MECHANISM AND APPLICATION OF 5C PRINCIPLES IN DISTRIBUTION FINANCING AT BANK JATIM SYARIAH KCP MOJOKERTO

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Abstract

The purpose of conducting this research is to find out the mechanism and application of the principles 5C in distributing financing to the East Java Syariah bank KCP Mojokerto Method In this research, qualitative methods are used. This research also collects data through interviews, with the type of primary data obtained from written words or oral sources as well as those related to research such as books, websites and journals that are processed into research material. The research results show that the 5C principles is a principle in banking for making decisions whether the customer deserves to be given financing or not. The aim of the implementation This 5C principles does not harm both parties, namely the customer and the bank sharia, one way is to carry out a 5C principles analysis of candidates customers.

Keywords: *Mechanism, 5C Principles, Financing.*

INTRODUCTION

With the increasingly rapid economic growth of a country, funding requests and needs for both individuals and groups as well increased. However, there are limited funds from the government in form The State Revenue and Expenditure Budget (APBN) is an obstacle in fulfilling it the funding needs. Therefore, the government is working together with the sector private sector to participate in supporting the financing of this sector, by the aim of building better economic potential. There are two types of operational systems in the banking sector, including conventional banks and sharia banks. Like contained in Law No. 21 of 2008 concerning sharia banking, banks Sharia carries out its business operations based on sharia principles and carry out its operational activities with the principle of prudence.

As the economic development of the service industry in a country progresses banking, and is required to strengthen the function of the institution as an agent of development, then banking services companies must be able to create and provide increase for economic growth aimed at strengthening living standards Indonesian people. Providing financing creates a legal relationship between all juridical consequences that could trigger losses or risks for the agency, where the risk of loss can be financial or non-financial.[1]

[1] Bambang Rianto Rustam, *Sharia Banking Risk Management in Indonesia*, Salemba Empat, Jakarta, 2013, p. 30.

Therefore, before a sharia bank provides financing, the bank needs to carry out in-depth analysis of potential customers. According to Danupranata, analysis Financing is an activity to evaluate important aspects that are necessary known by the bank before providing financing to customers. Analyze this is also a process for assessing financing applications so that the bank willing to provide funding and believe that a project will be delivered financing is feasible. However, even though the bank has implemented analysis before providing financing, there are still many cases of financing experiencing problems or Non-Performing Finance (NPF).

The findings of this study indicate that the application of this principle to evaluate the feasibility of distribution/funding at Bank Jatim Syariah KCP Mojokerto has been implemented in accordance with operational standards. Despite the principle 5C is implemented optimally, but there are financing problems that arise due to a lack of caution on the part of the bank when assessing a candidate's character customers, which results in financing problems. There needs to be improvement and evaluation, especially in assessing the character and economic conditions of parties employees to be more careful when assessing potential customers, so that they can identify future prospects and prevent their possible occurrence financing problems.

Therefore, financing evaluation becomes a crucial aspect and must be implemented carefully. Through this careful analysis, potential risks financing that may arise from the customer can be identified early. Therefore, expertise in analyzing sharia financing is very important It is important to ensure that the distribution of funds runs well, effectively and efficiently.[2] Seeing the problems above, the author hopes that this journal will exist can provide further understanding of how the mechanism application of the 5c principle in distributing financing to East Java sharia banks KCP Mojokerto before providing financing to a sharia bank.

METHOD

In this type of research, the approach applied is a qualitative method descriptive. Descriptive qualitative research is the collection of information comes from verbal facts or statements. This method is not only aims to search for absolute truth, but also functions as an approach that intends to describe or describe the situation in the field systematically. This process involves facts, accurate interpretation, and data are interrelated, and the essence of this research is to seek understanding through observation. This research collects data through interviews, with types of data primer obtained from the written or spoken words of the source.

[2] Veithzal Rivai and Andrian Permata Veithzal, *Islamic Financial Management, Theory, Concepts and Practical Guide Application for Financial Institutions, Customers, Practitioners and Students*, PT. King Grafindo Persada, Jakarta, 2008, p. 3.

RESULTS AND DISCUSSION

Based on the results of interviews between the author and the source, namely Bank Jatim Syariah KCP Mojokerto, explained that one way to anticipate the occurrence of NPF risk in financing is by analyzing 5 aspects first to prospective debtors or customers who apply for financing. Analysis of 5 aspects This is better known as the 5C principle, analysis of the 5C principle has been carried out for a long time and is still relevant to use today. although there are some banks sharia which uses the 7P principles in analyzing prospective customers. And in Bank Jatim Syariah KCP Mojokerto itself uses the 5C principle Analyze prospective debtor customers who apply for financing.[3]

The aim of Bank Jatim Syariah KCP Mojokerto is to apply the 5C principles, namely to filter customers whether they are eligible for financing, and to convince Bank Jatim Syariah whether the money has been given to the customer will return to the Bank. For the process of analyzing the 5C principles of Bank Jatim Syariah It takes three days for the required files or documents to be ready, then after that there are several more stages such as interviews until the final stage, namely determining whether or not a customer is eligible for financing.

Financing is a sharia bank product that is most popular with many people customers, one of which is *murabahah* financing (buying and selling). In practice Murabaha financing is in first position because there are many customers apply for *murabahah* financing because it is considered minimal risk because it is not tied to the customer's income and business conditions profit or loss, even so, there are still many problems that occur within for this financing, many customers failed to apply the financing is because one of the 5C principles is not fulfilled.[4]

Figure 1. 5C Principles in Sharia Banking

[3] Toni, Interview, (Mojokerto, 5 December 2023).
[4] Karim, "*Getting to Know Murabahah Contracts and Why Murabahah is Popular as a Financing Agreement Sharia Bank*", https://accounting.binus.ac.id/2021/11/30/mengenal-akad-murabahah-dan-mengapamurabahah-popular-as-akad-pembayaran-di-bank-syariah-sebuah-summary-ringkas/, accessed December 17, 2023.

Bank Jatim Syariah KCP Mojokerto will evaluate prospective customers based on the 5C principle, involving character, capacity, capital, guarantees and conditions economy. Although similar to other Islamic banks, differences emerge within implementation, because each bank has a slightly different analysis method. In-depth information about the 5C principles analysis was obtained through interviews directly in the field.[5]

1. **Character**

   In evaluating personal characteristics, especially for employees in the sector banking is like a marketer, it requires skills to assess customers through communicative interaction. In addition, it is important to trace the financing history customers at other banks; Bank Jatim Syariah KCP Mojokerto uses SLIK or BI Checking to check the track record of financing, including credit risk congested. Character assessment is also carried out through direct meetings, in particular in terms of time compliance, and the bank also requests information from the family or people closest to the customer for a deeper understanding of their character.

2. Capacity

   Bank Jatim Syariah KCP Mojokerto requires financial reports from customers who are entrepreneurs as an indicator of financial capability. The bank's confidence in the customer's ability to pay their obligations will higher if business profits are large and personal income-expenses are stable. If the customer is an employee, so what Bank Jatim Syariah KCP needs Mojokerto, namely work certificate, salary account for 3 months and details the salary (pay slip) is for 3 months and for example if a customer is a farmer, then the bank will look at accounts or notes starting from purchasing seeds, fertilizer, salaries labor, and harvest.

3. Capital

   To analyze the capital of Bank Jatim Syariah KCP Mojokerto routinely conduct reviews or studies of clients' companies or places of business assessing capital. If the client has entrepreneur status with at least 2 running businesses year, the bank will evaluate the financial indicators of the previous two years. For Customers from private or state employees need to attach three pay slips last month, meanwhile for farmers, the bank will carry out direct inspections at the location to verify agricultural land and examine tax reports during one year.

[5] Toni, Interview, (Mojokerto, 5 December 2023).

4. Collateral

   Bank Jatim Syariah KCP Mojokerto will assess whether the goods are guaranteed to be sold smoothly and have optimal selling power. Aspect importance involves the strategic location and condition of the goods, with certainty of value goods exceed the previous loan amount, such as in a mid-process situation transaction. For example, in the middle there is a problem that results If the financing is stalled or not paid by the customer, then the collateral is collateral These will be auctioned by Bank Jatim Syariah KCP Mojokerto and generally the auction process takes a long time, even more than 5 years depending on the collateral.

5. Condition of Economy

   Several things are assessed by Bank JATIM Syariah KCP Mojokerto to a customer, namely evaluating the customer with consideration the health of its business, including whether revenue is seasonal, as well as check the employment status of customers who are employees for ensure the ability to pay installments within the appropriate time period has been determined.

Of these 5 aspects, there are only a few aspects that Bank JATIM uses Sharia KCP Mojokerto in the practice of analyzing prospective customers, depending on products and potential customers, for example an employee carrying out financing KPR is only seen from character, capacity and collateral and if a person entrepreneur who finance business capital will look at banks from five These aspects are character, capacity, capital, collateral and conditions of economy.[6]

In the process of analyzing one of the 5C principles, namely the collateral aspect Bank JATIM Syariah KCP Mojokerto in practice collaborates with KJPP (public assessment services office) to assess customer guarantees financing, but this KJPP is paid and charged to the customer. In In practice, Bank JATIM Syariah KJP Mojokerto does not always cooperate with KJPP depends on the nominal and financing products, such as KPR products with the nominal value is below 250 million, which is assessed as collateral by bank employees, and above 250 million, which is assessed by KJPP. And for productive financing business products under 1 billion bank employees and above 1 billion for JATIM Syariah Bank KCP Mojokerto uses KJPP in assessing its customers' collateral.

As for the value weighting of the five aspects, Bank JATIM Mojokerto KCP Syariah does not provide direct value in the form of percentages, but rather by assessing and measuring each thing included in it the 5C principles. For example, in the collateral aspect, namely the bank will

[6] Toni, Interview, (Mojokerto, 5 December 2023).

When assessing several things, such as whether the guarantee is in the form of a building, it must be confirmed the building is far from immoral places, is not affected by flooding, has access to the location easy or close to public facilities such as health centers, hospitals, education etc., and look at the area of the land or building.

After weighting the values of the five aspects, 5C then follows, namely the interview stage and the last stage is the stage of determining whether the customer has passed or not provided financing. The practice is at Bank Jatim Syariah KCP Mojokerto namely to approve the financing application starting from all document files is complete and the starch meets the 5 5C aspects, then the next process is the document files are deposited to the AO (account officer), then after checked by the AO then submitted to the supervisor or supervisor, this process the supervisor needs 2 days to analyze again, and if nominal the proposed funding is below 750 million, then the supervisor or supervisor can decides the result, and if the nominal submitted is more than 750 million supervisor will submit it to the branch leadership to decide whether to pass or not providing financing. Because at Bank Jatim Syariah KCP Mojokerto has a standard nominal amount for applying for financing.

CONCLUSION

When distributing payments to sharia banks it is to ensure compliance with sharia principles. while still mitigating credit risk. Deep understanding of character, capabilities, capital, guarantees and conditions borrowers are the key to making balanced decisions between meet financing needs and maintain the sustainability of sharia principles. These steps support the objectives of Islamic banks to provide financing that is fair, ethical, and in accordance with Islamic economic principles.

From the application of the 5C principles so that the first and second parties do not feel disadvantaged, namely by customers or sharia banks, one of which is by conducting a 5C principles analysis of users, the bank analyzes first before distributing funds. In the 5C principles of banking This sharia has rules for making decisions about whether a user is eligible or not did not get financing. The process of analyzing Bank Jatim Syariah's 5C principles takes three days to arrive the required files or documents are ready, then after that there are several stages again like an interview until the final stage, namely determining whether to pass or not a customer to be provided with financing. The 5C principles consist of several aspects, namely character, capacity, capital, collateral and conditions of economy.

Aspects of collateral (collateral) of Bank Jatim Syariah KCP Mojokerto in practice, it collaborates with KJPP (public assessment services office), which is KJPP tasked with assisting in assessing the collateral of customers who carry out financing, However, it depends on the nominal amount and financing product proposed by the person customers.

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