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OPERATIONAL RISK ANALYSIS OF SHARIA BANK DURING COVID-19 PANDEMIC

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Abstract

The purpose of this study is to evaluate the risk management practices used by PT Bank Syariah Indonesia KCP Indrapura in the years 2022. With a case study approach, this study employs a qualitative methodology. Interviews were the primary data gathering method employed in this study. The research's analytical method is explanation or explanation. According to the study's findings, operational risk is classified into two categories: customer risk and bank risk. These risks include limitations on service offices, increased operating costs, and even decreased profitability. Operational risk is caused by two types of causes: internal bank factors and external customer factors. Bank Syariah Indonesia KCP Indrapura works to mitigate operational risks by eliminating those that occur frequently enough.

Keywords: Operational Banking, PT Bank Syariah Indonesia, Tbk, and Period of the Covid-19 Pandemic

Paper type: Research paper

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A. Introduction

A bank is primarily a location to conduct various financial activities. For instance, billing, storage, or payment. The bank serves as a venue for the public to get money in the form of credit or other forms, which helps finance-related businesses. There are two different types of banking operational systems in Indonesia's banking system: conventional banks and Islamic banks. Islamic banks are defined as financial institutions that conduct business in accordance with sharia principles, or Islamic law principles governed by the fatwa of the Indonesian Ulema Council, such as the principles of justice and balance ('adl wa tawazun), benefit (maslahah), and universalism (alamiyah), and do not contain any of the following: usury, injustice, gharar, masyir, and illegal things. The sharia banking legislation also requires sharia banks to perform social duties by performing tasks like baitul mal, which entails transferring money from zakat, infaq, alms, gifts, or other social funds to waqf managers (nazhir) in accordance with the waqf giver's intentions (wakif) (Andrianto, 2019).

Islamic banking actively contributes to the growth of finance distribution, which is above the average of the national banking sector, in the middle of a booming economy. Up until the second quarter of 2022, solid capital helped Islamic banking funding rise by 14.09 percent year over year. Islamic banking actively contributes to the growth of finance distribution, which is above the average of the national banking sector, in the middle of a booming economy. Up until the second quarter of 2022, solid capital helped Islamic banking funding rise by 14.09 percent year over year. As of the end of the second quarter of 2022, nominal Islamic banking financing was Rp462.34 trillion. Quarter-to-quarter growth (qtq) increased from Rp434.39 trillion in the first quarter of 2022 by 6.43 percent.

Islamic banks have had greater asset growth than either the domestic banking sector or traditional banking. The assets of the Islamic banking sector increased 14.21% year over year to Rp721 trillion in the second quarter of 2022. The total assets of the national banking sector

increased by 9.52 percent, while conventional assets increased by 9.19 percent.

The performance of Islamic banking, which is still advancing favorably even in the middle of current crisis, can be used as a starting point to continue developing a high-quality Islamic financial ecosystem, according to Sri Mulyani, Minister of Finance of the Republic of Indonesia.

Furthermore, the financial sector expanded during the COVID-19 pandemic in terms of growth, but this does not indicate that it was free from challenges during this time. Operational risk is one of the issues that Islamic banking has to deal with. It's believed that operational risk occurs frequently in all financial institutions, including banks and other institutions. The existence of a situation where the economic crisis had an impact on the banking industry, including the world of Islamic banking in Indonesia, stunned the globe recently, or during this year starting in 2020.

This epidemic has forced the examination of various banks in light of crisis situations that would affect banking. If Islamic banking fails to foresee the COVID-19 situation, there are a lot of risks that could happen. Because of the hazards that the banking sector faces as it operates and develops, notably in the field of Islamic banking, Patilah is accompanied by these risks. Some of the risks that will develop from a variety of variables include operational risks, particularly those related to incorrect human resource contributions to performance as an internal factor of Islamic banking and from clients as an external factor.

Operational risk is the risk that results from system failures, human mistake, system failures, and external variables like natural catastrophes, significant protests, etc. Operational risk has a wider range of sources than other types of risk, including the aforementioned activities as well as operational services, accounting, information technology systems, management information systems, and human resource management systems. Operational risk, in general, is connected to a variety of issues brought on by the failure of a process or procedure. Because it is a

component of the implementation of a process or operational activity, operational risk has an impact on all business activities.

BRI Syariah, BNI Syariah, and Mandiri Syariah, three state-owned Islamic banks, came together to form Bank Syariah Indonesia (BSI). President Jokowi started the process of combining the three banks on February 1, 2021. As a result of the three banks' merger, BSI would have total assets of about Rp 239.56 trillion, making it the largest bank in the nation. Researchers are interested in looking into the risk management practices used by PT. Bank Syariah Indonesia KCP Indrapura in light of the aforementioned arguments and the COVID-19 pandemic.

B. Theoretical review

1. Operational Risk

Operational risk is described as "the risk of loss resulting from inadequate internal processes, internal process failures, human errors, system failures, and the existence of external events that affect bank operations" in BI Regulation No. 13/23/PBI/2011. may not be able to conduct Islamic finance activities with the necessary quality and capacity. Implementing operational risk management is crucial since it will aid in the company's goal-achieving efforts, boost employee productivity, and inspire staff. As a result, banks must plan ahead because this risk seriously jeopardizes achieving the required objectives. Risk management is what needs to be done in order to first identify any hazards that are there, then quantify or assess the risk's magnitude, and finally discover a means to handle the risk (Ulfa Nuriant and Anis Fitria, 2022).

As businesses get more sophisticated and technology advances, operational risk also becomes more complex with time. Operational risk is evident in the bank's operations due to the majority of service and product failures, as well as a decline in revenue brought on by the operational cost structure. Due to the unique characteristics of the agreement, the surrounding circumstances, and general legislation, operational risk is

thought to be more vulnerable in Islamic banking (Reza Rahmania Putri and Dian Filianti, 2021).

2. Islamic Banking

Everything that has to do with banks, including their organizations, commercial endeavors, and operational procedures and methods, is referred to as banking. The bank will profit as a financial intermediary from the discrepancy between interest paid to the depositor (deposit interest) and interest collected from the bank borrower (credit interest). The typical bank that uses the interest rate system generates this kind of profit. Regarding the kind of Islamic bank that uses the term profit sharing (Kasmir, 2014).

Sharia Banking encompasses all aspects of Sharia Banks and Sharia Business Units, including their institutions, business operations, and procedures used to carry those operations out. A banking system based on Islamic sharia principles is known as Islamic banking or Islamic banking. In Islamic banking, fund users and fund providers (investors) share profits and risks (entrepreneurs). The maximum level of profit in line with sharia values must also be taken into account, just like in traditional banking, so that all parties can take advantage of these advantages. The parties concerned will also be responsible for any losses if there are any. Islamic banking also oversees zakat, shuns transactions involving illegal items, and incorporates elements of maysir, gharar, and usury (Adi Susilo Jahja and Muhammad Iqbal, 2012).

3. Period of the Covid-19 Pandemic

The coronavirus disease outbreak in 2019 that affected all nations is known as the COVID-19 pandemic. The SARS-CoV-2 coronavirus, a novel coronavirus, is responsible for this illness. The COVID-19 outbreak was discovered for the first time on December 1, 2019, in Wuhan, Hubei, China. On March 11, 2020, the World Health Organization (WHO) declared the outbreak to be a pandemic. According to information from the WHO, ECDC, CDC-US, NHC-PRC, Worldometers, and gov.uk as of Thursday, October 11, 20:51:23, there have been 639,028,058 confirmed cases of the corona virus worldwide. In the meanwhile, 6,610,781 people passed away,

13,555,296 people tested positive and were still unwell, and 618,861,981 patients were deemed cured (Andrafarm, 2022).

With 235,464,426 instances as of today (10 November 2022), Europe is the continent with the biggest number of COVID-19 cases, while the United States has the greatest number of cases worldwide—99,809,767 persons. There were 6,544,201 cases of the corona virus in Indonesia; 158,989 individuals died from it, while 6,339,381 people recovered from it. According to these corona virus statistics, Indonesia is the 20th most affected nation out of the 230 nations and territories in the world (Andrafarm, 2022).

C. Research Method

A case study approach is used in this study's qualitative methodology. Because there are few opportunities to control the events being researched in this research, it is difficult to manipulate the research results. Secondly, the case study methodology is in line with the research question in this study, which is "how."

The operational hazards that arise at Bank Syariah Indonesia KCP Indrapura during the Covid-19 pandemic are the current reality that this study focuses on. Employees of Bank Syariah Indonesia KCP Indrapura who are experts in their specialties, namely in the operational section, serve as the research subjects. The data used in this study came from two sources: primary data, which were taken from interviews with respondents conducted by Bank Syariah Indonesia KCP Indrapura, and secondary data, which came from literature sourced from books, journals, and relevant articles. This study employs research using a specific kind of open-ended interview.

An interview that is open-ended allows the researcher to inquire about both the facts and opinions of a particular occurrence from significant respondents. While a focused interview is one in which participants are questioned quickly, it may also include literature reviews culled from books or journals pertinent to the topic.

Making explanations or explanations is one of the methods used in this study's data analysis. Making this explanation serves the objective of analyzing the case study data through the creation of an explanation or explanation of the relevant case. The case study's explanation is presented as a narrative. A good case study is one whose explanation reflects some theoretically relevant proposition because such a narrative cannot be precise. The explanation in this study, which may be gained from the outcomes of data collection and interviews with workers of Bank Syariah Indonesia KCP Indrapura, is presented in the form of narrative writing (Robert K Yin, 2014). Although this research has numerous difficulties because it was conducted during the Covid-19 pandemic, it is nonetheless conducted in accordance with medical guidelines, and researchers make an effort to offer the most plausible justification or explanation.

D. Result and Discussion

1. Bank Syariah Indonesia KCP Indrapura Operational Risks

Operational risk is the risk that results from system failures, human mistake, system failures, and external variables like natural catastrophes, significant protests, etc. Operational risk has a wider range of sources than other types of risk, including the aforementioned activities as well as operational services, accounting, information technology systems, management information systems, and human resource management systems. Operational risk, in general, is connected to a variety of issues brought on by the failure of a process or procedure. Because it is a component of the implementation of a process or operational activity, operational risk has an impact on all business activities (Dirgantara, 2019).

Operational risk in Islamic banking is impacted by what occurs in Islamic banks. The cancellation of one of the contracts, the inability to carry out internal controls, and the upkeep of commodity inventories in the market due to the lack of liquidity are some examples of how special forms of agreements and the general environment can increase operational risk in particular aspects of Islamic banks. In one of its books, the Indonesian

Bankers Institute (IBI) stated that operational risks include system flaws, human problems, faults in work procedures, and external variables. In contrast, risk in the context of banking is a potential occurrence that can have a negative effect on bank earnings and capital (Ikatan Bankir Indonesia, 2015).

The two operational risk variables that were most important during the Covid-19 pandemic were external factors and human factors. The outcome of these two variables may have an impact on internal operations and the banking system. Employees at the bank are a crucial component of bank operations that have a significant impact on performance. As the primary actors in bank operations, bank employees are undoubtedly connected to operational risk related to humans.

All business and corporate sectors, including the banking industry and those that fall under the umbrella of Islamic banking, are not risk-free. Operational risk is one of the hazards that develop and is further subdivided into other dangers. In this study, I concentrate on operational risk issues that occur in Islamic banks, specifically Bank Syariah Indonesia KCP Indrapura, particularly those that happen during current Covid-19 pandemic. The writers examine a number of operational risk issues, which can also be seen from the backdrop that has been discussed through a number of problem identifications.

According to the results of a risk identification study conducted by the author with a Bank Syariah Indonesia KCP Indrapura employee, hazards such as: Because they must provide hand sanitizer, masks, and disinfectants in huge amounts to preserve the health of the workplace environment, particularly for staff, the operational load has increased. Then, the delay in debtor loan deposits and the temporary shutdown of financing were to blame for the fall in profit at branch offices.

2. Operational Risk Causers in Bank Syariah Indonesia

Multiple internal and external factors, as well as operational risk itself, might obstruct the smooth operation of bank operations. According to the

author's interviews, there are two types of elements that contribute to operational risk: internal factors and external factors.

Work-from-home (WFH) deployment, an internal element, can increase the risk of human error by increasing managerial incompetence and employee dependence. The external aspect is the customer's unwillingness to cooperate in following the health regimen; as a result, the customer's business declines and makes it difficult for them to make their regular installment payments, necessitating a significant restructuring.

The risk associated with the global economic sector, which is seeing an increase in non-performing loans as a result of the weakening economy, is the next external issue. The customer's (debtor) business is impacted by the weakening economy, and when it suffers, bad loans result. The Covid-19 outbreak later spread to other nations and turned into a global pandemic. The risk that results from this element is the potential for staff in the operational department to contract Covid-19 since they must engage with clients directly.

3. Overcoming Operational Risk: Bank Syariah Indonesia KCP Indrapura Techniques

A number of risks are analyzed by the bank, but Bank Syariah Indonesia concentrates on two aspects: internal factors and external elements. The risk mitigation practices used by Bank Syariah Indonesia KCP Indrapura are as follows:

1) Internal Factor

Bank Syariah Indonesia KCP Indrapura maximizes oversight for all employees, especially in terms of employee health, including by conducting fast testing for all Bank Syariah Indonesia staff, in order to mitigate operational risk caused by these internal factors. After all, the company's greatest asset is its workforce.

2) External Factor

Establishing deposit rules for debtors whose firm has been negatively impacted by loan restructuring. By undertaking stronger supervision of

customers and staff as well as informing consumers about the current Covid-19 pandemic, Bank Syariah Indonesia KCP Indrapura manages the dangers that arise during the pandemic. Additionally, Bank BSI offers training to its staff, and a central party will keep an eye on each BSI branch office to keep track of any hazards.

E. Conclusion

According to the discussion above, it can be inferred that operational hazards exist at Bank Syariah Indonesia KCP Indrapura during the Covid-19 pandemic, and that operational costs rise as a result of having to offer hand sanitizer, masks, and disinfectants, which are delivered in significant amounts. A great deal is done to keep the office in good health, especially for workers. This was caused by delays in debtor loan deposits and a temporary closure of financing, in addition to the fall in profit at branch offices. Operational risk factors can be classified into two categories: internal bank-related issues and external customer-related factors. Focusing on these two areas optimizing controlling for each employee (internal) and also optimizing controlling for customers is how Bank Syariah Indonesia KCP Indrapura addresses operational risk (external).

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