
THE EFFECTIVENESS OF THE RAHN CONTRACT AS A RESTRUCTURING OF MURABAHAH FINANCING AT BMT KEDINDING GRESIK BRANCH



Muftichatud Dzikroh¹

Universitas Trunojoyo Madura, Bangkalan, Indonesia
210721100084@student.trunojoyo.ac.id

Dony Burhan Noor Hasan²

Universitas Trunojoyo Madura, Bangkalan, Indonesia
donyburhan@trunojoyo.ac.id

Abstract

This study aims to determine the effectiveness of the application of financing restructuring from a murabahah contract to a rahn contract at BMT Kedinding Surabaya Gresik Branch in order to mitigate the risk of Islamic financing. This research uses a qualitative approach with a case study design, where data is collected through interviews and observations. The findings show that the murabahah contract is one of the main instruments of Islamic financing that is widely used by members, especially traders, to support their business continuity. However, installment payment challenges often occur due to economic fluctuations and internal customer problems, thus increasing the risk of non-performing financing for BMT. To overcome this problem, BMT Kedinding implemented financing restructuring through a rahn contract. This step has proven effective in providing leeway to struggling customers while minimizing potential losses to the institution. The process of switching from a murabaha contract to a rahn contract is carried out without changing the agreed margin amount, giving customers more time to pay off arrears. This strategy is also in line with Sharia principles that prioritize flexibility and transparency in risk management. This study concludes that the application of the rahn contract as a form of financing restructuring can significantly reduce the risk of non-performing financing, while maintaining good relations between BMT and customers. These findings are expected to provide applicable recommendations for BMTs and other Islamic financial institutions in managing financing risk following Sharia principles. In addition, this research also emphasizes the importance of innovation and adaptation of Islamic financing products to answer the challenges faced by customers and financial institutions.

Keywords: Restructuring, Rahn Agreement, Murabahah Agreement

INTRODUCTION

In the context of Islamic financial institutions, Baitul Maal wa Tamwil (BMT) plays a crucial role in providing financing services in accordance with Sharia principles. The existence of BMT as a sharia-based microfinance institution in Indonesia has made a significant contribution to increasing the accessibility of financing for the community, especially for those who do not get services from conventional banks. (Afrianti, 2010) BMT has two different roles, namely the role of baitul maal as an institution for collecting zakat, infaq, sadaqah, waqf, and distributing to those who are entitled or called mustahiq, and the role of baitul tamwil as a financial and business institution that focuses on developing productive businesses, such as investments directed at supporting small-scale economic activities (Affan & Rahman, 2023). BMT functions as a provider of financial and social services with sharia principles, which are not only profit-oriented but also the social and economic welfare of its members (Afrianti, 2010). One of the BMTs that is actively operating is BMT Kedinding Surabaya Gresik Branch.

Along with the development of regulations, the movement to apply the concept of BMT is growing rapidly in the country, almost most BMTs are in formation under the legal umbrella of the Ministry of Cooperatives and SMEs through Law No. 25 of 1992 concerning Cooperatives. BMTs that are under the regulation of the Ministry of Cooperatives and SMEs are known as Sharia Savings and Loan Cooperatives/Sharia Savings and Loan Financing Units (KSPPS/USPPS). Another small number of BMTs are under the legal umbrella of the Financial Services Authority (OJK) through Law No. 1 of 2013 on Microfinance Institutions. BMTs under the regulation and supervision of the OJK are known as Sharia Microfinance Institutions (MFIs). The BMT concept is considered to be in line with the character and conditions of Indonesia from all aspects. BMT has the advantages of flexibility, diverse products and services, accommodating local wisdom, and religious values. In addition, BMT supports the realization of financial inclusion because it comes from the grassroots movement and is born from the needs and initiatives of the community itself. (Devisi Keuangan Mikro Syariah, 2019)

Based on data from the Financial Services Authority (OJK), the maximum NPF limit allowed for microfinance institutions such as BMT is 5%. (Setiawan & EI, 2017) NPF is one of the indicators to assess the performance of a financial institution, especially in assessing non-performing or non-performing financing. For cooperatives, the maximum NPF limit set by OJK is 5%. When the NPF rate exceeds this limit, BMTs could potentially face a liquidity crisis that could jeopardize their operational sustainability. Therefore, risk mitigation efforts are needed through a financing restructuring approach, one of which is by converting the murabahah contract into a rahn contract. This conversion is expected to help BMTs control risk by increasing the security of financing through asset guarantees. (Solikhulhidayat et al., 2022)

In the context of Islamic finance, this restructuring can be done using various sharia contracts, one of which is the rahn contract. The Rahn contract or sharia pawn is an agreement in which the customer submits valuable assets as collateral for the financing received. For Islamic Microfinance Institutions, the rahn contract has a high level of protection and minimal risk. This is due to collateral in the form of liquid customer-owned movable goods, which can be executed or subject to penalties if the customer fails to fulfill

their obligations. (Susilo, 2017). However, in its operations, this BMT faces the same challenges as other financial institutions, namely the risk of non-performing loans. This risk can be caused by various aspects, including customer business failure, uncertain economic conditions, and the customer's lack of understanding of the principles of Islamic finance. One of the initial characteristics of non-performing financing is that members are late and absent in paying installments, or customers do not pay installments in full. (Sudarto, 2020)

One approach that can be taken to manage this risk is through financing restructuring. Financing restructuring is an effort to change the terms of financing to ease the burden on members and improve their ability to pay. Debt restructuring, which is often applied in banking practice, according to Sutan Remy Sjahdeini, can take the form of rescheduling debt payments, granting a new grace period (grace period), or a moratorium to debtors. In addition, debt restructuring can also include adjusting the terms of the debt agreement (reconditioning), cutting the amount of principal debt (haircut), reducing or eliminating unpaid interest, and eliminating fines and other fees. (Kornelis & Amboro, 2020)

Although BMT has an important role in supporting the sharia economy, this institution also faces a number of challenges in its operations. One of the biggest challenges faced by BMTs, particularly BMT Kedinding Gresik Branch, is the risk of non-performing financing (NPF). BMT Kedinding, whose members are mostly micro and small businesses, has to deal with various risks in their financing, including the risk of default, which is often caused by unstable economic conditions or customers' limited understanding of sharia financial principles. This non-performing loan risk is usually characterized by delays in installment payments, customer non-compliance with installment obligations, or even customer failure to repay the financing in full. (Sudarto, 2020)

Previous research has been conducted by Edi Susilo (Susilo, 2017) in 2017 with the title "Shariah Complence of Rahn Akad Sharia Microfinance Institutions (Case Study of BMT Mitra Muamalah Jepara)" and shows the results show that the rahn contract has positive potential and is in accordance with the DSN-MUI Fatwa on Rahn. The application of the Rahn contract in restructuring financing is expected to help reduce the risk of non-performing financing by providing collateral that can cover potential losses. In addition, the Rahn contract provides legal certainty and security for BMT and customers. However, the application of the Rahn contract also requires understanding and readiness from both the BMT and the customer. Therefore, it is important to examine more deeply the procedure for implementing the Rahn contract, the factors that influence its success, and its impact on controlling financing risk.

Previous research was also conducted by Muhammad Awaludin Islam and Sutopo (Islam, 2022) in 2022 with the title "Application of Risk Management in Financing Products at Sharia Microfinance Institutions at KSPPS MUI Sekapuk Ujungpangkah Gresik" which discusses how the application of risk management in financing products at KSPPS MUI Sekapuk Ujungpangkah and shows that with the restructuring of contracts and sorting of customer conditions can be used as an anticipation of losses from bad debts. This research formulates several main problems that need to be analyzed further. How is the process of applying financing restructuring from a murabahah contract to a rahn contract at BMT Kedinding Surabaya Gresik Branch, especially to reduce the risk of non-performing financing. This research aims to understand what factors influence the successful application of the Rahn contract as a risk management method at the BMT. In addition, the effectiveness

of the Rahn contract in controlling financing risk is also an important concern, especially in assessing how much this method can help BMTs in reducing the level of non-performing financing (NPF) in their institutions.

This research aims to provide a comprehensive description of the application of financing restructuring from a murabaha contract to a rahn contract at BMT Kedinding Surabaya Gresik Branch. This research also seeks to identify the factors that support and hinder the success of the Rahn contract as a risk mitigation strategy for Islamic financing. Furthermore, this study aims to analyze the Rahn contract in reducing the risk of non-performing financing, with the hope that the results of this study can provide relevant and applicable recommendations for BMT and other Islamic financial institutions in managing financing risks in accordance with Sharia principles.

This research focuses on BMT Kedinding Surabaya Gresik Branch as a case study to understand the application of restructuring through a rahn contract. This BMT was chosen because it has experience in implementing various Islamic financing products and strives to continuously improve services to its members. Through this research, it is hoped that a comprehensive picture can be obtained regarding the effectiveness of the application of the Rahn contract in controlling financing risk and providing recommendations that can be implemented by other BMTs.

REVIEW OF LITERATURE

Theories That Support Research

In risk management theory, financing restructuring is a strategy to manage and mitigate credit risk. Credit risk management in Islamic finance does not only consider financial aspects, but must also comply with Sharia principles that focus on justice and balance between BMT and customers (Fahmi Khalamilla, 2019). In the context of conventional financial institutions, credit restructuring is often carried out through methods such as rescheduling, reconditioning, and restructuring (debt restructuring). (Kornelis & Amboro, 2020) However, in Islamic financial institutions, credit restructuring must be carried out using contracts that are in accordance with Sharia. One of the contracts that is often used for this purpose is the Rahn or Sharia pawn contract. The application of risk management theory in Islamic finance should be in accordance with Sharia principles, such as fairness and transparency. In restructuring financing contracts, it is important to ensure that the measures taken benefit the financial institution and are fair to the customer. By complying with Sharia principles, financial institutions can avoid the harmful practices of usury and uncertainty.

According to Susilo, a rahn contract is a contract in which the customer provides collateral in the form of liquid movable assets, which can be executed by BMT if the customer fails to fulfill their obligations. With this guarantee, BMT's risk of non-performing financing can be minimized. In addition, the Rahn contract is considered in accordance with Sharia principles because it contains elements of justice, transparency, and legal certainty for both parties. The Rahn agreement also has a strong legal basis in the fatwa of the National Sharia Council-Majelis Ulama Indonesia (DSN-MUI), which regulates the provisions of sharia pawning. This DSN-MUI fatwa stipulates that the rahn contract must be carried out fairly, must not contain elements of usury, and the recipient of rahn (BMT) may only benefit

from administrative services or maintenance of collateral, not from the utilization of the collateral asset itself (Susilo, 2017). Thus, the Rahn contract provides a legal basis and certainty for BMT in managing the risk of problematic financing. Research conducted by Afandi (2023) also shows that financing restructuring using the methods of rescheduling, adjusting terms, and restructuring contracts can make it easier for customers to pay off their obligations. The research emphasizes that this restructuring can reduce credit risk for Islamic financial institutions and maintain smooth financing operations.

The Rahn agreement serves as collateral to protect the financial institution from the risk of default. The customer provides liquid collateral (such as gold or property) as security for the financing. If the customer does not fulfill their obligations, the financial institution can repossess and sell the collateral. Legal enforcement of the Rahn contract provides certainty for both parties.

Effectiveness

Effectiveness is a measure of the extent to which an organization succeeds in achieving its goals. If an organization succeeds in achieving its goals, it can be said that the organization is functioning effectively. Effectiveness indicators reflect the range of results and impact of program outputs in achieving the stated objectives. The greater the contribution of output to the achievement of predetermined goals or objectives, the more effective the work process of the organizational unit. (Mardiasmo., 2018)

Ravianto (2014) says that effectiveness refers to how well a job is done and the extent to which someone produces the expected output. In other words, if a job can be completed according to plan, both in terms of time, cost, and quality, then the job can be considered effective. Based on the views of the experts mentioned earlier, it can be concluded that effectiveness is the success of an activity or activity. The indicators of effectiveness, according to Sondang (1982), are:

- a. Predetermined time standards (on time)
- b. The results of the work achieved (right on target)
- c. Costs incurred in accordance with the plan (appropriate).

Restructuring

In controlling financing risks, of course, restructuring is often done to ensure business sustainability without burdening them with unfair debt burdens, as stipulated in maqasid al-shariah (sharia objectives). Financing restructuring is one of the ways that can be done to reduce the number of problematic financings. Restructuring of non-performing financing can be completed by rescheduling, reconditioning, and restructuring. Restructuring is also often known as a financing rescue. In Islamic banking, it is known as the efforts and steps taken by banks in overcoming financing problems experienced by customers. (Akbar, 2023)

Financing restructuring by Islamic commercial banks and Islamic business units is carried out based on Bank Indonesia Circular Letter Number 10/34/DPbS of 2008 concerning Financing Restructuring for Islamic Commercial Banks and Islamic Business Units, in the following manner:

- 1) Rescheduling
- 2) Reconditioning
- 3) Restructuring, which includes:
 - a) Addition of funds

- b) Conversion of financing contract
- c) Converting financing into Medium Term Sharia Securities

According to Fatwa No. 49/DSN-MUI/II/2005 concerning the conversion of murabahah contracts, Islamic financial institutions may convert by making a contract (making a new contract) for customers who cannot complete or pay off their murabahah financing according to the agreed amount and time (Hidayati et al., 2023)

Rahn and Murabaha Contracts

Murabahah financing is one of the financing contracts that is widely applied in banks and non-bank financial institutions. The large number of applications of Murabahah contracts in bank and non-bank financial institutions is due to the ease of calculating the profit ratio for customers or members, as well as with bank and non-bank financial institutions. (Ardyansyah & Agustin, 2022)

According to Fatwa No. 111/DSN MUI/IX/2017 on Murabahah Sale and Purchase Agreement, the ba'i al-murabahah agreement is a sale and purchase agreement of an item by confirming the purchase price to the buyer, and the buyer pays more as profit (MUI, 2017). Murabahah focuses on purchasing goods according to consumer demand, then selling them to consumers at a price that includes the purchase cost and expected profit. Therefore, in transactions with banks, banks must be transparent about the purchase price and the profit added to the customer.

RESEARCH METHOD

This type of research is qualitative with a case study design at BMT Kedinding Surabaya Gresik Branch. The purpose of this study is to analyze the effectiveness of the application of the Rahn contract in controlling financing risks. Ramdhan (2021) suggests that qualitative research is research that has a descriptive nature and tends to have an analytical nature, which, in general, qualitative research obtains the main data from interviews and observations.

The type of data used in this study consists of primary data sources. This research uses interview techniques and direct field observations to collect data. Observation is one of the data collection methods that not only measures the attitudes of respondents, but can also be used to record various phenomena under study.

In this study, key informants are individuals who have an in-depth understanding of the application of the rahn agreement at BMT Kedinding Surabaya Gresik Branch, especially in the context of financing restructuring, risk control, the effectiveness of the Rahn Agreement and the factors supporting the Rahn Agreement. Key informants include BMT management, such as branch heads and financing managers, who have the authority and responsibility for managing Islamic financing products and risk mitigation strategies. In addition, staff who are directly involved in the implementation of the rahn contract are also part of the key informants because they have practical experience in the process of applying, assessing, and handling customers who make rahn contracts. In this study, the total number of informants was 8 and 1 person was an employee of BMT Kedinding Surabaya Gresik Branch.

Not only from internal parties, several customers who used the Rahn contract in restructuring financing were also presented as key informants to get a direct perspective

on the benefits and challenges of implementing this contract. The information obtained from key informants is expected to provide a comprehensive understanding of the effectiveness of the Rahn contract, both from the BMT management side and from the experience of customers, so that it can be a strong basis for analyzing the application of the Rahn contract as a risk control strategy at BMT Kedinding.

The observation method is a process in which the researcher interacts directly with each intended individual or respondent, records, and draws conclusions. Meanwhile, interviews are data collection techniques carried out face-to-face with relevant subjects or actors. Interview subjects are usually called interviewees, while those who ask questions or researchers are called interviewers. (Sugiyono, 2017)

The data analysis technique in this study refers to the descriptive qualitative data analysis method, which is an approach that focuses on describing the data and interpreting the meaning behind the phenomenon under study. According to Miles, Huberman, and Saldana, the qualitative data analysis process includes three main stages: data reduction, data presentation, and conclusion drawing or verification. The first stage, data reduction, is the process of selecting, focusing, and simplifying raw data obtained from interviews and observations, so that only data relevant to the research is used. Furthermore, in the data presentation stage, researchers organize data in the form of narratives or tables, which facilitate understanding of the patterns or themes that emerge from the research results. The last stage is conclusion drawing, where the researcher identifies the interrelationship between data and verifies to ensure the suitability of the analysis results with the research objectives. With this analysis technique, it is hoped that the research results will be able to provide an in-depth picture of the effectiveness of the application of the Rahn contract in controlling financing risk at BMT Kedinding Surabaya Gresik Branch.

RESULTS AND DISCUSSION

This section presents the results of research on the application of the Rahn contract at BMT in the context of restructuring problem financing. The analysis is based on interviews with BMT managers and customers and is linked to the indicators set out in this research. The results obtained include how the Rahn contract is implemented, how risk control strategies are carried out, the level of effectiveness of the Rahn contract in overcoming problematic financing, and the supporting factors that influence the successful implementation of this contract.

The Implementation Process of Rahn Restructuring Murabahah Financing at BMT Kedinding Surabaya

In practice at Islamic financial institutions, BMT Kedinding Surabaya Gresik branch, murabahah involves three parties, namely members as buyers, BMT as sellers, and suppliers as providers of goods desired by members. However, in reality, murabahah is often applied using the concept of murabahah bil wakalah. (Aini & Rahman, 2023)

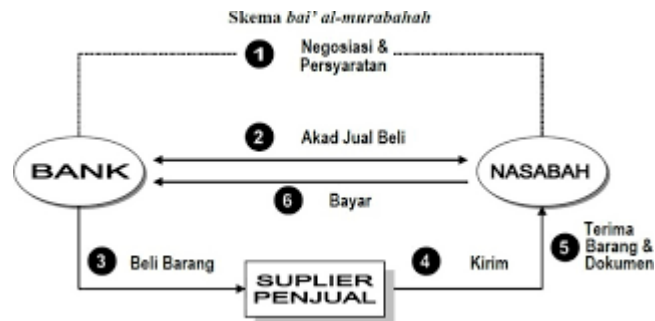


Figure 1
Scheme of Murabaha Agreement

Where the BMT kedinding Gresik branch directly hands over financing to customers in the form of money to be spent directly (Murabahah bil wakalah).

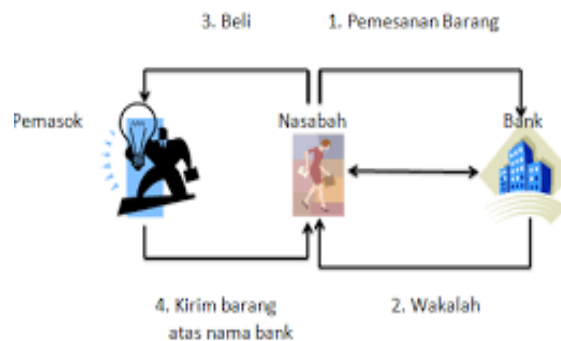


Figure 2
Scheme of Murabahah Bil Wakalah Akad

Pawn is one type of debt and credit agreement, where, as a form of trust from the party providing the loan, the borrower pledges his goods as collateral for his debt. The collateral remains the property of the pledgor (the party in debt) but is controlled by the pawn receiver (the party providing the loan) (Surepno, 2018).

It can be concluded that Rahn is an agreement to hand over goods as collateral for a loan, so that the party concerned is allowed to borrow. Thus, the pledged goods serve to provide certainty, security, and protection for the loan provided. (Surepno, 2018)

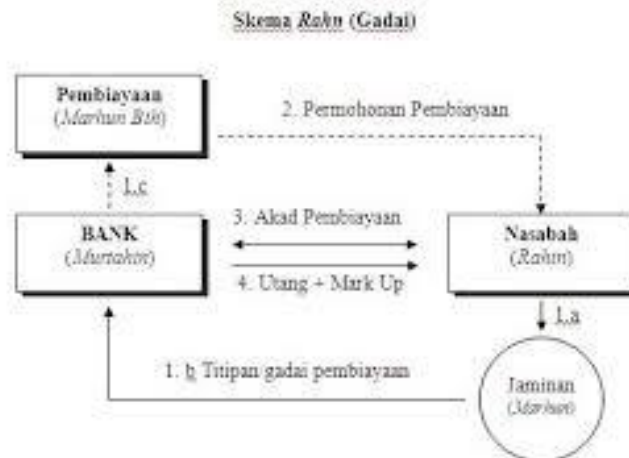


Figure 3 **Scheme of Rahn Agreement**

The relationship between the two contracts in this discussion is about the restructuring of the contract, between the murabahah contract and the rahn contract. With the implementation of the new contract, this step provides a solution for customers who face difficulties in fulfilling their obligations, so as to avoid prolonged problems and reduce the level of bad debts. Contract conversion is carried out on customers who are still cooperative and have the ability to pay, after re-analyzing the customer's business according to applicable procedures. Contract conversion can be carried out at the request of the customer, including for general financing agreed with the murabaha contract. (Hidayati et al., 2023)

The application of restructuring through a rahn contract at BMT Kedinding Surabaya Gresik Branch has proven effective in reducing the risk of non-performing financing. In the context of Islamic financing, the murabaha contract is one of the main instruments widely used by members, especially traders, to obtain business capital. Data shows that around 80% of BMT members are traders who rely heavily on access to financing for their business continuity. The successful application of the murabahah contract is in line with research conducted by Agustina (2022) who found that ease of access and simple application procedures are important factors in customers' decisions to use Islamic financing products.

Murabahah contracts provide clarity in transactions because they are based on the principle of transparency, where banks are required to explain the purchase price and profit margin to customers. In this context, BMT Kedinding Surabaya creates a financing mechanism that prioritizes compliance with sharia principles, as explained by Sakum (2021) regarding the importance of transparency in the murabaha contract. The easy application process, including clear administrative requirements such as filling out the application form and providing identity documents, is an advantage that supports the positive experience of customers in using BMT services, where the process begins with the identification of customers who have difficulty paying financing installments. BMT conducts an analysis of the customer's financial condition to determine if they are eligible for restructuring. Once the customer is identified, BMT offers the rahn contract as a solution. The customer is given an explanation of the sharia pawn mechanism, including the terms and conditions that apply. Customers are asked to pledge their assets, such as valuables (gold, vehicles, or property). This asset will serve as collateral for the financing provided by BMT. An asset value assessment is conducted to ensure that the collateral value is sufficient to cover the amount of financing provided. After an agreement is reached, the BMT and the customer draw up a rahn contract agreement. In this agreement, the rights and obligations of both parties are explained, including provisions regarding the return of assets if the customer repays the financing. This agreement must be in accordance with sharia principles and avoid elements of usury, gharar, and maysir. After the agreement is signed, the customer hands over the pledged asset to BMT. The asset will be stored safely during the contract period. BMT then provides financing in accordance with the agreement, which can be used by customers to solve their financial problems. BMT (Baitul Maal wat Tamwil) regularly monitors the customer's installment payments. If the customer fulfills his obligations, the pledged assets will be returned after repayment. However, if the customer fails to pay, BMT has the right to sell the asset according to the

terms of the contract. In the case of default, the BMT must follow established procedures, sell the asset in a fair and transparent manner, and use the proceeds to pay off the customer's debt. The remaining proceeds must be returned to the customer. The rahn agreement allows customers to obtain financing by pledging assets, while protecting BMT from the risk of loss. The contract process begins with the determination of the pledged asset and an agreement between the customer and BMT, ensuring all steps are in accordance with sharia principles.

Based on the results of interviews with members, the majority of respondents stated that they chose murabaha financing at BMT Kedinding because of the ease of access and flexibility in the application process. Informant 1, a trader, stated that:

"The strategic location of BMTs close to their place of business facilitates access to these financial services.

Meanwhile, Informant 2 explained that:

"BMT Kedinding's services are proactive, where the institution comes directly to the market to serve customers, allowing installment payments to be made on a daily basis".

"Other informants also appreciated the simplicity of the financing application procedure at BMT. Informant 3, one of the customers, stated that the application system at BMT does not require a direct visit to the office, because the documents can be picked up by the BMT, making this process more efficient than other financial institutions".

The interaction between customers and BMT officers is one of the important factors that support the success of murabaha financing. Many respondents expressed positive experiences in communicating with officers. Samirah, one of the respondents, revealed that the friendliness and informal approach of the officers created a comfortable atmosphere in interacting, especially since most of the officers were young. This shows that a good interpersonal relationship between officers and customers contributes to the comfort in using BMT services. In addition, Informant 2 stated that:

"The friendly attitude and patience of the officers increase customers' comfort in the financing process".

This indicates that service quality that reflects empathy and patience can have a positive impact on customer satisfaction. While many respondents shared positive experiences, challenges in repayment remained a significant issue. Some respondents revealed that external factors, such as market conditions, greatly affected their ability to meet repayment obligations. Rikha, one of the respondents, explained that fluctuations in income from business due to market crowds have a direct impact on the ability to pay installments. This shows that the dynamics of the microeconomy greatly affect the financial stability of customers.

In the context of financing restructuring, the rahn contract is used to provide flexibility for customers who have difficulty paying installments. Based on interviews with BMT:

"Before the change of contract is carried out, the customer is first given a warning and other restructuring options. If there is no possible solution, then the murabaha contract is converted into a rahn contract, with adjustments to the amount of installments according to the customer's ability".

This approach is in line with the principle of justice in Islamic economics, where Islamic financial institutions are not only profit-oriented, but also consider the

sustainability of the customer's business. In Islamic finance theory, the rahn contract serves as a collateral-based financing scheme that allows customers to continue to get access to financing without having to lose their assets, as long as payments can be completed according to the agreement.

This study also shows that the implementation of the rahn contract as a restructuring solution can reduce the level of payment congestion. This is in line with research (Putri & Hasan, 2024) which confirms that sharia-based restructuring, such as rahn, can increase customer compliance in installment payments due to flexibility in the repayment system. From these findings, it can be concluded that the application of the Rahn contract at BMT Kedinding is not only a risk mitigation mechanism, but also a form of protection for the interests of customers and financial institutions themselves.

Risk Control

BMT Kedinding implements a risk control strategy in dealing with non-performing loans through a gradual reprimand mechanism, contract restructuring, and the use of collateral. One of the main strategies used is the change of contract from murabahah to rahn contract for customers who have difficulty paying. Financing with a rahn contract has no significant difference compared to a murabahah contract. The difference lies only in the nominal amount and the form of the agreement. (Ningrum et al., 2021) The Rahn agreement is a Sharia instrument that allows customers to pledge their assets as collateral for the financing provided. With this contract, BMT can provide financing to customers who are experiencing difficulties without violating Sharia principles. In a situation of problematic financing, the Rahn contract is an alternative for BMT to help customers to continue to fulfill their obligations.

Monitoring and assisting customers, BMT conducts regular monitoring of customers who have restructured. Assistance in terms of financial management is very important to help customers get back on the right payment track. By providing support and guidance, BMT can help customers improve their ability to fulfill payment obligations. In an interview with informant 2 mentioned:

"So, we first reprimand the customer nicely by asking about the ability to pay and offer with the next month. Not immediately re-accepted, usually reprimanded 2x then reviewed the customer's ability every month, because customers have various problems".

The following are the results of interviews conducted by researchers with informant 2, a market trader, who shared his experience regarding payment delays caused by changes in family conditions, such as the illness of parents, which affected the flow of payments. He explained that the payment obligation that was originally in his mother's name was transferred to him, which then led to payment delays. This situation indicates that changes in social and family conditions can affect a customer's ability to pay installments. Therefore, it is important for BMT to consider the customer's social and economic context in providing adaptive and relevant solutions.

Rahn financing is financing aimed at productive economic sectors, with the aim of encouraging community economic growth. This financing is accompanied by collateral as a form of commitment and responsibility of members in paying off debts or returning funds in accordance with the agreement. (Sholihatin, 2023) Based on the results of the interview, the rahn contract process begins with determining the assets to be pledged, then followed by an agreement between the customer and BMT. The change of contract from

murabahah to rahn contract requires collateral again where one of the results of the interview with informant 4 states:

"No, the guarantee is from the beginning."

This statement shows that in the implementation of the rahn contract, BMT Kedinding does not ask for additional collateral when the murabahah contract is converted into a rahn contract. This indicates that BMT has applied the principle of risk mitigation from the start by setting collateral in the murabaha contract. In the context of financing restructuring, the rahn contract is used to provide flexibility for customers who have difficulty paying installments. Based on interviews with BMT:

"Before the change of contract is carried out, the customer is first given a warning and other restructuring options. If there is no possible solution, then the murabaha contract is converted into a rahn contract, with adjustments to the amount of installments according to the customer's ability".

This approach is in line with the principle of justice in Islamic economics, where Islamic financial institutions are not only profit-oriented but also consider the sustainability of the customer's business. In Islamic finance theory, the rahn contract serves as a collateral-based financing scheme that allows customers to continue to get access to financing without having to lose their assets, as long as payments can be completed according to the agreement.

BMT's efforts in managing and minimizing the risk of non-performing financing through restructuring strategies with Rahn contracts are very important. With this approach, BMT not only helps customers to get out of financial difficulties, but also protects the interests of the institution itself. Through a process that is transparent, fair, and based on Sharia principles, BMT can create a mutually beneficial relationship between institutions and customers and maintain the sustainability of its operations amid the challenges.

Effectiveness of Rahn Agreements

The effectiveness of the Rahn contract in restructuring murabahah financing at BMT Kedinding Gresik Branch can be seen from how it provides solutions for members in facing financial constraints, while protecting the BMT from the risk of loss. With good management and proper education, this contract can be an effective tool in maintaining the financial health of BMT and its members. One of the results of the interview with informant 5 mentioned:

"I think it provides a solution, because the income is shared"

This statement shows that the rahn contract provides flexibility for customers in managing their finances. With the change in contract, the installment burden becomes lighter, allowing customers to continue running a business and fulfill their payment obligations to BMT. In addition, interviews with BMT managers also highlighted the effectiveness of the rahn contract in reducing the level of non-performing financing (NPF). Informant 6 said:

"It does work, but in Gresik itself it is the old office. And all offices are not the same, they are different. So the new office has studied the problems in the 3 old branches."

From this statement, it can be concluded that the application of the Rahn contract has been proven to help reduce default rates in several BMT branches. The Rahn contract not only provides flexibility and security for customers but also contributes to the growth

and stability of Islamic financial institutions. (Luthfiah, 2025) However, its effectiveness remains dependent on customer characteristics and local economic conditions. Overall, the application of the Rahn contract at BMT Kedinding can be said to be quite effective in helping customers who are experiencing payment difficulties, while maintaining a balance between the interests of customers and the sustainability of Islamic financial institutions.

Supporting Factors

In Islamic rahn, the fees charged are lower and only paid once, covering the costs of custody, maintenance, guarding, and appraisal. (Maengkom & Fahri, 2023) Based on the results of the interviews, there are several supporting factors that contribute to the successful implementation of the Rahn contract as a risk mitigation strategy at BMT Kedinding. These factors include operational aspects, internal policies, and the responsiveness of BMT to customer conditions. The results of the interview with informant 7 stated:

"The payment time is extended, and the amount paid is less".

From this statement, it can be concluded that flexibility in payment schemes is one of the main supporting factors in the implementation of the Rahn contract. In addition, other factors that play a role in the successful implementation of the rahn contract at BMT Kedinding such as flexibility in payment, personal approach to customers, collateral system that has been determined from the beginning, adaptive internal policies in practice, BMT Kedinding does not immediately confiscate collateral when there is a delay in payment, but rather provides a restructuring option through a rahn contract first. This policy shows that BMT applies the precautionary principle in dealing with customers who experience financial constraints.

The availability of collateral assets, customer readiness, and management support have a close relationship in the success of a financing. Adequate collateral assets protect Islamic financial institutions in managing risks, while customer readiness to fulfill their obligations ensures smooth payments and reduces the potential for non-performing loans. On the other hand, good management support plays a role in setting transparent policies, providing assistance to customers, and ensuring that the financing process runs according to Sharia principles. The relationship between these three aspects is a key factor in creating a sustainable and stable financing system.

To provide a clearer picture of the dynamics of the use of murabaha contracts and rahn contracts, the following is data on the number of customers who have made financing using murabaha contracts and who have re-contracted using rahn contracts at the BMT Kedinding Gresik branch from 2020 to 2024:

Table 1
Number of Customers Who Re-Accept the Agreement at BMT Kedinding Gresik Branch

Year	Murabahah Agreement	Akad Rahn
2020	354 members	107 members
2021	172 members	55 members
2022	205 members	29 members
2023	213 members	29 members
2024	180 members	7 members

Based on the tabular data regarding the number of customers who made a murabahah contract and who re-contracted with a rahn contract at BMT Kedinding Gresik Branch, it can be seen that there is a trend that fluctuates from 2020 to 2024. In the murabaha contract, the number of customers experienced a significant decline from 354 members in 2020 to 172 members in 2021. However, there was an increase again in 2022 and 2023 with 205 and 213 members, before decreasing again to 180 members in 2024. This fluctuation can be caused by changes in BMT policies, economic conditions, or customer preferences in choosing financing contracts. Meanwhile, the Rahn contract shows a more drastic downward trend. From 107 members in 2020, the number continues to decline to only 7 members in 2024. This decline may indicate reduced customer interest or need for the Rahn contract, a possible change in BMT's financing strategy, or challenges in executing the collateral. This suggests that in the application of Rahn and murabaha contracts, further evaluation is needed regarding the effectiveness and attractiveness of each financing scheme for customers.

CONCLUSION

Based on the results of the research conducted, it can be concluded that the application of restructuring through the Rahn contract at BMT Kedinding Surabaya Gresik Branch has proven effective in reducing the risk of non-performing financing. The murabaha agreement, which is one of the main financing products in this institution, has provided easy access to customers, especially traders, to obtain business capital. Most customers utilize this contract to meet their capital needs, thus strengthening BMT's position in providing Islamic financing solutions. However, challenges in repayment installments remain a significant issue, causing the institution to restructure to help customers in difficulty. The application of the Rahn contract as the next step in dealing with this problem not only provides time flexibility for customers but also maintains the financial stability of the BMT by ensuring the existence of executable collateral.

From this research, it can be seen that restructuring through the Rahn contract has a positive impact on the liquidity and stability of BMT. The collateral provided by customers in this process helps the institution to maintain a smooth cash flow and ensure the availability of funds to meet operational needs. In addition, this restructuring process also contributes to increasing members' trust in the institution, where customers feel safer and more protected when they know that their financing is supported by transparent and fair Sharia principles. This is in line with the principles espoused by Islamic financial institutions, where relationships between institutions and customers should be built on trust and fairness.

REFERENCES

- Afandi, F. (2023). *Implementasi Restrukturisasi Pembiayaan sebagai Upaya Penyelesaian Pembiayaan Bermasalah (Studi Kasus BMT Mitra Usaha Ummat)*. Universitas Islam Indonesia.
- Affan, M., & Rahman, T. (2023). Implementasi Karakteristik Akad Murabahah pada Produk Pembiayaan KBB (Kendaraan Bermotor Barokah) di BMT UGT Nusantara Capem

- Socah. *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 6(2), 3932–3943., 6(2), 3932–3943. <https://doi.org/10.47467/alkharaj.v6i2.5434>
- Afrianti, A. (2010). *Stratetegi koperasi jasa keuangan syariah dalam menekan tingkat Non Performing Financing (NPF): studi kasus pada KJK Syariah Arrahmah cinere*. http://repository.uinjkt.ac.id/dspace/bitstream/123456789/5919/1/Aan_Afrianti-FSH_NoRestriction.pdf
- Aini, U. Q., & Rahman, T. (2023). Preferensi Anggota terhadap Produk Pembiayaan Murabahah di BMT Al-Hijrah KAN Jabung Sumenep. *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 5(5), 2412–2426. <https://doi.org/https://doi.org/10.47467/alkharaj.v5i5.3188>
- Akbar, E. E. (2023). Restrukturisasi Pembiayaan Bank Syariah Indonesia. *JUMAGE: Jurnal Ilmiah Manajemen Dan Kewirausahaan*, 2(1), 152–157. <https://doi.org/https://doi.org/10.33998/jumanage.2023.2.1.711>
- Ardyansyah, F., & Agustin, N. (2022). Implementation of profit sharing system in murabahah financing At Kspps BMT Nurul Jannah Gresik. *International Journal of Economics, Business and Innovation Research*, 1(01), 158–168.
- Devisi Keuangan Mikro Syariah. (2019). *Strategi Pengembangan Keuangan Mikro Syariah di Indonesia* (B. Aryo, A. Aditya, & Y. Izharivan (eds.); 1st ed.). Komite Nasional Keuangan Syariah (KNKS).
- Harmoko, I. (2019). *Mekanisme Restrukturisasi Pembiayaan Pada Akad Pembiayaan Murabahah Dalam Upaya Penyelesaian Pembiayaan Bermasalah*.
- Hidayati, K., Handoko, A. T., & Fabianto, E. (2023). Implementasi Konversi Akad Murabahah Menjadi Akad Musyarakah Mutanaqishah Pada Pembiayaan Umum Di Kospin Jasa Syariah Tegal. *Iqtishodiah: Jurnal Ekonomi Dan Perbankan Syariah*, 5(2), 63–74. <https://doi.org/https://doi.org/10.62490/iqtishodiah.v5i2.652>
- Islam, M. A. (2022). Sekapuk Ujungpangkah Gresik. 04(01).
- Kornelis, Y., & Amboro, F. Y. P. (2020). Implementasi Restrukturisasi Dalam Prosesi Kepailitan Dan Penundaan Kewajiban Pembayaran Utang Di Indonesia. *Jurnal Selat*, 7(2), 237–277. <https://doi.org/https://doi.org/10.31629/selat.v7i2.1739>
- Luthfiah. (2025). *Produk Layanan Jasa Lembaga Keuangan Syariah dengan Akad Wakalah dan Rahn berdasarkan pengumpulan data dengan mengamati dan mencatat perilaku yang terjadi dalam*.
- Maengkom, & Fahri, M. A. (2023). Pemahaman Masyarakat Muslim Manado Terhadap Sistem Pegadaian Syariah. *Al-'Aqdu: Journal of Islamic Economics Law*, 3(2), 68. <https://doi.org/https://doi.org/10.30984/ajiel.v3i2.2685>
- Mardiasmo. (2018). *Perpajakan Edisi Terbaru*. (Andi).
- MUI, D. S. N. (2017). Fatwa DSN MUI No. 111/DSN-MUI/IX/2017 tentang Akad Jual Beli Murabahah. Dewan Syariah Nasional MUI, 19, 1–7.
- Ningrum, S. S., Zaini, A. A., & Rustiana, E. (2021). Analisis Faktor Perubahan Akad Murabahah menjadi Akad Rahn (Studi Kasus di BMT Surya Raharja Palang Tuban). *Al-Muzdahir : Jurnal Ekonomi Syariah*, 3(1), 1–20.
- Putri, A. A., & Hasan, D. B. N. (2024). Analysis of the Role of the Bpkb Arrum With Rahn Agreement on UMKM in Tanjung Bumi Bangkalan. *A Research Journal on Islamic Finance*, 10(1), 70–89. <https://doi.org/10.19109/5mb20c02>

- Ramdhan., M. (2021). *Metode Penelitian* (A. A. Effendy (ed.)). Cipta Media Nusantara. https://books.google.co.id/books?hl=id&lr=&id=Ntw_EAAAQBAJ&oi=fnd&pg=PR1&dq=related:hxbuC8YAxpUJ:scholar.google.com/&ots=f3nM9LPsaB&sig=3nDOp4s1ecKNapz8cL6XuhpGep4&redir_esc=y#v=onepage&q&f=false
- Ravianto, J. (2014). *Produktivitas dan Pengukuran*. Binaman Aksara.
- Setiawan, F., & EI, M. (2017). *Buku Ajar Lembaga Keuangan Syariah Non Bank*. Duta Media Publishing.
- Sholihatin, Z. S. (2023). Analisis Organ Pembiayaan Rahn pada KSPPS BMT Lumbung Artho Jepara. *SAUJANA : Jurnal Perbankan Syariah Dan Ekonomi Syariah*, 5(1), 75–84. <https://doi.org/https://doi.org/10.59636/saujana.v5i01.96>
- Solikhulhidayat, Alaydrus, M. Z., & Bakri., M. (2022). Strategi Penyelesaian Pembiayaan Bermasalah Berbasis Islamic Entrepreneurship Di Bmt Se-Kota Jepara. *Jurnal Ekonomi Syariah Pelita Bangsa*, 7(01), 93–102. <https://doi.org/https://doi.org/10.37366/jespb.v7i01.381>
- Sondang, S. P. (1982). *Organisasi Kepemimpinan dan Perilaku Administrasi*. Gunung Agung.
- Sudarto, A. (2020). Penyelesaian Pembiayaan Bermasalah Pada Lembaga Keuangan Syariah Studi Bmt Al Hasanah Lampung Timur. *Islamic Banking : Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, 5(2), 99–116. <https://doi.org/https://doi.org/10.36908/isbank.v5i2.118>
- Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Alfabeta.
- Surepno, S. (2018). Studi Implementasi Akad Rahn (Gadai Syariah) Pada Lembaga Keuangan Syariah. *TAWAZUN : Journal of Sharia Economic Law*, 1(21174). <https://doi.org/https://doi.org/10.21043/tawazun.v1i2.5090>
- Toha, M., & Aini, Q. (2022). Analysis Customers' Interest to IB Faedah Savings. *Majapahit Journal of Islamic Finance and Management*, 1(2), 151-163. <https://doi.org/10.31538/mjifm.v1i2.19>