

Analysis of the Loan Program of the Savings and Loan Business Unit at BUMDesa Mutiara Welirang, Ketapanrame Village According to the Perspective of Sharia Economics

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ABSTRACT

Village development through Village-Owned Enterprises (BUMDes) is an important strategy to improve community welfare by empowering local economic potential. BUMDes, is a legal entity owned and managed by the village community. One example is BUMDesa Mutiara Welirang in Ketapanrame Village, Mojokerto, which manages various business units including savings and loans. This savings and loans unit applies the sharia concept with the qardh contract, providing interest-free loans to help people establish businesses or obtain capital, demonstrating BUMDes' commitment to supporting the village economy sustainably and following Islamic economic principles. So, the formulation of the problem in this study, first: How is the implementation of the Savings and Loans Business Unit loan program at BUMDesa Mutiara Welirang, Ketapanrame Village? Second: What are the results of the analysis of the BUMDesa Mutiara Welirang Savings and Loans Business Unit loan program from a Sharia Economic perspective? Third: How is Risk Management in the Savings and Loans Business Unit at BUMDesa Mutiara Welirang, Ketapanrame Village? The research method used is qualitative descriptive with a case study approach. Data collection was conducted through field observations, in-depth interviews with tourism managers, community leaders, and tourists, and analysis of related documents. The results of this study indicate that: first, the BUMDes savings and loan business unit loan program has become an effective financing alternative at the village level, increasing financial inclusion through easy access and simple procedures using the infaq system. Second, the Mutiara Welirang BUMDesa Savings and Loan Business Unit applies Sharia economic principles through the infaq and qardh mechanisms in its loan program. Third, the Mutiara Welirang BUMDesa Savings and Loan Business Unit has implemented comprehensive risk management, covering aspects of operational, liquidity, and credit risk.

Keywords: Loan Program, Savings and Loan Business Unit, BUMDes

INTRODUCTION

The Indonesian government has established regional development as one of the main focuses of national development, with village development as a crucial component of this strategy (DPR RI, nd). Village development covers various aspects of life, including the development of individuals, families, communities, and the surrounding environment, including physical, economic, socio-cultural, political, security, religious, and governance infrastructure (Muhi, 2011). As the spearhead of development implementation, villages have an important role because they interact directly with the community. To accelerate progress in rural areas, the central government provides autonomy to village governments through Law No. 32 of 2004 concerning the Regional Government (DPR RI, 2004). To realize an independent and empowered village, the concept of Village-Owned Enterprises (BUMDes) emerged as a legal entity owned and managed by the village community. Based on Article 213 of Law No. 32 of 2004, villages have the authority to form BUMDes by considering local needs and potential, with the hope of empowering village communities to manage their local economic potential sustainably (DPR RI, 2004).

Village-owned enterprises (BUMDes) are the main instrument in empowering village communities, playing a role not only as an economic institution but also as an agent of development change (Sahabat Bumdes, 2024). BUMDes becomes a bridge to explore and manage local potential through economic, social, and environmental studies, developing programs that are in line with local needs, such as developing superior products, promoting tourism, and utilizing sustainable natural resources. As a vehicle for innovation and entrepreneurship, BUMDes opens opportunities for villagers to develop small and medium enterprises, encouraging economic independence through training, guidance, and mentoring programs. With careful planning and quality workers, BUMDes offers significant opportunities to improve the standard of living of villagers, becoming an alternative means of increasing village income and population welfare.

Ketapanrame Village in Trawas District, Mojokerto Regency, has implemented a village empowerment program through BUMDesa Mutiara Welirang. Established in 1978 as HIPPAM "Tirto Tentrem" to manage clean water, this BUMDesa has grown rapidly thanks to good management and clear goals. From one initial business unit, now BUMDesa Mutiara Welirang has expanded its services to five units, including drinking water management,

environmental cleanliness, tourism, kiosk land, and livestock pens, as well as savings loans, and partnerships. The success of this BUMDesa is proven by various prestigious awards, including the Best 1st Place in the 2020 East Java Provincial BUMDes Competition, 1st Place in the 2020 ASTRA Prosperous Village Competition, the Community Development and Engagement award in the Java Bali I National BUMDES Awards 2022, and recognition as an Inspirational BUMDesa in the Beneficial BUMDes category from the Ministry of Villages, Development of Disadvantaged Regions and Transmigration of the Republic of Indonesia in 2023.

The presence of BUMDesa Mutiara Welirang has had a significant impact on easing the economic life of the community through the various business units that it manages. One of the units that attracts attention is the Savings and Loans and Partnership Business Unit, which was formed in 2020. This unit not only functions as an economic development initiative that provides loan capital for the community to establish businesses or improve the economy of underprivileged groups but also acts as a forum to handle the East Java Provincial Government's Other Paths to Independence and Prosperity (Jalin Matra) program through Poverty Vulnerability Alleviation (PK2) activities. The establishment of this unit is also in line with the Financial Services Authority (OJK) regulations which require all financial programs in villages, such as the Community Economic Business Development Program (PUEM) and Family Income Improvement Efforts (UP2K), to be integrated into BUMDesa or Cooperatives, thus strengthening the role of BUMDesa in empowering the village community economy. (Board of Commissioners of the Financial Services Authority (OJK), 2021)

The savings and loan business unit at BUMDesa Mutiara Welirang is an economic development program that offers three loan products: Micro Economic Business (UEM), Multipurpose Credit (KMG), and Urgent Funds (DM), without savings products. Accessibility is the main focus with relatively easy requirements, such as domicile in Ketapanrame Village, age 25-56 years, and no arrears. Another uniqueness is the absence of physical collateral, replaced by the principle of trust and sanctions. Although this increases the risk of default, the business unit implements effective risk management by assessing the borrower's character, setting loan limits, and strict monitoring. Furthermore, this unit applies the Sharia concept with the *qardh* contract, eliminating the element of usury and freeing customers from the obligation to provide compensation. This approach aims to balance the provision of inclusive financial

services and maintaining the financial stability of institutions, while facilitating public access to capital loans.

The Mutiara Welirang BUMDesa Savings and Loan Business Unit implements a unique operational model, different from conventional financial institutions. They do not rely on principal, mandatory, or voluntary savings as a source of income, but only provide interest-free loan products. Income is obtained from voluntary donations from customers, creating a "zero-rupee interest" system. Although this approach raises questions about the institution's financial sustainability, the positive impact is the reduction of community dependence on loan sharks. Interestingly, although not labeled as Sharia, Mutiara Welirang BUMDesa has succeeded in implementing Sharia principles well, unlike several institutions labeled as Sharia that still implement non-sharia practices as found in Tio Saputra's research (Saputra, 2023). The success of implementing this sharia concept is similar to that found by Muhammad Ash-Shiddiqy at LKMS Almuna Berkah Mandiri, where loans were given without interest and collateral, similar to the practice at BUMDesa Mutiara Welirang (Ash-Shiddiqy, 2018). Based on this background, this study aims to analyze the loan program of the Mutiara Welirang BUMDes Savings and Loan Business Unit from a sharia economic perspective. This study is important to understand how Sharia economic principles can be applied effectively in the context of BUMDes and its implications for empowering the village community economy.

METHODS

Researchers use a type of field research (field study), namely direct research conducted in the field or with informants (Jamil, 2019). This study describes and explains the loan program of the Mutiara Welirang BUMDes Savings and Loan Business Unit from a sharia economic perspective. The research approach used by the researcher is qualitative, namely data collection in a natural setting to interpret the phenomena that occur where the researcher is a key instrument. In conducting case study research, researchers can interact continuously with the theoretical issues studied and with the data collected (Nugrahani, 2014). In the Case Study on Analysis of the Loan Program of Savings and Loan Business Unit of Mutiara Welirang Village-Owned Enterprises from the perspective of Islamic economics. The researcher correlates the relevant theories used in this study and then makes adjustments to what is found in the field.

The location of this research is in BUMDesa Mutiara Welirang, Ketapanrame Village. The subjects of this research are administrators, business unit managers, and members of the savings and loan business unit (Amirin, 1995). The data collection techniques used are interviews, observations, and documents. Obtaining data in various ways is called triangulation. The reason for using triangulation is that there is no perfect data collection method and cannot be perfect. The use of triangulation is very useful, but at the same time very expensive. In many qualitative studies, researchers usually use triangulation techniques in the sense of interviews and observations (Raco, 2018). Study on Analysis of Loan Program of Savings and Loan Unit of BUMDes Mutiara Welirang from the perspective of Islamic economics using data analysis techniques in the form of data reduction, data presentation, and concluding. Data reduction is the process of collecting research data, where researchers can find at any time to get a lot of data if researchers can apply observation methods, interviews, or various documentation related to the research subject. Data reduction is done to review all field notes obtained through interviews, observations, and documentary studies to be summarized later. Next is data presentation is a collection of structured information that provides the possibility of a conclusion.

This step is done by presenting a collection of structured information that provides the possibility of concluding. This is done because the data obtained during the qualitative research process is usually in narrative form, so it requires simplification without reducing its content. Data presentation is done to be able to see the overall picture or certain parts of the overall picture. The last is drawing conclusions or verification, conclusions are further analysis of data reduction, and data presentation so that data can be concluded and researchers still have the opportunity to receive input. Temporary conclusions can still be retested with data in the field with reflection, researchers can exchange ideas with colleagues, and triangulation, so that the truth of science can be achieved (Rahmadi, 2011).

RESULTS AND DISCUSSION

Overview of Savings and Loan Business Unit

The savings and loan business unit are some of the five business units in BUMDesa Mutiara Welirang, Ketapanrame Village. The Savings and Loan Business Unit and the Partnership Unit are also a combination of two sub-units engaged in financial services and cooperation with third parties. The main objective is to strengthen the village economy through

various efforts, such as improving the quality of human resources, integrating local products, creating a competitive economic scale, strengthening village economic institutions, and developing supporting elements such as microcredit, technology, infrastructure, and regulations. This initiative is expected to increase the competitiveness of the village economy and the welfare of the local community.

The Savings and Loans Business Unit, which was established on January 1, 2020, functions to manage savings and loan activities related to BUMDesa Mutiara Welirang in Ketapanrame Village. This unit manages funds from the JALINMATRA PK2 program of the East Java Provincial Government and is part of BUMDesa's Business Surplus (SHU). In 2019, this unit received JALINMATRA funds of 100 million rupiahs, with a division of 60 million for business capital, 30 million for BUMDes unit development, and 10 million for operational costs. In addition, this unit also received development funds from BUMDes SHU of 30%-35% of the 40% of the total SHU, which was submitted through an annual proposal to the Village Government. To date, the total capital of around 75 million rupiahs has been fully distributed by the Savings and Loans Business Unit.

The Savings and Loan Business Unit in Ketapanrame Village initially applied an interest rate of 0.5% in 2020-2021, following the JALINMATRA program guidelines which allow for conventional or profit-sharing loan management. However, after deliberation between BUMDes, BPD, and Pempdes, it was decided to eliminate interest on loans from the JALINMATRA program starting in 2021. Instead, a voluntary infaq system was implemented. This decision was taken based on the proposal of the BPD which considers interest to be *usury*, and this policy is still in effect today.

Identification of Savings and Loan Business Unit Loan Program

The Savings and Loan Business Unit (USP) operating under the auspices of the Village-Owned Enterprise (BUMDes) is a microfinance institution that focuses on providing capital loans to its members. Interestingly, although its official name includes the word "Save", this USP only offers loan services without providing savings facilities for its customers.

The loan products currently available at the Mutiara Welirang Ketapanrame BUMDesa Savings and Loan Business Unit are:

1. Loan Services

This program has three products, namely:

- a) Micro Economic Enterprise (UEM)

This product is designed to support community business groups in the fields of trade, industry, and livestock, by offering loans of 10 to 40 million rupiah for groups of three or more people, with a repayment period of between 12 to 36 months.

b) Multipurpose Credit (KMG)

This product is specifically designed to meet household or consumer needs, with a maximum initial loan limit of 2 million rupiah for new borrowers. The loan tenor ranges from 10 to 15 months, and if the borrower has a good collectability record, the loan limit can be increased to a maximum of 5 million rupiah, subject to further consideration.

c) Urgent Funds

This product is intended to meet urgent funding needs such as medical treatment, school fees, or hospital fees. For new borrowers, loans are limited to a maximum of 1 million rupiah and are only valid for individuals.

In the implementation of this program, prospective loan recipients are required to meet various mechanisms and certain requirements. Here are some of the requirements that need to be met, including:

- a) The borrower is a resident of Ketapanrame Village as proven by a resident identity card (KTP).
- b) Attach a photocopy of your KTP and Family Card (KK).
- c) Having no outstanding payments at any of the BUMDesa Ketapanrame Units is proven by a certificate from the Head of the relevant Unit.
- d) The borrower's age limit is 25-56 years.
- e) If you have a payment record without arrears, the borrower can apply for a loan with a larger amount than the previous loan.
- f) If there is a record of arrears between 1 (one) to 2 (two) installments, the borrower can apply for a loan with the same amount as the previous loan.
- g) If there is a record of arrears between 2 (two) to 6 (six) installments, the borrower can only apply for a maximum of 50% of the previous loan amount.
- h) If there is a record of arrears of more than 6 (six) installments, the borrower is not permitted to apply for another loan for the next loan.

After completing the completeness of the file requirements for the application, the next loan procedures that will be carried out include:

- a) Each customer must fill out the Loan Application Form completely in accordance with the contents and provisions stated therein before applying for a loan.
- b) The loan application form must be approved by the BUMDesa Ketapanrame management.
- c) The accuracy of the data and completeness of the loan application form is the basis for the administrator to provide loan approval.
- d) Before the loan is realized, the administrator will verify the eligibility of the application. Decision-making will be done after 3 days of the application period, according to the monitoring results of the Savings and Loans Business Unit.
- e) Fill out and sign the agreement letter according to the agreement.
- f) Regular borrowers follow a waiting list or queue system and are given a yellow Loan Instalment Payment Card.
- g) Special borrowers, whether in urgent need of funds or special conditions, do not follow the queue system. However, they must attach supporting loan data signed by the Head of Ketapanrame Village. These special borrowers will be distinguished by being given a green Loan Instalment Payment Card.

The Savings and Loan Business Unit first conducts an analysis and survey to determine the amount of the loan to be provided, by considering several factors including:

- a) The loan amount is determined based on the customer's needs, following the application form which first considers the results of the credit analysis and previous loan track record.
- b) Consideration of the financial cash flow conditions at the Ketapanrame Village-Owned Enterprise Savings and Loan Sub-Unit.
- c) The loan realization value is entirely the responsibility of the management and cannot be disputed.

After the credit application process is complete, including completeness of files, surveys, and contracts, the next stage is the return of the loan capital which is carried out periodically, either monthly or seasonally, with a period of between 5 to 15 months, depending on the agreement. The repayment system does not use interest, but voluntary alms. Customers who want to pay off early must pay off the remaining principal and can apply for a new loan after joining the queue. During the credit period, there is no special supervision, and customers pay installments directly to the BUMDes office without collectors coming to the house.

Implementation of the Savings and Loan Business Unit Loan Program at BUMDesa Mutiara Welirang, Ketapanrame Village

An example of the implementation of savings and loan financing in the field can be seen from the experience of Mr. Wardi, a customer who came to the Savings and Loan Business Unit to apply for a Multipurpose Credit to meet his needs. Customers are asked to fill out an application form and complete the requirements determined by the Business Unit. After the requirements are met, the customer waits for a decision for 3 days. If the application is approved, the Business Unit will disburse the funds as requested. The customer then returns the funds in installments or all at once. The illustration is as follows, Mr. Wardi needs funds of Rp 2,000,000 for daily needs. The Business Unit provides the loan with a term of 10 months, so Mr. Wardi pays installments of Rp 200,000 per month.

Name		Wardy			
Loan Value		Rp. 2,000,000	Realization Date		04-05-2023
Service		-	Full Payment Date		03-04-2024
Installment		Rp. 200,000x10	Period		10 months
No	Payment Date	Due date	Main Point	Donation	Amount
1	06-30-2023	06-04-2023	200,000	15,000	200,000
2	07-30-2023	04-07-2023	200,000	-	200,000
3	08-30-2023	04-08-2023	200,000	-	200,000
4	09-30-2023	04-09-2023	200,000	5,000	200,000
5	10-30-2023	10-04-2023	200,000	-	200,000
6	11-31-2023	11-04-2023	200,000	-	200,000
7	12-31-2023	12-04-2023	200,000	-	200,000
8	01-03-2024	01-04-2024	200,000	10,000	200,000
9	02-03-2024	02-04-2024	200,000	-	200,000
10	03-03-2024	03-04-2024	200,000	-	200,000

Based on the table above, it is known that Mr. Wardi is not charged a service fee and also rarely gives alms every month because it is voluntary. Only by paying the principal installment fee. From this example, the Savings and Loan Business Unit has implemented procedures following the established operational standards.

The BUMDes Savings and Loan Unit (USP) loan program has received a positive response from village communities because it offers easier access to financing compared to formal financial institutions such as banks. This program provides solutions for micro and

small business actors with simpler procedures and more affordable costs and helps increase financial inclusion at the village level. Villagers who were previously not served by banks or wanted to avoid loan sharks now have access to formal financial services through the BUMDes USP, in line with government efforts to expand financial access to remote areas. However, this program faces challenges such as limited capital that is often insufficient to meet community needs, as well as problems with loan arrears. In addition, the success of this program is greatly influenced by the capacity of BUMDes managers, where villages with managers who have a good understanding of financial and business management tend to be more successful in implementing the program.

A successful BUMDes loan program is usually equipped with a good monitoring and mentoring system so that it not only helps repay loans but also supports the development of village community businesses. The BUMDes savings and loan business unit program has great potential to drive village economic development, but it requires increased management capacity, capital strengthening, and better system development to maximize its benefits. One of the innovations in this program is the infaq scheme as a substitute for interest, which offers an alternative in accordance with Sharia principles for people who want to avoid usury. In this scheme, borrowers are not charged interest but are encouraged to voluntarily provide infaq as a social contribution. Although this scheme has challenges, such as maintaining the financial sustainability of BUMDes without a fixed interest income, with careful financial management and ongoing education about social responsibility, this scheme can create a positive impact. In addition to facilitating access to more affordable loans, this program also strengthens social solidarity and the welfare of village communities.

Research conducted by Tio Saputra at the BUMDes Harapan Mandiri Savings and Loan Unit in Talang Tinggi Village, Seluma Barat District, Bengkulu, found that the BUMDes implemented a loan repayment scheme with monthly installments and interest of 1.5% per month. This system provides clarity for borrowers in managing their payments and cash flow, thereby reducing the risk of default. The interest rate of 1.5% per month is considered quite significant, acting as the main source of income for BUMDes to support operational and service development. However, from the borrower's perspective, especially those with low or unstable incomes, this interest may be felt to be burdensome.

Tio Saputra's research reveals a dilemma often faced by BUMDes savings and loan units, namely the balance between maintaining financial sustainability and providing

affordable financial services for rural communities. On the one hand, operational sustainability is very important so that BUMDes can continue to serve the community, but on the other hand, they must ensure that the services offered do not burden the community, especially those with low incomes. For example, BUMDes Harapan Mandiri applies a fixed interest of 1.5% per month, while BUMDes Mutiara Welirang chooses a more flexible approach by using the infaq system, where borrowers can contribute according to their ability without being tied to a fixed interest rate. This approach is considered lighter and in accordance with the economic conditions of rural communities. The following is a table of infaq from 2021-2023:

No	Year	Donation
1	2021	Rp. 2,456,204
2	2022	Rp. 1,264,000
3	2023	Rp. 1,246,600

Based on the table, the incoming infaq continues to progress and is large in number. This shows that even though interest is not imposed, awareness to contribute infaq is still quite high. The comparison between the two village financial management models reflects the evolution of approaches to community economic empowerment. The model studied by Tio Saputra places more emphasis on the predictability of income through fixed interest, providing advantages in accurate financial planning and easier risk management. However, this model is often considered burdensome to borrowers, especially those with low incomes. In contrast, the BUMDes Mutiara Welirang infaq model offers a more inclusive approach by not charging fixed interest, but instead encouraging borrowers to provide infaq according to their ability. This approach is lighter for borrowers and has the potential to prevent the occurrence of a debt cycle that is difficult to break. However, the main challenge of the infaq model is uncertain income, so BUMDes must develop a more complex financial strategy to ensure operational sustainability and the ability to continue providing loans to the community. This reflects a shift from a focus solely on BUMDes' financial sustainability to more inclusive economic empowerment based on social solidarity.

The Analysis of the Savings and Loan Business Unit Loan Program at BUMDesa Mutiara Welirang, Ketapanrame Village from a Sharia Economic Perspective

The loan program of the Mutiara Welirang BUMDesa Savings and Loan Business Unit in Ketapanrame Village applies a sharia system, which is an interesting innovation in village financial management. Not only in the form of infaq as a substitute for loan interest but in its

financing mechanism it also uses a sharia system, namely the *qardh* contract. Analysis of this program from a sharia economic perspective reveals several important aspects, namely:

- a. The implementation of the Sharia system, especially the use of *qardh* contracts (interest-free loans) and infaq as a substitute for loan interest, shows an effort to comply with Islamic economic principles. The *qardh* contract is a form of benevolent loan that is in accordance with sharia, where the borrower is only obliged to return the principal without additional interest. This is in line with the prohibition of *usury* in Islamic teachings and offers a more ethical alternative for rural communities who wish to avoid conventional interest practices.
- b. The combination of *qardh* contract with the voluntary infaq system prioritizes social aspects and relief for borrowers. Borrowers are not burdened with the obligation to pay interest but are encouraged to provide infaq according to their ability. This is in accordance with the principles of Sharia economics which emphasize justice and mutual welfare, and reflects the attitude of *ta'awun* (mutual assistance) in Islam.
- c. This system prioritizes social aspects and relief for borrowers. By allowing borrowers to provide alms according to their ability, this program reduces financial burdens and potentially prevents the occurrence of a debt cycle that is difficult to break. This is in accordance with the principles of Islamic economics which emphasize justice and shared welfare.

This study also found similarities with the study conducted by Muhammad Ash-Shiddiqy showing that the implementation of the loan agreement at LKMS Almuna Berkah Mandiri was following Sharia principles. Where borrowers are not charged interest, even borrowers are not required to provide collateral, only to return the loan. This also has similarities with the Mutiara Welirang BUMDesa Savings and Loan Business Unit which does not charge interest and also does not have collateral in its transactions. Although there are differences in the institutions, there are similarities, namely in the agreement used. This similarity shows that the Savings and Loan Business Unit based on conventional cooperatives can apply sharia concepts in its financing mechanism.

Risk Management in Savings and Loan Business Unit at BUMDesa Mutiara Welirang, Ketapanrame Village.

Financing risk is an inevitable aspect of every financing activity, where the greater the opportunity, the greater the risk faced. Both small and large risks must be prevented and

minimized through the implementation of accurate, careful, and effective risk management to ensure future risk control. In the management of the Savings and Loan Business Unit (USP) in the Village-Owned Enterprise (BUMDes), which does not have collateral and loan interest, there is the potential for customers to act arbitrarily. Therefore, USP needs to identify, measure, and manage risks properly so that the program can run smoothly and provide optimal benefits to the village community. Aspects of possible risks must be considered so that the implementation of USP can support the village's social and economic goals. Several risks are of concern to the Savings and Loan Business Unit, including:

a. Credit Risk

1) Default

- a) Customers who do not pay their credit installments for 2 consecutive months will be visited by the management of the Savings and Loan Business Unit and asked about the problems they face so that they do not pay their credit. The management takes a family approach and is still given the opportunity by the management to pay off in installments according to their ability without having to be fined.
- b) If you do not pay your installments for 3 months, you will be given a bill from the institution.
- c) If installments are not paid for 4 months or more, it will be reported to the village government, and administrative sanctions will be imposed (not served in terms of correspondence and blacklisted from USP).
- d) If the customer leaves the domicile, they will still be searched for but not intensively. Furthermore, in handling customers who leave or die, the highest decision is made in the deliberation (BUMDes, PemDes, BPD). USP will use the minutes as an accountability report. Then the funds lost from the customer will be submitted to the BUMDes Social Reserve fund as a replacement for debt repayment and the village deliberation will provide an agreement to be approved or not.

2) Potential Customer Analysis

Using the principles of 5C analysis, including:

- a) Character: The Savings and Loan Business Unit assesses the character of prospective customers based on traits such as responsibility, openness, honesty, and perseverance. The assessment is carried out through surveys and interviews

with prospective customers, family, and neighbors to better understand their personalities.

- b) Capacity: The capacity of prospective customers is assessed based on their jobs and income. This is used to determine whether the customer is able to pay the installments according to the agreement.
- c) Capital: The Savings and Loans Business Unit ensures that prospective customers have personal capital to support them in addition to the financing funds provided.
- d) Collateral: In general, collateral is in the form of official documents such as vehicle BPKB or land certificates. However, the Savings and Loan Business Unit only asks for an ID card as identification and imposes sanctions if there is a discrepancy in repayment.
- e) Condition of Economic (Economic Condition): The Savings and Loan Business Unit evaluates the social and economic conditions of the customer. A safe and supportive environment for the customer's business is an important consideration, and they also check whether the customer has any arrears that could affect the decision to disburse funds.

b. Liquidity Risk

Limited capital is the main obstacle in optimizing the impact of the BUMDes program on the village economy. BUMDes applies the principle of prudence in its financial management by limiting the number of loans to minimize the risk of bad debts and maintain liquidity for the sustainability of the program. Before accepting new customers, the management always checks the cash flow conditions of the Savings and Loan Business Unit; if the financial condition is sufficient, they will open registration for new customers, but if finances are minimal, registration is closed. This usually happens because many loans have not been paid off, so the process of accepting new customers is very dependent on financial stability, which also affects the amount of loan realization.

c. Operational Risk

Savings and loan business units are required to monitor and report operational risks periodically to prevent risks due to internal process failures, human error, system failures, or external factors, such as inaccurate recording and data security threats. This risk report must be submitted to management for corrective action. As a mitigation step, business

units record daily activities, prepare accountability reports (LPJ) at the end of each period, and archive reports submitted to the BUMDes supervisor, BUMDes director, and BPD.

The BUMDes Savings and Loan Business Unit that replaces loan interest with an infaq system is a village financial innovation based on Sharia economics that aims to empower the community. Although attractive, this system carries several risks that need to be managed. One of them is the uncertainty of income due to the voluntary nature of infaq which can cause income fluctuations. To overcome this, BUMDes needs a diversification strategy and fund reserves, as well as a credit assessment system and education for borrowers so that infaq contributions remain sustainable. In addition, compliance with Sharia principles must also be maintained through supervision or consultation with *muamalah* fiqh experts to maintain the legitimacy of the program.

Liquidity management is another challenge, given the uncertain nature of infaq receipts. BUMDes can apply maximum loan limits, maturity diversification, and access to emergency funds to keep cash flow healthy. In operations, technology and data security risks are also important to manage to maintain system integrity and public trust. Failure to manage these risks can damage the image and public trust in BUMDes. Therefore, transparency, accountability, and communication with stakeholders are essential. The implementation of comprehensive risk management requires commitment from all related parties. With a holistic and proactive approach, BUMDes that use the infaq system can increase their operational resilience and provide sustainable benefits to village communities.

CONCLUSION

The BUMDes Savings and Loan Business Unit loan program is an innovative financing solution for village communities that offers easier access and procedures compared to formal financial institutions, providing significant benefits for micro and small business actors through an infaq-based system, but its success is highly dependent on the quality of management, monitoring system, and the ability to overcome challenges such as limited capital and payment arrears, so it requires continuous efforts in developing capacity and systems to maximize its potential in supporting economic development and improving the welfare of village communities.

The Mutiara Welirang BUMDesa Savings and Loan Business Unit loan program shows a positive effort in aligning village economic development with Sharia economic principles in

the form of *infaq* and *qardh* in its financing mechanism. Despite the challenges, this model offers significant potential to create a more inclusive, ethical, and socially impactful village financial system.

The Mutiara Welirang BUMDesa Savings and Loans Business Unit has implemented comprehensive risk management in the aspects of operational risk, liquidity, and credit. This shows the commitment of the Mutiara Welirang BUMDesa Savings and Loans Business Unit to building a strong foundation for sustainable growth and better service for the village community.

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