

Credit Risk Management Analysis at PNM Mekar, Bumiratu Nuban District, Lampung Regency

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Keywords:

Credit Risk Management;
PNM Mekaar; Non-Performing
Loan (NPL); Risk Mitigation;
Islamic Economics

Abstract

This study aims to analyze the credit risk management strategies implemented by PNM Mekaar in Bumi Ratu Nuban District, Central Lampung Regency, and to examine their relevance to Islamic economic values. The background of this research stems from the high risk of non-performing loans (NPL) in microfinance institutions, which can potentially disrupt institutional stability and the sustainability of community empowerment programs. The study employs a descriptive qualitative approach, with data collected through in-depth interviews with management, field staff, and clients, supported by observation and documentation.

The findings indicate that credit risk management strategies at PNM Mekaar are carried out through a group responsibility system, weekly monitoring, business mentoring, and credit restructuring for clients experiencing financial difficulties. These strategies are relatively effective in reducing non-performing loans, although challenges remain, including low financial literacy, limited field facilitators, and external economic factors. From the perspective of Islamic economics, these practices align with the concepts of dhaman jama'i (collective guarantee), hisbah (social oversight), al-amanah (trustworthiness), and the principle of leniency for debtors as prescribed in the Qur'an.

The study concludes that credit risk management at PNM Mekaar not only serves to maintain institutional soundness but also reflects the values of justice, solidarity, and the objectives of maqashid sharia in protecting wealth (hifdz al-mal) and enhancing community welfare. These findings are expected to provide practical contributions for PNM Mekaar in strengthening risk mitigation strategies and academic contributions to the literature on credit risk management in microfinance institutions from an Islamic perspective.

INTRODUCTION

In recent years, Indonesia's economy has exhibited a fairly dynamic development, marked by the increasing activities of micro, small, and medium enterprises (MSMEs). The MSME sector has become the backbone of the national economy due to its significant contribution to the Gross Domestic Product (GDP) (Janah & Tampubolon, 2024). Despite their significant contribution, MSMEs often face capital constraints that hinder their business development. In response to these challenges, financial institutions both banks and non-bank institutions have emerged to address this need through the provision of credit (Ismanto & Suhari, 2024; Pamungkas, 2025).

Credit has become an essential instrument in expanding financial access while simultaneously promoting the improvement of community welfare (Sanjaya & Widjaja, 2025). The concept of credit is closely associated with trust, as the provision of funds is granted only when there is

confidence that the borrower will be able to repay according to the agreed terms. Credit serves as a primary source of revenue for financial institutions, while at the same time carrying a relatively high level of risk (Aziz, 2021). This risk arises when borrowers fail to fulfill their obligations, which is then classified as non-performing loans (NPL). An increase in non-performing loans may affect the profitability, liquidity, and even the reputation of financial institutions. Therefore, credit risk management becomes a highly crucial aspect in maintaining the stability of financing institutions (Salma et al., 2025; Salma et al., 2025).

The issue of non-performing loans is not only encountered by large banking institutions but is also experienced by microfinance institutions such as PT Permodalan Nasional Madani (PNM) Mekaar. According to the annual report of the Financial Services Authority (OJK), the NPL rate in microfinancing has shown an increasing trend in the post-Covid-19 period (Otoritas Jasa Keuangan, 2025). This condition occurs because many small-scale entrepreneurs experienced a decline in income, which in turn affected their ability to repay credit installments. This phenomenon has also been observed in various PNM Mekaar branches across regions, including those in Central Lampung. These empirical facts indicate the need for more adaptive and context-specific risk mitigation strategies (Omowole et al., 2024).

PNM Mekaar is a state-owned non-bank financing institution that focuses on group-based microenterprise empowerment. Since its establishment in 1999, PNM has been mandated to strengthen MSMEs through financing schemes and business assistance programs. Its flagship product, Membina Ekonomi Keluarga Sejahtera (Mekaar), is designed for women micro-entrepreneurs using a joint liability system. This scheme is considered effective in reaching low-income communities that have limited access to conventional banking services. However, the increasing number of borrowers has also been accompanied by a rise in potential credit risks.

In practice, loan delinquency may occur due to various factors, originating from both internal borrower-related issues and external circumstances (Alchuurun'ain & Kurniawati, 2025). From the internal side, limited financial literacy causes some borrowers to be unable to manage loan funds effectively. Meanwhile, from the external perspective, market price fluctuations, climatic conditions, and even the impact of the pandemic have triggered difficulties in meeting installment payments. This situation demonstrates that credit risk cannot be completely avoided, but it can be minimized through proper management. Therefore, an in-depth analysis of the risk management patterns implemented by PNM Mekaar becomes highly essential.

Credit risk management can be linked to the principles of Islamic financing. Islamic economics emphasizes that every financial transaction must be grounded in the principles of justice, transparency, and mutual assistance. The concept of risk in Islamic law is known as *ta'khir*

as-saddad (delayed payment) and *i'jaz* (inability to repay). Therefore, risk mitigation mechanisms in financing should take into account moral and social dimensions. These principles align with the group responsibility scheme implemented by PNM Mekaar.

The group responsibility system in PNM Mekaar can be viewed as analogous to the concept of *dhaman jama'i* in Islamic economics. *Dhaman jama'i* refers to a form of collective guarantee that provides a sense of security for both the financier and the beneficiary. Through this approach, the risk of default can be reduced because of the social bonds among members. This also reflects the principle of *at-ta'awun*, or mutual assistance, in Islamic law. Thus, the financing practices implemented by PNM Mekaar demonstrate a strong alignment with Islamic economic values.

In Islamic economics, credit risk is also viewed as part of *sunnatullah* in economic transactions (*muamalah*), wherein every profit is inherently accompanied by the possibility of loss. The principle of *al-ghunmu bil gburmi* emphasizes that there can be no gain without risk. In this context, credit risk management is not aimed at eliminating risk, but rather managing it so that it does not harm either party. This aligns with the objectives of financing institutions to maintain business sustainability while simultaneously enhancing the welfare of their clients (Mohd Haridan et al., 2023; Aslam, 2024). Thus, the relevance between PNM Mekaar's credit risk management and Islamic economics becomes increasingly evident.

Credit risk in microfinance institutions such as PNM Mekaar needs to be addressed through a different approach compared to conventional financial institutions. This is because the majority of its clients come from low-income communities who have limited collateral and rely on daily income. PNM Mekaar employs a group responsibility approach to ensure that risks can be shared and managed collectively. This scheme has proven effective in improving payment discipline, although it does not entirely eliminate risk. Therefore, regular evaluations of the effectiveness of this scheme are highly necessary. PNM Mekaar also implements routine monitoring and business mentoring strategies. This mentoring is carried out to ensure that the borrowed funds are truly used for productive purposes. However, field challenges such as the limited number of facilitators and the wide coverage areas often reduce the effectiveness of supervision. As a result, some clients use the funds for consumptive needs, which ultimately increases the potential for non-performing loans. This condition illustrates the importance of strengthening field-based risk management strategies. Based on the explanation above, research on credit risk management at PNM Mekaar in Bumi Ratu Nuban District, Central Lampung Regency, becomes essential to conduct. This study examines how PNM Mekaar develops strategies to manage credit risk while also exploring their relevance to Islamic values. Accordingly, the results of this research are expected to contribute to the development of the literature on credit risk management. In addition, this study may serve as

a reference for formulating more equitable and sustainable microfinancing policies. Ultimately, this research supports the role of financial institutions in improving community welfare in accordance with the principles of Islamic economics.

Credit Risk Management

Credit risk management is a component of financial risk management that focuses on identifying, measuring, monitoring, and controlling potential losses arising from a borrower's failure to meet their obligations. According to Greuning & Bratanovic, credit risk is the risk that arises when a borrower is unable to repay their loan in accordance with the agreement (Bratanovic, 2003; Greuning & Bratanovic, 2011). This risk becomes a primary concern because credit constitutes the largest asset and the main source of income for financial institutions. Improper management may lead to an increase in Non-Performing Loans (NPL), which in turn affects profitability. Therefore, credit risk control strategies are essential to maintaining the financial soundness of an institution (Kadima et al., 2023; Arhinful et al., 2025).

The theory of credit risk management emphasizes the importance of prudential principles in extending loans. According to Sinkey, financial institutions must conduct a creditworthiness analysis by considering the 5C aspects, namely character, capacity, capital, collateral, and condition of the economy (Sinkey, 1992; Peter, 2002). This analysis aims to ensure that credit is granted only to borrowers who are financially and morally qualified. This approach helps reduce the likelihood of default that could potentially harm the institution. Thus, the 5C principle serves as both a theoretical foundation and an essential practical framework in credit risk management. Credit risk management is also influenced by regulations issued by financial authorities. According to Bank Indonesia Regulation No. 14/15/PBI/2012, banks and financial institutions are required to implement risk management that includes risk identification, measurement, monitoring, and control. This regulation aims to ensure that institutions have a comprehensive risk management system. The implementation of such regulations enables financial institutions to minimize potential losses and enhance transparency. Thus, the regulatory aspect becomes an integral part of the literature review on credit risk.

Several previous studies have also examined the effectiveness of credit risk management in reducing NPL levels. According to research by Oktaviani, the implementation of sound credit risk management is able to significantly reduce the number of non-performing loans (Omowole et al., 2024; Oktaviani et al., 2019). This is demonstrated through the implementation of strict credit analysis, regular monitoring, and the application of clear sanctions for violations. Another study by Putri, (2017) emphasizes that an approach based on mentoring and financial education for borrowers is also effective in reducing the risk of default. Thus, empirical studies support the

importance of combining technical and social approaches in credit risk management (Salma et al., 2025).

In the context of microfinance institutions such as PNM Mekaar, credit risk management carries a more complex role because it directly engages with low-income communities. Limited financial literacy among clients often becomes a contributing factor to the increasing risk of non-performing loans. Therefore, risk management strategies should not only focus on financial aspects but also emphasize intensive mentoring and supervision. This is in line with the view of Cornett & Marcuss, (2014), who states that a proactive and continuous approach is essential for managing credit risk in the microfinance segment. Thus, this literature review affirms that credit risk management is multidimensional and must be aligned with the characteristics of the institution and its clients (Kadima et al., 2023; Moreno-menéndez et al., 2025).

METHODS

This study is a descriptive research employing a qualitative approach aimed at analyzing credit risk management at PNM Mekaar in Bumi Ratu Nuban District, Central Lampung Regency (Creswell & Plano Clark, 2023). The research location was selected because it has a relatively large number of clients with a significant level of credit risk. The data used consist of primary data obtained through in-depth interviews with management, field staff, and clients, as well as direct observation and documentation of credit-related activities. Secondary data were collected from credit reports, company documents, regulations, and literature related to risk management. Data analysis was conducted using the Miles and Huberman model, which includes the stages of data reduction, data display, and conclusion drawing. To ensure data validity, triangulation techniques were applied by comparing the results of interviews, observations, and documentation, followed by member checks with the informants (Miles et al., 2014).

RESULTS AND DISCUSSION

Table 1. Thematic Analysis

Informant	Credit Risk Management Strategies	Weaknesses / Challenges	Relevance to Sharia Values
Management	<ul style="list-style-type: none"> Group responsibility system Weekly monitoring Credit restructuring for clients facing difficulties 	<ul style="list-style-type: none"> Uneven member discipline Dependence on social supervision 	<ul style="list-style-type: none"> <i>Dhaman Jama'i</i> (collective guarantee) <i>At-Ta'avun</i> (mutual assistance) <i>Qur'an Surah Al-Baqarah: 280</i> on granting relief to those in hardship
Field Staff	<ul style="list-style-type: none"> Financial mentoring and education Regular visits to the group 	<ul style="list-style-type: none"> The staff-to-client ratio is unbalanced Financial literacy is low 	<ul style="list-style-type: none"> <i>Al-Amanah</i> (maintaining trust) <i>Hisbah</i> (social oversight) Prohibition of fund misuse

Customer	<ul style="list-style-type: none"> • Emphasis on using funds for productive purpose • Payment discipline through group monitoring • Solidarity among group members • Utilizing restructuring in times of difficulty 	<ul style="list-style-type: none"> • Social pressure of bearing the risk of other members • External economic factors (fluctuating income) 	<ul style="list-style-type: none"> • <i>Shared responsibility</i> • <i>Principle of justice and compassion</i> • <i>Social solidarity in accordance with the Maqashid al-Shariah</i>
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Source: Processed data (2025)

The table above shows that credit risk management strategies at PNM Mekaar are implemented in a layered manner, involving management, field staff, and clients. Management plays a role in designing group responsibility systems, conducting weekly monitoring, and restructuring credit for clients experiencing payment difficulties. This strategy is considered effective, although challenges exist, such as uneven member discipline and a high dependence on social monitoring. Its relevance to Shariah values is reflected in the application of the principles of Dhaman Jama'i, At-Ta'awun, and the Qur'anic guidance on granting leniency to those facing difficulties.

Field staff serve as the frontline in implementing risk mitigation strategies. They provide mentoring, deliver financial education, and conduct monitoring through regular visits and group meetings. However, a challenge faced is the unbalanced staff-to-client ratio, which hampers optimal supervision. This relates to Shariah values, particularly Al-Amanah in safeguarding loan funds and Hisbah as a form of social oversight. Through education grounded in Islamic values, clients are expected to demonstrate greater discipline and responsibility in fulfilling their credit obligations.

From the clients' perspective, risk control strategies operate through disciplined installment payments, solidarity among group members, and utilization of restructuring when facing difficulties. Clients acknowledge the social pressure of bearing the risk of other members; however, this also serves as a means of mutual reminders. External challenges such as income fluctuations, commodity prices, and market conditions continue to affect their ability to pay. From a Shariah perspective, this practice aligns with the principles of justice, solidarity, and compassion in transactions. It is also consistent with the objectives of Maqashid al-Shariah, namely the preservation of wealth (Hifdz al-Mal) and the enhancement of community welfare (Nurrohman et al., 2025; Rois & Salahuddin, 2022).

Overall, the interview synthesis shows that PNM Mekaar's risk mitigation strategies reflect a combination of technical, social, and moral approaches. These strategies not only maintain

institutional stability but also align with Shariah principles such as Hisbah, Dhaman Jama'i, Al-Amanah, and Maqashid al-Shariah. By integrating Shariah values, PNM Mekaar's credit risk management strategies can become more human-centered and equitable. The findings underscore that microfinance should consider not only financial aspects but also ethical and spiritual values. Thus, this study makes a significant contribution to the development of credit risk management literature while also informing Shariah-compliant microfinance practices in Indonesia (Desky et al., 2025; Meilindri et al., 2025).

Interviews with management indicate that credit risk is a major concern for the operational sustainability of PNM Mekaar. This aligns with the Shariah economic perspective, which recognizes that every financial transaction carries inherent risks. The principle of Al-Ghunmu bil Ghurmi explains that profit is always accompanied by risk. Therefore, credit risk management is an obligation to ensure that the institution operates fairly and sustainably. In practice, management emphasizes the need for mitigation strategies that can maintain institutional stability while simultaneously protecting clients (Ghazali et al., 2024; Budi, 2025).

Management explained that the group responsibility system serves as one of the main instruments for risk control. Group members remind each other to ensure smooth installment payments. This system is similar to the concept of Dhaman Jama'i in Shariah economics, which refers to collective guarantees among members. The principle reflects the value of At-Ta'awun, or mutual assistance, which is highly emphasized in Shariah. Thus, the implementation of a collective system is not only practically relevant but also aligned with Islamic values.

Field staff revealed that the main problem arises when clients use credit funds for consumptive purposes. From a Shariah perspective, loan funds should be directed toward productive activities to generate benefits and blessings. Misuse of funds may lead to Ta'khir As-Saddad, or delayed repayments. This underscores the importance of Shariah-based financial literacy to help clients better understand their moral obligations in managing funds. Therefore, financial education grounded in Islamic values needs to be enhanced. Clients consider PNM Mekaar very helpful in providing easy access to capital. However, they also mention the burden when income is unstable, yet installments must still be paid. In Islam, ideal financing practices use fair contracts, such as Mudharabah or Musyarakah, where risks and profits are shared. Although PNM Mekaar still applies interest, substantively there is an element of equity in empowering the poor. This highlights the potential for developing Shariah-compliant financing models within PNM's practices.

The weekly monitoring conducted by field staff serves both as a supervisory mechanism and an educational forum. This activity is similar to the principle of Hisbah in Islam, which is a

form of social oversight to ensure that transactions are conducted in accordance with regulations. In this forum, staff not only collect installments but also provide guidance to ensure funds are used productively. The value of social oversight aligns with the Maqashid al-Shariah, particularly in the preservation of wealth (Hifdz al-Mal). Therefore, monitoring functions not only as an administrative tool but also carries a moral dimension. Field staff acknowledge limitations in providing guidance due to the large number of clients. From a Shariah perspective, this relates to the importance of ukhuwah (brotherhood) and active participation among group members. When members remind each other, the staff's burden is reduced and credit risk becomes more manageable. This collective approach also reflects the value of mutual cooperation, which aligns with Shariah principles. Thus, strengthening the client community becomes an important component of risk mitigation.

Some clients feel supported by the group system, while others consider it burdensome because they have to bear the risk of other members. From a Shariah perspective, this can be likened to the Kafalah contract, or guarantee. This contract is permissible as long as it is based on voluntariness and does not harm any party. If a member is unable to meet obligations, the group should seek solutions grounded in solidarity rather than creating conflict. Thus, the aspect of justice is maintained in accordance with Shariah guidance.

Financing restructuring is implemented when loan defaults become unavoidable, reflecting a practical and ethical approach within Shariah economics. This practice aligns with the guidance of the Qur'an in QS. Al-Baqarah: 280, which encourages granting leniency to debtors facing difficulties in repayment. Such flexibility demonstrates the institution's commitment to justice and compassion, allowing clients to continue their business activities without excessive financial pressure. This approach not only safeguards the continuity of financing but also fosters sustainable and trustworthy relationships with clients, in accordance with Shariah ethical principles (Desky et al., 2025; Peters, 2022). Empirical findings from interviews indicate that external factors, such as inflation, fluctuations in commodity prices, and the overall business climate, significantly affect the smoothness of loan repayments. In Shariah terminology, this condition is referred to as Al-'Udzru Syar'i (legitimate excuse), which signifies that repayment failure due to uncontrollable external factors is not entirely the debtor's fault. Therefore, financing institutions are encouraged to adopt flexible and equitable policies to ensure that no party is disadvantaged (Harahap et al., 2024; Febrina & Abdulah, 2024).

Furthermore, QS. Al-Mā'idah: 2 emphasizes the importance of cooperating in righteousness and piety, while avoiding involvement in injustice or harmful actions:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَحِلُّوا شَعَائِرَ اللَّهِ وَلَا الشَّهْرَ الْحَرَامَ وَلَا الْهَدْيَ وَلَا الْقَلَائِدَ وَلَا آمِينَ الْبَيْتِ الْحَرَامِ يَبْتَغُونَ فَضْلًا مِّن رَّبِّهِمْ
وَرِضْوَانًا وَإِذَا حَلَلْتُمْ فَاصْطَادُوا وَلَا يَجْرِمَنَّكُمْ شَنَا نَقَوْمٍ أَنْ صَدُّوكُمْ عَنِ الْمَسْجِدِ الْحَرَامِ أَنْ تَعْتَدُوا وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ
وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۗ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

“O you who have believed, do not violate the symbols of Allah, nor the sacred month, nor the sacrificial animals, nor those marked with garlands, nor the visitors of the Sacred House seeking bounty and pleasure from their Lord. And when you have completed your Ihram, then hunt if you wish. Do not let the hatred of a people prevent you from being just. Help one another in righteousness and piety, but do not help one another in sin and aggression. And fear Allah; indeed, Allah is severe in punishment.”

In the context of financing, this verse underscores the importance of implementing policies that support clients facing difficulties, promote justice, and encourage mutual benefit. By adhering to these Qur’anic principles, financial institutions can uphold Shariah values of justice, compassion, and social responsibility in their operational practices. Overall, the interview findings show that credit risk management practices at PNM Mekaar closely align with Shariah economic principles. The group responsibility system reflects Dhaman Jama’i, weekly monitoring reflects Hisbah, and restructuring reflects the principle of leniency in the Qur’an. Although PNM Mekaar has not fully implemented Shariah contracts, the substance of its programs aligns with the objectives of Maqashid al-Shariah in preserving wealth and enhancing community welfare. Therefore, this study emphasizes that credit risk management analysis is not only practically important but also relevant from an Islamic perspective. Consequently, these findings can provide valuable input for the development of Shariah-based microfinance in the future.

CONCLUSION

Based on the findings from in-depth interviews with management, field staff, and clients, it can be concluded that PNM Mekaar in Bumi Ratu Nuban Subdistrict has implemented various strategies to manage credit risk. The main strategies employed include the group responsibility system, weekly monitoring, business mentoring, and restructuring for clients facing difficulties. Although these strategies are fairly effective in reducing non-performing loans, challenges remain, such as low financial literacy, limited field staff, and external economic factors affecting repayment performance.

From the perspective of relevance to Shariah economics, the strategies implemented by PNM Mekaar closely align with Islamic principles. The group responsibility system reflects the concept of Dhaman Jama’i (collective guarantee), weekly monitoring reflects the practice of Hisbah (social

oversight), and restructuring reflects the Qur'anic guidance on granting leniency to those facing repayment difficulties. In addition, the education provided by staff to clients relates to the value of Al-Amanah (responsibility) as well as the objectives of Maqashid al-Shariah in preserving wealth (Hifdz al-Mal) and enhancing community welfare.

Thus, it can be concluded that credit risk management at PNM Mekaar is not only oriented toward institutional sustainability but also reflects Shariah values emphasizing justice, solidarity, and mutual assistance. This study underscores the importance of integrating technical approaches with ethical values in credit risk management. Such integration not only safeguards the health of the financial institution but also provides broader benefits for financing recipients. Therefore, PNM Mekaar's credit risk management strategies can serve as a reference for developing sustainable and Shariah-compliant microfinance models in Indonesia.

Based on these findings, this study provides several recommendations. First, for management, it is necessary to strengthen the risk management system through digital innovations in credit monitoring and evaluation, as well as adjustments to restructuring policies in accordance with macroeconomic conditions. Second, for field staff, the quality of client assistance should be enhanced through Shariah-based financial education, risk management training, and a more proportional staff-to-client ratio. Third, for clients, the use of credit funds should be more directed toward productive activities, maintaining payment discipline, and strengthening group solidarity as an expression of implementing the value of At-Ta'awun.

This study also provides academic input, suggesting that future research combine qualitative and quantitative approaches. Analyzing Non-Performing Loan (NPL) data over the years would offer a more comprehensive empirical overview. Comparisons with Shariah-based microfinance institutions, such as BMT, could further broaden the perspective on the effectiveness of risk mitigation strategies across two different systems. Thus, the findings of this study are expected not only to provide practical contributions to PNM Mekaar but also to enrich the literature on credit risk management within the context of Shariah economics in Indonesia.

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