

Analysis of Non-Performing Financing Factors and Their Resolution at the Ar-Rizqiyah Women's Cooperative in Abar-Abir Village

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Abstract: This study aims to analyze the factors contributing to non-performing financing and the resolution strategies implemented by the Ar-Rizqiyah Women's Cooperative in Abar-Abir Village. The research employs a descriptive qualitative approach using field research methods. Data were obtained through direct observation, in-depth interviews with cooperative managers and members, and documentation. The results show that non-performing financing is caused by two main factors: internal factors such as weak feasibility analysis, limited managerial competence, and poor monitoring systems; and external factors such as borrowers' low commitment to repayment, misuse of funds, and business losses. Resolution strategies include preventive measures based on the 5C principles (Character, Capacity, Capital, Collateral, and Condition of Economy), as well as Sharia-based dispute resolution methods, including peaceful negotiation (*al-Sulh*), arbitration (*at-Tahkim*), and litigation

Abstract: Penelitian ini bertujuan untuk menganalisis faktor-faktor yang menyebabkan terjadinya pembiayaan bermasalah serta strategi penyelesaian yang diterapkan oleh Koperasi Wanita Ar-Rizqiyah di Desa Abar-Abir. Penelitian ini menggunakan pendekatan deskriptif kualitatif dengan metode lapangan. Data diperoleh melalui observasi langsung, wawancara mendalam dengan pengurus koperasi dan anggota, serta dokumentasi kegiatan. Hasil penelitian menunjukkan bahwa pembiayaan bermasalah disebabkan oleh dua faktor utama, yaitu faktor internal seperti lemahnya analisis kelayakan, kurangnya kompetensi manajerial pengurus, dan lemahnya sistem pengawasan; serta faktor eksternal seperti rendahnya komitmen anggota dalam mengembalikan pinjaman, penggunaan dana tidak sesuai tujuan, dan kerugian usaha. Strategi penyelesaian dilakukan melalui pendekatan preventif berdasarkan prinsip 5C (Character, Capacity, Capital,

(*al-Qadha*). In conclusion, the application of the 5C principles and Sharia-compliant dispute resolution approaches is effective in reducing non-performing financing and strengthening the cooperative's financial sustainability.

Keywords: Character; Mind Mapping; Early Childhood.

Collateral, dan Condition of Economy) serta penyelesaian berbasis hukum syariah melalui musyawarah (*al-Sulh*), arbitrase (*at-Tahkim*), dan peradilan (*al-Qadha*). Kesimpulannya, penerapan prinsip 5C dan pendekatan penyelesaian sengketa secara syariah efektif dalam menekan angka pembiayaan bermasalah dan memperkuat keberlangsungan usaha koperasi.

Kata Kunci: Koperasi; Pembiayaan Bermasalah; Strategi Penyelesaian.

A. Introduction

Financing is one of the main functions of Islamic cooperatives, aimed at providing capital support to members to improve their living standards and boost economic productivity. However, the issue of non-performing financing remains a classic yet relevant concern in the dynamics of Islamic financial institutions, including Islamic cooperatives that play an important role in community economic empowerment. The inability of cooperative members to fulfill loan repayment obligations not only affects cash flow stability but can also threaten the institution's overall sustainability (Siamat, 2005). In the context of Islamic economics, non-performing financing also carries ethical and social dimensions as it relates to the values of trust and responsibility among members in upholding the principles of mutual help and justice (M, S, 2001).

In practice, non-performing financing serves as an important indicator of the health of Islamic cooperatives. The Non-Performing Loan (NPL) threshold is generally maintained at around 5% to keep the institution within a healthy category. If the rate exceeds this figure, the cooperative may face difficulty fulfilling its role as a financial intermediary.

A concerning case has occurred at the Ar-Rizqiyah Women's Cooperative in Abar-Abir Village, Gresik, which recorded a non-performing financing rate of 20% of

total disbursements in 2023–2024. This percentage reflects a high level of financing risk which, if not addressed immediately, may threaten the cooperative's long-term sustainability.

Several previous studies provide comprehensive insights into the issue of non-performing financing. A study by Yoga Dwi Nugraha and Suwanto at the Al Amin Berkah Sejahtera Islamic Cooperative in Central Lampung found that both internal and external factors simultaneously had a positive and significant influence on non-performing financing, contributing 63.5%. Using multiple linear regression analysis, the study demonstrated that both factors, individually and jointly, influenced the rise in non-performing financing (Nugraha & Suwanto, 2022).

Research by Muh. Abd Hafiz at the Mandalika Women's Cooperative in Mataram revealed that the causes of non-performing financing included internal factors such as the failure to assess credibility and collateral and to provide supervision and guidance. External factors involved deliberate default by members. Resolution strategies included negotiation, written warnings, mediation, and asset auctions (Hafiz, 2022). Another study by Ayu Ribut Sri Wahyuni at BMT Tebuireng Jombang found that poor supervision and external factors like illness, the pandemic, or members' bad faith led to non-performing financing. Settlement was approached through family-based dialogue and Islamic legal measures (Ningseh, 2023). In her study of the Bina Usaha Sejahtera Cooperative, emphasized the application of the 5C principle and risk mitigation strategies such as restructuring and collateral execution .(Trisnawati, 2022).

Although these studies contribute significantly to the understanding of non-performing financing, there remains a research gap in how the 5C principle and Islamic legal-based resolution are applied integratively in Islamic cooperatives focused on women's empowerment in rural areas. Most previous studies concentrate either on the causes or on administrative resolution aspects. This study differs by combining both preventive and curative approaches, focusing on local implementation at the Ar-Rizqiyah Women's Cooperative in Abar-Abir Village.

Based on this background, the study aims to analyze the underlying factors of non-performing financing at the Ar-Rizqiyah Women's Cooperative and evaluate its resolution strategies, particularly through the 5C principle and Sharia-based mechanisms. This research is expected to enrich academic literature and offer practical contributions in financing risk management for Islamic cooperatives, especially those involving women in rural areas.

B. Research Methods

This study uses a field research approach aimed at revealing the meaning given by community members to their behavior and the reality around them. Field research can serve as an initial step before applying survey or experimental methods (Khairunisa, 2020).

The research adopts a qualitative approach with descriptive methods (Sugiyono, 2020). Data were collected through direct observation, in-depth interviews with cooperative management and members, as well as documentation from internal cooperative records. The data analysis techniques used include data reduction, data presentation, and conclusion drawing (Miles, M.B., & Huberman, 1994). The research site is the Ar-Rizqiyah Women's Cooperative located in Abar-Abir Village, Gresik Regency. The study was conducted from October 2024 to May 2025. The research subjects included the cooperative's chairperson, treasurer, and supervisory coordinator.

C. Results and Monitoring

One of the key indicators to evaluate cooperative performance is the Non-Performing Loan (NPL) ratio. The following table presents data on non-performing financing at the Ar-Rizqiyah Women's Cooperative over the past two years:

Table 1 Non-Performing Loan (NPL) Rate

Year	Total Receivables (Rp)	Uncollectible Loans (Rp)	NPL (%)
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Year	Total Receivables (Rp)	Uncollectible Loans (Rp)	NPL (%)
2023	598.324.000	41.673.000	6,97%
2024	674.510.000	137.122.500	20,33%

There was a significant increase in the NPL ratio from 6.97% in 2023 to 20.33% in 2024, indicating that nearly one-fifth of total financing was uncollectible. This figure far exceeds the healthy cooperative threshold of 5%, confirming that the cooperative is facing a serious financing risk management crisis.

Based on interviews with cooperative management and internal document analysis, the causes of non-performing financing at the Ar-Rizqiyah Women's Cooperative fall into two categories:

a. Internal Factors:

- 1) Weak feasibility analysis.
- 2) Inadequate supervision of fund use.
- 3) Lack of training for management in risk control.

b. External Factors:

- 1) Members' lack of good faith in fulfilling obligations.
- 2) Misuse of funds for non-productive purposes.
- 3) Poor business performance or financial losses.

These issues raise the risk of non-performing financing. Thus, the cooperative needs to conduct a more thorough and careful evaluation to minimize potential future financial risks.

To prevent non-performing financing, the Ar-Rizqiyah Women's Cooperative applies the 5C principles (Trisnawati, 2022), as follows:

- 1) Character: Assessment of members' morals and sense of responsibility.
- 2) Capacity: Ability of the member's business to generate income.

- 3) Capital: The availability of the member's personal capital.
- 4) Collateral: Assets pledged as loan guarantees.
- 5) Condition of Economy: Economic conditions that may affect business performance.

Additionally, the cooperative conducts field visits, financial education, and regular business monitoring to strengthen its risk mitigation efforts.

The application of the 5C principles has significantly improved financing distribution. In the past, the lending process was relatively loose, especially in evaluating character and repayment capacity. Today, the cooperative has become more selective by verifying borrowers' backgrounds, assessing income realistically, ensuring the availability of collateral, and factoring in economic conditions affecting repayment.

Moreover, it is important for the cooperative to adopt a structured and gradual approach to resolving non-performing financing. Resolution begins with persuasive communication, then moves to formal written warnings (SP 1–SP 3), and if necessary, the request for additional collateral. Although Ar-Rizqiyah is a general-type cooperative, it also adopts Sharia-based principles in its operational activities (Siamat, 2005) particularly in dispute resolution. These include:

- 1) Al-Sulh: Peaceful settlement through dialogue between the cooperative and member.
- 2) At-Tahkim: Arbitration as a non-litigation resolution method based on written agreements (Djamil, 2020).
- 3) Al-Qadha: Legal action through the courts if peaceful resolution fails.

D. Conclusion

The Ar-Rizqiyah Women's Cooperative in Abar-Abir Village has experienced a significant increase in non-performing financing over the past two years, with the NPL ratio rising from 6.97% (2023) to 20.33% (2024). These issues stem from internal

factors such as weak feasibility analysis and poor oversight, and external factors including fund misuse, poor repayment awareness, and members' business failures.

The cooperative has responded with two main strategies: preventive, through the implementation of the 5C principles, and curative, through Sharia-based resolution approaches such as *al-Sulh*, *at-Tahkim*, and *al-Qadha*. These strategies highlight the importance of integrating conventional risk management with Islamic values to maintain cooperative sustainability.

This research is expected to serve as a reference for other cooperatives in addressing non-performing financing comprehensively and contextually, particularly for women-centered cooperatives operating in rural areas.

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