital

This assessment analyzes the financial situation as a whole and aims to determine the customer's capital capacity to support the financing of the business concerned.

4) Condition

When determining financing, the financial situation, social and current and future politics are also assessed. The valuation of this business should be promising, so that financing bottlenecks are relatively small.

5) Collaterals

This guarantee is in the form of assets with a minimum amount equal to the financing provided to the bank as a guarantor in the event of a bottleneck in financing.

b. Principle 3 R

1) Return Principles

This principle requires the bank to measure whether the financing will generate more income for the recipient of the financing so that it can fulfill its obligations in paying.

2) Repayment Capacity

This principle requires banks to measure the capacity of recipients of financing in order to comply his obligations on time.

3) Risk Bearings

This principle requires the bank to measure how much business risk the recipient of the financing will encounter.

When analyzing potential customers according to the 5C principles, a field survey of the bank must be carried out in addition to the information received from the interview. This aims to avoid losses and false information. Currently, Islamic banking is experiencing significant growth in Indonesia. The most popular product in this field is Ijarah-based housing finance which allows people to own a house through sharia financing known as the IMBT contract.

The IMBT contract according to (Sartika & Adinugraha, 2016) is a house financing contract (lease) with ownership when the rental period has been completed. The bank, as the owner of the house that is leased to the customer, transfers ownership of the asset to the customer when the lease period is over.

One of the financing products developed by Islamic banks is housing finance or sharia mortgages, where payments are made in predetermined installments and are paid monthly. This financing product is very important to meet the primary needs of society. According to (Kurniawan & Inayah, 2013) in general, the procedure for financing home ownership with an ijarah muntahia bittamleek contract at Islamic banks is:

- 1) The customer applies for home ownership financing to the bank.
- 2) The bank makes an ijarah financing contract vomiting bittamlik and the customer must sign it.
- 3) There was an agreement between the bank and the seller with the Al Bai' contract.
- 4) The deed of sale of the house is formalized at the notary by the customer and the seller. The land certificate will be kept by the bank and the name on it is the customer's name.
- 5) The customer pays his obligations to the bank.
- 6) Land and house certificates will be given by the bank at the end of the lease.

As long as the financing is under an Ijarah Muntamlik (IMBT) contract, the bank may require that the guarantee that the customer must provide to the Islamic bank is a maximum of the value of the house/building rented which is the object of IMBT. However, there are customers who object to this guarantee on the grounds that nothing can be used as collateral, so they do not use this Islamic bank product. Therefore the bank took a middle ground by

taking collateral for a piece of land and a house building which is an asset being leased.

In the context of home financing, the risks associated with such transactions are complex. There are credit risks, liquidity risks, market risks and regulatory risks that need to be managed properly by Islamic banks. Therefore, the application of the precautionary principle is very important to maintain the stability and sustainability of sharia banking and minimize the risks that may arise.

2. Obstacles in the Application of the Precautionary Principle in IMBT Contracts

The implementation of the precautionary principle in Islamic banks can pose several obstacles for society. This creates problematic financing which in turn has an impact on the banking sector itself. Obstacles in implementing this principle can arise for several reasons, both from the bank (internal factors) as well as the recipient of the financing (external factors). Some of the problems that can cause this factor, namely:

a. Internal Factors (Bank)

This aspect originates from the bank as an investor and creates problems in the application of the precautionary principle in banking. These internal factors consist of:

1) Financing assignment

a) Character

Bad character that does not comply with sharia law owned by the financing manager can harm the bank. For example, the dishonesty of those who work with customers to bribe so that it can harm the manager.

b) Ability

The lack of skills of prospective customers can cause financing problems. This is due to the weakness of the analysis carried out. Managers are required to have extensive knowledge, especially in understanding the 5 C principles, as well as knowing what business is opened by the recipient of the financing.

2) System

a) Distribution

Allocating funds to a customer's line of business without careful analysis or oversight can create problems that can influence Bank Health Level.

b) Monitoring

If the bank does not have a financing monitoring system, the bank will experience a lot of losses due to problematic financing. Redemption: Inaccurate payment systems can lead to defaults and a lack of control can lead to financial problems. Banks must not only be able to inform their customers as clearly as possible when the financing will be due, but also when and how much will be paid.

3) Management

a) Financing Committee

Careful calculations can make banks avoid problem financing, therefore, prior to obtaining committee approval, financing cannot be provided.

b) Manager

Policies made by managers that are not disciplined also have the potential to cause financing problems because it violates applicable regulations.

c) Procedure Implementation

Procedures that violate existing regulations can cause financing problems.

b. External Factors

Factors from external parties as customers receiving financing and the environment. This problem is factored by:

1) Nature (running from obligation)

Customers who have this character are very detrimental to the bank, the customer is not unable to pay but does not want to. Other problems, such as customers diverting funds provided for other purposes, also hide profits from the bank. The nature of customers like this should be avoided by the bank.

2) Business (unable to pay)

The reduced ability to pay for financing caused by the deteriorating financial condition of the customer can make the bank lose money.

CONCLUSION

Based on the discussion above, it can be concluded that the IMBT contract is one of the contracts that can meet the community's need for home ownership (KPR). Islamic banking in this country has developed significantly. In the case of an Ijarah Muntamlik (IMBT) contract, the bank may ask the customer to provide a guarantee equal to the value of the house/building being leased which is useful for preventing problematic financing. Before a bank offers financing, the bank must really ensure that the customer will return the financing. This trust is based on the results of customer analysis before financing is given.

In collecting funds, distributing and providing services. Islamic banks are required to adhere to sharia principles which are implemented by following the provisions of Islamic law, including the principles of justice, balance, benefit and do not contain gharar, maysir and usury. In carrying out its business, Islamic banking applies the principle of prudence regulated in article 2 of law number 7 of 1992, whereby Indonesian banking operates on the basis of economic democracy and the principle of prudence.

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