Section of the conference: Economic Sciences | Sekcja konferencji: Nauki ekonomiczne

How to cite: Indra Jaya, R., & Soemitra, A. (2024). Disadvantage of the Synchronous Virtual Method of Teaching. *World conference on future innovations and sustainable solutions*. Futurity Research Publishing. https://doi.org/10.5281/zenodo.13989674

Compliance With Customer Obligations In Islamic Banking

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Accepted: October 7, 2024 | **Published**: October 24, 2024 | **Language:** English

Abstract: This article discusses the strategies for resolving non-performing financing in Islamic banks, which face challenges in maintaining liquidity health due to non-performing financing (NPF). This study identifies approaches such as restructuring through rescheduling, changing requirements, and repositioning financing as key steps to the rescue. In addition, litigation and non-litigation settlement measures, including the use of third-party collection agencies and book deletions, are solutions when rescue efforts fail. External factors such as natural disasters and internal factors such as moral hazards are also considered. This study uses a qualitative descriptive method based on field studies and related literature to understand the practices carried out by banks.

Keywords: Compliance, Fulfillment of Customer Obligations, Sharia Banking

Introduction

Islamic banking in Indonesia has grown rapidly with increasing public awareness of sharia-compliant financial services. However, this growth brings risks, particularly non-performing financing (NPF), which threatens banks' liquidity and customer trust. NPF arises from internal factors, such as insufficient analysis of customer capacity, and external factors like economic changes, natural disasters, or unexpected government policies. Additionally, moral hazard from customers contributes significantly to NPF, making risk mitigation strategies essential to minimize losses.

A common approach in Islamic banking is restructuring financing through rescheduling, reconditioning, or restructuring, while adhering to sharia principles. If non-litigation efforts fail, collateral settlement or litigation may follow. Ta'widh (fines) is also applied to deter moral hazard, except in force majeure cases. This study examines the effectiveness of these strategies in maintaining financial stability and managing increasing NPF in Islamic banking.

Research Aim and Research Questions

The research papers discuss various aspects of customer compliance and legal protection in Islamic banking. Wasilul Chair & Kudrat Abdillah (2022) examine the imposition of fines on financially capable customers who fail to meet their obligations, highlighting three resolution methods: deliberation, arbitration, and religious courts. Davin Wahyu Ramadhan (2018) emphasizes the importance of transparency in Islamic banks to protect customers from potential risks. Luluk Lu'luul Karimah et al. (2024) analyze the legal framework for customer protection in Islamic banking, focusing on transparency, rights, and dispute resolution. Eko Prasojo & R. Pahlevi (2019) discuss the role of the National Sharia Board and Sharia Supervisory Board in ensuring sharia compliance, noting challenges such as limited resources and the need to balance customer demands with sharia principles. These studies collectively underscore the importance of customer protection, transparency, and sharia compliance in Islamic banking.

Research Results

The results of this study show that the settlement of non-performing financing plays an important role in maintaining financial stability and increasing customer compliance with their obligations in Islamic banking. Financing restructuring is considered the main solution in reducing Non-Performing Financing (NPF) and maintaining a healthy financial portfolio. However, their implementation is often ineffective due to the lack of policy flexibility and the lack of collaboration between banks and customers.

Financing risks arising from the use of sharia contracts such as Musyarakah, Murabahah, and Musyarakah Mutanaqisah require careful management. Good risk management is able to reduce non-performing financing while increasing customer compliance. A deeper customer understanding of these contracts also plays an important role in reducing the potential for default and increasing customer loyalty to Islamic banks.

Challenges in the execution of guarantees in non-performing financing cases show the need for clear regulations and in accordance with sharia principles. The absence of adaptive regulations often hinders the settlement of problematic financing and reduces customer compliance. Progressive regulation and closer collaboration between banks, regulators, and customers are urgently needed to ensure the fulfillment of customer obligations in accordance with sharia principles.

Based on a search on the POP application using the Google Scholar database, articles included in the search category were found as many as 23 papers according to the keywords "compliance" and "fulfillment of customer obligations" and "Islamic banking". Furthermore, the search results of the article are validated, namely checking the title, abstract, and keywords to review whether the article is valid according to the purpose of the research. In the final stage, **16** of the most relevant papers were found. These references are compiled based on themes related to the level of Customer Compliance in fulfilling their obligations in Sharia Banking. I have categorized them as follows :

Table 1

Restructuring of Problematic Financing

AUTHOR	Title	Publication
Husnie, A., & Yusuf, M. (2024)	Efektivitas Restrukturisasi Pembiayaan Akibat Peningkatan Non-Performing Financing (NPF) Sebagai Upaya Menjaga Portofolio Neraca Laba Rugi Pada PT. Bank ….	Syarikat: Jurnal Rumpun Ekonomi Syariah
Nafi'ah, E. A., & Widyianingsih, B. (2021)	Strategi Restrukturisasi Pembiayaan Bermasalah Untuk Menjaga Fortofolio Keuangan Bank Syariah Indonesia (BSI) Kantor Cabang Jombang	Jurnal Ekonomi Syariah Teori dan Terapan

Table 2

Strategies for Handling Non-Performing Financing

Tambunan, K., & Sandi, M. (2024)	Mekanisme Penanganan Pembiayaan Bermasalah Pada Produk KPR Syariah Bank Sumut Syariah KCP Kota Baru Marelan	MENAWAN: Jurnal Riset dan Publikasi Ilmu Ekonomi
(Amelia et al., 2024)	Strategi Penyelesaian Pembiayaan Bermasalah Pada Bank Syariah	Money: Journal of Financial and Islamic Banking
Tambunan, K. (2024)	Strategi Penanganan Pembiayaan Bermasalah Di Bank Sumut Kantor Cabang Syariah Medan Ringroad.	MENAWAN: Jurnal Riset dan Publikasi Ilmu Ekonomi

Table 3

Legal Instruments in Handling Non-Performing Financing

Yasin, R. M., & Muhammad, R. (2020)	Strategi Penyelesaian Pembiayaan Bermasalah: Tinjauan Aspek Hukum (Studi Pada BPRS di Provinsi Daerah Istimewa Yogyakarta)	Human Falah: Jurnal Ekonomi Dan Bisnis Islam
Khairunisa, M., & Musrifah, M. (2020)	Penyelesaian Pembiayaan Bermasalah pada Bank Syariah	ISLAMIC BUSINESS and Finance

Table 4

Risk Management and Moral Hazard

Mauludin, M. S. (2020)	Analisa Manajemen Resiko Untuk Mengurangi Moral Hazard Nasabah Pembiayaan Murabahah BRI Syariah Pare	El-Faqih: Jurnal Pemikiran Dan Hukum Islam
Wahyuni, E., & Maulidia, S. (2020)	Analisis Penanganan Pembiayaan Murabahah Non Performing Financing (NPF) Dengan Mitigation of Risk in Islamic Financial Institutions Di Kjks Bmt Al ….	ISTIKHLAF: Jurnal Ekonomi, Perbankan dan Manajemen Syariah

Table 5

Ta'widh and Overmatch Instrument in Financing Settlement

Isnaliana, I. (2022)	Parameter kondisi overmatch instrument ta'widh pada perbankan syariah	Jihbiz: Global Journal of Islamic Banking and Finance

Table 6

Case Study of Problematic Financing Settlement Strategies in Sharia Banks

Alang, A. Z. (2022)	Strategi Bank Syariah Dalam Menyelesaikan Permasalahan Pada Pembiayaan Syariah	AL-IRSYAD AL-NAFS: Jurnal Bimbingan dan Penyuluhan Islam
Ulpah, M. (2020)	Strategi Penyelesaian Pembiayaan Bermasalah Pada Bank Syariah	Madani Syari'ah

Conclusions

The conclusion of this study shows that the restructuring strategies for problematic financing in Islamic banks, such as extending the payment term, restructuring installments, and education and counseling approaches for customers, are effective in reducing Non-Performing Financing (NPF) and maintaining bank financial stability. Based on previous findings, a flexible and proactive approach to customer handling is essential to address volatile economic challenges. However, the limitations of this research lie in the lack of analysis of external impacts, such as global economic crises or pandemics, on the sustainability of the strategy. Therefore, further research needs to be conducted to better understand the impact of these external factors. The implication of the results of this research is that the right restructuring policy can maintain the health of the Islamic bank's portfolio and strengthen relationships with customers. An important fact that supports these findings is that banks' active involvement in customer education significantly plays a role in improving customer compliance with their payment obligations.

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