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Implementation of Check on The Spot and Recrosscheck Collateral in Reducing the Risk of Murabahah Financing Errors

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ABSTRACT
Murabahah binds the sale and purchase of collateral objects at the time of the financing contract, not using collateral that has been previously sold and is fictitious. This research aims to straighten out the procedural check on the spot and the recross check of collateral from the analyst and decision-maker before deciding on financing approval. Data analysis and measurement in this research uses a qualitative approach with a descriptive explanation level. Based on the place, this research includes field research. Based on the type and strategy of research findings, this research is a case study. The results of this study describe and illustrate the Standard Operational Procedure (SOP) that should be used in checking collateral objects in Murabahah financing types, which are usually additional collateral for prospective customers. The analyst team from maker, checker, and approval in Murabahah financing must carry out checks on the spot and recross checks consistently and objectively on the collateral of prospective customers. In other words, not just looking at the report. Collateral object deviations often occur in the field due to the pursuit of financing targets. Although collateral is an additional guarantee, it has an important role in determining the fulfillment of the collateral assessment ratio. The conclusion of this research is that it is very important to coordinate at every level solidly to double-check the collateral repeatedly to avoid errors in the Murabahah financing determination procedure.

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Procedure, Consistent, Objective, Customer.

Introduction

Murabahah is one of the types of sharia financing that operates through two (2) contract mechanisms: cash and installment contracts. In the cash mechanism, the transaction involves the sale and purchase of goods, where the bank acts as the seller. Meanwhile, Murabahah with installments (bitsaman ajil) involves the sale and purchase of goods with the selling price explicitly stated in the contract. In the pillars and conditions of a Murabahah contract, there must be parties involved in the contract (Al-'Aqidain), the object of the contract (Mahallul 'Aqad), the purpose of the contract (Maudhu'ul Aqad), and the contract statement (Sighat al-Aqad). However, in practice, there are deviations in

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the object of the contract, which are considered as additional elements, referred to as collateral. The existence of collateral should coincide with or occur shortly before the execution of the contract. However, in reality, the sale and purchase of the collateral are often conducted long before the Murabahah contract takes place. As explained in the article (Muzariah, 2022), the disbursement of Murabahah financing must first undergo an analysis of the feasibility of the collateral by the Islamic bank.

One of the important aspects of Murabahah financing is collateral. Collateral serves as a means to avoid losses in cases of payment defaults and functions to protect the disbursement of funds and mitigate risks. Research conducted by Syaputri & Miswardi (2023) states that collateral items used as guarantees must undergo cross-checks or re-evaluations by appraisers or appraisal officers to ensure legal accountability in the event of a breach of contract. The article by Jamhur & Trihantana (2017) discusses the processes undertaken by Islamic banks in securing collateral and resolving disputes through litigation and non-litigation methods in Murabahah financing. Collateral must be a key focus during evaluations before financing approvals, as many issues arise during the financing period. This is evident in the study by Tarigan et al. (2023), which explores the resolution of problematic financing through the collateral takeover mechanism. The necessity of collateral verification is underscored by the significant annual increase in the demand for Murabahah financing (Pane et al., 2023). The assignment of collateral as an additional guarantee with economic value is explained in the scientific study by Nursakti (2018). In addition to the bank's responsibility to verify the collateral, the involvement of notaries is also essential. The scientific work by Permana (2022) highlights that the role of notaries in relation to collateral is to provide legal validation with binding legal force.

Collateral as an additional guarantee is often misunderstood as merely a complement, whereas it plays a crucial role in determining the ratio of house and land valuation to financing, commonly referred to in banking terms as the Loan to Value (L/V) ratio. In practice, the timing of collateral acquisition is often modified. For instance, the sale and purchase process is altered to appear closer to the Murabahah contract date, rendering the validity of the collateral sale and purchase agreement fictitious. Additionally, the seller's name on the sale receipt is sometimes changed. This occurs because the purchase period has long passed, and the buyer or prospective customer no longer has the original sale receipt for the collateral.

Such practices are impermissible under Islamic law and are categorized as data falsification. The legal consequences of borrowing from banks are discussed in an article by Komala & Dewi Kasih (2020). A scientific study by Pratiwi et al. (2024) highlights the connection between document mark-ups in loan applications and non-performing loans. Data falsification, if known by the bank, can lead to problematic loans in the future.

The dishonest actions encouraged by certain bank officials to ensure the loan process proceeds smoothly often compel prospective customers to follow these prohibited procedures due to their urgent need for loan funds. An article by Husna & Taupiqqurrahman (2023) also elaborates on document falsification and fraudulent practices commonly encountered in financing applications. Similarly, Desriana (2018) addresses these issues from a criminological perspective, specifically focusing on document forgery in collateral cases. Meanwhile, a scientific paper by Istighfarin (2018) explains the legal protections available to creditors (banks) and collateral owners (customers) in cases where debtors (typically customers) default on their obligations.

Reviewing and responding to the issues and cases described above, there is a need to clarify the Standard Operating Procedure (SOP) regarding the collateral check, specifically Check on The Spot and Recrosscheck, which must be conducted by the Bank's parties, namely the Analysis and Financing Approval Decision-Making Team and the Appraisal party. What is the correct and valid method for conducting a crosscheck during the Check on The Spot of collateral in Murabahah financing? This condition is necessary to reduce the risk that may arise in the future, especially if default occurs on the part of the customer. The next question is: To what extent should the bank conduct an analysis of the feasibility of collateral? This main task must be performed by the Bank's Analysis Team.

Methods

This research uses data analysis and measurement with a qualitative approach. The level of explanation is descriptive and involves field research. In terms of the type and strategy of discovery, this research is classified as a case study. Data collection and analysis are conducted simultaneously and repeatedly to obtain saturated and accurate data. The form of interviews used is planned and structured, and includes participant observation. In qualitative research, the researcher seeks to understand the meaning of events and interacts with several informants within those situations and phenomena. In this study, the researcher attempts to enter the subjective aspects of people's behavior to better understand the ways and meanings constructed around the events (Yusuf, 2017). Case study research and field research are characterized by problems related to the background and current conditions of the subjects being studied, as well as their interaction with the environment (Sangadji & Sopiah, 2010).

Result

One of the channels through which Islamic banks provide funds to the general public is through the Murabaha contract. Murabaha financing uses a buying and selling principle based on a contract or facility. Article 1, paragraph 26 of the Islamic Banking Law explains and states that collateral is an additional guarantee in the form of movable and immovable assets handed over by the collateral owner to the Islamic bank to ensure the repayment of the borrower's obligations as the recipient of the facility. Collateral determines the value of the asset pledged to secure the Murabaha financing requested by the prospective borrower. A common issue that occurs in the field is the recross-checking in the "Check On the Spot" process, which is often overlooked by the team responsible for approving financing, and there is a tendency for discrepancies between the actual data and the report data submitted for further processing. Based on the results obtained in the field, the researcher can outline several processes that are typically carried out and the treatment that should be applied, including:

1.1. Pre-Financing Process of Murabahah

At this stage, the researcher presents it in the following table :

Table 1.
Procedure in the Pre-Financing Process of Murabahah

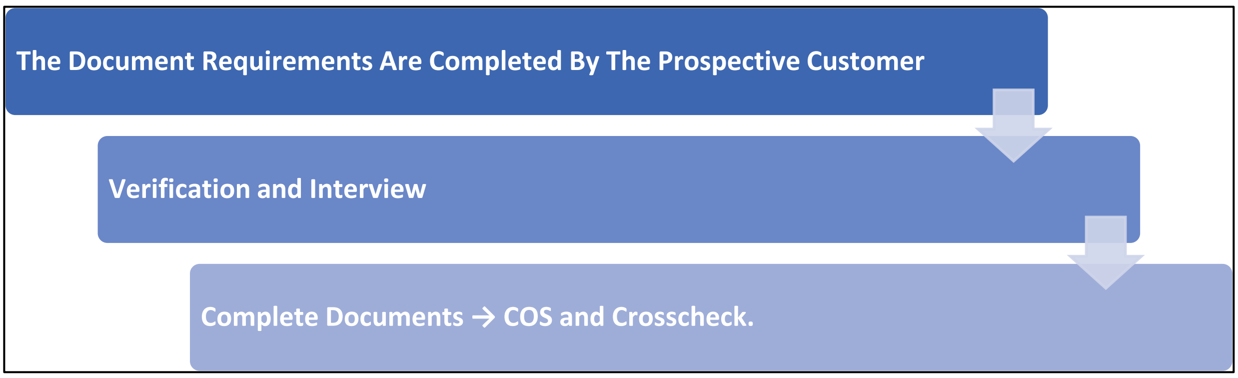
No.	Actual Process	Expected Process

1	Lack of coordination regarding missing documents.	A list of missing documents should be made and immediately communicated when submitting documents, so that the prospective customer does not need to come back (Service Excellence).
2	Collateral value is not directly calculated.	Standard appraisal should be conducted to determine if collateral is needed.
3	Check On the Spot (COS) is not done to assess business feasibility.	COS must be performed to determine eligibility for the next stage.
4	Lack of coordination between the bank and the prospective customer (canas) regarding collateral.	Active interaction between the prospective customer (canas) and the bank regarding collateral (Service Excellence).

Prospective customers who complete the documents as administrative requirements should be immediately addressed by creating a list of missing data. The bank provides feedback by coordinating with the prospective customer via phone and conducting a Check On the Spot (COS), especially for assessing and verifying the collateral to determine if additional collateral is needed. The implementation of this pre-financing process must provide the best service (Service Excellence) to prospective and existing customers.

The Analysis Team and Decision Maker must conduct repeated checks on the data provided by the prospective customer to ensure its validity. This is to avoid discrepancies and errors between the written data and what is found in the field. The stages of the pre-approval process for Murabahah financing are explained as follows:

Picture 1.
Pre-Financing Process Stages of Murabahah



1.2. Murabahah Financing Approval Process

After the Front Office and the Financing Analysis Team are confident that the prospective customer has met the administrative requirements and the required analysis, the application process will proceed. At this stage, the process includes the flow of Maker, Checker, and Approval for the Murabahah financing proposal.

The next step is the approval process of the application, which can be explained as follows:

Tabel 2.
Murabahah Financing Approval Process

NO.	Real Implementation	Implementation Should Be
1	Insufficient recross check of guarantees and collateral, especially in the Decision Maker section	Recross check of guarantees and collateral must be objective. Use a third party for appraisal, especially for the main collateral.
2	Lack of coordination and information regarding the collateral.	Good coordination with potential customers regarding the actual condition of the collateral.
3	Only reviewing the maker's report.	COS and Recheck
4	Insufficient assessment of the fair market value of the collateral.	Valuation and Fair Market Value by the Appraisal.

Discussion

Murabahah financing is an important product in Islamic banking that functions to distribute funds to customers. This type of financing is quite popular among the public because it can be used to meet both consumptive and productive needs. One of the objectives of this muamalat activity is to safeguard the interests of all parties in obtaining ease, clarity, fairness, and welfare. The same point is raised in the article (Ahmad & Nurrohmah, 2020), which states that murabahah financing has an impact on customer welfare. However, in practice, the process and objectives often do not align with the Islamic Banking Product Standards set by OJK in 2016 and the fatwa of DSN-MUI.

In the article (Nuriasari, 2019), it is explained that the research mentions that the distribution process must meet four (4) stages outlined by OJK, but the Rajasa Islamic Bank, Kalirejo branch, where the research took place, did not fulfill the principle approval letter or Offering Letter; it was only communicated by phone. The issue of notification only through phone calls is related to Service Excellence, Recross check, and Check On the Spot. The Offering Letter should have been given face-to-face or through a visit between the bank and the potential customer. The customary behavior of delivering or checking a document should involve interactive communication between both parties. In assessing potential and existing customers in the murabahah financing process, it must be strict, selective, thorough, and meticulous by analyzing the 5C (Character, Capacity, Capital, Collateral, and Condition of economy) (Kamal, 2021).

The label 'Shariah' attached to an Islamic banking entity carries a significant responsibility, as this institution is required to implement Shariah principles in every activity. The validity and adherence to Shariah compliance is an absolute necessity (Fajri AF, 2020). In the case of Check On the Spot and ReCross Check activities, it becomes the responsibility of the analysts, decision makers, and other related departments. All activities related to financing approval must be ensured through repeated checks until the data is saturated. Incomplete document checks may lead to problems in the future, making it the responsibility of the Risk Management of Financing. The study (Mukhlis, 2022) discusses the procedures, implementation, impacts, and practices of risk management in murabahah financing from the perspective of Islamic Economic Law. This is related to the repeated checking of collateral, which provides valuable input about the Character, Collateral, Capital, Capacity, and Condition of the potential customer.

After the documents are completed, the next step in the process is the approval and Murabaha contract, which must be in accordance with the Fatwa of the National Sharia Council. Research conducted at BMT Al-Amal Bengkulu regarding the implementation of the Murabaha contract by (Marini et al., 2021) explains that the Murabaha financing process at BMT Al-Amal has been carried out in accordance with the fatwa of the DSN-MUI. Similarly, it is explained in the article by (Dewi Wulaningrum & Nisa, 2018), which discusses the Murabaha contract for pension financing at Bank Syariah Mandiri, Wirobrajan branch, and is relevant to the fatwa of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI) No. MUI/IV/2000. The process of Griya KPR financing at Bank Syariah Mandiri uses the Murabaha contract, which is divided into 9 stages, namely: the financing application, data collection and verification, bank survey, financing approval, binding or contract, fund disbursement, and monitoring (Putri & Martana, 2021).

Each murabahah financing distribution must first analyze the feasibility of the collateral, especially by the risk management of the Islamic bank. In the study (Muzariah, 2022), an analysis method for determining the feasibility of collateral in the distribution of murabahah financing is examined from the perspective of the bank's risk management. The determination of collateral feasibility is based on criteria such as economic value, undamaged goods, marketability, and legal binding. The determination process includes risk identification, risk measurement, and risk monitoring. One important aspect of murabahah financing is collateral, as it prevents financing from becoming problematic. The valuation of the collateral must be done carefully and accurately to avoid losses in the future. The types of collateral typically pledged are certificates, girik letters, and vehicle ownership books (BPKB). Collateral goods as guarantees for obtaining financing must be cross-checked by the valuation team or appraiser and recross-checked by the analysis team and decision maker. Both the cross-check and recross-check should pay attention to the legalities, authenticity of documents, and fair market value. Collateral must be legally bound so that it can be held accountable.

In this stage of financing approval, the decision maker must carefully consider the authenticity and validity of the documents. A field check must be conducted by one of the members of the murabahah financing approval team, particularly to verify the accuracy of the collateral and guarantee in order to minimize future risks. Research on measuring and identifying risks was conducted by (Arnayulis et al., 2019). Collateral checks in the form of certificates must go through the land office (where the certificate was issued). This is to avoid the occurrence of duplicate certificates, as explained in the article (Pranoto, 2020), which mentions a dispute over land ownership rights between Allan Tjipta Rahardja and Haji Musofaini. The SHM No. 12/Gunung Anyar Tambak land certificate belonging to Allan Tjipta Rahardja is registered in the land book No. 9722/84.85, dated February 18, 1985.

Repeated checks and adherence to procedures for collateral are important stages in murabahah financing. The methods for implementing risk management in murabahah financing and solutions for resolving problematic financing are discussed in the research conducted by (Wandayanik, 2015), which demonstrated that BNI Syariah Bank, the Mojokerto branch, successfully managed risks well because it followed the OJK procedures and the DSN-MUI fatwa accurately, correctly, and precisely.

At the stage of the murabahah financing contract, a recross-check of the collateral's legality should be conducted. This is done to ensure the validity and authenticity of the pledged documents. The article (Abdurrauf, 2023) analyzes the legal norms of murabahah financing, from the perspective of the legal standing of legal subjects, legal relationships, and the determination of legal actions as part of the murabahah financing contract.

Everything related to the stages of implementing risk management in murabahah financing and solutions for future resolution must be anticipated from the beginning of the financing application process until the approach to the financing contract. Each stage of the process in financing is interconnected as a preventive measure to avoid problematic conditions in the future. The novelty in this research is that Crosscheck, Recrosscheck, and Check On the Spot must be carried out at every stage of the process and directly by representatives from the Application Team, the Valuation Team, and the Financing Approval Decision-Making Team, from the pre-application process, the application itself, and up until the murabahah financing contract.

Conclusion

From the research conducted, it can be concluded that in every financing process, from pre-application, application, approval, and before the murabahah contract, Crosscheck, Recrosscheck, and Check On the Spot must be performed repeatedly and carefully on the collateral by all representing teams until solid, valid data is obtained in accordance with the applicable procedures and regulations

Declarations

Author contribution statement

The first author collected all the research data, while the second author gathered relevant articles, books, and references. Both the first and second authors jointly conducted the data analysis.

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Declaration of interests statement

We declare that we have no financial interests or personal relationships that could influence the work in this scientific paper.

Additional information

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