Integration of Islamic Social Finance and Commercial Finance to Support Indonesia's Sustainable Development

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ABSTRACT
The purpose of this study is to identify a model of integration between Islamic Social Financial Institutions and Islamic Banks as Commercial Financial Institutions. The integration under consideration is risk management from Islamic Bank financing via the advantages that are organically owned by Islamic Social Finance. The achievement of the ideal model in this research will promote inclusive access to Islamic banking for small debtors. The exploratory descriptive method was employed in this study. The descriptive method was used in this study to systematically describe the hybridization model of Islamic Social Financial Institutions into Islamic Bank risk management. While the exploratory method is used to study, discover, and comprehend the integration process of Islamic social financial institutions in mitigating the risk of financing Islamic banks. The authorities must take several regulatory steps to hybridize Islamic banking financial institutions and Islamic social financial institutions. First, improve the Islamic banking philosophy. Profit-sharing financing Second, enact a separate profit-sharing financing regulation. The authority must issue regulations regarding affirmative action for profit-sharing financing, such as the capital structure of banks and Islamic financial institutions, the Profit Sharing Financing Asset Rating System, issuing rules regarding Rating Agencies (LR), establishing Profit Sharing Financing Guarantee Institutions (LPP-Profit Sharing), and establishing zakat instruments as one of the assessments of bank health. The findings of this study can serve as a model for future researchers and policymakers interested in investigating operational aspects of the integration of social and commercial finance within the context of an inclusive financial strategy.

Keywords: *Islamic Social Finance, Profit Sharing Financing, Inclusive Finance.*
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1. INTRODUCTION

In early 2021, three banks owned by BUMN subsidiaries (PT Bank BRI Syariah Tbk., PT Bank BNI Syariah, Tbk, and PT Bank Syariah Mandiri, Tbk) will merge to form PT Bank Syariah Indonesia Tbk (BSI). This merger is in line with the Financial Services Authority's roadmap for accelerating the growth of the sharia banking business.

The Financial Services Authority (OJK) in February 2021 officially launched the 2020-2025 Indonesian Sharia Banking Development roadmap (RP2SI), as part of the implementation of the 2021-2025 Indonesian Financial Services Sector Master Plan (MSPJKI).

The road map includes three (three) pillars of development direction and several strategic efforts, which are as follows: First, Strengthening Islamic Banking Identity. Second, Sharia Economic Ecosystem Synergy. Third, Strengthening Licensing, Regulation, and Supervision

In the Second Road Map, OJK aims to promote the synergy of Indonesia's Islamic Economic Ecosystem, which includes the Halal industry, Islamic financial services, Islamic social finance, and the religious sector. To encourage the acceleration of ecosystem synergy, it is necessary to revitalize Islamic social financial (philanthropic) institutions such as Baitul Mal or waqf institutions as underlayers of profit-sharing financing in Islamic micro-bank financing. Furthermore, banks are required to channel at least 20% of their lending to MSMEs in 2022 and 30% in 2024.

However, based on the Financial Services Authority Regulation Number 16/POJK.03/2014 concerning Asset Quality Assessment of Islamic Commercial Banks and Sharia Business Units, BI Circular Letter No.

13/10/DPbS Concerning Asset Quality Assessment for Sharia Commercial Banks and Units, as well as Bank Indonesia Regulation (PBI) No. 13/23/PBI/2011 concerning Implementation of Risk Management for Islamic Commercial Banks and UUS is a separate problem for bank management. The existence of formal bank legality above forces banks to be extra careful in managing policies. This rule has changed how bank management behaves. Banks have become hyperprudent so that they have lost their creativity in carrying out their functions as drivers of economic growth for the people. This regulation has an impact on the attitude of "mutilating" the principle of ta'āwun (mutual help) to Islamic banks in offering profit-sharing financing products.

Based on the description of the problems above and to encourage the inclusiveness of Islamic banking financing in Indonesia, it is necessary to offer a concept that assists Islamic banking in minimizing the risk of profit sharing financing. So that the financing ratio can be increased, according to Bank Indonesia's target of channeling 30 percent of financing to MSMEs in 2030. By Therefore, this research offers hybridization of Islamic social financial institutions in the risk management process of Islamic bank financing.

2. REVIEW OF LITERATURE

2.1. Islamic Social Finance Institutions

The presence of Islamic social financial institutions aims to provide halal financial services to the Muslim community, as well as to contribute appropriately to the achievement of Islamic socioeconomic goals. Economic welfare, expanding employment opportunities, high economic growth rates, socioeconomic justice, and income distribution are the primary goals. The Islamic financial system is expected to be the best alternative for achieving public welfare, as well as the elimination of the interest principle in the Islamic financial system (Arafah,2019)

The existence of Islamic social financial institutions is a blessing in the realization of a good, just economic system free of gharar and usury. This innovation is regarded as the initial impetus for the growth of socioeconomic systems (Lukman, 2020)

Zakat, infaq, Shadaqah, and waqf are examples of Islamic social finance (ZISWAF). Zakat, infaq, Shadaqah, and waqf (ZISWAF) is an Islamic social financial instrument that allows for the distribution of wealth from the hands of the rich to the poor (Ruslianor, 2019)

2.2. Islamic Bank Institution

Islamic banking refers to all business activities based on sharia principles and is defined by Law No. 21 of 2008 regarding Islamic banking. As stated in the Fatwa by the Indonesian Ulema Council, the sharia principle being discussed here includes fairness, balance, and benefit but excludes maisir, usury, gharar, unfair, and things that are prohibited in Islam. The Financial Services Authority oversees its implementation, and it continues to adhere to the same governance standards as traditional banks while ensuring good governance. Even so, it continues to modify its procedures in accordance with sharia. There are several kinds of differences that the operating system offers to customers.

2. 2.1. Bank Funding

The collection system and Islamic commercial banks are permitted to collect cash waqf as social funds. Waqf money will be distributed to Nadhir in accordance with the wishes of the waqf giver. It is only permissible for Islamic people's financing banks to collect customer funds through an Islamic people's financing bank account.

2.2.2. Bank Financing

Islamic Rural banks may only channel public funds to customers in the form of profit sharing and leasing of movable or immovable property under an ijarah contract. Islamic people's financing banks offer deposits in the form of savings and investments in the form of deposits as banking products.

2.2.3. Social Banking

Islamic commercial banks can perform social functions as baitul mal institutions in the course of their Islamic banking activities. It is the receiving of zakat, infaq, Shadaqah, grants, and endowments in this case. The funds raised can be distributed to communities, organizations, and other forms of society.

In general, Islamic banks' activities differ from those of conventional banks in several ways, including financing, ujrah, and contracts. According to the financial services authority, Islamic banks have completed nine contracts, including wadi'ah, mudharabah, musyarakah, murabahah, salam, istisna' ijarah, ijarah lumpuriyah bit tamlik, and qardh.

2.3. Profit Sharing Financing In Islamic Financial Institutions

Finance refers to the financing of money given by one party to another for support or needs in a business relationship. To put it another way, financing refers to the financing of money that is given to support investments that are being made or planned (Rianto,2012). Therefore, finance is anything that is issued with money for either productive or consumer objectives.

Profit sharing is defined as such etymologically. As profit sharing, according to the Big Economics Dictionary. Conversely, the term "profit" refers to the difference that results when a business's total revenue (total revenue) exceeds its whole expense (total cost). In other words, profit sharing is the process of calculating profit sharing based on the net outcomes produced after deducting the expenses required to generate net revenue. Profit and loss sharing, which can be seen as the partition between profits and losses from income received for the business that has been developed, is a phrase that is frequently used in Islamic financial institutions. Its implementation is a contract of cooperation agreement between the capital owner (shahibul mal) and the capital manager (mudharib) in operating their business. Both of them will be bound by a contract that states that in the event of a profit, it will be distributed among the parties in accordance with the ratio determined and the original agreement, and in the event of a loss, it will be distributed equally among the parties in accordance with the agreement.

Profit-sharing principles used by Islamic banks are divided into two categories:

2. 3.1. Al-Musyarakah

Al-Musyarakah is a cooperation contract between two or more parties for a particular business in which each party contributes funds (or charity/expertise) with an agreement that profits and risks will be borne in accordance with the agreement. The sharia basis for musyarakah financing is the DSN MUI Fatwa No. 08/DSN-MUI/IV/2000 regarding the financing of Al-Musyarakah and Q.S. An-Nisa: 12. "... So they are united in a third ...".

2. 3.2. Mudharabah

The word "mudharabah" derives from the verb "dharb," which meaning to strike or stroll. A person getting their feet wet in business management is more properly described as "hitting or strolling." In contrast, it is characterized in terms as collaboration between two or more parties, where one party is the mudharib (manager), in this case the client, and the other is the shahibul maal (owner of capital), which in financing is the bank. The DSN MUI Fatwa No. 07/DSN-MUI/IV/2000 about Al-Mudharabah (Qiradh) and Q.S. Al-Muzammil: 20, which reads: ".... and from those who roam the earth yearning for some of Allah SWT's bounties," provides the sharia foundation for mudharabah finance.

2.4. Islamic Financial Institutions: Risk of Profit Sharing Financing Agency

Agency theory describes the relationship between a principal and an agent in which the principal delegated authority to the agent in terms of business management as well as making decisions within the company. The agency problem that arises in production sharing contracts occurs when the interests of the entrepreneur or mudharib conflict with those of shahib al-maal. Mudharib disregards contractual benefits and encourages behavior that is not based on shahib al-maal. The emergence of information asymmetry in mudharabah contracts because the mudharib as an agent has more information on two aspects. Second, only the mudharib can see the level of effort and effort that has been made without the intervention of shahib al-maal.

2.5. Risk Management of Profit Sharing Financing In Islamic Financial Institutions

In Islamic banks, one of the funding models is profit sharing finance. The fundamental structure that describes the features of Islamic banks is this funding scheme. This design adheres to the principle of al-gun bil gurn, also known as al-kharaj bi ad-daman, which states that there can be no profit or outcome sharing without risk participation. Or there must be actual economic costs for the real economy. In fact, Mudharabah and Musyarakah are superior products in Islamic banking since they strengthen and expand the economy of the ummah.

Profit-sharing financing has problems in agency theory that have implications for the occurrence of moral hazard. Furthermore, financing with this pattern is heavily influenced by a country's macroeconomic conditions. Other risks, such as rising operational costs, management failure, and global economic conditions, have compelled Islamic banks to be more cautious.

Risk in the banking context is a potential study, both predictable and unpredictable, that will have a negative impact on financial institutions' income and capital. Risk management entails identifying, measuring, monitoring, and controlling the organization in order to achieve a reasonable, integrated, and sustainable level of risk.

Investments made through financing operations are frequently associated with risk (Unair,2013). For each of its operating activities, every Islamic bank is required to implement risk management. Identifying, measuring, monitoring, and controlling risks that arise from each bank's daily operations is done through a variety of approaches and procedures known as risk management.

3. METHODOLOGY

The descriptive-exploratory research method was used in this study based on the research questions and objectives. In this study, descriptive methods are used to systematically describe the hybridization model of Islamic Social Financial Institutions into Islamic Bank risk management. The descriptive method is used in the analysis to analyze all primary and secondary data. The exploratory method is used to research, identify, and comprehend the integration process of Islamic social financial institutions in mitigating the risk of financing Islamic banks. The research procedure is adaptable. This research procedure is not strictly followed so that researchers can easily make changes when new ideas and perspectives emerge. In this study, there are two types of data: primary data and secondary data. The concepts of Islamic social financial institutions and bank financing risk management are among the primary data in this study. Secondary data sources include additional information about studies related to bank financing and hybridization risks. As a result, data collection techniques such as experience surveys and documentation will be pursued.

In this study, the data analysis method was used both before and after data collection. Data analysis activities are carried out interactively and continuously until the data is saturated. After completing all of the preceding steps, the data is analyzed using one of three data analysis methods: descriptive, dialectical, or interpretive. The first method was used to analyze the data in order to answer the first research question. In order to answer the second question, the data was analyzed using the dialectical data analysis method. Meanwhile, using dialectical and interpretive data analysis methods, to search for and find hybridization models Islamic social financial institutions in compatible and futuristic risk management for future shari'ah banking. After all of the data has been analyzed, conclusions are drawn based on the research findings. The inductive method is used to draw conclusions.

4. RESULTS AND DISCUSSION

4.1. Institutions of Islamic Social Finance in Indonesia

The Islamic social finance sector includes both philanthropic and partnership-based Islamic institutions. Among the philanthropic institutions are zakat, infaq, alms, and endowments. Meanwhile, cooperation-based institutions include qard (loan-based cooperation), kafalah (collateral-based cooperation), and modern Islamic microfinance institutions. In Indonesia, the Islamic social finance sector is synonymous with zakat and waqf institutions. This is influenced by the explanation of two Indonesian regulations related to Islamic social finance, namely Law No. 23 of 2011 on Zakat Management and Law No. 41 of 2004 on Waqf. Nevertheless, this regulation states that other Islamic social funds such as infak, sadaqah, and DSKL (Other Religious Social Funds) are included in the scope of the authority of Law No. 23 of 2011.

4.1.1 National Zakat Institutional Funds

Based on the zakat management law (number 23 of 2011). In Indonesia, the following formal organizations oversee zakat: 1) Beginning at the national, provincial, and district/city levels, the government created BAZNAS (Amil Zakat Agency). 2) LAZ (Amil Zakat Institution) is an organization created with the intention of assisting BAZNAS; examples of similar organizations include LAZISMU, Dompet Dhu'afa, Zakat House, and others. 3) UPZ (Zakat Management Unit), a subdivision of BAZNAS at the sub-district level, was established by BAZNAS. Up to the sub-district/village level, it is his responsibility to record muzzakki and mustahik.

Based on the zakat management law cited above, the number of official Zakat Management Organizations (OPZ) granted permission by the Ministry of Religion of the Republic of Indonesia from 2018 to 2019 is as follows:

OPZ	Tahun 2018	Tahun 2019
BAZNAS	1 OPZ	1 OPZ
BAZNAS Provinsi	34 OPZ	34 OPZ
BAZNAS Kabupaten/Kota	514 OPZ	456 OPZ
LAZ Nasional	23 OPZ	26 OPZ
LAZ Provinsi	12 OPZ	18 OPZ
LAZ Kabupaten/Kota	33 OPZ	37 OPZ
Jumlah	617 OPZ	572 OPZ

Figure 1 Number of Zakat Management Organizations in 2018 - 2019

4.1.2 National Distribution of Zakat

In general, OPZ continues to distribute zakat to the 8 (eight) mustahik zakat groups, namely the faqir, the poor, the amil, the converts, riqab, gharimin, fi sabilillah, and ibnu sabil.

No	Tingkat OPZ	2019	%	2020	%
1	BAZNAS	270.716.950.765	3,1	357.673.037.626	3,1
2	BAZNAS Provinsi	481.796.534.289	5,5	444.926.604.298	3,9
3	BAZNAS Kabupaten/Kota	2.586.872.888.351	29,8	1.590.768.396.569	13,8
4	LAZ	3.519.873.720.039	40,5	3.527.539.299.233	30,6
5	OPZ dalam pembinaan dan zakat fitrah yang tidak terlaporkan	1.828.961.140.910	21,1	5.609.737.828.531	48,7
	Total	**8.688.221.234.354**	**100**	**11.530.645.166.257**	**100**

Figure 2 National ZIS Distribution Based on OPZ Types

In 2020, OPZ distribution experienced program innovation. This relates to the changes that have occurred in all aspects of life as a result of the COVID-19 Pandemic's spread.

According to BPS data (2020), poverty increased in March 2020 compared to 2019, rising from 9.78 percent in 2019 to 10.17 percent in 2020. As a result, the number of poor mustahik who must be handled by OPZ has grown.

No	Bidang	Jumlah Mustahik	%
1	Ekonomi	871.059	5,25
2	Pendidikan	1.177.337	7,10
3	Dakwah	3.916.128	23,62
4	Kesehatan	2.340.580	14,12
5	Sosial Kemanusiaan	8.273.216	49,90
	Total	**16.578.320**	**100**

Figure 3 Beneficiaries Based on the 2020 Program

The estimated number of beneficiaries in 2020 will be 16.5 million, with social humanitarian programs, which account for 49.9% of beneficiaries, having the highest percentage. Economic programs, on the other hand, have the lowest beneficiaries at only 5.2 percent.

4.1.3 National Waqf Situation

Indonesia has a large waqf potential because it has the world's largest Muslim population. This is because waqf is an instrument of goodness in Islam with numerous benefits. With religious and social motivations, the Indonesian people continue to compete to give their best assets as endowments. According to data from the Ministry of Religion's Waqf Information System (SIWAK) accessed on September 29, 2021, the potential for land waqf in Indonesia has reached 414,829 locations with a total area of 55,259.87 hectares. Then, according to the Indonesian Waqf Agency (BWI), the potential for cash waqf in Indonesia is IDR 180 trillion per year. The magnitude of the waqf potential, on the other hand, cannot be properly optimized.

Some of the challenges that have contributed to this condition include ineffective waqf regulation, low waqf literacy, insufficient nazhir capacity, and ineffective use of technology. As a result, the vast potential of waqf cannot be fully realized in terms of reducing poverty and inequality in Indonesia. Waqf, on the other hand, appears to be a very promising tool for addressing these two issues.

4.1.4 National Waqf Management

The world's largest Muslim nation, Indonesia, is recognized as having the lowest waqf fund realization rates. The realization of waqf fund raising up to 2017 was still at IDR 199 billion, according to documents kept by the Indonesian Waqf Agency (BWI). This sum was made up of contributions from the regional and central BWIs as well as money collected from other waqf fund management organizations. The largest collection is acquired from foundations or institutions. Most of these foundations also oversee other Islamic social funds including zakat, infaq, and shadaqah.

Meanwhile, immovable waqf collection realization is currently quite high. As of 2016, Indonesia had 435,768 plots of land with a total area of 4.2 million hectares, with approximately 66% already having waqf certificates. As of December 2021, the majority of waqf land assets in Indonesia were still designated for mosques and prayer rooms.

Jenis Penggunaan	Share (%)	Jumlah Lokasi
Masjid	43,85%	184.237
Musala	28,00%	117.635
Sekolah	10,72%	45.031
Pesantren	3,88%	16. 292
Makam	4,40%	18.503
Sosial Lainnya	9,15%	38.428
Total	**100,00%**	**403.834**

Figure 4 Waqf Land Use Allocation

4.2. Islamic Banking Institutions in Indonesia

Indonesian Islamic banking, which includes Islamic Commercial Banks (BUS), Islamic Business Units (UUS), and Islamic People's Financing Banks (BPRS), continues to expand. Sharia banking will be more resilient in 2021. This is reflected in the CAR ratio of Islamic Commercial Banks (BUS) of 25.71%. Meanwhile, the Islamic banking intermediary function is in operation. Disbursed financing (PYD) and third party funds (DPK) both increased by 6.90% year on year, resulting in a 13.94% year on year increase in Islamic banking assets. By the end of 2021, total assets, PYD, and Islamic banking DPK had reached IDR 693.80 trillion, IDR 421.86 trillion, and IDR 548.58 trillion, respectively. Islamic banking liquidity was also adequate, as evidenced by the FDR ratio remaining in the 80-90% range. The daily average of the LA/NCD ratio is always greater than 50%, or 149.28%. The daily average LA/DPK ratio is also greater than 10%, at 30.57%. Sharia banking credit risk has decreased by 51 basis points (yoy) to 2.57%.

Figure 5 Sharia Banking Growth

4.2.1 Islamic Banking Asset Development and Growth

Islamic banking assets continue to grow positively, with an acceleration compared to the previous year. Over the last four years, the growth of Islamic banking assets has averaged in the double digits. Sharia banking assets accounted for 6.74% of national banking assets, an increase from 6.51% the previous year. BUS, UUS, and BPRS all increased in value. A conventional commercial bank served as the parent or sister company for 29 of the 33 sharia banks (12 BUS and 21 UUS). Until the end of 2021, 11 UUS and 3 BUS had share assets that exceeded 10% of their parent BUK assets.

Figure 6 Islamic Banking Asset Development

4.2.2 Growth and Development of Sharia Banking Financing

Distribution of Islamic banking financing increased by 6.90% year on year in 2021, slowing from 8.08% the previous year (yoy). This slowdown was caused in part by a slowdown in working capital financing growth, which slowed to -1.49% (yoy) from 4.14% (yoy) the previous year, and a slowdown in consumption financing, which slowed to 13.88% (yoy) from 15.21% the previous year (yoy). Despite a decline in growth as a result of the Covid-19 pandemic, which affected the distribution of financing to the industrial sector, sharia banking continued to grow.

Akad	Nominal (Rp Triliun)	Pertumbuhan 2021 (yoy)	Pertumbuhan 2020 (yoy)
Murabahah	199,03	9,39%	8,23%
Musyarakah	189,71	7,50%	11,26%
Mudharabah	10,42	-14,03%	-13,59%
Qardh	12,18	0,66%	12,52%
Ijarah	7,02	-19,26%	-18,27%
Istishna	2,60	6,65%	12,55%
Multijasa	0	0,00%	4,01%
Total	**421,86**	**6,90%**	**8,08%**

Figure 7 Financing Based on Purpose

4.3. Hybridization Model of Islamic Social Financial Institutions and Islamic Banks

From a philosophical and regulatory standpoint, it is possible to explain how to analyze the potential for hybridizing Islamic banking institutions with Islamic social financial institutions. Every one of these institutions can be seen in the regulations that support it in relation to philosophical principles and laws. From a philosophical and ideological standpoint, sharia banking was created in accordance with sharia principles, which seek to do away with all forms of unfairness in business dealings, particularly ribawi transactions, in order for sharia banks to serve as test beds for the development of a just financial system. According to the regulations that underpin the financial institutions listed above, there is a cross section of shared responsibility between Islamic banking financial institutions and Islamic Social Financial Institutions, which is as follows:

a) It is required of all institutions, including banks and Islamic social financial institutions, to be able to support national development initiatives in the context of advancing social welfare and justice.

b) The core values of the principle share a foundation in justice, accountability, and integration.

A variety of regulatory actions by the government are required in order to hybridize Islamic banking financial institutions and Islamic social financial institutions. Improve Islamic banking's fundamental tenets first. It is imperative that Islamic beliefs and principles are fully included into Islamic banks' administrative structure while using profit-sharing financing, as is the case with the building of their concept as outlined above. Second, a distinct profit-sharing financing rule should be released. OJK has thus far "forced" Islamic financial firms to abide by conventional finance laws when it comes to profit-sharing financing.

Profit-sharing financing with various risks cannot be fully transferred to Islamic banks without affirmative government regulations. As a result, OJK must issue affirmative action regulations for profit-sharing financing, which include:

a) Capital structure of Islamic banks and financial institutions. Regulations for Profit Sharing Financing Guarantee Institutions may be issued by OJK in relation to Islamic banks' capital structure and their distinctive financing mechanism (LPP-Profit Sharing). This institution may be similar to an insurance company or a social financial organization that follows Islamic principles, such as BAZNAS, Baitul Mal, LAZ, and Waqf Institution. Due to this rule, Islamic banking institutions and Islamic social financial organizations will become hybridized and integrated

b) Establishing zakat instruments as one of the assessments of bank soundness, the business to be financed, and the piety of prospective bank debtors.

The following supporting connection organizations are required for the remainder:

1) Profit Sharing Financing Guarantee Institution (LPP-BH)

As explained above, it can determine safe financing sectors. Determination of the concentration of this financing portfolio so that LPP can be properly controlled and there are no blunders for this LPP institution. As a result, OJK and related institutions can study specific financing sectors with ratio levels based on the financing sector in collaboration with the Sharia Investment Index Agency (LIS). OJK has the authority to set the financing interval and ratio in each portfolio of profit sharing financing in each sector. The maximum ratio of the bank according to the Sharia Index Institutions with a 50% equity participation.

Table 1 Investment Index

Jenis Investasi	Indeks 4,5-5,0	Indeks 5,6-5,9	Indeks 6,0-6,4	Indeks 6,5 – 6,9	Indeks 7,0-7,4
Perdagangan	- 0,1	- 0,2	- 0,3	- 0,4	- 0,5
Home Industry	- 0,1	- 0,2	- 0,3	- 0,4	- 0,5
Konstruksi	+ 0,5	+ 0,4	+ 0,3	+ 0, 2	+ 0,1
Pengadaan	+ 0,3	+ 0,4	+0,5	+ 0,6	+ 0,7
Industry kreatif	- 0,1	- 0,2	- 0,3	- 0,4	- 0,5

The figures in the table above are assumed numbers from the index values obtained by index institutions in calculating Islamic investment returns by sector. The table above explains that each bank's capital participation for profit sharing financing is 50 percent of the required capital, then the maximum bank ratio is the ratio in each table. Additions and subtractions to table columns start from the lowest limit for subtractions (-) and the maximum limit for additions (+). Financing for the construction sector for example. At an index of 4.5-5.0 the bank can negotiate an increase with the debtor of 0.5 of the maximum limit. Likewise, customers can request a reduction in the minus (-) column index. This negotiation space is provided so that each party achieves "*'antaraḍin*" (total consent) between them.

2) Sharia Index Agency

This institution has information on the yield income index by business sector in each region. This index can be used to replace the equivalent rate formulation in determining profit sharing ratios and margins in Islamic banks. This Index Agency can also be entrusted with business ranking matters that will be funded through a profit sharing scheme. This institution must remove the psychological burden placed on society by Islamic banks that continue to use the standard equivalent rate in determining the profit sharing ratio and the margin in murabaah financing.

Before designing a model in the form of a risk management hybridization structure based on Islamic principles, values and principles. It is necessary to place the connection institutions above in the flow of risk management theory itself. Simply put, the elements of the above institutions can be grouped as follows:

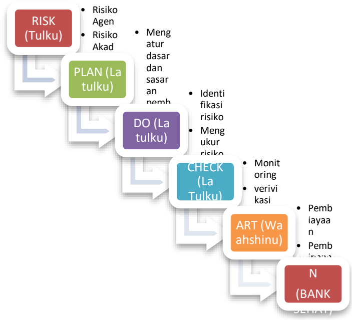

Figure 7 Profit Sharing Financing Risk Management Model Structure

To make it easier to understand the concept of the risk management model with the previous basic structure and the following explanation. The first stage is planning. For banks, every financing is a risk. Banks must be involved with risk if they want returns (results). The risk taken by the bank is of course with a moderate level and profile, or risk that can be tolerated. This policy is part of the bank's obligations as an intermediary institution and is also part of protecting oneself from destruction (la-tulku). This first stage involves the bank's management as well as the Sharia Supervisory Board. The next stage is to identify the risks in each financing that you want to choose, because of that the bank must measure and rate it. At this stage, independent and integrated private institutions can play a role in rating prospective debtors. This independent rating agency can issue a rating "certificate" for prospective debtors, so that the certificate can become a reference for the bank in determining the provision of financing. Of course, the rating fee is borne by the prospective debtor, just as the company pays the public accountant.

The checking phase involves the baitul mal to confirm prospective debtors related to zakat status and sharia index institutions. Baitul Mal serves to explain the profile of prospective debtors regarding their obedience in paying zakat. While the sharia index institution functions to determine the reference index of the profit sharing ratio. The final stage is the provision of financing. At this stage the bank together with baitul mal as a guarantor of financing or other financing guarantee institutions such as insurance together with the customer signing a contract. This final stage is classified as "wa ahsinu". At the same time banks and related institutions carry out coaching. Banks serve as data providers while other institutions carry out coaching such as Financing or Investment Guarantee Institutions and Baitul Mal, BAZNAS and BWI.

The following will provide an illustration of the risk management structure of profit sharing financing to help you better understand the goals and interaction patterns of each institution mentioned above.

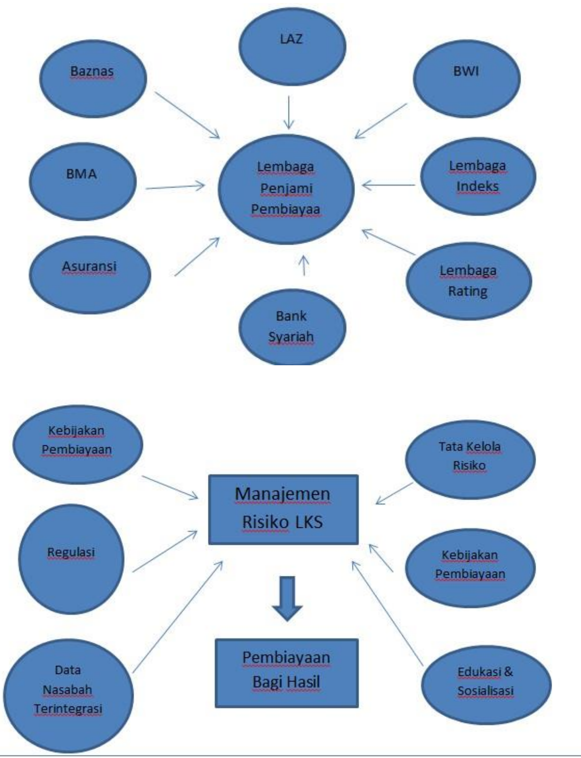

Figure 8 Hybridization Model of Islamic social financial institutions and Islamic Banks in Risk Management

5. CONCLUSION

Several findings and recommendations emerged from this research. The first finding explains how Islamic social financial institutions can be hybridized with Islamic banking institutions in the risk management of profit sharing financing. The Islamic social financial institutions that can be involved have the character of empowerment-oriented Islamic social finance. While the hybridization model is carried out with the assistance of a financing guarantee institution. In addition, hybridization necessitates regulation in order to collaborate with Islamic banks and Islamic social finance in risk management. This is done to ensure the long-term viability of profit sharing financing. While the following are the research's recommendations: 1. The relevant regulators must oversee the hybridization of Islamic Social Financial Institutions and Islamic Banks. 2. In order for this hybridization process to be successful, there needs to be a supportive social and commercial environment for cooperation between Islamic social financial institutions and Islamic banks. 3. In order to obtain profit sharing funding, this hybridization procedure needs a linking agency as a guarantee.

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