

STRATEGY FOR IMPLEMENTING RISK MANAGEMENT THROUGH DIVERSIFICATION AT BANK MUAMALAT IN INDONESIA

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Abstract

Strategy is of course needed to face risks in every bank, both conventional and sharia banks. One strategy that can be implemented is diversification. Diversification is a financial strategy by placing funds in various investment tools with very different levels of risk and potential profits, and usually this strategy allocates assets. This research examines the strategies used by Bank Muamalat in dealing with/responding to problems that occur. The research results show that one of the strategies carried out by Bank Muamalat is to emphasize its risks through diversification. The financing diversification strategy implemented by Bank Muamalat is to produce healthy financing growth. So that Bank Muamalat makes improvements in end-to-end procedures and maintains the quality of financing by determining risks that will occur. The method used in this research is a qualitative method with a literature study approach. The data used is secondary data, namely data sourced from existing literature and references, such as in journals, scientific papers, encyclopedias and other data sources related to the research topic. Data analysis was carried out in three stages, namely, data reduction, data presentation and verification. This research needs to be carried out because the aim of diversifying is to get as much profit as possible and avoid the threat of loss. Especially at Muamalat Bank, which currently has a lot of competitors, so the bank must be able to manage the losses that it fears will occur in the future. However, of course the strategy carried out is not only diversification, but of course a fairly strong strategy is also needed in Bank Muamalat's risk management. There are things that need to be done, such as identifying risks that will occur, measuring risks that might occur, and how to manage risks that are occurring.

Keywords: Strategy, Risk Management, Diversification.

INTRODUCTION

Currently, Islamic banks will always be faced with all types of risks with varying levels of complexity in each of their business activities. Risk in the banking context is a potential event, both predictable and unpredictable, which has a negative impact on the bank's outlook and capital. These risks cannot be avoided, but managed and controlled. An important effort made by banks

in distributing financing is risk management (Agustin, Armis, and Hasan 2022). One method used in risk management is diversification.

Diversification is a financial strategy by placing funds in various investment tools with very different levels of risk and potential profits, and usually this strategy allocates assets. Asset allocation focuses more on the placement of funds, investments and not on the choice of shares in the portfolio. The main reason banks

diversify their income is to maximize profits and minimize losses. Portfolio theory states that diversification can reduce risk so that it can maximize profits. This is what encourages many banks to diversify their income (Igustia, Bayuni, and Anshori 2020).

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Tanggal Laporan 30 September 2023 dan 31 Desember 2022				
(dalam miliar rupiah)				
No.	Pos-Pos	Sep-23	Des-22	
1	ASET			
2	Pemilikan pada Bank Indonesia	637.616	702.176	
3	Pemilikan pada bank lain	3.801.343	7.181.471	
4	Tagihan aset dan finansial	405.004	994.110	
5	Suara bank yang dimiliki	12.323	904	
6	Tagihan aset keuangan yang tidak dengan janji	32.186.003	27.066.377	
7	Tagihan akseptasi	234.303	118.423	
8	Piutang			
9	a. Piutang muamalat	6.068.082	6.068.153	
10	b. Piutang asuransi	1.266	1.332	
11	c. Piutang umum	1.078.372	864.976	
12	d. Piutang lain-lain	1.066	1.066	
13	Pembiayaan bagi hasil	583.887	584.059	
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mindfulness throughout the bank's work lines. These sweats are realized through the perpetration of a threat culture, good internal communication, acceptable training and instrument related to threat operation, and the perpetration of prices and corrections regulated in company regulations.

Based on research (Igustia, Bayuni, and Anshori 2020) shows that from the results of this research, diversification has no effect on the risk of Islamic banks, because Islamic banks only focus on one source of income, namely profit sharing income. However, if you add other sources of income, Islamic banks can increase profitability and reduce the risk of dependence on profit sharing income. The lack of influence of income diversification on sharia bank risk shows that the diversification carried out by sharia banks listed on the Indonesia Stock Exchange for the 2016-2019 period is still not productive, or the income generated by other income is still small.

Based on previous research, diversification has no effect on the risk of Islamic banks, because Islamic banks only focus on one source of income, namely profit sharing income. This condition is a normal condition because not all banks can diversify. Diversification is carried out by banks if one of the business segments owned by the bank experiences losses which can be covered by returns received from other income. However, this is not in line with what Bank Muamalat did in dealing with the crisis so that its condition stabilized after making several changes to its risk management system, one of which was the implementation of risk management through diversification.

Based on the description above, one of the studies shows that diversification has no effect on Islamic bank risk, but on the other hand, how does Bank Muamalat implement verification risk management in an effort to deal with the crisis that hit Bank Muamalat? This difference makes researchers want to focus on analyzing how efforts to implement risk management through diversification are carried out. carried out by Bank Muamalat in Indonesia. This aim is to find out the strategies

used by Bank Muamalat in terms of risk management through diversification.

LITERATURE REVIEW

Strategy

According to Iman Mulyana (2010;45) quoted from research (Akay, Kaawoan, and Pangemanan 2021) Strategy is the science and art of using capabilities together with resources and the environment in the best effective way. There are four important elements in the definition of strategy, namely: capabilities, resources, environment and goals, these four elements are combined in a rational and beautiful way so that several alternative choices emerge which then emerge. are evaluated and the best ones are taken, then the results are announced explicitly as a tactical guideline which is then transferred to the operational environment. Strategy cannot be separated from the structure, behavior and culture in which the process occurs.

The stages in determining a strategy are as follows:

first, the formulation stage, the first stage is defined as all conditional decisions that determine the actions that must be carried out in order to deal with every situation that may occur in the future, second, the termination stage, this stage includes decision making regarding all the potential that is owned, the third is the implementation stage, the fourth is the This includes the implementation of existing strategies using all capabilities to achieve goals and in the five stages of assessment at this stage research is carried out on what has been done in subsequent stages (Akay, Kaawoan, and Pangemanan 2021).

Risk management

Risk management is the main activity of a bank as an intermediation institution which aims to optimize the trade off between risk and income, as well as helping plan and finance business development appropriately, effectively and efficiently. Every institution finance, including banks must be

able to identify and control the risks inherent in the activities of managing deposit funds, productive asset portfolios, and offbalance sheet contracts. In sharia banking, the risk management system in banks includes several successive stages, namely risk identification, risk and capital quantification, pooling or grouping of similar risks, prior control, and Risk monitoring (Muhammad Iqbal Fasa 2016)

Islamic banks have more complex risks compared to companies operating in other sectors. The complexity of banking issues does not only concern company organs but also involves customers and the wider community as well as broad-ranging conditions of economic stability. Because basically humans cannot guarantee what will happen in the future. Loss itself is a form of risk from the provisions and regulations of Allah (Sunatullah). Islam views that risk is a sunatullah in a business activity. Including predicting losses that may occur in the future (Akbar. C et al. 2022) 2.3.

Diversification

Diversification is managing assets into several instruments which are expected to maximize profits and minimize risks. Diversification is seen from several forms of diversity managed by banks in placing funds in several places of business (Raspi 2019). In fact, banks are required to continue to diversify their operational activities, especially credit and financing. Financing that is not controlled by diversification can cause high levels of Non-Performing Financing (NPF).

Diversification is carried out in order to reduce risk (Ramadhan, Suharti, and Nurhayati 2020). It is hoped that diversification in banking can control risks if this happens. The benefits of diversification are that the company can make it easier to gather capacity because it manages many products and does not depend on one type, can carry out company expansion to maximize company profits and can find new products to increase profits for potential consumers, and can reduce dependence on just one market by a company (FandyTjiptono, 1997).

In general, according to RSHJ Nijman, SE Van DerWolk (2007), the objectives of diversification strategies are:

1. Grow the product with updates tailored to the Product Life Cycle (PLC).
2. Pay attention to ensure that profit fluctuations do not spread.
3. Adding product quality to the capital market.

Diversification is a risk management strategy, carried out by combining various investment instruments with different characteristics such as asset classes, currencies, geographic locations and sectors in the portfolio to minimize risk. losses due to a decrease in the value of certain investment assets. A professional investor will certainly place his investment funds into several investment instruments. So, when one investment experiences a decline in asset value, it is hoped that the total investment owned will not be significantly affected or what is commonly known as don't put all your eggs in the same basket.

RESEARCH METHODS

This research design uses qualitative methods with a literature study approach. Literature study is a method that searches for references that are relevant to the problems found. Literature studies describe theoretical analysis, scientific studies, references and literature related to local community habits, norms and values that are developed in the observed field conditions. (Sugiyono 2018).

The data used is secondary data, namely data sourced from existing literature and references, such as in journals, scientific papers, encyclopedias and other data sources related to the research topic.

The data collection method used is literature study which is part of the data collection technique which focuses on tracing historical data or phenomena that have occurred and can be in the form of writing, illustrations, articles and preparation of scientific work related to the problem in the study, processed and analyzed further.

Data analysis was carried out in three stages, namely, data reduction, data presentation and verification. Qualitative data analysis is an effort carried out by working with data, organizing data, sorting it into manageable units (Muhadjir 1998).

RESULTS

Bank Muamalat's Efforts to Overcome the Crisis

In 1998, Muamalat experienced an operational loss of up to Rp. 105 billion. This is a serious blow, considering that the total paid-up capital at that time was only Rp. 138.4 billion. However, with efforts on all fronts, losses can be reduced and even generate consecutive operating profits from 2000-2003 of Rp. 10.85 billion, Rp. 50.32 billion, and Rp. 32.15 billion. A special note that is perhaps second to none in similar institutions - the entire crew succeeded in returning capital which had fallen by almost a third in 1998 or only Rp. 39.3 billion.

In fact, at the end of 2002, total equity exceeded paid-in capital to Rp. 174.32 billion. That amount is approximately Rp. 66 billion came from new investors, while the remaining Rp. 108 billion is a donation - more often referred to as a form of "Waqf Jaariyah" from the Muamalat crew. If the number of crew reaches more than 5,000 people, then over the last four years, each crew has donated Rp. 216 million. While many conventional banks collapsed or survived with recap funds from the government when the crisis hit, Muamalat was able to survive, and was even able to make a profit.

It cannot be denied, this is the fruit of their patience. The entire crew works hard together to think about how the organism they live in can escape difficult times. It doesn't stop there, they also call to save Muamalat as a missionary organism operating in the economic sector by holding tahajjud prayers together in the office, almost every Saturday night. It may be that their competence compared to other bank crews is not much different or even at a lower level, but their persistence in working and praying as a reflection of militancy brings help

from God. (DewiJuniaMawarni, Finda Indah Safitri 2022).

Implementation of Risk Management at Bank Muamalat The risk management carried out by Bank Muamalat in anticipating risks, the author tries to analyze these stages one by one, namely:

a. Identify risks

Risk identification at Bank Muamalat is carried out by the risk unit (Financing Risk Division) in carrying out operational activities by carrying out several risk management programs in order to anticipate risk problems that could disrupt banking operations.

b. Risk measurement

Risk measurement is carried out by Bank Muamalat by implementing established programs or procedures. The risk measurement approach is used to measure the Bank's risk profile in order to obtain an overview of the effectiveness of implementing risk management.

c. Risk management

Each business will face its own risks and the characteristics of the risks are also different. This requires different management according to the characteristics of the risk. In general, risk management can be done in various ways, such as avoidance, retention, verification, or transfer to another party. The easy and safe way is to avoid risks. In certain situations the risk can be endured or borne by yourself. Verification techniques are usually used to spread risk across various assets so that the possibility of facing losses can be minimized.

Some other general physical assets whose risks are borne by other parties (insured). The risk control process must be used by banks to manage certain risks, especially those that can endanger the continuity of the bank's business. Risk control can be carried out by banks, including by

means of hedging, and other risk mitigation methods such as issuing guarantees, asset securitization, and increasing bank capital to absorb potential losses. (Agustin, Armis, and Hasan 2022)

DISCUSSION

Implementation of Risk Management Through Diversification at Bank Muamalat in Indonesia. Bank Muamalat has implemented a financing diversification strategy in an effort to reduce risk. A financing diversification strategy is expected to reduce or eliminate the risk of the entire portfolio. To connect with customers, diversification strategies are considered to combine inner feelings, reason and thinking so that they can be channeled to consumers. The financing diversification strategy implemented by Bank Muamalat is to produce healthy financing growth. So that Bank Muamalat makes improvements in end-to-end procedures and maintains the quality of financing by determining risks that will occur.

Bank Muamalat also practices strategic methods to achieve its business targets through policies contained in the RBB with a strategy that includes three priority initiatives, namely:

- 1) Business Turnaround namely a changed strategy for the Bank in practicing profitable and long-lasting business, and the main focus of the program is on:
 - a. As a form of responsibility for sharia economic development in Indonesia, prioritizing the distribution of financing to potential sectors, especially those with low risk but with high rewards (high yield) and advancing the Islamic segment.
 - b. Islamic business financing, mortgages, employee benefit programs, and consumer financing for multi-purpose products will all be key areas of retail financing. Meanwhile the wholesale market will concentrate on financing BUMN, large corporations and other low-risk clients.
 - c. In the funding section, it continues to develop to expand Surah savings and current account funds on an equal

footing with new offers tailored to customer needs.

- d. Creation of Wealth Management products. Bancassurance, Trade and Transactional will continue to increase their service-based revenue contribution.

- 2) Rebuild Financing Portfolio aims to monitor quality and healthy financing by recovering low quality financing:

- a. Improving portfolio quality by assisting in the development of portfolio management that is more active, complete, orderly, and supported by strict risk management so that its quality does not decline.
- b. Continue to provide sufficient reserves to cover these losses, among other things, to continue the process of recovering problematic financing. To maximize income, recovery and collection efforts are also carried out to speed up the resolution of problematic financing.
- c. Keep financing distribution the same so you can remain focused and disciplined on the target market that you already know and its risk acceptance criteria.

- 3) Digital and Transformation namely technologically motivated improvements, namely:

- a. Through the third strategic partnership, development will be focused on the Digital Islamic Network (DIN) which includes opening a Smart Account and adding service features. Apart from that, increasing cooperation with the sharia community and ecosystem, transforming sales and distribution channels as well as collaboration with the sharia community and ecosystem, transforming sales and distribution channels and branch services.
- b. Changes regarding expansion and improvement of policies, procedures and systems. In addition, BMI will revise the Bank's objectives with the needs and goals that must be achieved.

- c. Providing the best service to all parties involved and upholding the concept of efficient and effective operations. Consistent standards are used to achieve this both from a support and business perspective.

Challenges to the Development of Bank Muamalat in Indonesia

The challenges faced by Bank Muamalat include the lack of knowledge among the public regarding sharia banking which is caused by a lack of socialization of sharia banking itself, there are still many people who think that sharia banking is the same as conventional banking and people are more interested in using conventional banking to access financial services. . Then the attitude of people living in remote areas is still closed to things outside their culture, for example saving or borrowing money in sharia banking.

Institutional capacity is not yet competitive and efficient. Some of the problems include limited capital and network support, low use of technology, and unequal human resource capacity. Apart from that, there are still limited types and access to sharia financial products and services to meet people's needs. It has become a general understanding that sharia financial products and services cannot provide the comfort and sophistication that the conventional financial industry provides. Because the needs of the middle class continue to grow rapidly.

CONCLUSION

Bank Muamalat has so far survived quite strongly in Indonesia. It was recorded that the Indonesian economic crisis in 1998 also had an impact on Bank Muamalat, but until now they have developed well so that they have many branches throughout Indonesia. This is of course not without reason, because all of this is the result of external parties' hard work on business strategy capabilities that provide added value to the company and produce

performance that has a positive impact on customers, employees and shareholders.

Diversification is the management of assets into several instruments which are expected to maximize profits and minimize risks. Verification is carried out in order to reduce risk. The benefit of certification is that the company can make it easier to gather capacity because it manages many products and does not depend on one type, can carry out company expansion to maximize company profits and can find new products to increase profits for potential consumers. Diversification is also a risk management strategy carried out by combining various investment instruments with different characteristics such as asset classes, currencies, geographical locations and sectors in the portfolio to minimize the risk of loss due to a decrease in the value of certain investment assets.

Until now, Bank Muamalat will continue to try to revive the Indonesian economy. As one of the sharia banks in Indonesia, Bank Muamalat continues to strive to revive the sharia economy through implemented programs and by participating in assisting the government in developing the national economy.

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