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Implementation of Funding Risk Management in Sharia Banking

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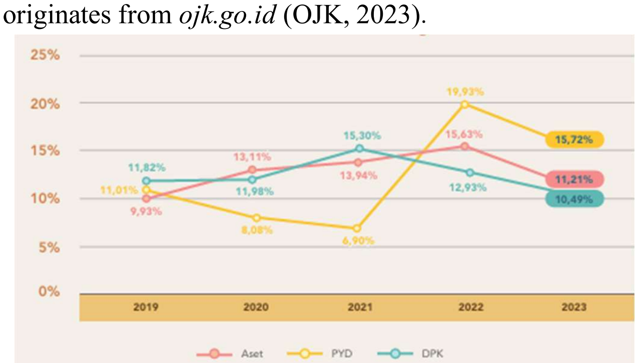
Abstrak. *Activities in the banking world are very susceptible to risk. Especially in fundraising activities because it is closely related to the bank's operations itself. To minimize risk, risk management is needed. This purpose of this paper to determine the implementation of funding risk management at BSI KCP Kediri Hayam Wuruk. The research method used is qualitative research using field observations to collect relevant data and analyze it comprehensively. Data collection was carried out through interviews with funding officer Bank BSI KCP Kediri Hayam Wuruk, and literature studies taken from literature sources relevant to the topic. The research results show that there are 3 funding risk management, namely liquidity risk, reputation risk and return risk. The ways to manage these risks are, 1. Liquidity risk by identifying funding and asset structures, 2. Reputation risk by improving service and managing customer complaints in a timely manner and complying with regulations according to sharia principles, 3. Return risk by managing customer expectations and improving the best service to customers.*
Keywords: *Management Risk; Funding; Sharia Banks*

INTRODUCTION

Sharia banking has experienced very rapid growth and development over the last thirty years, both in Indonesia and at the international level. By the 1970s, the idea of Islamic banking and finance had developed into a surprising reality for many people. Sharia banking is now a phenomenon throughout the world, including in countries that do not have a majority Muslim population (Afriyeni & Susanto, 2019). Indonesia is currently experiencing increasingly better economic development even though its implementation faces many challenges. Banking, capital markets and insurance are the main financial institutions that drive Indonesia’s national economy.

Sharia banking also plays a significant role in driving national economic activity, which in turn improves the country's economy. This can be seen from the growth of sharia banking in the past 5 years which originates from *ojk.go.id* (OJK, 2023).



Picture 1: Statistics and Development Islamic Banking
Source: Indonesian Sharia Financial Development Report for 2023 OJK, 2023

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Seen from the picture above, the growth of sharia banking has experienced fluctuations both in term of assets, financing provided (PYD) and DPK. Even so, sharia commercial banks are still the main indicator of Islamic banking which has experienced an increase in assets, PYD and DPK as explained in the picture below.

INDIKATOR UTAMA PERBANKAN SYARIAH 2023					
INDUSTRI PERBANKAN	JUMLAH INSTITUSI	JUMLAH KANTOR	ASET (Rp T)	PYD (Rp T)	DPK (Rp T)
BUS	13	1.967	594,71	368,38	465,93
UUS	20	426	274,28	200,06	203,32
BPRS	173	693	23,18	17,03	15,27
TOTAL	**206**	**3.086**	**892,17**	**585,46**	**684,52**

Picture 2: Main Indicators of Sharia Banking

Source: Indonesian Sharia Financial Development Report for 2023 OJK, 2023

From picture 2 above, the highest indicator comes from BUS (sharia commercial Bank) with a total of 13 institutions, a total of 1,967 offices, total assets of 594,71 T, total financing disbursed of 368,38 T and DPK of 465,93 T.

In carrying out its function as an intermediary institution for parties with surplus units and deficit units, sharia banking carries out its activities as a collector of public funds such as savings, deposits, current accounts with contracts. *Wadi'ah* and *Mudharabah* and channel it into financing products (Mulyani & Jamilah, 2022). Fund raising activities in banking are very important because they are directly related to bank operations. So that in its implementation there are various types of risks with various levels of complexity. Regarding this matter, it is important for banks to carry out risk management to obtain optimal profits, provide adequate cash as reserve storage and to meet public financing needs.

In the world of banking, risk is an event that can occur, both predictable and unpredictable, which has a negative impact on bank income and capital. Although unavoidable, these risks can be managed and controlled. Risk arises when the decision taken is not based on perfect, correct, and accurate information, or if the decision taken is not measured by the possible risks that will be faced, or it could also be that the decision taken is caused by emotional feelings. Therefore, Islamic banks also require several procedures and methodologies known as risk management to identify, measure, monitor and control risks arising from business activities.

Bank Indonesia sets risk management rules as minimum standards that must be met by BUS and UUS so that sharia banking can develop them according to the needs and challenges faced but still carried out in a healthy, consistent manner and in accordance with Sharia Principles. In managing risk, it is important to make plans to reduce or control the risks faced. The first step in risk management is to identify all the risks faced, then measure or determine the magnitude of these risks, and then find ways to face or handle these risks.

Sharia bank fund management is a way to manage capital or fund position from fund collecting activities and fund receiving activities, with the hope that the banking institution must be able to pay off its obligations with existing assets. Sharia bank fund management is an effort made by sharia banks to manage or regulate the position of funds received from funding activities to be channeled to financing activities, with the aim of sharia banks continuing to meet the criteria for liquidity, profitability, and solvency (Andrianto & Firmansyah, 2019).

According to Sherly Munica (Funding Officer of BSI KCP Kediri Hayam Wuruk) several risks that occur in raising funds are liquidity risk, reputation risk and return risk. Liquidity risk arises due to unexpected movements in liabilities. Uncontrolled movement will increasingly require funds to cover it. The bank's inability to pay risks the bank itself. Liquidity risk is also caused by savings customers or depositors who are present together and massively to disburse their funds in large amounts exceeding the amount of funds available at the bank itself (Hubbard, 2002) in (Putra et al., 2023).

Meanwhile, reputation risk occurs due to a decrease in the sense of trust of stakeholders which originates from negative news which causes large non-financial losses to banking institutions (Rustam, 2013) in (Fauziah, 2019). A bad bank reputation will encourage customers to switch to another bank with a cleaner reputation. Thus, threats to reputation, whether real or perceived, can destroy the good name a company has built over many years. It is not an exaggeration to say that reputation risk is a matter of life and death for banks (Fatihin S, 2024).

Rate of return risk is the risk that arises because of the consequences of *syirkah* (cooperation) contracts in the form of *mudharabah* and *musyarakah* so that it has an impact on the emergence of profit and loss sharing (PLS). PLS is a contractual agreement between two or more transacting parties that allows them to pool their resources (capital) to invest in a project to share in financial profits and losses (Inten, 2016) in (Rifai, 2020). In addition, this risk arises because of changes in the level of returns paid by banks to customers *funding* (savers and depositors) as a result of changes in the level of returns received by banks from channeling funds (distributed financing). This risk can gradually influence the overall behavior of DPK customers.

Therefore, to maintain the continuity of the relationship between Islamic banks and customers, fund management is very important because it is related to public trust. One of the main problems in Islamic bank fund management is the amount of funds obtained by Islamic banks and in what form, how these funds are allocated to produce optimal profits, how much dividends must be paid, and how much profit must be retained for growth.

This article aims to find out how to manage or mitigate the risks that occur in sharia banking, especially in fund raising activities. With this article, we hope it can become a source of information or literature for various parties, especially banks, in their efforts to minimize the risks that occur.

LITERATURE REVIEW

Risk Management

James A.F Stoner said management is the process of planning, organizing, leading, and controlling the efforts of organizational members by using all organizational resources to achieve predetermined goals. Management is also an art and a science. In other words, art is the ability to use management knowledge that is learned, observed and carried out (Umam, 2013) in (Islamea, 2018).

The definition of risk based on the KBBI is an unpleasant result (harmful or harmful) from an action or deed. According to Webster's Desk Dictionary, "Risk is exposure to chance of injury or loss." Meanwhile, according to Bank Indonesia (PBI No. 5/8/PBI/2003), risk is "the potential for events to occur that could cause bank losses." Because the future is difficult to predict and there is always uncertainty, risk in all forms and sources becomes an inseparable part of all types of actions (Pratama, 2018). In the banking industry, risk is a situation that can occur, whether expected or not, which can affect bank income and capital (Karim, 2010).

Risk management is an iterative process that discusses analysis, planning, implementation, control, and supervision of policies and measuring the implementation of security policies. Wright (1999) states that risk management is the process of building and maintaining security of information systems within an organization (Pratama, 2018). Risk Management is a series of methodologies and procedures used to identify, measure, monitor and control risks arising from all Sharia Bank business activities (Syahrir et al., 2023).

The principles of risk management for banks and sharia financial institutions have been prepared by the Islamic Financial Services Board (IFSB), and the initial draft of the draft was released on March 15, 2005. In this case, the risk management structure implemented by sharia financial institutions is adjusted with sharia features and principles, explained in the Basel Accord II. According to Bank Indonesia (BI) Regulation number 13/23/PBI/2011, sharia banking in Indonesia applies risk management principles in accordance with Islamic Financial Services Board standards. In general, there are two categories of risk faced by Islamic banking. The same risks as conventional banking, such as credit risk, market risk, risk *benchmark*, operational risk, liquidity risk, and legal risk, and different risks because they follow sharia principles. On the other hand, risk management is an effort that every business, including banking, must make to minimize losses (Pratama, 2018).

Funding

Funding is an activity in seeking and collecting funds for various purposes. Funding is an important process in building a company or holding an activity. This activity is carried out by seeking and collecting funds in the amount needed. In banking, funding is done by collecting funds or money from customers in the form of savings, deposits, current accounts, etc. Then customers receive rewards and security guarantees for these savings.

Funding is a form of financial decision, aimed at maximizing shareholder welfare. The funding decision that most determines company value is capital structure. The capital structure that needs to be taken in this case is whether the required capital requirements are met by using retained earnings, debt, issuing shares or a combination of both, namely shares and debt (Juniawati et al., 2020). Funding is the activity of collecting funds from the public in the form of savings, current accounts, and deposits as a place to save and invest. The source of funding from sharia banks is sharia banks' efforts to collect funds from the public. Managing funding sources starts with planning your funding needs, then conducting a source search to see which sources are available.

The purpose of funds is, the greater the funds collected by sharia banks, the greater the income of sharia banks, while the less funds that come in, the less financing issued by sharia banks, as a result the bank's income will also be less (Pandia, 2012) in (Mulyani & Jamilah, 2022). Thus, Islamic bank fund management is an activity carried out by Islamic banks in planning, implementing and controlling Islamic bank funds in collecting funds from the public (Mulyani & Jamilah, 2022).

Sharia Banks

Sharia banks are a type of banking that uses the principles of the Islamic economic system (Marimin & Romdhoni, 2015) in (Rolianah et al., 2021). Sharia banks are banks that carry out operations by applying the basic principles of Islamic sharia and do not apply interest in their operational activities (Putri & Tdkw, 2020). Sharia banks are financial institutions whose operational activities are developed based on the Al-Quran and hadith. Meanwhile, according to Law No. 21 of 2008 concerning sharia banking, article 1 explains that sharia banking is all forms of things related to sharia banks and sharia businesses which include institutions, business activities, methods and processes in carrying out business activities (Rasyidin, 2016).

In Indonesia, sharia banking has two forms, namely Sharia Commercial Banks (BUS) and Sharia Business Units (UUS). BUS is a form of sharia banking whose agenda is to provide services through payments, while UUS is a conventional commercial bank which functions as the main office of offices or units that carry out business activities by applying sharia principles (Ilhami & Thamrin, 2021).

RESEARCH METHOD

This research uses a qualitative approach to gain an in-depth understanding of the application of funding management in sharia banking. A qualitative approach will allow the author to explore the experiences and views of parties involved in managing risk in funding. The author conducts participant observation to collect relevant data and analyze it comprehensively. Primary data will be collected through interviews with parties authorized to carry out funding activities at the BSI KCP Kediri Hayam Wuruk bank. Apart from primary data, there is also secondary data taken from relevant literature sources from books, journals, articles, and the internet. This data will be used to support analysis and obtain further information about the application of funding management in sharia banking. Data analysis will be carried out using a descriptive approach, by identifying patterns, themes and findings that emerge from interviews and observations. Research findings will be linked to relevant literature and theory to gain a more comprehensive understanding.

RESULT AND DISCUSSION

Risk Management Stages

Risk management has various stages that are interrelated and repeated to complement and perfect each other. Risk management aims to ensure that all risk and business policies can be implemented consistently. Basically, management practices are divided into two, namely classical risk management practices and modern risk management practices. Classical risk management practices are only oriented towards setting consistent risk limits while remaining profit oriented. Meanwhile, modern management practices are not only about setting risk limits, but also using various risk measures in determining risk limits and carrying out risk-adjusted performance in each line (Wahyudi, 2013) in (Novianti, 2019).

Risk management in sharia banking has a different character from conventional banks, especially because there are types of risks that are unique to banks that operate sharia. In other words, the fundamental difference between Islamic banks and conventional banks does not lie in how to measure, but in what is assessed (what to measure) (Karim, 2013: 256) in (Fasa, 2016).

Risk management stages according to (Novianti, 2019):

1. Identify risks.

   Risk identification is the process of determining what risks occur, why they occur and how they can occur. Several stages in risk identification:

   a. Compile a comprehensive list of risks, based on the impact on each activity element. This process shows the possible problems encountered and the extent of losses that may occur. Where the amount of loss will affect the level of risk that will be faced.

   b. Analyze the character of the risks inherent in Sharia Banks, including the risks inherent in the bank's products and business activities.

c. Describes the process of risk occurrence and analyzes the factors causing risk, including determining risk probability.
d. Make a list of sources of risk for each risk.
e. Determine the appropriate instruments for identifying risks, such as experience, recordimg risks that have occurred etc.

Risk identification, especially for assessing customers, can be identified using the credit scoring method, calculating the probability of default, losses when default occurs, business plans, and cash flows related to how customers repay their obligations. Apart from that, the aim of risk management in Sharia banks is to achieve profitability and stability in the financial sector.

2. Risk measurement.

After the identification process, risks need to be measured consistently and presented in a form that is easy to understand. Risk measurement is broadly divided into two, namely describing and quantifying risk. This activity is carried out using probability (ratio matrix formation) as well as estimating the level of risk significance, the bank's tolerance limit for risk, and cost-benefit analysis.

The risk identification process in Islamic banks is different from conventional banks because each contract/agreement carried out in Islamic banking has different risks from each other. In conventional banking, almost all assets come from debt (debt), while assets in sharia banking come from funding activities (trade financing) to cooperation activities (equity partnerships). This causes sharia banking to have unique risks that are different from conventional banking, so that the process of identifying or measuring risk for sharia banks is different from conventional banks. These differences include:

a. Assets originating from financing contracts are not strictly financial assets and bear other risks besides financing risk and market risk.
b. Non-financial assets such as real estate, commodities, and ijarah istisnah contracts have unique risk characteristics.
c. Sharia banking uses cooperation schemes as well as profit and loss sharing assets that have a higher risk profile.
d. Islamic banking does not yet have clear instruments for mitigating and hedging risks, such as derivative instruments, which increase the overall asset risk compared to that faced by conventional banks.

One from of risk quantification is by using a risk matrix. The risk matrix is used to identify risks, calculate the probability of occurrence and the impact of the occurrence, then rank the risks based on the risk preferences chosen by the bank.

3. Risk mitigation.

Risk mitigation is actually the final stage of several previous risk management processes, namely risk identification, risk analysis and risk evaluation. After going through these three stages, banks can prioritize risks by selecting several risks that have a significant impact on the bank. Risks prioritized by the bank will be further mitigated and their implementation monitored. So, risk mitigation functions to neutralize, minimize, or even eliminate negative impacts that arise from events in a risk category.

Risk mitigation in sharia banking aims to:

a. Prevention
Sharia banking requires approval from the sharia supervisory Board to prevent sharia non-compliance in the banking transaction process.
b. Research
Supervision in Islamic banking includes two aspects, namely supervision from Bank Indonesia and supervision from Sharia aspects by the Sharia Supervisory Board.
c. Proofreading
Correction of errors that occur must involve Bank Indonesia if it relates to banking aspects, or the National Sharia Council if it relates to Sharia aspects.

4. Monitoring risk.

The risk monitoring process is a monitoring process carried out by the bank based on the actual level of risk that occurs at the bank. This actual risk level is compared and monitored with various previously determined risk provisions, such as risk tolerance levels, risk limits, and so on. When there is a mismatch between actual conditions and risk policy it can mean two things. First, there is a violation of the risk management policy. Second, the established risk policy is no longer relevant so it must be revised and adjusted to the current situation.

Risk monitoring in Sharia banking does not only cover the management side of Sharia Banks, but also includes supervision from DPS.

Table 1: Risk Monitoring in Sharia Banking

	Frequency	**Material**	**Example**
DPS	6 Monthly	Sharia Supervision Results Report	Narrative Summary
Board Level & Risk Management Commite	Yearly	Summary	Risk Map Narrative Summary
Middle Management	Quarterly	Summary + Detail	Operational Risk Management Plan quadrant
Day to Day Operation	Monthly	Detail	Frequency

Source: Fasa, Muhammad Iqbal, 2016

5. Risk control and reporting.

The final stage is risk control and reporting. At this stage, supervision of the entire process and stages is carried out continuously and documented. This indicates that the risk management process has been carried out completely.

Types of Risk in Funding

We know that banking activities are always faced with existing risks. Such as credit risk, market risk, liquidity risk, operational risk, compliance risk, legal risk, reputation risk, strategic risk (strategy risk), return risk (rate of return risk) and many more. We cannot avoid these risks, but we can manage or minimize the consequences of these risks so that they do not have a serious impact on banking activities.

According to Sherly Munica (Funding Officer at BSI KCP Kediri Hayam Wuruk) there are 3 types of risks in funding:

1. Liquidity Risk

   Liquidity risk is the inability of a bank to fulfill its obligations in paying what is due from high quality liquid assets (sukuk, mutual funds) that can be used as collateral. This risk occurs due to banks being unable to meet maturing liabilities. Uncontrolled movement of liabilities will certainly require funds to cover them. The bank's inability to pay has negative consequences for the person concerned. This risk also arises as a result of the disparity in maturity between the funding source (DPK) and the bank financing agreement to the debtor (Novianti, 2019).

   The inability of bank to obtain sources of cash flow funding, thereby giving rise to liquidity risks, can be caused by, among other things, two things. The first is the inability to generate cash flows from productive assets or from sales of assets, including liquid assets. The second is the inability to generate cash flow originating from raising funds, transactions between Islamic banks, and loans received. Credit risk and liquidity risk are the most fundamental risks in the banking industry. This is because the main trigger for bankruptcy experienced by banks is not the losses they experience, but rather the bank's inability to meet its liquidity needs (Farid, Muhammad; Azizah, 2021).

   According to research by (Syafii, Indra; Siregar, 2020), liquidity risk will occur when banks are unable to provide cash flow for daily business operations or urgent funding needs. The size of this risk is determined by cash flow planning or fund flow, planning in managing the fund structure, asset availability and the ability to create access to the interbank market. In general, liquidity risk in Islamic bank operations occurs because:

   a. Sharia banks have difficulty finding cash funds at reasonable costs, either through loans or selling assets. Because interest on loans is prohibited, it is difficult for Islamic banks to obtain loans.
   b. The prohibition on selling debt securities other than their nominal value makes sharia banks have liquidity problems.

   This condition certainly affects the banks performance and affects the bank's reputation because customer trust will be lost if customer funds are not handed over at the specified time, so the bank's reputation is at stake. Therefore, liquidity for banks is everything, so it is the bank's obligation to maintain it so that it is always ready at all times when needed. So even if a bank has sufficient capital, good income, and liquid assets, if it cannot maintain adequate liquidity, it can become a failed bank.

2. Reputation Risk

   Reputation risk is the potential for loss resulting from decreased stakeholder trust originating from negative perceptions of the bank. In other words, this risk is caused by negative publicity related to bank activities or negative perceptions of the bank. This risk arises because of negative media reports and/or rumors about Islamic banks as well as less effective communication strategies for Islamic banks (Farid & Azizah, 2021).

   Reputation risk in business can originate from various business activities that are detrimental to the reputation of Islamic banks, both external factors such as negative news in the mass media, customer complaints, and internal factors such as violations of business ethics, various weaknesses in governance, corporate culture and Islamic bank business practices (Farid & Azizah, 2021). Reputation risk is a risk that does not stand alone, but is a second-tier risk, namely a risk that occurs because it is triggered by other risks such as credit risk, liquidity risk, or operational risk. Thus, in assessing reputation risk, it is necessary to understand the relationship between reputation risk and other risks. Reputation risk is formed from various attributes, namely: social responsibility, emotional appeal, financial performance, products and services, vision and leadership, workplace environment (Arsyadona et al., 2020).

Reputation management tends to be increasingly difficult to manage, losing a good reputation is much easier than trying to build it. Maintaining a banking reputation is not easy, let alone maintaining a good reputation for the company. Remembering that a company's reputation is the result of fulfilling the rational expectations and emotional expectations of each stakeholder towards the company in every moment of interaction.

Reputation risk does not have an immediate financial impact, but this risk slowly erodes the level of customer trust. Banks are an industry that has high sensitivity to public trust. Things that really influence reputation include: a. Management, b. Shareholders, c. Services provided, d. Application of sharia principles, e. Publication.

According to Adiwarman in (Arsyadona et al., 2020), if management in the view of stakeholders is considered good then the reputation risk is low, likewise if the company is owned by strong shareholders then the reputation risk is also low. In terms of service, if the service is not good then the reputation risk is high. In implementing sharia principles, it must be carried out consistently so that negative assessments do not arise regarding the implementation of the sharia system which could result in negative publicity that will increase the level of reputation risk.

There are several reputation risk indicators that need to be paid attention to:

a. The influence of the reputation of the bank owner and stakeholders, the indicators are the credibility of the owner and the related company, reputation incidents for the owner and the related company. The influence of the reputation of the bank owner is one of the factors that causes an increase in reputation risk in Islamic banks. Credibility really influences the reputation of a company, for example when a bank has many customers because it is based on public trust in that bank. The reputation of the stakeholders here has their own role, and this results in efforts to build their reputation taking longer than building the company's image. Banking institution employees must be experienced or have expertise in their field, this is one of the things that can improve the reputation of a banking institution.
b. Violations of Business Ethics, the indicators are transparency of financial information, business cooperation with other stakeholders. It is important to pay attention if the company violates generally accepted business ethics/norms. Not only in transparency of financial information, but also in bank resource policies and product marketing. Violations of business ethics most often cause a low reputation of a banking institution, both among its employees and share owners. Even though the reputation of a banking institution is high, the owner of the institution must maintain its reputation by implementing appropriate business ethics. For example, in terms of customer service, namely the call center, providing adequate facilities when customers are waiting at the bank.
c. The complexity of Sharia bank products and business cooperation, the indicators are the number and level of customer use of complex sharia bank products, the number and materiality of cooperation between sharia banks and business partners. Complex products and collaboration with business partners can be exposed to reputation risk if

there is a misunderstanding in the use of products/services between business partners, for example banking services and mutual fund products.

d. Reporting frequency, the indicators are the frequency and materiality of reporting, type of media and scope of reporting. Negative coverage of sharia banks also includes sharia bank management as measured during the assessment period.
e. Frequency of customer complaint materiality, the indicator is the frequency of customer complaint materiality measured during the assessment period. The increasing number of customer complaints should not always be seen as a decline in service quality but must be examined first. Unless the bank is experiencing a significant growth in the number of customers, this could be what causes the increase in the number of customer complaints.

3. Rate of Return Risk

Return risk is the potential loss resulting from the level of return paid to customers which occurs due to the distribution of funds which can influence customer behavior as Third-Party Funds. This risk arises, among other things, due to changes in the behavior of bank third party fund customers caused by changes in expected levels of returns received by banks. Changes in expectations can be caused by internal factors such as a decrease in the value of bank assets and/or external factors such as fluctuations in returns offered by other banks. Changes in expected levels of returns can trigger a transfer of funds from banks to other banks (Al Husaini, 2023).

For example according to (Fasa, 2016):

a. The bank provided lower returns on funds compared to last month due to several of its debtors experiencing a decline in the quality of their financing.
b. The bank adopted a policy to imcrease the level of return on funds to retain potential large depositors from other banks.
c. Sharia bank expects a return of 7% from its assets which will later be distributed to investors, at the same time the BI rate rises to 8%.

Profit and loss sharing financing, as a form of financing pattern in sharia banking and where this pattern is a characteristic. This pattern contains principles *al-gunm bil gurm* or *alkharaj bi ad-daman*, which means there is no profit sharing without a share in the risk. Profit sharing the ratio measures the amount of financing using the profit-sharing principle provided by Sharia Commercial Banks through mudharabah and musyarakah contracts on the total financing. The formula used is as follows: Profit Sharing Ratio = (Mudharabah + Musyarakah): Total Financing Return risk is potential losses due to movements in returns in the market that are opposite to positions or banking transactions. 8 So, Islamic banking does not experience interest rate risk because there is a price in financing that does not use interest rates. Return risk in sharia banking is a risk that exists as a result of syirkah contracts in the form of mudharabah and musyarakah so that profit and loss sharing arises (Efiza et al., 2024).

Risk Management in Funding

To mitigate or minimize risks that occur in funding, BSI KCP Kediri Hayam Wuruk takes several steps including:

1. Liquidity Risk

BSI KCP Kediri Hayam Wuruk carries out this risk management by identifying funding and asset structures. Identifying funding and asset structures means analyzing and understanding how an entity (such as a company, institution, or project) obtains funds and how these funds are used or allocated in the form of assets.

a. Funding structure

   This refers to the source of funds used by an entity to carry out operational or investment activities. The funding structure includes:

   1) External funding sources

      Such as loans, share issuance, or bond issuance.

   2) Internal funding sources

      Such as retained earnings from owners or shareholders.

   3) Funding proportion

      How the funds obtained are divided between external and internal sources and the level of risk associated with each funding source.

b. Asset structure

   This refers to the way an entity's assets are divided and managed. Assets include all goods and rights owned by an entity that can provide future economic benefits. The asset structure includes:

   1) Current assets

      Such as cash, receivables and inventory that can be converted into cash soon.

   2) Fixed assets

      Such as property, plant, machinery, and equipment used in long-term operations.

   3) Intangible assets

      Such as patents, trademarks, and goodwill.

By identifying and analyzing funding and asset structures, an entity can plan finances, assess risks, and optimize the use of resources for growth and sustainability. In addition, it is also important to understand the extent to which the entity can fulfill its obligations and create value for shareholders.

Apart from that, there are several ways to manage liquidity risk sourced from relevant literature, including:

a. Regularly calculate liquidity gaps and cashflow projections to show the state of bank liquidity.
b. Maintain good relationships or access between banks to the money market, so that it is easy to get liquidity if needed because of trust from the money market or other banks.
c. Closely monitor bank liquidity ratios so that liquidity shortages can be tracked early, making it easy to make the right decisions.

2. Reputational Risk

   BSI KCP Kediri Hayam Wuruk carries out this risk management by improving service and managing customer complaints in a timely manner and complying with regulations according to sharia principles.

   a. Improve service.

      1) Improved service quality

         Striving to provide better and faster service, considering customer needs and expectations.

      2) Process efficiency

         Ensure that every transaction and interaction with customers is carried out efficiently, without unnecessary delays.

3) Staff training

Train employees to provide friendly, professional, and responsive service to every customer request or question.

b. Manage customer complaints.

1) Quick response to complaints

Respond to customer complaints immediately, provide adequate solutions and resolve problems faced by customers within a short time.

2) Clear resolution process

Have clear procedures for handling customer complaints, starting from receiving complaints, analyzing problems, to solutions and follow-up.

c. Comply with regulations according to sharia principles.

1) Sharia regulations

Ensure that every product and service provided complies with the laws and principles of the Islamic religion (shariah), which prohibit usury, *gharar* (uncertainty), and *maysir* (gambling).

2) Legal regulation

Follow the provisions set by sharia regulators, such as the National Sharia Council (DSN) or institutions that oversee sharia compliance in financial institutions.

Overall, this means that the institution or company is committed to providing quality services and being responsive to customer complaints, while maintaining compliance with sharia regulations and the principles that apply in sharia business.

3. Rate of Return Risk

BSI KCP Kediri Hayam Wuruk carries out this risk management by managing customer expectations and improving the best service to customers.

a. Manage customer expectations.

1) Provide clear expectations.

Managing customer expectations means setting and communicating clearly what they can expect from the services or products provided. This includes response time, quality of service, or the results the customer will receive.

2) Communication is open and transparent.

Convery accurately and honest information regarding applicable products, services, and processes, so that customers do not have unrealistic expectations. For example, if there is a delay in a process, it is important to notify customers early and explain the reasons behind it.

3) Listening to customers wishes.

By listening to and understanding customers' needs or desires, companies can adjust offerings or services to meet their expectations more precisely.

4) Maintain balance.

Sometimes customer expectations do not always match the company's capacity or capabilities. Managing this means finding the best solution to fulfill customer desires without sacrificing service quality or efficiency.

b. Improving the best service to customers

1) Regularly improving service quality.

Improving service means continuously improving the way the company interacts with customers. This can include improving service processes, speeding up response times, and improving product and service quality.

2) Responsive and solution.
   Respond to customer complaints or requests quickly and provide adequate solutions according to their needs and strive to resolve problems completely.
3) Focus on customers.
   Pay more attention to the overall customer experience, not just the transaction or problem at hand. For example, creating a comfortable and pleasant service atmosphere for customers.
4) Service innovation and customization.
   Adapting services to the dynamic development of customer needs, as well as providing added value through service innovation, such as technology that makes access easier or speeds up processes.

Manage customer expectations is about organizing and clearly communicating what the company can deliver, while improve the best service to customers is an effort to continuously improve service quality so that customers feel satisfied and get the best experience in every interaction.

CONCLUSION

Based on the results of research conducted at BSI KCP Kediri Hayam Wuruk, the results showed that there are 3 funding risk management, namely liquidity risk, reputation risk and return risk. In minimizing or managing the occurrence of risks in funding, Sherly Munica as funding officer of BSI KCP Kediri Hayam Wuruk said, the way to manage liquidity risk is by identifying funding and asset structures, while reputation risk is by improving service and managing customer complaints in a timely manner and complying with regulations in accordance with sharia principles, and finally return risk by managing customer expectations and improving the best service to customers. There are 5 stages in risk management, namely, 1. Risk identification, namely the process of determining what risks occur, why the risks occur and how the risks can occur, 2. Risk measurement, namely risks need to be measured consistently and presented in an easy form. understood, 3. Risk mitigation which functions to neutralize, minimize, or even eliminate negative impacts arising from events in a risk category, 4. Risk monitoring is a monitoring process carried out by the bank based on the actual level of risk that occurs at the bank, 5. Control and risk reporting. At this stage, supervision of the entire process and stages is carried out continuously and documented.

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