

ANALYSIS OF DEFAULT RISK AMONG FLPP HOME OWNERSHIP FINANCING (PPR) BORROWERS AT PT BANK SUMUT SYARIAH, MARELAN RAYA SUB-BRANCH

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Abstract

This study is motivated by the rising Non-Performing Financing (NPF) ratio of Housing Ownership Financing (PPR) under the Housing Financing Liquidity Facility (FLPP) scheme at PT Bank Sumut Syariah KCP Marelana Raya, which increased from 0 percent in 2021 to 5.91 percent in 2025, exceeding the 5 percent safety threshold set by the Financial Services Authority. This condition raises fundamental questions regarding the extent of debtor default risk, the underlying factors when examined through the 5C principle (Character, Capacity, Capital, Collateral, Condition of Economy), and the risk mitigation strategies applied by the bank. This research employs a qualitative approach with a single case study design. Data were collected through in-depth interviews with the Account Officer, the Branch Sub-Office Manager, two non-performing debtors, and one additional informant from the Back Office unit, complemented by non-participant observation and documentation of NPF data, then analyzed using the interactive model of Miles, Huberman, and Saldaña, strengthened through source, technique, and time triangulation. The results show that of 300 active debtors, eighteen fall under Collectability 3 to 5 (the NPF category), reflecting two conceptually distinct causal patterns: inability to pay due to job termination, and unwillingness to pay (moral hazard), the latter specifically identified among debtors who are civil servants at central government agencies due to the absence of an integrated payroll deduction system. The bank's risk mitigation strategy is gradual in nature, consisting of a preventive stage (5C analysis, document verification, field survey), a monitoring stage (periodic post-disbursement visits), and a curative stage (persuasive collection, warning letters, restructuring, write-off, and collateral auction). This study proposes an initial conceptual shift from static 5C assessment toward a dynamic, behavior-based 5C approach as a complement to the conventional preventive function of the 5C framework.

Keywords: Default Risk; Non-Performing Financing; 5C Principles; Subsidized Housing Financing; Islamic Bank; Risk Mitigation

INTRODUCTION

The availability of adequate housing is a basic need closely related to the quality of life and social stability of a community. Banking institutions play a strategic role in supporting the fulfillment of this need through the distribution of home ownership financing, one of the government-supported schemes being the Housing Financing Liquidity Facility Program (FLPP) for Low-Income Communities (MBR) (Ministry of Public Works and Public Housing, 2023). In its implementation, FLPP financing distribution is inseparable from the risk of default, namely the condition when the debtor is potentially unable to fulfill installment obligations as agreed in the contract (Kasmir, 2014).

Default risk needs to be conceptually distinguished from Non-Performing Financing (NPF). Default risk is the probability or potential for debtor failure that is predictive and inherent from the beginning of the financing transaction (Mishkin, 2018; Kasmir, 2019), while NPF is a quantitative ratio that measures the proportion of realized non-performing financing to the total portfolio in a certain period, as regulated in POJK No. 65/POJK.03/2016. Thus, default risk is a prospective causal variable, while NPF is a retrospective and statistically measurable consequence variable; when default risk is realized significantly at the individual debtor level, this condition will be reflected in an increase in the NPF ratio at the institutional level.

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The problem underlying this research is the high risk of debtor default on the FLPP mortgage product at Bank Sumut Syariah KCP Marelan Raya, as reflected in Table 1.

Table 1. NPF and PPR FLPP Financing Data for Marelan Raya Branch Office for 2021–2025

Year	NPF	Financing Amount	New Realization	Total Customers
2021	0%	Rp17,753,575,000	145	145
2022	1.81%	Rp18,759,010,000	7	152
2023	1.13%	Rp19,521,990,000	5	157
2024	4.20%	Rp18,946,790,000	0	157
2025	5.91%	Rp18,819,290,000	0	157

Source: PT Bank Sumut Syariah KCP Marelan Raya (2026).

The NPF ratio of 5.91 percent in 2025 is far above the average Gross NPF of national Islamic banking which ranges from 2.12–2.20 percent in the period December 2024–January 2025 (Financial Services Authority, 2025), which indicates that the default risk issue at KCP Marelan Raya is specific to the branch's operational level, not simply a reflection of national trends. The sharpest increase occurred in 2024, when the NPF ratio jumped from 1.13 percent to 4.20 percent along with no new financing realization, which confirms that the increase in NPF mainly stems from the realization of default risk in the existing financing portfolio (time-varying risk), not from new portfolio expansion. Based on initial estimates, of approximately 300 active debtors, there are approximately 18 debtors in a non-performing financing condition (Collectibility 3–5).

Theoretically, the application of the 5C principle (Character, Capacity, Capital, Collateral, and Condition of Economy) at the feasibility analysis stage is believed to be able to reduce the risk of debtor default from the beginning of the disbursement of funds (Kasmir, 2019). However, empirical conditions at the Marelan Raya Branch Office actually show a pattern that contradicts this assumption, where the NPF ratio continues to increase even though the 5C analysis has been formally applied to each financing application. This gap between the ideal of the 5C theory and the reality of increasing NPF is the research problem that underlies the urgency of this study.

Previous studies on non-performing financing in Islamic banks have generally been divided into two categories: national-scale quantitative studies on the determinants of non-performing financing (NPF) (Fitri & Sriyana, 2023), or general literature reviews on the role of guarantee institutions in mitigating FLPP defaults (Ridwan & Rakhman, 2025; Rushady, 2026). Qualitative studies focused on Bank Sumut Syariah, on the other hand, have tended to discuss murabahah restructuring procedures in general (Utami & Hasibuan, 2022) or descriptively address the implementation of mortgage-FLPP disbursement in different locations (Ningrum, 2023), without specifically examining the causes of default risk based on the 5C principle at the sub-branch office level serving borrowers in the semi-urban and coastal informal sectors. This gap is the research gap that this study fills by integrating the 5C analytical framework and information asymmetry theory to analyze the unique default risk patterns in the context of semi-urban Islamic Regional Development Banks (BPD).

Based on the description, this research is formulated into three questions: (1) what is the default risk condition of PPR FLPP debtors at Bank Sumut Syariah KCP Marelan Raya based on the level of financing collectibility; (2) what factors cause default risk in PPR FLPP debtors in terms of the 5C principle; and (3) what mitigation strategies are implemented by banks in reducing default risk in FLPP financing. The objectives of this research are in line with the three problem formulations, with the expected benefits being to provide evaluation material for banks in strengthening the analysis of 5C-based financing feasibility, academic contributions to the development of sharia financing risk management studies, and broadening the insight for researchers regarding default risk mitigation practices in the field.

LITERATURE REVIEW

Information Asymmetry Theory as a Grand Theory

Information Asymmetry Theory explains the imbalance of information between two parties in a transaction, so that the party with less information is at risk of making inappropriate decisions. This theory was first systematically developed by Akerlof (1970) and strengthened by Spence (1973) and Stiglitz and Weiss (1981), all three of whom were awarded the Nobel Memorial Prize in Economic Sciences in 2001. A recent study by Zhang (2024) emphasized that signaling and screening mechanisms remain the main instruments for reducing adverse selection and moral hazard in the financing industry, while Wijaya and Herwiyanti (2023) emphasized the importance of comprehensive information disclosure as a mechanism for reducing information inequality in financial research

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in Indonesia. In the Islamic banking sector, information asymmetry is inherent because borrowers have far more complete information about their personal financial situation than banks, and manifests in two main forms: adverse selection, a pre-contract condition when banks cannot fully identify the true quality of prospective borrowers, and moral hazard, a post-contract condition when borrowers change their financial behavior after funds are disbursed (Akerlof, 1970; Stiglitz & Weiss, 1981). In the low-income segment targeted by FLPP, this problem is further complicated by limited formal data, such as the lack of official pay slips for informal workers (Rivai & Arifin, 2021). To address this, banks need to implement strict signaling and screening mechanisms, including verification of OJK SLIK data, field surveys, and 5C analysis, which, from a sharia perspective, align with the principles of justice ('adl), transparency (bayyinah), and trustworthiness (amanah) (Rivai & Arifin, 2021). In this study, the theory of information asymmetry is positioned as an analytical framework to understand why default risk can occur in FLPP debtors, as well as a normative framework that guides the development of 5C-based mitigation strategies.

Financing Risk Theory as a Middle Theory

Financing risk is the potential financial loss arising from a debtor's failure to fulfill its obligations under the contract (Kasmir, 2019). This risk encompasses several forms, namely default risk, which is the focus of this study, financing concentration risk, and quality migration risk. In the context of FLPP, these three forms of risk are interrelated because the concentration of debtors in the MBR segment with similar income characteristics increases the potential for collective quality migration in the event of an economic shock. The causal factors are divided into internal bank factors, such as weak initial feasibility analysis and minimal post-disbursement supervision, and external factors such as macroeconomic conditions and the debtor's character (Kasmir, 2019). Mitigation includes preventive strategies in the form of a comprehensive feasibility analysis before disbursement and curative strategies in the form of restructuring or rescheduling when financing problems begin. The normative basis of the Qur'an also serves as a conceptual bridge in this study. QS. Al-Baqarah [2]: 280 instructs creditors to give debtors experiencing difficulties a grace period before taking burdensome collection actions, becoming the normative basis for restructuring and rescheduling practices in Islamic banking. QS. An-Nisa' [4]: 29 prohibits the acquisition of assets by false means except through trade based on mutual consent (taradhin), which is the spirit of the entire financing feasibility analysis process so that the contract is truly based on the consent and full understanding of both parties.

The 5C Principle as an Applied Theory

The 5C principle is a financing feasibility analysis instrument that must be applied from the selection stage of prospective debtors, consisting of five aspects: Character (morality and good faith, measured through the history of OJK's SLIK and social reputation), Capacity (objective financial capability, measured through the Debt Service Ratio and income stability), Capital (net worth and down payment that can be provided), Collateral (material guarantee as a second way out for the bank, including complete legality and market value of collateral), and Condition of Economy (economic situation and sensitivity of the debtor's work sector to macro shocks) (Kasmir, 2019; Sartika, 2023; Vanni & Rokhman, 2018). Sharia PPR financing is generally channeled through murabahah or musyarakah mutanaqishah contracts, both of which prevent customers from usury (Antonio, 2001; DSN-MUI, 2000). Financing analysis serves as a form of bank prudence (ikhtiyath) in maintaining the trust of third-party funds, starting from file submission, field verification, analysis by the Account Officer, to the decision of the financing committee (Wangsawidjaja, 2012; Ismail, 2011). The risk characteristics of FLPP differ from commercial mortgages because its customer base is MBR with incomes that are prone to fluctuations, as found in the FLPP scheme at PT Bank Tabungan Negara where the credit risk is structurally higher than the formal customer segment (Rakhmat, Hubeis, & Maulana, 2014).

Collectibility and Default Risk

Collectibility is a classification of financing quality based on the accuracy of payments, referring to Bank Indonesia Circular Letter No. 9/24/DPBs, which divides five categories: Current (Collectibility 1), Special Mention (Collectibility 2, arrears up to 90 days), Substandard (Collectibility 3, 91–120 days), Doubtful (Collectibility 4, 121–180 days), and Loss (Collectibility 5, more than 180 days), where Collectibility 3–5 is categorized as NPF. The threshold of delays of more than 90 days is also in line with the default criteria according to the Basel Committee on Banking Supervision (2006), and is relevant to the Merton structural model (1974) which explains default as a condition when the value of the debtor's obligations exceeds the capacity of its assets, although in the sharia context the obligation in question is the margin/tsaman agreed in advance, not fluctuating interest. Default risk covers a spectrum from temporary default that still has the potential to be recovered through a persuasive approach, to chronic

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default that results in write-offs and collateral execution, and can be differentiated by cause into inability to pay (external factors beyond the debtor's control) and unwillingness to pay/moral hazard (debtor character factors despite financial capability) (Greuning & Iqbal, 2008). Studies on financing sector diversification show that diversification plays a role in reducing the risk of non-performing financing in Islamic banks (Widarjono & Afandi, 2025), while strengthening financing committees has proven effective in addressing non-performing financing institutionally (Fadlullah Hana & Raunaqa, 2022).

Previous Research

Several previous studies have thematic links with this research but differ in focus and context. Ridwan and Rakhman (2025) reviewed the literature on the potential FLPP default risk due to the gap between MBR income criteria and bank requirements and the role of guarantee institutions. However, this was a national study, not an operational case study. Fitri and Sriyana (2023) examined the determinants of NPF in Islamic commercial banks quantitatively and nationally, differing from the in-depth qualitative approach based on the 5Cs at the sub-branch office level used in this study. Utami and Hasibuan (2022) examined the restructuring procedure for problematic murabahah loans at the same facility, Bank Sumut KCP Syariah Marelan Raya, but focused on the general restructuring procedure, rather than analyzing the causal factors of default risk based on the 5Cs. Ningrum (2023) discussed the implementation of mortgages and FLPP at KCP Kisaran in a general descriptive manner without analyzing collectibility-based and 5C-based default risk specifically. Rushady (2026) and Siregar (2022) each conducted general literature reviews and case studies in the context of the pandemic, each with different objectives. Dendawijaya (2020) discussed the general factors of bad debts on a national scale. Of these seven studies, a gap emerged, namely the lack of a qualitative study specifically analyzing the causes of FLPP debtor default risk based on the 5C principles and mitigation strategies in Sharia Regional Development Banks (BPD Syariah) with semi-urban/coastal customer characteristics, which constitutes a novelty in this research.

Framework of thinking

The research framework begins with the information asymmetry between banks and FLPP debtors, the majority of whom are in the informal sector. This creates an information gap and manifests as financing risk. To mitigate this, banks implement the 5Cs principle at the pre-contract stage. When the 5Cs are not implemented optimally, default risk can potentially arise, reflected in an increase in the NPF ratio and a shift in collectibility. Banks then respond through risk mitigation strategies at both the pre-contract and post-contract stages. This flow culminates in three research findings that address the research questions regarding default risk, its causal factors, and the mitigation strategies implemented.

METHOD

This research uses a qualitative approach with a single case study, which, according to Creswell (2015), allows researchers to explore in-depth a program or activity within a specific time and context. This approach was chosen because the research seeks to deeply explore the factors causing the default risk of PPR FLPP debtors and the mitigation strategies implemented, which requires a rich and contextual understanding, not just numerical measurements (Moleong, 2017). The research was conducted at Bank Sumut Syariah Marelan Raya Branch Office, Jalan Tj. Gusta, Sunggal District, Deli Serdang Regency, North Sumatra, for three months starting from February 20, 2026. The selection of informants used a purposive sampling technique, with details as presented in Table 2.

Table 2. List of Research Informants

No.	Position/Role	Agency/Description	Amount
1	Deputy Head of KCP	Bank Sumut Syariah KCP Marelan Raya	1 person
2	Account Officer / Financing Analyst	Bank Sumut Syariah KCP Marelan Raya	1 person
3	Debtor 1 (Collectability 3)	PPR FLPP customers – inability to pay	1 person
4	Debtor 2 (Collectability 4)	PPR FLPP customers – unwillingness to pay	1 person
5	Back Office Staff (additional informant)	Triangulation of sources – financing administration	1 person

Source: Data processed by researchers, 2026.

The two debtors were selected purposively because each represents two different patterns of default risk causes, namely inability to pay and unwillingness to pay, thus serving to deepen qualitative understanding, not to generalize the conditions of all problem debtors quantitatively. The research object covers the default risk

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phenomenon of PPR FLPP debtors based on the level of collectibility and the problem financing mitigation strategies implemented by the bank. Primary data was collected through in-depth semi-structured interviews and non-participant observation of the bank's operational processes, while secondary data was obtained from the Standard Operating Procedure for PPR FLPP financing, NPF reports, internal financing reports, as well as relevant scientific journals and previous research (Sugiyono, 2018). The main research instrument was the researcher herself, assisted by interview guidelines, observation sheets, recording devices, and informed consent forms. The data analysis technique used the interactive model of Miles, Huberman, and Saldaña (2014) which consists of four interacting stages: data collection, data reduction (coding interview transcripts into 5C categories and mitigation strategies), data presentation (in the form of descriptive narratives, matrices, and tables), and drawing conclusions and verification. Data validity was tested through source triangulation (comparing statements from Account Officers, Deputy Heads of KCP, debtors, and Back Office staff), technical triangulation (comparing interview results with observations and documentation, for example account mutation data), and time triangulation (consistency of informant statements in different interview sessions) (Lincoln & Guba, 1985; Moleong, 2017). This study also upholds research ethics, including informed consent, protection of informant identity, data confidentiality, scientific integrity, and official permission from the bank.

RESULTS AND DISCUSSION

Default Risk Conditions of PPR FLPP Debtors Based on Collectibility Level

Of the 300 active PPR FLPP debtors in 2025, 282 were at Collectibility 1–2 (Current to Special Mention), while 18 debtors had shifted to Collectibility 3–5 (NPF category). The NPF ratio of 5.91 percent was calculated based on the outstanding financing value, not the direct result of dividing the number of problematic debtors by the total number of active debtors, but remained far above the national average Gross NPF of Islamic banking of 2.12–2.20 percent (Financial Services Authority, 2025), which confirms that the default risk issue at KCP Marelan Raya was a local anomaly at the branch operational level. Regional characteristics also influence a debtor's risk profile. An Account Officer informant explained that FLPP financing locations are generally located in suburban and district areas, such as Deli Serdang, Patumbak, and Sunggal, rather than in the city center. This condition represents the Condition of Economy element in the 5C principle (Kasmir, 2019), where residential location and accessibility to banking services are structural risk factors that influence the effectiveness of bank supervision and collection throughout the financing cycle. Interview findings also revealed that the formal application of the 5C principle had been carried out at the initial stage of analysis as a form of prudence, so that debtors who passed the initial selection were basically at Collectibility 1. However, procedural compliance at this pre-agreement stage does not necessarily prevent shifts in collectibility later on, because credit risk is dynamic and can arise at any time throughout the financing cycle in response to changes in debtor conditions (Mishkin, 2018). This significant shift in the collectibility level has a direct impact on the bank's operational policy, namely the temporary suspension of new PPR FLPP financing distribution since the NPF ratio exceeds the 5 percent threshold set by the OJK. From the perspective of debtor characteristics in Collectibility 3–5, two conceptually different default patterns were identified: inability to pay due to external factors such as termination of employment, and unwillingness to pay even though the debtor is actually financially capable, which in the credit risk management framework is known as moral hazard (Akerlof, 1970).

Factors Causing Default Risk Reviewed from the 5C Principle

In the external factor group, termination of employment and the impact of the Covid-19 pandemic were the dominant causes conveyed by informants, when a decrease or loss of income prompted banks to restructure by reducing the nominal installments according to the customer's ability to pay. This case was confirmed directly by Debtor 1 (Collectibility 3), a former private employee in the industrial sector, who confirmed that the feasibility analysis process at the beginning of the contract had been carried out strictly by the bank, including checking salary statements and direct surveys of the workplace and home location. His financial condition then changed drastically after the company where he worked made massive employee reductions, resulting in the sudden loss of his monthly income. This finding confirms that the debtor's payment failure was purely inability to pay due to external shocks, consistent with the Capacity element in the 5C principle, which is dynamic and can change at any time due to factors beyond the debtor's control (Kasmir, 2019). In the internal factor group, the most prominent finding was the change in the debtor's character after the contract, particularly in the case of debtors with the status of Civil Servants (PNS) at central agencies who were financially capable but reluctant to fulfill their obligations. The Account Officer informant explained that these debtors had no payment constraints, but withheld payments for various reasons related

to the unoccupied house. Debtor 2 (Collectibility 4) confirmed this openly, stating that his payment delay was purely due to dissatisfaction with the location of the house being far from the office and the physical damage to the building that had not been repaired by the developer, not due to a lack of funds. Another contributing operational factor was the lack of an integrated payroll system for debtors with civil servants at central agencies, so that installment deductions were not made automatically from salaries, but were deposited manually each month, which opened up room for debtors to delay payments at their discretion even though they were financially capable. This finding is a concrete form of moral hazard within the framework of information asymmetry (Akerlof, 1970), because banks cannot fully monitor the intentions and behavior of debtors after funds are disbursed, so that formal employment status and steady income do not necessarily guarantee payment compliance. In addition, a dimension of third-party (developer) relationship to debtor satisfaction was also found: the physical quality of the building, which is the responsibility of the developer, not the bank, still has the potential to influence the debtor's payment commitment due to the disruption of the principle of willingness (*an-taradin*) in the *murabahah* contract, even though the debtor contractually understands that the bank only acts as a fund provider.

Risk Mitigation Strategies to Reduce Default Risk

The risk mitigation strategy implemented by Bank Sumut Syariah KCP Marelan Raya is gradual and tiered following shifts in debtor collectibility levels. In the preventive stage, the bank applies a strict 5C analysis, prioritizes prospective debtors with a traceable payroll scheme (bank transfer), verifies complete documents through coordination with the Back Office department, involves multiple parties in the financing approval process (Account Officer, Deputy Head of KCP, notary, and developer), and conducts a field survey of the physical condition of the house object before the agreement is agreed to as a form of assessment of the Collateral element. In the post-disbursement monitoring phase, the bank conducts periodic field visits (*visits/cos*) to evaluate the condition of the debtor and the financing object, as an effort to detect early shifts in collectibility before they develop into problematic financing. When the debtor begins to show late payments, the bank implements a phased approach, starting with persuasive collection, then issuing Warning Letters up to three times. If the debtor in Collectibility 3 still shows good faith but experiences a decrease in payment capacity, the bank offers a restructuring option in the form of a reduction in the nominal installment or an extension of the financing term to a maximum of 15 years, as confirmed directly by Debtor 1 who successfully continued his obligations through the scheme. As a last resort for debtors in Collectibility 5 whose all previous stages have been unsuccessful, the bank uses a write-off mechanism followed by a collateral auction, but still preceded by formal notification to the debtor. This series of strategies reflects a risk mitigation hierarchy that combines a persuasive-humanist approach at the daily operational level with a formal-legal approach at the branch manager's authority level. This deliberation-based restructuring practice can also be interpreted as a concrete manifestation of the *maqashid sharia*, specifically the dimension of *hifzh al-mal* (protecting assets) for both the bank and the customer, as well as the principles of *taisir* (providing convenience) and *tabayyun* (mutual clarification) before the bank makes further decisions regarding the debtor's financing status.

Integrated Discussion

Overall, the research findings demonstrate a pattern of confirmation and elaboration of the three layers of theory used. The practice of 5C assessment at the beginning of the contract confirms the bank's efforts to reduce *ex-ante* information asymmetry, but the shift in debtor collectibility from Current to NPF actually reflects more *ex-post* information asymmetry, namely information inequality that is only revealed after the contract is running, especially in the case of moral hazard of fixed-income debtors (PNS) who are conventionally perceived as low risk. This finding broadens the scope of application of information asymmetry theory to the context of long-term subsidized housing financing, which is characteristically different from the short-term financial transactions that are commonly referred to by the theory. External factors such as layoffs and the impact of the pandemic confirm conventional credit risk theory as a systematic risk that cannot be diversified at the individual debtor or bank level. Conversely, the findings on moral hazard in civil servant debtors indicate that character indicators cannot be measured once at the contract stage but require continuous behavioral monitoring mechanisms throughout the financing period. This study found no significant contradiction between field findings and the credit risk theory used, but did find a partial contradiction between field practice and the purely preventative idealization of the 5C theory: the 5C principle is designed to minimize risk before disbursement of funds, but banks still face significant limitations in predicting moral hazard that arises long after the contract is agreed.

Based on these partial contradictions, this study proposes an initial conceptual development in the form of a shift in approach from Static 5C (a one-time assessment at the pre-contract stage) to Dynamic/Behavioral 5C, namely a risk

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assessment framework accompanied by a periodic re-assessment mechanism for the character and income conditions of customers throughout the financing period which can reach 15 years. This approach allows banks to detect shifts in the Character and Condition of Economy of debtors earlier, so that mitigation steps can be taken before the debtor actually shifts to the NPF category. It should be emphasized that this proposal is still an initial conceptual idea born from findings at one sub-branch office with five informants, so it requires further testing on a wider scope before it can be generalized.

CONCLUSION

The default risk of the PPR FLPP product at Bank Sumut Syariah KCP Marelan Raya shows a significant upward trend, reflected in the surge in the NPF ratio from 0 percent in 2021 to 5.91 percent in 2025, exceeding the 5 percent safe threshold set by the Financial Services Authority (OJK) and resulting in a temporary suspension of new financing disbursements. Of the 300 active debtors, 18 have shifted to Collectibility 3–5, with the NPF increase being a local anomaly and dominated by existing financing portfolios, rather than the expansion of new portfolios. The factors causing problematic financing reviewed from the 5C principle are divided into external factors in the form of inability to pay due to macroeconomic shocks such as termination of employment, and internal factors in the form of unwillingness to pay (moral hazard) which is specifically found in debtors with civil servant status in central agencies due to the unavailability of an integrated payroll system, plus third party factors in the form of the quality of the developer's building which has the potential to disrupt the principle of willingness (an-taradin) in the murabahah contract. The Bank implements a gradual and tiered risk mitigation strategy, including the preventive stage (5C analysis, document verification, field surveys), the monitoring stage (periodic visits after disbursement), and the curative stage (persuasive collection, Warning Letters, restructuring, to write-offs and collateral auctions for Collectibility 5 debtors), which overall reflect the implementation of the principles of tabayyun, taisir, and maqashid sharia. Based on these conclusions, it is recommended that banks not only conduct a static 5C assessment at the beginning of the contract, but also implement behavioral monitoring or periodic reassessments to detect shifts in customer character and income early. Specifically for fixed-income customers such as civil servants, banks are advised to develop a mechanism for automatic installment deductions from salary accounts (integrated payroll system) to close the gap for moral hazard. Considering that physical defects in buildings can trigger payment resistance, banks are also advised to strengthen the selection of partner developers' track records and mechanisms for handling complaints about building quality. For future researchers, considering the limitations of this research on a single case study with a limited locus, it is recommended to expand the scope of the research through mixed-methods or comparative studies between sub-branch offices of Islamic banks in other regions to obtain broader generalizations regarding default risk behavior in the Low-Income Community segment.

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