

Factors Influence on Non Performing Financing Islamic Banking

Nurul Dewi Annisa ¹, Nur Isna Inayati ²

¹ Universitas Islam Negeri Salatiga, Jl Lingkar Pulutan Salatiga Indonesia

² Universitas Muhammadiyah Purworejo, Indonesia

[Email Coresspondency: nuruldewia.psfebi@gmail.com](mailto:nuruldewia.psfebi@gmail.com)

Abstract

The purpose of this study was to examine the effect of Capital Adequacy Ratio, Financing To Deposit Ratio, Operating Costs, Operating Income and Inflation on Non-Performing Financing. This type of research uses quantitative methods with secondary data whose data collection is through the website of each BUS registered with the OJK during the research period. The analytical method used is Moderated Regression Analysis which is calculated by Eviews 9. The results of this study indicate that partially the CAR, FDR, BOPO and Inflation variables have a significant positive effect on NPF. Meanwhile, simultaneously CAR and BOPO have no effect on NPF, while FDR and Inflation have a significant positive effect on NPF. Inflation as a moderating variable is able to strengthen the effect of CAR on NPF, but is also able to weaken the relationship between FDR and inflation, but inflation also cannot moderate the effect of BOPO on NPF.

Keywords: CAR, FDR, BOPO, Inflation and NPF

Abstrak

Tujuan penelitian ini adalah untuk menguji pengaruh *Capital Adequacy Ratio*, *Financing To Deposit Ratio*, Biaya Operasional Pendapatan Operasional dan Inflasi terhadap *Non Performing Financing*. Jenis penelitian ini menggunakan metode kuantitatif dengan data sekunder yang pengumpulan datanya melalui website masing masing BUS yang terdaftar di OJK selama periode penelitian. Metode analisis yang digunakan adalah *Moderated Regression Analysis* yang dihitung dengan Eviews 9. Hasil penelitian ini menunjukkan bahwa secara parsial variabel CAR, FDR, BOPO dan Inflasi berpengaruh positif signifikan terhadap NPF. Sedangkan secara simultan CAR dan BOPO tidak berpengaruh terhadap NPF, sedangkan FDR dan Inflasi berpengaruh positif signifikan terhadap NPF. Inflasi sebagai variabel moderasi mampu memperkuat pengaruh CAR terhadap NPF, namun juga mampu memperlemah hubungan FDR dengan Inflasi, akan tetapi inflasi juga tidak dapat memoderasi pengaruh BOPO terhadap NPF.

Kata Kunci: CAR, FDR, BOPO, Inflasi dan NPF

1. Introduction

Non Performance Financing (NPF) is a situation where during the financing period there is a deviation that causes payment of obligations to be hampered, this ratio can show how much the bank's ability is to collect back the funds that have been distributed (Dendawijaya, 2009). If the NPF value is high then the level of risk that will be borne by the bank will also be high. Research on Non-Performing Financing was carried out to find out what factors can influence

the size of the NPF ratio, as well as to find out how banks perform in a certain period, when the NPF ratio is high it means the bank is lacking efficient in managing assets.

According to Adiwarman Karim, the Covid pandemic has become a challenge for Islamic banks, this is because it will affect bank liquidity and the possibility of problematic financing will increase. Quoted from *Republika*, he predicts that sharia banks will be under pressure in July and peak in August 2020. This is because in April-May many customers experienced default (Zuraya, 2020). From 2014-2020 the level of problematic financing tends to fluctuate.

Based on this background, the author is interested in conducting research on the theme of problematic financing carried out at Sharia Commercial Banks for the 2014-2020 period using three independent variables in the form of Capital Adequacy Ratio, Financing To Deposit Ratio and Operational Costs Operational Income, as well as using inflation as a variable moderation

Based on this background, the following problem formulation can be obtained. Does the Capital Adequacy Ratio influence Non-Performing Financing in Sharia Commercial Banks for the 2014-2020 period? The next formulation is: Does the Finance To Deposit Ratio influence Non-Performing Financing in Sharia Commercial Banks for the 2014-2020 period? Next, the formulation relating to the last independent variable is "Do operating costs and operational income affect non-performing financing in Islamic commercial banks for the 2014-2020 period and does inflation affect non-performing financing in sharia commercial banks for the 2014-2020 period?".

The following is a problem formulation related to the existence of a moderating variable. The first formulation is "Can Inflation moderate the influence of the Capital Adequacy Ratio on Non-Performing Financing? The second formulation "Can Inflation moderate the influence of the Finance To Deposit Ratio on Non-Performing Financing? And the final formulation is "Can Inflation moderate the influence of Operational Costs on Operational Income on Non-Performing Financing?".

This research has several research objectives, including to examine the influence of the Capital Adequacy Ratio on Non-Performing Financing in Sharia Commercial Banks for the 2014-2020 period. The next objective is to examine the influence of the Finance To Deposit Ratio on Non-Performing Financing in Sharia Commercial Banks for the 2014-2020 period. The third objective is to test the effect of Operational Costs on Operational Income on Non-Performing Financing in Sharia Commercial Banks for the 2014-2020 period. The next objective is to examine the effect of inflation on non-performing financing in Islamic commercial banks for the 2014-2020 period. Another objective is to test how far inflation moderates the influence of the Capital Adequacy Ratio on Non-Performing Financing. The next objective is to test how far inflation moderates the influence of the Finance To Deposit Ratio on Non-Performing Financing. And the final objective is to test how far inflation moderates the influence of operating costs on operational income on non-performing financing.

2. Literature Review

Stakeholder Theory

Stakeholder Theory was first introduced by Freeman in 1984. This theory states that a company is not an entity that operates for itself, but also for other parties, namely shareholders, creditors, society and others (Ghozali, 2020). The meaning of Stakeholder has changed substantially over the last four decades. Initially, shareholders were the only stakeholders of the company, and the main goal of the company was to make its owners prosperous. This is in accordance with Friedman 1926's statement, however Freeman 1983 disagrees with this statement and expands the meaning of Stakeholder by adding certain groups even though these groups do not benefit the company (Robert, 1922). This stakeholder theory states that the company's responsibility is not only to shareholders but also to other parties (Umar et al., 2020).

Islamic Bank

In Law of the Republic of Indonesia Number 10 of 1998 concerning Banking, a bank is a business that carries out activities in the form of collecting excess funds from the public in the form of savings and channeling them back to other parties, whether the public or others in the form of financing, this aims to increase the level of community life (Kasmir, 2012).

Non Performing Financing (NPF)

NPF is the level of non-performing financing from the total financing provided to debtors. This risk can arise if the bank does not receive the principal installments and/or interest on the loan provided (Antonio, 2001). This can happen because banks are too easy to provide financing because they are required to maximize the level of liquidity, which results in the possibility of problem financing occurring being higher.

Capital Adequacy Ratio (CAR)

CAR is the capital adequacy ratio which functions to accommodate losses that may be faced by the bank. CAR is used to measure the adequacy of capital owned by a bank to support productive activities that involve risk. The higher the CAR value, the stronger the bank will be in facing and bearing the risks of the financing provided.

Financing To Deposit Ratio (FDR)

FDR is the comparison between financing disbursed by banks and the amount of third party funds. This ratio is used to measure the bank's ability to channel financing to parties who lack funds. If the FDR value is high, it means that the financing distributed to the public is also high, but this high level of financing will result in high financing problems that the bank may face. The safe limit for the FDR ratio is 85%-100% (Wibinoso, 2017).

Biaya Operasional Pendapatan Operasional

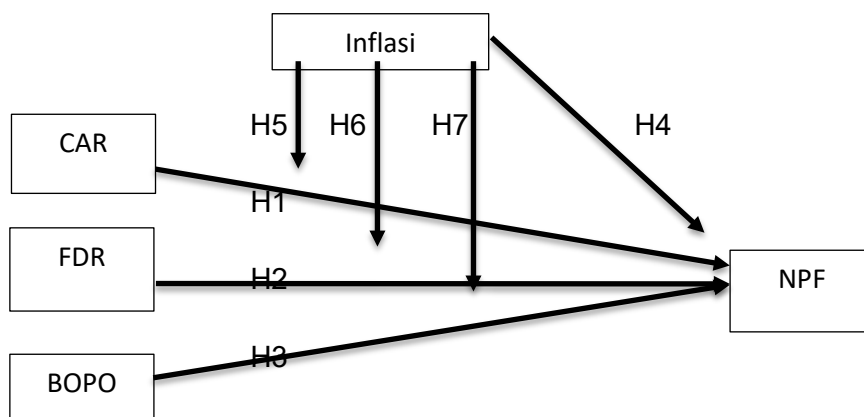
BOPO is the comparison of total operational expenses with total operating income calculated per position. The BOPO ratio is used to determine the level of efficiency and ability of a bank in carrying out its operational activities.

Inflasi

According to (Karim, 2001) inflation is a natural phenomenon in the form of general and continuous increases in prices, so that the supply of goods and services experiences scarcity and consumers are in dire need, so consumers have to spend more money to obtain the same amount of goods or services.

Kerangka Penelitian

Based on the theoretical basis above, the research framework can be described as follows:



Gambar 1. 1 Kerangka Penelitian

In connection with the conceptual framework above, the following is the development of hypotheses for each research hypothesis to be carried out, as follows:

1. Effect of Capital Adequacy Ratio on Non-Performing Financing (NPF)

Stakeholder Theory states that a company is not an entity that operates only for itself, but also for other parties. These other parties are shareholders, creditors, the public and other money. This stakeholder theory has the ability to influence and be influenced by the company (Ghozali, 2020). In stakeholder theory, it is explained that the performance of an entity can be influenced by external and internal factors (Freeman, 1999). In this case, the Capital Adequacy Ratio (CAR) is an internal factor that can influence company performance. Company performance in this case is described by the Non-Performing Financing (NPF) ratio. When the CAR ratio in a company is high, the risk of financing

problems is low. When the CAR ratio is high, the assets used to face the risk of problematic financing will also be high, so the risk of problematic financing will be low. This will of course have an impact on reducing the NPF ratio percentage (Akbar, 2016). This statement supports research conducted by (Hasanah & Septiarini, 2020) and (Yolanda & Ariusni, 2019) with the results that CAR has a significant negative effect on NPF. From the explanation above, the following hypothesis is made:

H1: Capital Adequacy Ratio (CAR) has a negative effect on Non-Performing Financing (NPF).

2. Effect of Financing To Deposit Ratio (FDR) on Non-Performing Financing (NPF).

Stakeholder theory explains that a company is not an entity that operates only for itself, but also for other parties. Other parties in this context are shareholders, creditors, the community and others (Ghozali, 2020). The stakeholders here have the ability to influence and be influenced by the company.

In accordance with Stakeholder theory, companies must also be oriented towards other parties. Where the other party here is a depositor, the bank must be able to return the depositors' funds which is described by the Financing To Deposit Ratio (FDR). When depositors entrust their money to the bank, the bank will distribute it back to the community. When the funds distributed to the community are high, it means that the risk of financing problems will also increase.

Distribution of financing is the main activity of banking in generating income. When the level of financing provided to the public is greater than the savings provided by depositors, the risk of financing problems will also increase. In accordance with research conducted by (Yolanda & Ariusni, 2019) and (Nihayah & Walyoto, 2018) regarding the influence of FDR on NPF, with the result that FDR has a significant positive effect on NPF. From this description, a hypothesis is obtained:

H2: FDR has a significant positive effect on NPF

3. Effect of Operational Costs on Operational Income on Non-Performing Financing (NPF).

Stakeholder Theory states that a company is not an entity that operates only for itself, but also for other parties. Other parties in this case are shareholders, creditors and the public (Ghozali, 2020). The stakeholders here have the ability to influence and be

influenced by the company. In this case, the Operating Costs and Operating Income (BOPO) ratio is an internal bank factor that can influence company performance, which is described by the Non-Performing Financing (NPF) ratio.

This is in accordance with Stakeholder Theory which states that internal company factors can influence the company's performance. If the BOPO ratio value is high, it means that banking performance is less efficient in controlling costs incurred and/or the quality of the financing provided is poor, which can trigger financing problems. The results of research conducted by (Soekapdjo et al., 2019) and (Effendi et al., 2017) regarding the effect of BOPO on NPF showed that BOPO had a significant positive effect on NPF. From the description above, a hypothesis is obtained:

H3: BOPO has a significant positive effect on NPF.

4. Effect of Inflation on NPF

Stakeholder theory states that an entity can be influenced by internal and external factors (Umar et al., 2020). In this research, inflation is an external factor that can influence company performance, which is described in problematic financing. When inflation occurs, the possibility of financing problems will increase. This is because when inflation occurs, customers who have obligations to the bank will experience difficulties in fulfilling these obligations.

These payment difficulties occur because the customer's income level has not increased, but the amount of money spent has increased, due to the increase in prices of goods and services simultaneously and over a long period of time. For banks, the situation of customers having difficulty paying their obligations will result in the risk of problematic financing increasing, which is described by the NPF ratio. From the statement above, the following hypothesis is obtained:

H4: Inflation has a positive effect on NPF

5. The influence of inflation in moderating the Capital Adequacy Ratio (CAR) on Non-Performing Financing (NPF).

Stakeholder Theory states that an entity can be influenced by external and internal factors. In this case, inflation is an external factor that can influence the performance of an entity (Freeman, 1999). Inflation is a situation where prices increase simultaneously and over a long period of time. When inflation occurs, people will experience a decrease in income, making it difficult for people to save their funds in banks.

This will result in assets in the bank decreasing, which will result in the assets used by the bank to face the risk of financing problems will also decrease. As a result of the small amount of assets used to face the risk of problematic financing, the possibility of problematic financing will increase and increase the non-performing financing (NPF) ratio. A high NPF value indicates that the bank's performance is generally good. From this statement, the following hypothesis can be made:

H5: Inflation is able to moderate the influence of CAR on NPF.

6. The influence of inflation in moderating the Financing To Deposit Ratio (FDR) on Non-Performing Financing (NPF)

Stakeholder Theory states that company performance can be influenced by several factors, including external and internal factors. This is in accordance with stakeholder theory which states that the performance of an entity is influenced by external and internal factors (Freeman, 1999). External factors are factors that come from outside the company, in this case inflation is a factor that can influence company performance.

Inflation is a situation where more money is needed to get the same amount of goods and/or services. When inflation occurs, people need more money to get goods or services, so people who have limited income will apply for financing from banks. In banks, the level of financing provided will increase when inflation occurs, this will of course increase the risk of problematic financing as described by the Non-Performing Financing (NPF) ratio, so when there is high problematic financing it can be said that banking performance in that period is bad. On the one hand, as a result of people having difficulty paying their obligations to banks, banks will experience problems in returning depositors' funds as described by the Financing To Deposit Ratio (FDR). From this explanation, a hypothesis is obtained:

H6: Inflation is able to moderate the influence of FDR on NPF.

7. The Effect of Inflation in Moderating Operating Costs and Operating Income (BOPO) on Non-Performing Financing (NPF)

Stakeholder theory states that the performance of a company can be influenced by external and internal factors of the company (Freeman, 1999). External factors are factors that come from outside the company, one of which is inflation. Inflation is a situation where prices increase simultaneously over a long period of time.

When inflation occurs, banking operational costs will be higher than operational income, resulting in inefficient banking performance. This is because financing issued by banks will be higher when inflation occurs, while third party funds obtained by banks from the public will decrease when inflation occurs because costs previously saved in banks are used to meet the needs of the community. Inefficient bank performance will increase the risk of problematic financing, which is described by the Non-Performing Financing (NPF) ratio (Wibinoso, 2017). From the explanation above, the following hypothesis can be made:

H7: Inflation is able to moderate the influence of BOPO on NPF.

3. Research Method

Desain Penelitian

The type of research in this research is quantitative research. Quantitative research is research in the form of numbers and analyzed by statistics (Sugiyono, 2018). Research with secondary data is research whose data is obtained from information published by related agencies. The data used is panel data, panel data is a combination of cross-section data and time series data.

Populasi dan Sampel

this study uses 11 annual reports of Islamic Commercial Banks in Indonesia, namely; Bank Victoria Syariah, Bank Central Asia Syariah, Bank Jabar Banten Syariah, Bank Negara Indonesia, Bank Rakyat Indonesia Syariah, Bank Syariah Mandiri, Bank Syariah Bukopin, Bank Mega Syariah, Bank Syariah National Pension Savings Bank, Bank Mega Syariah, and Bank Muamalat Indonesia Indonesia with period 2014 to 2020.

Teknik Pengambilan Sampel

The sampling technique in this study was the purposive sampling method. This method is a method designed to draw samples from a population with certain criteria. These criteria include:

- a. Sharia Commercial Banks registered with the Financial Services Authority in the 2016-2020 period consecutively.
- b. Sharia Commercial Banks that publish annual reports in full and consecutively from 2016-2020.
- c. The annual report of Islamic Commercial Banks provides information in the form of ratios used as variables in research during the 2016-2020 period.

3. Results and Discussion

3.1. Results

Tabel 1. 1 Hasil Uji Regresi dengan MRA

Dependent Variable: NPF
 Method: Panel EGLS (Cross-section random effects)
 Date: 10/19/21 Time: 20:29
 Sample: 2014 2020
 Periods included: 7
 Cross-sections included: 11
 Total panel (balanced) observations: 77
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.448007	2.937187	-1.854839	0.0679
CAR	-0.001322	0.036273	-0.036435	0.9710
FDR	0.052676	0.022612	2.329559	0.0228
BOPO	0.030146	0.021642	1.392960	0.1681
INF	2.365546	1.012462	2.336430	0.0224
CARINF	-0.017440	0.010110	-1.725001	0.0890
FDRINF	-0.020722	0.010453	-1.982319	0.0514
BOPOINF	-0.000749	0.005258	-0.142505	0.8871
R-squared	0.355753	Mean dependent var	1.931957	
Adjusted R-squared	0.290395	S.D. dependent var	1.505264	
S.E. of regression	1.268005	Sum squared resid	110.9407	
F-statistic	5.443123	Durbin-Watson stat	1.093092	
Prob(F-statistic)	0.000053			

Sumber: data sekunder diolah, 2021

3.2. Discussion

Koefisien Determinasi R²

The R-squared value in table 1.1 is 0.35575. This means that the effect of the independent variables on the dependent variable is 35.57% or the independent variables used

in the model are able to explain 35.57% of the dependent variable. The remaining 64.43% is influenced by other factors from the regression model.

Simultaneous F Test

Table 1.1 shows that in this study the coefficient value is 5.443123, with a probability value (F-statistic) of 0.000053 or < 0.05 which indicates that the independent variable has a positive and significant effect on the dependent variable, namely NPF.

Partial t-test

The t-test was used in this study to see how much influence the independent factors had in explaining the variation of the independent variables separately. The significance level in this test is 0.05 and 0.1, which means that if the probability value is less than 0.05 and 0.01, then the dependent variable has a significant influence. The t-test produces the following results: The t-test in this study is contained in table 1.1 with a description:

1. Effect of CAR on NPF

The CAR variable with an alpha coefficient of 5% has a coefficient value of -0.001322 with a probability of 0.9710 or more than 0.05 so CAR has no effect on NPF.

2. The effect of FDR on NPF

The FDR variable has a coefficient value of 0.0052676 with a probability of 0.0228, this shows a significant positive effect on the NPF variable with an alpha coefficient of 5%.

3. Effect of BOPO on NPF

The BOPO variable has a coefficient value of 0.030146 with a probability of 0.1681 or > 0.05 which shows no effect on the NPF variable with an alpha coefficient of 5%.

4. Effect of Inflation on NPF

Inflation with an alpha coefficient of 5% has a coefficient value of 2.365546 with a probability of 0.0224 which means that the inflation variable has a significant positive effect on the NPF variable.

5. Effect of CAR on NPF with inflation as a moderation

The CAR variable with inflation as the moderating variable for the alpha coefficient of 10% has a coefficient value of -0.0174440 with a probability value of 0.0890 or less than 0.1 so the CAR variable which is moderated by inflation has a significant negative effect on NPF.

6. The effect of FDR on NPF with inflation as a moderation

The FDR variable with inflation as the moderating variable for the alpha coefficient of 5% has a coefficient value of -0.020722 with a probability value of 0.0514 or equal to

0.05, which means that the FDR variable which is moderated by inflation has a significant negative effect on NPF.

7. Effect of BOPO on NPF with inflation as a moderation

The BOPO variable with Inflation as a moderating coefficient is 5% with a coefficient value of -0.000749 with a probability of 0.8871 or more than 0.05 so that means that the BOPO variable moderated by Inflation has no effect on NPF.

4. Conclusion

From the research that has been done, it is obtained that partially CAR, FDR, BOPO, and inflation have a significant positive effect on NPF. However, CAR and BOPO have no effect on NPF simultaneously. Meanwhile, FDR and inflation have a positive and significant effect on NPF.

When inflation is added as a moderating variable, inflation can strengthen the effect of CAR on NPF, but inflation can also weaken the effect of inflation on NPF, whereas, in the BOPO variable, inflation has no effect on the effect of BOPO on NPF

Acknowledgements

The author thanks the parties who have helped the author in completing this research. Thank you to the lecturers who have provided guidance, direction, and input to the authors so that this research can be completed. And the authors thank the Islamic Commercial Banks for publishing annual reports that are used by researchers as research data

References

- Akbar, D. A. (2016). Inflasi, Gross Domestic Product (Gdp), Capital Adequacy Ratio (Car), Dan Finance To Deposit Ratio (Fdr) Terhadap Non Performing Financing (Npf) Pada Bank Umum Syariah Di Indonesia. *I-Economics*, 2(2), 19–37.
- Antonio, M. S. (2001). *Bank Syariah Dari Teori Ke Praktik*. Gema Insani Press.
- Dendawijaya, L. (2009). *Manajemen Perbankan*. Ghalia Indonesia.
- Effendi, J., Thiarany, U., & Nursyamsiah, T. (2017). Factors Influencing Non Performing Financing (NPF) At Sharia Banking. *Jurnal Penelitian Sosial Keagamaan*, 25(1), 109–138. <https://doi.org/10.21580/ws.25.1.1540>
- Freeman, R. E. (1999). *Divergent Stakeholder Theory*. 24(2), 233–237.
- Ghozali, I. (2020). *25 Grand Theory: Teori Besar Ilmu Manajemen ,Akuntansi Dan Bisnis (Untuk Landasan Teori Skripsi, Tesis dan Disertasi)*. Yoga Pratama.

- Hasanah, R., & Septiarini, D. F. (2020). Pengaruh Car, Roa, Bi 7-Day Rate, Dan Inflasi Terhadap Non-Performing Financing Kpr Pada Bank Umum Syariah Periode 2016-2018. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 7(4), 774–794. <https://doi.org/10.20473/vol7iss20204pp774-794>
- Karim, A. (2001). *Ekonomi Islam, Suatu Kajian Kontemporer*. Gema Insani Press.
- Kasmir. (2012). *Manajemen Perbankan (Edisi Revi)*. Raja Grafindo Persada.
- Nihayah, A. Z., & Walyoto, S. (2018). Identification of Non Performing Financing Alteration Measured by Microeconomic Variable Sharia Banking. *Journal of Finance and Islamic Banking*, 1(1), 23–38. <https://doi.org/10.22515/jfib.v1i1.1245>
- Robert, R. (1922). Determinants of Corporate Social Responsibility Dscloser: An Application of Stakeholder Theory. *Accounting, Organization and Society*, 17(6), 595–612.
- Soekapdjo, S., Tribudhi, D. A., & Nugroho, L. (2019). Pengaruh Fundamental Ekonomi dan Kinerja Keuangan Terhadap Kredit Bermasalah Pada Bank Syariah Di Indonesia. *Ekonika: Jurnal Ekonomi Universitas Kadiri*, 4(2), 126. <https://doi.org/10.30737/ekonika.v4i2.327>
- Sugiyono. (2018). *Metode Penelitian Kombinasi (Mixed Methods)*. Alfabeta.
- Umar, A. U. A. Al, Pitaloka, H., Savitri, A. S. N., & Kabib, N. (2020). Factors Affecting Audit Delay Moderated By Profitability Of Companies In The Jakarta Islamic Index. *JASa (Jurnal Akuntansi, Audit Dan Sistem Informasi Akuntansi)*, 4(1), 1–10.
- Wibinoso, M. Y. (2017). *Pengaruh CAR, NPF, BOPO, FDR Terhadap ROA Yang Di Mediasi Oleh NOM*. 17(1), 22.
- Yolanda, S., & Ariusni. (2019). Pengaruh Faktor Internal Dan Eksternal Terhadap Pembiayaan Bermasalah Pada Bank Umum Syariah (BUS) dan Bank Pembiayaan Rakyat Syariah (BPRS). *Jurnal Kajian Ekonomi Dan Pembangunan*, 1(3), 833–844.