



Non Performing Financing (NPF) In Islamic Banking In Indonesia

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Abstract

Data on non-performing financing (NPF) or non-performing funding is known to vary, and the six Islamic banks surveyed were declared healthy in the funding category. The purpose of this study is to determine the NPF situation in Islamic banking in Indonesia from 2010 to 2016. This study uses secondary data in the form of financial statements of each Islamic Bank which are tested based on overall NPF performance. An increase in NPF funding, among others, will change the level of ROA. The highest NPF data is 3.78% and the lowest is 2.18%.

INTRODUCTION

Islamic banks are financial institutions that act as intermediaries between capital owners and entrepreneurs. Therefore, the presence of Islamic banks is considered to have a very important role in the movement of economic growth. Sharia-based financing aims to increase employment opportunities and financial welfare in accordance with Islamic values. This funding should be used to support employment opportunities for as many entrepreneurs as possible in the fields of industry, agriculture and trade, and to support the production and distribution of goods and services to meet domestic and export needs. (Djamil, F.: 2022).

The role of Islamic banking in financial operations is not much different from traditional banking. The presence of Islamic banking in Indonesia's national banking system is believed to encourage the development of the country's economy (Setiawan, I.: 2021). The final difference between Islamic and conventional banking lies in the principles of financial transactions and operations. The banking sector, as one of the main pillars of brokerage and financial services, clearly requires effective risk.

The characteristics of the Islamic banking system, which operates on the principle of profit-sharing, offer an alternative banking system that is beneficial to the community and the bank and prioritizes justice, ethical investment and the values of cohesiveness first and the fraternity of production and the avoidance of speculation in financial operations. Financial risk is often associated with default risk (Adusei, C.: 2018), which refers to the potential loss of the bank if the

financing offered to the debtor fails. The increasing presence of Islamic banks in Indonesia is also due to the high public interest in investing in Islamic banks and this has become a trend.

In banking there are always risks and cannot be avoided, one of which is financial risk (Nurnasrina, A.P. and Putra, P.A.: 2018) This risk occurs when the bank does not recover the principal amount or profit received from financing or investment. This risk is called non-performing financing in Islamic banks (Fianto, B.A., Maulida, H. and Laila, N.: 2019). Non-performing financing is financing that is paid by the bank, but the customer cannot make payments or make returns that are not in accordance with the contract agreed between the bank and the customer.

Non Performing Finance (NPF) according to Sholihin (2010) is financing that is not running and the installments are delayed. The NPF measure is the ratio of non-performing funding and total funding (Hana, K.F., Ridwan, R. and Chodlir, E.A.: 2021). The existence of large non-performing financing can cause a loss of opportunity to earn income from the financing, which has an impact on returns and has a negative impact on ROA, so the higher the NPF, the lower the ROA. Conversely, when NPF decreases, ROA increases and the results show that NPF has a negative effect on ROA.

NPF is known by calculating long-term financing from total financing. If the NPF is lower, the bank will get a bigger profit, on the other hand, if the NPF level is high, the bank will experience losses due to bad credit performance (Firmansyah, I.: 2019). The NPF indicator is an important indicator for measuring banking conditions. then all banks will try to reduce this NPF figure in the future, if necessary these banks will not provide financing if they are not sure of the financial prospects of their debtors.

High NPF indicates the bank's inability to manage banking operations so that it affects the efficiency of the bank, among other problems caused by high NPF are liquidity problems (inability to pay third parties), profitability (unable to collect financing), solvency (decreased capital) (Fitriyani, A., Masitoh, E. and Suhendro, S.: 2019). Given the importance of the NPF ratio for banks, the Financial Services Authority (OJK) regulates and supervises financial services, including banking in Indonesia, called Islamic Commercial Banks that have a high ratio of non-performing loans or NPF.

METHODS

The type of research used in this study is quantitative descriptive research. This study uses 6 Islamic commercial banks as a source of annual Islamic banking financial data derived from the financial statements of each bank for the period 2010-2016. Quantitative data is used as a type of data that is processed using quantitative descriptive methods during the research. Secondary data, namely Bank Indonesia and OJK data, are used as data sources. Panel data is a group of individual data that has been studied over a period of time in such a way that the data provides observational information about each individual in the sample.

RESULTS

If the financing channeled by banks to customers is not done carefully, the result is non-performing financing (NPF). The amount of non-performing financing (NPF) can be calculated by comparing the amount of non-performing financing (NPF) with total funding (Nugrohowati, R.N.I. and Bimo, S.: 2019). Financing in Islamic banking is classified as non-performing financing and is a financial risk, or unorganized financing, namely those with inferior, questionable and bad collections. The purpose of non-performing financing (NPF) is to measure the level of financial problems faced by banks. The higher this ratio indicates the worse the quality of financing in

Islamic banking. The total non-performing financing (NPF) ratio is shown in the processed data as follows:

Tabel 1 Data NPF Perbankan Syariah Tahun 2010 s/d 2016

Tahun	Bank Syariah					
	Muamalat	Mandiri	Mega	BNI	BRI	Bukopin
2010	4,32	1,29	3,52	1,92	3,19	3,81
2011	2,60	0,95	3,03	2,42	2,77	4,73
2012	2,09	1,14	2,67	2,02	2,87	4,66
2013	1,35	2,29	1,45	1,86	2,98	3,68
2014	3,90	4,76	1,81	1,86	3,65	2,45
2015	4,76	3,9	3,16	2,42	3,89	3,81
2016	4,40	4,7	2,81	2,80	3,68	3,17
Mean NPF	3,34%	2,71%	2,63%	2,18%	3,37%	3,78%
3,00 %						
Mean NPF Tertinggi	3,78%					
Mean NPF Terendah	2,18%					

Based on Table 1 the non-performing financing (NPF) of Islamic banking in Medan city in 2010-2016 was obtained with the highest average NPF value of 3.78% and the lowest average NPF value of 2.18% and the total average NPF ratio of 3.00%.

Tabel 2 Hasil Analisis NPF dengan ROA

Model	Beta In	T	Sig.	Partial Correlation	Collinearity Statistics	
					Tolerance	
1	MANDIRINPF	-,212 ^b	-,606	,577	-,290	,677
	MEGANPF	,090 ^b	,247	,817	,123	,677
	BNINPF	-,344 ^b	-1,210	,293	-,518	,821
	BRINPF	-,322 ^b	-,644	,555	-,307	,330
	BUKOPINPF	-,056 ^b	-,164	,878	-,082	,787

a) Variabel terikat: Mean6BankROA

b) Model prediktor: (Konstan), MUAMALATNPF

DISCUSSION

The results of the data regression analysis using SPSS show that the coefficient value of the six Islamic banks to have a minus value on the beta value of each bank except for Bank Mega Syariah with a beta value of 0.09. Based on the coefficient value of the NPF variable, which almost entirely has a minus value, it shows that financing risk affects every profitability ratio except for Bank Mega Syariah. As is the case with Bank Mandiri Syariah, whose beta value is -0.212, namely the NPF ratio value can affect the profitability of Bank Mandiri Syariah by 0.212%.

CONCLUSION

Information on non-performing financing (NPF) or financial risk varied between 2010 and 2016 in this study. When viewed from the total NPF ratio of Islamic Commercial Banks in Medan City of 3.00%, it shows that the condition of Islamic Commercial Banks in Medan City for seven years is in the healthy category. Bank Muamalat has an average NPF ratio of 3.34% so that it is included in the "healthy" financial category. Bank Mandiri Syariah has an average NPF ratio of 2.71% so that it is in the "healthy" category. Bank Mega Syariah has an average NPF ratio of 2.63% so that it is in the "healthy" financial category. Bank BNI Syariah has an average NPF ratio of 2.18% so that it is in the "healthy" financial category. Bank BRI Syariah has an average NPF ratio of 3.37% so that it is in the "healthy" financial category. Bank Bukopin Syariah has an average NPF ratio of 3.78% so that it is in the "healthy" financial category. Based on Bank Muamalat's Return on Assets (ROA), the average ROA ratio of Islamic banking in Medan from 2010 to 2016 is 0.92% so that it is classified as "quite high performance". With an average ROA ratio of 2.12%, Bank Mandiri Syariah is classified as "Very Profitable". Bank Mega Syariah has an average ROA ratio of 1.91% so that it is in the "very high yield" category. With an average ROA ratio of 2.09%, Bank BNI Syariah is classified as "Very Profitable".

SUGGESTION

Based on the research conducted and referring to the results of data analysis, the authors propose the following suggestions; seeing the development achieved by PT Pulau Indah Maju Palembang to date, the steps for determining the delivery of goods can be maintained. However, it is better if PT Pulau Indah Maju Palembang also considers the Full costing and Variable Costing approaches.

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