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Risk management strategy for the problem of borrowing money for Islamic commercial banks

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ABSTRACT

Despite the fact that Islamic banking has developed significantly over the years, corporate and financial institution risks cannot be separated. There is always a risk when Islamic banks act as financial intermediaries for Indonesian companies. Risk management helps you measure and mitigate risks and find solutions to problems. Bank Syariah Indonesia shows good progress in implementing risk management. The implementation of risk management is generally categorized into eight areas: credit risk, liquidity risk, market risk, operational risk, legal risk, compliance risk, reputation risk and strategic risk. A good implementation of risk management looks like this: Internal control processes and risk management processes must be checked during risk management. Therefore banks need to identify and manage risk management which is part of any banking system. Islamic banks are always faced with risks associated with various and complex transactions.

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INTRODUCTION

Islamic banks are legal entities operating under Sharia law. In general, the main function of a bank is the collection and transfer of public funds and the provision of various other banking services suf (Mahmuda & Muktadir-Al-Mukit, 2022; Rahmawaty & Helmayunita, 2021). Banks need ficient liquidity to convince their customers to lend money to these financial institutions. Broadly speaking, there are two patterns of Islamic banking growth that have emerged since the 1970s. As in Egypt, Malaysia, Saudi Arabia, Jordan, Kuwait, Bahrain, Bangladesh and Indonesia, Islamic banks (dual banking system) have been established side by side with traditional banks. Reorganize the entire banking system based on Islamic law and build a fully Islamic financial system, as happened in Pakistan, Iran and Sudan (Nabillah & Oktaviana, 2022; Priyadi et al., 2021; Sari, 2016).

In both cases, the role of regulation becomes important. With the support of the right regulations, Islamic banking can be established as a whole. Islamic banks, like traditional banks, act as intermediaries between those who have a lot of money and those who don't. Islamic banking refers to a specific type of financial institution and cannot be separated from the concept of 'business

risk', which includes both internal and external factors. Islamic banking professionals must avoid risks to ensure business continuity. Risk in banking is a predictable or unpredictable event that can occur and have an adverse impact on a bank's income or capital. Therefore, like banks in general, Islamic banks require a set of procedures and methods (also known as risk management) to identify, measure, monitor and control business risks (Fakhri & Nuriyah, 2022; Nafi & Mohd Zamzami, 2022).

For 26 years since 1992, Islamic banking has continued to develop in the Indonesian banking sector. Even though the market share of Islamic banking is still relatively small compared to traditional banking, which is only 5.4%, Islamic banking still leaves room for growth due to its huge market potential. Islamic banking activity had slowed down over the past two years, but is now recovering. Economic growth forecasts for 2018 confirm further growth in Islamic banking and finance (Athifa Meuthiya, 2014; Nafi & Mohd Zamzami, n.d.).

The current status of Islamic banks in Indonesia based on statistics from the Financial Services Authority (OJK) shows that there are 13 Islamic Commercial Banks (BUS) with a total network of 1,850 branches and 21 units of Islamic Business Entities (UAS). There are a total of 444 office networks with a total of 339 office networks and 167 BPRS. This shows that the development of the Islamic financial sector is quite ready to manage its finances. According to the Financial Services Authority (OJK), the market share of Islamic banks is 5.57% of total assets, while the market share of state-owned Islamic banks is 2.52% for BPRS, 29.40% for UUS and 68.08% for BUS.

An overview of the potential for profit-sharing loans related to wealth management and the composition of Islamic bank loans at the end of 2017, based on the 2017 Sharia Banking Statistics. Murabaha contracts are valid. Then follow the types of profit sharing agreements, namely musyarakah and mudharava. This situation shows the great trust the Indonesian people have in the Islamic finance sector. The high level of public confidence in funding and lending in the sharia sector is inseparable from the current governance of banking companies, especially in relation to compliance. Sharia compliance in Islamic banking means the correct application of the rules and laws ordained by Allah to run Islamic banking in Muammara among capital owners (shahibur mar), business executives and other stakeholders. Sharia compliance in Islamic banking is to maintain a good working relationship with trading parties, so that the results of sharia compliance must be weighed before Allah SWT and for parties with the right sharia compliance system, procedures must be monitored transaction

In order for Islamic banking to be managed properly, it is necessary to consider the various risks faced by every banking transaction. Several incidents in financial transactions that can cause substantial losses to banks can be caused by misuse of bank financial procedures, misuse of bank funds by exploiting banking system vulnerabilities, and involvement of other parties (Karim et al., 2022; Mohammed et al., 2022; Saiti et al., 2022). Parties This condition emphasizes the importance of evaluation or evaluation and monitoring, especially in domestic banks, to verify and control the implementation of risk management in Islamic banks to anticipate risks (Bananuka et al., 2019; Kitamura, 2021; Sehen Issa et al., 2022).

Financial Institutions have OJK Regulation No. 65/POJK.03/2016 concerning Implementation of Risk Management for Sharia Commercial Banks and Sharia Trading Companies. Point 2 of the Risk Management Scope chapter explains that banks must carry out effective risk management. In fact, this explanation is explained in more detail in Article 3. Control practices must at least include active banking supervision. Chairman of the Commission and the Sharia Supervisory Board. Adequacy of risk management policies and procedures as well as setting risk limits. Adequacy of risk identification, measurement, monitoring and control procedures as well as risk management information and a comprehensive internal control system. The risk management practices in Article 3 must be adapted to the bank's objectives, business principles, size and complexity, and the ability of the bank. So that banks can develop it according to their needs and challenges, but still healthy, coherent and in accordance with sharia. This risk is regulated in OJK

Regulation No.2. 65/POJK.03/2016 is the potential loss caused by certain events (Drs. Ismail, 2017; Lestari, 2020; Nafi & Mohd Zamzami, n.d.).

In addition, this copy defines risk management in the next section as methods and procedures for identifying, measuring, monitoring and controlling risks arising from the banking business as a whole. Bank risk management applies to all activities, including financing. Loans are activities in which the bank saves a lot of bank funds with the debtor and pays them back at an agreed time. Credit risk is the risk arising from the failure of the customer or other parties to carry out their obligations to the bank in accordance with the contract and includes credit risk arising from the debtor's bankruptcy (Priyadi et al., 2021; Setyowati & Prabowo, 2021).

There is a credit risk when lending. Therefore, banks calculate and plan credit risk management before accepting financial proposals and lending operations. Stakeholders in the banking industry (bankers) know that banks have financial service providers who manage risky transactions. Banks now have to take risks. Banks need to effectively accept and manage various financial risks to minimize losses and avoid the negative consequences of failing to manage risks effectively and in a disciplined manner (Hassan & Aliyu, 2018; Zainur, 2021).

The purpose of implementing risk management is to provide information to regulators regarding risks, to prevent banks from incurring undue losses, to minimize losses from various uncontrollable risks, to reduce risk exposure and risk concentration. Due to market conditions, structure, size and complexity of banking operations, there is no single risk management system for all banks. Therefore, every bank must build a risk management system that is in accordance with the operational and complexity of the bank, as well as provide a systematic risk management system that meets the needs of the bank to achieve sustainable business growth. The application of risk management in Islamic banking is adjusted to the bank's capabilities, scale and business complexity. Risk management rules that must be followed by BUS and UUS so that Islamic banks can grow and meet new needs and challenges by continuing to operate according to sharia in a healthy and consistent manner. Sharia Bank Risk Management Rules. Given the application of Sharia principles, the scale and complexity of the business, as well as the bank's ability to maintain a credible Isticomaa, risk management in the Indonesian Sharia banking system can no longer be delayed and must be managed now.

Therefore, all Islamic banks must be able to recognize all risks that arise during operation. The focus of this research is on the risks faced by Islamic banks. Based on the above, this study aims to determine the risk management strategy for the problem of borrowing money in general Islamic banks.

RESEARCH METHOD

Type of research literature review (Sugiyono, 2019). In this article, data collection techniques are taken from various sources such as books, the internet, magazines, etc., and literature studies with the same research theme as the subject used. There are advantages to using this method, because the study of the problem under study is based not only on reporting events and phenomena, but also on comparisons with other relevant sources of information. Implement risk management. Therefore, the first step is to search for journals online using software such as Publish or Perish and use Indonesian to search for the years 2020-2022 only. The second step is to filter each downloaded journal. Only 12 out of 30 references that met the title criteria were then selected. In addition, journals are grouped by year of publication, type of journal, and research variables. All articles on the topic "Implementing Risk Management in Islamic Banking". Literature from a scientific point of view (scholarly oriented) is the subject of literary study, which is called literary studies or literary research, in which information, concepts and observations contained in literary works are critically examined and theories and methods are formulated (Sugiyono, 2017, 2018).

RESULTS AND DISCUSSIONS

Risk is the possibility that the expected results will not be achieved. Still others define risk as uncertainty about something that affects well-being. Risk is closely related to returns or profits, namely the difference between the selling price and the buying price, as well as financial benefits such as dividends. This law establishes a positive relationship between return and risk in a perfect and efficient market. The expected return increases in proportion to the level of risk and vice versa. Risk (Risk) can be defined in different ways. Ricky W. Griffin and Ronald J. Ebert define risk as uncertainty about future events. The first of the three definitions of risk by Joel G. Siegel and Jay K. Simm is "a condition leading to a certain outcome" in which a decision maker accepts an outcome with a known probability. Another factor is the potential for financial problems, such as financial risks, political uncertainties and industry problems, to affect the company's performance and financial condition. The third factor is fluctuations in profits, sales and other financial variables. Risk management is an effort by Islamic banking to regulate and control risk with the aim of minimizing it so that the desired results can be achieved effectively and efficiently. Risk management in Islamic banking refers to banking transactions that can still be managed and accepted profitably, but banks with different market structures, sizes and levels of business complexity all use the same risk management system.

Therefore, each bank must develop a risk management system that is consistent with its operational and risk management structures. The process of effectively and efficiently identifying, measuring, monitoring and controlling future results and consequences is known as risk management. As business-oriented financial institutions, Islamic banks must consider the potential risks of their operations when making profits. Islamic banks in particular are exposed to liquidity risk, credit risk (funding risk), capital risk and interest rate risk. Even in a dual banking environment, Islamic banks are not interest rates at risk, but traditional market rates can lead to increased liquidity risk as customers switch from Islamic banks to traditional banks for withdrawals (Rushing et al., 2019; Trad et al., 2017).

The concept of banking responsibility is based on sharia ethical values. Like traditional banks, Islamic banks are also subject to risks arising from the bank's own operations, but upon closer inspection, Islamic banks are risky banks. Banking risk is any expected or unanticipated event that has a negative impact on the bank's income or capital. In general, the risk of Islamic banking is relatively the same as that of traditional banks. However, Islamic banks have a unique risk management approach because they must comply with Islamic principles. In the application of risk management in Islamic commercial banks, there are 10 risks that must be managed by the bank. The 10 types of risk are credit risk, market risk, operational risk, liquidity risk, compliance risk, reputation risk, strategic risk, profit risk and investment risk. Determination of the level of natural risk for each type of risk is related to the general principle of assessing the solvency level of commercial banks. Determine the level of risk attached to each type of risk and classify it as 1 (low), 2 (low or medium), 3 (moderate), 4 (medium or high), 5 (high). The parameters/indicators used to assess the inherent risk of credit risk are:

a) asset portfolio composition and concentration level;
b) quality of money supply and adequacy of reserves;
c) financial strategy and sources of finance;
d) external factors. Evaluation

Inherent risk is an assessment of the risks inherent in bank operations, whether measurable or not, which may affect the bank's financial condition. In evaluating the inherent risk of credit risk, parameters and indicators such as the composition and concentration of the asset portfolio are used. In this study, idiosyncratic credit risk assessment is used in an observational manner, so that the first parameter/indicator in measuring credit risk is the composition and concentration of the asset portfolio (natural risk) and asset index. Based on the balance sheet. The total amount of assets divided by the quality of funding. Cash, demand deposit balances, marketable securities, receivables

and fixed assets are used as assets in the balance sheet. Risk management of Islamic banking products and services is one of the biggest challenges for many Islamic banks today. The main issue is the impact of Sharia compliance on the risk management system. Benefits for product users and continued product innovation have provided a practical alternative to traditional finance, and today Islamic banking deserves to be recognized as a valued part of the global financial system. Risk management practices are very important for Islamic banks in emerging markets. Islamic banks are rapidly increasing their market share in most markets. In Indonesia, the Islamic banking industry has grown by more than 30% over the past five years. We currently offer a wide range of financial products and services. However, currently, Islamic banks contribute less than 10% of Indonesia's banking and deposit assets. Islamic banking is a promising industry, so it must be able to double its market share. Islamic banking has also experienced significant growth worldwide. The two most important factors for further significant development of the Islamic banking sector are product development and standardization of regulatory practices. Banking also requires human resource development and marketing development. After the global financial crisis, some experts argued that Islamic banks are more stable than traditional banks because they are relatively untouched. However, some parties disagree with this claim, arguing that Islamic banks are an integral part of the international financial system and therefore cannot emerge from the crisis. It is said that Islamic banking is still in the early stages of accepting existing market risks. Islamic banks are also affected by this, but are considered more stable than traditional banks because they operate under Islamic law.

According to the Islamic Banking Report and World Stability Report (2010), Islamic banking assets increased by 38.2 percent and profits increased by 20 percent during the crisis. In contrast, in 2007 and 2008 traditional banks increased their assets by only 16.3% and profits by -6.1%. These results clearly show that Islamic banks appear to be safer and better at mitigating risks than traditional banks. Most of the studies assessing bank performance during financial crises show that Islamic banks perform better than traditional banks. In addition, globalization and liberalization are now leading to the development of better risk management instruments for Islamic banks, especially in emerging markets. Risk management is common in traditional financial institutions and markets, but risk management is imprecise and relatively immature in Islamic banks. Internal risk management for Islamic banks with limited resources, especially with regard to trained staff, inadequate software/digital and risk management processes. Islamic banks must use expensive management information systems and technologies to assess and control risks in a timely manner. It is argued that Islamic banks can be exposed to greater risks due to weak governance and lack of a proper risk management system. Therefore this study aims to explain how risk exists and how risk management is implemented in Islamic banking.

Risk management is a core activity of financial institutions and involves identifying, measuring, monitoring and controlling risks. Therefore, it is very important for risk management to have a comprehensive understanding of risk and measure risk exposure so that they can carry out their assigned tasks effectively. Furthermore, risk management is a tool to control decision making. The goal of an effective risk management system is not only to avoid financial losses, but also to ensure that banks achieve reliable and sustainable financial results. Hence, it is a prerequisite for health, stability and endurance. One focus of the bank is risk management. It is considered very risky when banks take risks, modify risks and integrate them into banking products and services.

Therefore, risk management is a continuous process that needs to be considered by banks. Banks must always be proactive and effective in introducing and managing bank-related risks. There are more than 400 financial institutions around the world that operate according to the principles of Islamic Sharia. These institutions offer a variety of services and products. In addition, the growing popularity of Islamic banking carries with it a number of risks due to the large number of customized products on offer. Unlike traditional banks, Islamic banks create a unique risk profile through profit and risk.

There are significant differences between the concepts and practices of the Islamic banking system and the traditional banking system. Therefore, the two banks have different ways of identifying and managing the risks associated with these differences. In addition, Islamic banks have various assets and liabilities, which expose them to various risks that most traditional banks do not, especially those related to risk sharing and compliance with Islamic law. In addition, Islamic banks face risks that are usually faced by traditional commercial banks, such as credit risk, liquidity risk and interest rate risk. However, risk generally manifests itself in different forms depending on the different products and services offered by the two banks, which affect the nature of the assets and liabilities held by the two banks.

This tradition seeks to manage risks arising from the daily activities of Muslims effectively, because risk management is supported by positive verses in the Koran and Hadith. Risk management implements preventive measures aimed at preventing sources of risk that may affect public health. As pointed out, gains in Islamic finance naturally come with risks. Therefore, efforts must be made to reduce various risks in line with Sharia principles. Banks are very risky institutions, especially when it comes to money. In terms of risk, he is the most risky party because of the intermediary role of the bank. Banking risk is also affected by changes in regional and global economic conditions. In general, banks may face the following risks is financing risk and market risk.

Financial risk is the risk that the bank will not fulfill its obligations to customers or other parties in accordance with the contract that has been agreed with the bank. Financial imprecision is one of the biggest risks in Islamic bank lending. Financial risks arise when banks fail to collect principal payments, profit sharing or margin payments on loans and investments. This financial risk arises from the dependence of banks on loans and investments to take advantage of excess liquidity. As a result, financial appraisers are more careful in anticipating potential funding risks, which will be more pronounced in the event of a crisis or recession. The decline in sales will also reduce the company's sales, making it difficult to pay debts. Banks have a poor track record in dealing with bad loans because the collateral is disproportionate to the loan amount. Even if bank credit is relatively scarce, you will eventually face serious liquidity problems. Approval limits help reduce the risk that financial decisions (approval limits) are made based on the capabilities of individual financial management tools, and financial channels limit the amount available to certain companies or legal entities. Islamic banks suffer losses due to abnormal market changes such as fluctuations in interest rates and exchange rates, known as market risk. To reduce losses, Islamic banks only need to cover market risks associated with exchange rate fluctuations. Market risk consists of four elements: 1. interest rate risk 2. Currency risk 3. Price risk 4. Liquidity risk.

Exchange risk occurs when a bank forms an open position. If banks always take square positions, this currency risk can be reduced in several ways. For example, limiting, minimizing, or even eliminating these positions. One of the banking risks below is operational risk. Operational risk is the risk arising from internal and external human errors or operational errors that give rise to such risks. Operational risk undermines the health of Islamic banks because any activity involving resources can fail. In general, operational risk can cause direct and indirect losses as well as potential losses in the form of lost income opportunities. The objective of operational risk management is to reduce potential losses caused by inefficient internal processes, human errors, system failures and external events.

Reference interest rate risk is the risk posed by fluctuations in the price of Islamic finance due to trading portfolios. However, market shifts are driving interest rates higher as the internal risk returns of Islamic financial institutions increase. The interest rate used in Islamic financial institutions, especially Murabaha contracts, where a risk premium is added to the interest rate to determine the rate increase.

Islamic Banking The risk faced by a bank if it fails or fails to comply with applicable laws and regulations, such as sharia commercial banking and sharia legal principles of Islamic entities, is referred to as compliance risk. Islamic law compliance risk is defined as the potential for an Islamic

bank to fail to comply with Islamic rules and principles of the DPS or similar organization in which it is located. Losses arising directly or indirectly from the enforcement or non-enforcement of Sharia laws and regulations are referred to as compliance risks. Compliance with the rules of Islamic law is part of the risk management implementation framework to mitigate Islamic banking risks.

Liquidity risk is the possibility that a bank will not be able to meet its obligations even if it recovers its obligations from sources such as cash flow and the uninterrupted availability of high quality liquid funds. Bank liquidity must be able to carry out trading operations to meet urgent financial needs, meet customer loan requests and take advantage of attractive opportunities. When a bank is unable to generate cash flow for day-to-day operations and urgent funding needs, the solution lies in liquidity risk. The level of this risk is determined by the structure of the funds, the availability of funds, and the opportunities used to create access to the interbank market. In general, Islamic banking risks are caused by factors such as: a) Islamic banks try to raise funds by lending or selling assets at inflated interest rates. Because Islamic banks are not allowed to charge interest on loans. b) Islamic banks have liquidity problems because they are prohibited from selling bonds at prices other than nominal value.

In order for Islamic banking to be managed properly, it is necessary to consider the various risks faced by every banking transaction. Several incidents in financial transactions that can cause substantial losses to banks can be caused by misuse of bank financial procedures, misuse of bank funds by exploiting banking system vulnerabilities, and involvement of other parties. . Parties This condition emphasizes the importance of assessment or evaluation and monitoring, especially in domestic banks, to verify and control the implementation of risk management in Islamic banking to anticipate risks. For financial institutions OJK Regulation No. 65/POJK.03/2016 concerning the application of risk management in Islamic commercial banks and Islamic trading companies. Point 2 of the Risk Management Scope chapter explains that banks must manage risk effectively. In fact, this explanation is explained in more detail in Article 3. Control practices must at least include active banking supervision. Chairman of the Commission and the Sharia Supervisory Board. Adequacy of risk management policies and procedures as well as setting risk limits. Adequacy of risk identification, measurement, monitoring and control procedures as well as risk management information and a comprehensive internal control system. The application of risk management as referred to in Article 3 must be adapted to the objectives, business principles, size and complexity of the bank, as well as the capabilities of the bank. So that banks can develop it according to their needs and challenges, but still healthy, coherent and in accordance with sharia. This risk is regulated in OJK Regulation No.2. 65/POJK.03/2016 is the potential loss caused by certain events.

In addition, this copy defines risk management in the next section as methods and procedures for identifying, measuring, monitoring and controlling risks arising from the banking business as a whole. Bank risk management applies to all activities, including financing. Loans are activities in which the bank saves a lot of bank funds with the debtor and pays them back at an agreed time. Credit risk is the risk arising from the failure of the customer or other parties to carry out their obligations to the bank in accordance with the contract and includes credit risk arising from the debtor's bankruptcy. There is a credit risk when lending. Therefore, banks calculate and plan credit risk management before accepting financial proposals and lending operations. Stakeholders in the banking industry (bankers) know that banks have financial service providers who manage high-risk transactions. Banks now have to take risks. Banks need to effectively accept and manage various financial risks to minimize losses and avoid the negative consequences of failing to manage risks effectively and in a disciplined manner.

The purpose of implementing risk management is to provide information to regulators about risk, ensure that banks do not incur undue losses, minimize losses from various uncontrollable risks, and reduce risk exposure and risk concentration. Measure, allocate capital and limit risk. Due to market conditions, structure, size and complexity of the banking business, there is no single risk management system for all banks. Therefore, every bank must build a risk management system that

is in accordance with the operational and complexity of the bank, as well as provide a systematic risk management system that meets the needs of the bank to achieve sustainable business growth. The application of risk management in Islamic banking is adjusted to the bank's capabilities, scale and business complexity. Risk management rules that must be followed by BUS and UUS so that Islamic banks can grow and meet new needs and challenges by continuing to operate according to sharia in a healthy and consistent manner. Sharia Bank Risk Management Rules.

Given the application of Sharia principles, the scale and complexity of the business, as well as the bank's ability to maintain a credible Isticomaa, risk management in the Indonesian Sharia banking system can no longer be delayed and must be managed now. Therefore, all Islamic banks must be able to recognize all the risks that arise during their operations. The focus of this research is on risks that need to be managed by Islamic banks. The nature of risk in Islamic banking is one of the main reasons why Islamic risk management differs from traditional risk management. The main difference between Islamic and traditional banks is the content of the rating, not the method of measurement. Sharia banking operational risk management procedures include risk identification, risk assessment, risk anticipation, and risk monitoring,

The process of identifying Islamic banking risks includes a series of certain banking risks. Instead, it covers a wide range of risks that are limited to Islamic banks only. The uniqueness of Islamic banking lies in the following matters. 1. The financing transaction process starts with third party funds, profit sharing and foreign exchange transactions. 2. Business systems and accounting procedures, Chart of Accounts (CoA), business information technology systems and procedures, closed business process systems and product development processes are examples of management processes. 3. Human capital. 4. The specifications for business loan applications for third party funds and the specifications for business requirements for profit sharing show the impact of technology. 5. The external environment must be viewed from the perspective of several government agencies, namely Bank Indonesia and the National Sharia Administration. The uniqueness of Islamic banking in risk assessment can be seen in the relationship between probability and impact, or the more commonly used qualitative approach.

In Islamic banking, risk management has the following objectives: First, as prevention. To protect against Sharia compliant transactions and processing errors. Risk projections include: (1) proactive, that is Sharia banks require DPS approval to prevent errors in the currency exchange process from a Sharia perspective. If Bank Indonesia considers that the Sharia Commission is inadequate or beyond its mandate, the Sharia Bank needs an opinion, even a DSN fatwa; (2) Investigations, especially Bank Indonesia Banking Supervision and DPS Sharia Supervision; (3) Remediation, especially Bank Indonesia banking errors and errors related to Sharia DSN; (4) Risk supervision includes management and the supervisory board of sharia banking. In addition to managing Islamic banks, the Sharia Supervisory Board is involved in a number of supervisory activities for Islamic banks. Simply put, it can be summarized as follows:

Table 1. Risk monitoring in Islamic banking

	Frekuensi	Material	Sample
Board Level & Risk	6 month	Supervision Report syariah	monitoring results
Management Committee	1 year	Summary	risk map narrative summary
Middle Management	3 month	Summary detail *	Kuadran operational risk management plan
Day to Day Operation	1 month	Detail	frekuensi

Implementation of Risk Management

Islamic banking at least includes risk management, especially the implementation of strategic risks, both for individual Islamic banks and Islamic banks that are integrated with subsidiary companies. In its DPS when dealing with strategic risks, Islamic banks must also include all aspects of active supervision by management and the supervisory board is authorities and duties of directors, directors and DPS. The board must develop and approve a strategic plan and a business plan that

includes applicable regulatory matters. This plan must be disseminated to officials or employees of Islamic banks at all levels of the organization. The management is required to carry out strategic risk management, which includes: ensuring the conformity of the strategic objectives set with the vision and mission, culture, business direction and risk tolerance of Islamic banks, providing approval of the objectives strategy. such as plans and possible changes and make regular reviews (at least once a year) of the strategic plan to ensure its adequacy, to ensure that the plan's structure, culture, infrastructure, financial condition, management personnel and qualifications, including managers, and strategy and control. a suitable and appropriate sharia banking system to support the implementation of the established strategy. Management must monitor internal conditions (weaknesses and strengths of Islamic banks) as well as developments or external conditions that directly or indirectly affect the business strategy of Islamic banks that have been set. To support supervision of the development and implementation of strategy, including strategic plans and business plans, the management establishes work units or functions with the same authority and responsibility. The board must ensure the implementation of strategic risk management effectively and consistently at all operational levels below it. The Sharia board must assess the board's responsibility for risk management in policy implementation, especially strategic aspects related to compliance with Sharia principles. The Sharia Supervisory Board assesses the manager's responsibility for risk management of policy implementation, especially strategic aspects related to Sharia compliance. Islamic bank human resources must always provide sanctions to officials and employees who are proven to have committed violations and violations of external and internal regulations and the internal code of ethics of Islamic banks.

CONCLUSION

Based on the discussion above, we can conclude that Islamic banks are always faced with risks associated with various and complex transactions. In banking, risk is a potential event that could adversely affect a bank's capital or income, whether anticipated or not. All Islamic banks have a risk management system at all times with the aim of overcoming any risks that may arise. Is the way and method of risk management appropriate, namely by applying risk management so that the bank's business activities are kept under control in acceptable profitability. However, due to the different market structure, size and operational complexity of banks, there is no comprehensive integrated risk management system, and each bank needs to develop a risk management system that is tailored to the bank's risk management function and organizational structure. The implementation of risk management must be supported by management. Banks can mitigate risk in four ways: identify, measure, monitor and manage risk. Future research is expected to conduct research on the application of risk management.

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