

Risk Management in Islamic Micro Finance Credit System for Poverty Alleviation from Qualitative Perspective

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Abstract : Poverty has been a major problem in Indonesia. Islamic micro finance (IMF) named Baitul Maal Wat Tamwil (Bmt) plays a prominent role to eradicate this. Indonesia as the biggest muslim country has many successful applied products such as worldwide adopt group-based lending approach, flexible financing for farmers, and gold pawning. The Problems related to these models are operation risk management and internal control system (ICS). A proper ICS will help an organization in preventing the occurrence of bad financing through detecting error and irregularities in its operation. This study aims to seek a proper risk management scheme of credit system in Bmt and internal control system's rank for every stage. Risk management variables are obtained at the first In-Depth Interview (IDI) and Focus Group Discussion (FGD) with Shariah supervisory boards, boards of directors, and operational managers. Survey was conducted covering nationwide data; West Java, South Sulawesi, and West Nusa Tenggara. Moreover, Content analysis is employed to build the relationship among these variables. Research Findings shows that risk management Characteristics in Indonesia involves ex ante, credit process, and ex post strategies to deal with risk in credit system. Ex-ante control consists of Shariah compliance, survey, group leader reference, and islamic forming orientation. Then, credit process involves saving, collateral, joint liability, loan repayment, and credit installment controlling. Finally, ex-post control includes shariah evaluation, credit evaluation, grace period and low installment provisions. In addition, internal control order sort three stages by its priority; Credit process as first rank, then ex-post control as second, and ex ante control as the last rank.

Keywords : internal control system, islamic micro finance, poverty, risk management

Conference Title : ICIBFI 2015 : International Conference on Islamic Banking, Finance and Investment

Conference Location : Zurich, Switzerland

Conference Dates : January 13-14, 2015