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## The Challenges of Bad Debt Monitoring Practices in Islamic Micro Banking

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### **ABSTRACT**

The study aim to assess and compare the monitoring procedures in two Bank Syariah Mandiri (BSM) branches located in Cengkareng and Duri Kosambi of West Jakarta city. The research implemented qualitative data analysis tools that consisted in to develop Focus group discussion (FDG) to obtain reliable and depth data related to monitoring practices among loan officers. Meanwhile, interviews were designed to the branch managers of each institution to determine their role in the

NPF management. The study results divide into two parts: On the one hand, it highlights the standard monitoring procedures for the Non-performing financing (NPF) in Islamic micro banking and the main differences between conventional and Islamic in NPF management. On the other hand, the second result exposes three main key findings: First one, it confirms the importance of count on proper risk management for Islamic micro banking and harnessing of the sharia principles to maintain the quality of the portfolio. Second, the study reveals a correlation that exists among screening, monitoring, and enforcement, thus how a proper testing and supervision practices may affect in the following steps of the loan cycle. Finally the third one, it shows the impact of real leadership from the head manager in the performance of the institution.

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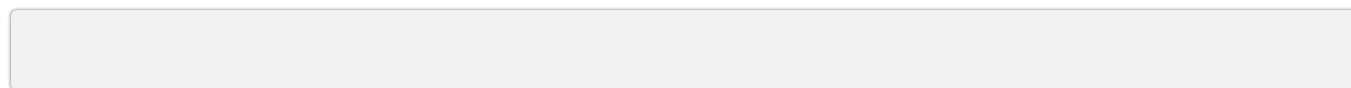


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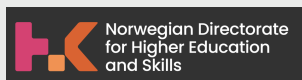
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