

Conference Paper

Determinant of Non-performing Financing in Indonesia Islamic Bank

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Abstract

In 2017, there was an increase in Non Performing Financing (NPF) in Islamic Bank until the NPF Ratio reached five point twenty seven percent. It shows that NPF Ratio in that period has exceeded the standard provision of Bank Indonesia of five percent. This phenomenon is one of things that caused by the high channeling of financing to customers without accompanied by an increase in financing quality. This study aims to examine the determinants of non performing financing period 2013-2018. This study uses secondary data from six Indonesia Islamic Bank. This study used descriptive explanatory method with data analysis technique is panel data regression. The dependent variable used in this study is the non performing financing. Furthermore, the independent variables are Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR) and Bank Indonesia Sharia Certificates (SBIS). The results showed that the CAR and FDR have a significant negative effect on NPF. While, the SBIS rate has not effect on NPF. The result of simultaneous regression show that the CAR, FDR and SBIS rate have effect on NPF. Thus it can be concluded that when CAR and FDR increases, it will decrease the NPF and when SBIS increases, it does not affect the NPF.

Keywords: Non Performing Financing (NPF), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), SBIS rate.

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Received: 10 February 2019
 Accepted: 14 March 2019
 Published: 28 March 2019

Publishing services provided by
Knowledge E

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Selection and Peer-review under the responsibility of the ICIEBP Conference Committee.

1. Introduction

Financing is an activity that becomes the main source of income for Islamic Banks. Financing channeled by Islamic Banks does not all have good collectability, this is because in the process of financing the bank is faced with a variety of risks, especially financing risk, operational risk, and market risk (Iskandar, Nuruddin, & Siregar, 2017). However, no matter how much risk is faced, the Islamic Bank still has to carry out its function as an intermediary institution which is to channel funds collected from depositors to customers who need funding in the form of funding.


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Islamic banks are increasingly aggressively channeling financing to customers to increase revenues and optimize assets owned by banks. This is reflected in the amount of financing that continues to increase every year. Besides that, rising public interest in financing products is one of the supporting factors for the increasing growth of financing in Islamic banks. Throughout 2014 to 2017 the value of financing at Islamic Banks showed an increasing trend.

TABLE 1: Development of Financing and Non Performing Financing (in billion rupiah).

Period	Financing Distribution	Non Performing Financing
2014	147.944	7.320
2015	153.968	7.456
2016	177.482	7.834
2017	189.789	9.030

Source: Statistik Perbankan Syariah (OJK, 2017)

Based on Table 1, it shows that the distribution of financing at Islamic Banks every year has always been increasing. The highest financing growth occurred in 2015 with an increase of Rp. 23,514. In terms of quantity every year financing for Islamic banks has increased. However, the quality of financing distribution to Islamic banks has decreased. This is reflected in the increase in financing distribution accompanied by an increase in non-performing financing in Islamic banks. The highest problematic financing increase occurred in 2017 with an increase of Rp.1,196. Thus it can be concluded that the increase financing distribution is also followed by the increase risk of default and the occurrence of non performing financing (Aryani, Anggraeni, & Wiliasih, 2016).

The problematic financing level can be reflected in the ratio of Non Performing Financing (NPF). A high NPF level indicates the low health of Islamic banks and the performance or profitability of the bank decreases. Likewise, on the contrary, the lower the NPF ratio of an Islamic bank, the lower the level of financing is problematic which means that the health condition of the bank is getting better and the performance of the bank is increasing (Kiswanto & Purwanti, 2016).

Figure 1 shows that during 2008 - 2017 the NPF value has fluctuated. The highest NPF value occurred in 2017 with an NPF value of 5.27%. The NPF value in 2017 exceeded the Bank Indonesia regulatory limit of 5%. According to SE BI Number 13/24/DPNP/2011, the NPF ratio is categorized as good if the NPF value is not more than 5% (Bank Indonesia, 2011).

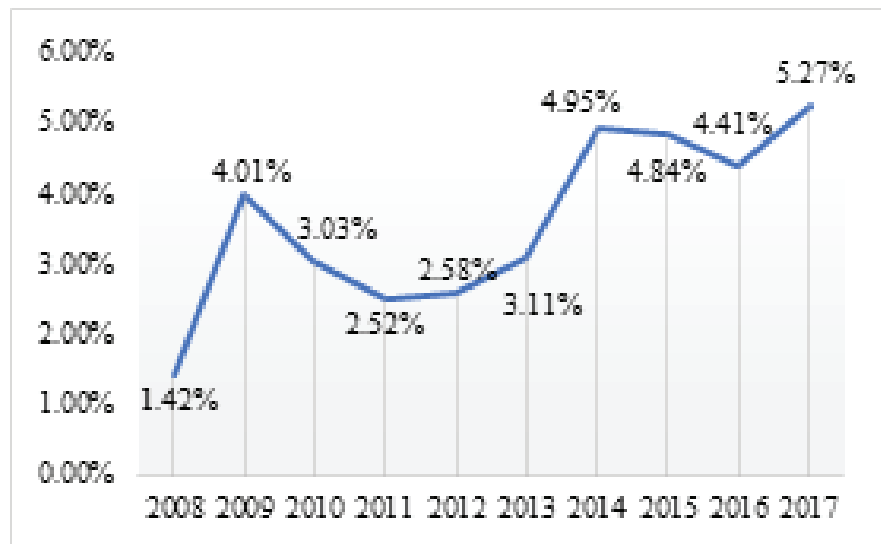


Figure 1: Development of NPF in Indonesia Islamic Banks (Source: Statistik Perbankan Syariah (OJK, 2017)).

Therefore, the NPF value in 2017 needs to be watched out because if the NPF value continues to increase it can cause losses to Islamic banks. This loss can disrupt the bank's balance sheet, thereby reducing the ability of its assets (Vanni, 2017). If the losses incurred are large enough then the possibility of a Islamic bank experiencing liquidation is very high. In addition, if the NPF value exceed the limit, it will become a serious problem that will disrupt profitability and potentially reduce the capital adequacy of Islamic banks which leads to the cessation of bank operations, especially those with small assets (Firmansyah, 2014).

Financial performance calculated in the capital ratio and liquidity ratio is two of the factors that influence the amount of Non Performing Financing (NPF) by Islamic Banks. Capital in Islamic banks can be measured by the Capital Adequacy Ratio (CAR). According to the result of research conducted by Lidyah (2016) shows that CAR has a negative and significant effect on NPF. While, liquidity in Islamic bank can be measured by the Financing to Deposit Ratio (FDR). According to the result of research conducted by Vanni (2017) shows that FDR has a negative and significant effect on NPF.

In addition, condition of macro economic used in this research as a estimating variable that affect the NPF on Islamic banks which can be measured by the Bank Indonesia Sharia Certificate (SBIS). SBIS can affect the NPF by Islamic Banks can be strengthened by the result of previous research by Aryani, Anggraeni and Wiliasih (2016) which explain that SBIS has a negative and significant effect on NPF.

Base on the previous research result and problems of the phenomenon before, then the authors are interested in further researching the factors that influence the NPF on Islamic Bank in Indonesia.

Analysis the determinants of Non Performing Financing in Islamic banks is very important because non performing financing is gave the high risk on Islamic banks. By testing the determinants of Non Performing Financing, it is hoped that the results of the research can be used as an evaluation material for the operations of Islamic banks, risk mitigation materials and as a guide in determining appropriate financing policies in order to control the NPF value at a reasonable stage.

2. Literatur Review

Financing is a financing activity carried out by Islamic financial institutions to customers who need funds, where in the future customers must return the funds after the agreed period has expired (Firdaus, 2015). A financing is said to be problematic if the bank is unable to deal with the risks posed by financing. Financing risk is the risk of losses received by banks caused by customers who are unable or unwilling to fulfill their obligations to the bank at a predetermined time (Sholihin, 2010).

Meanwhile, according to Djamil 2012 problematic financing is financing whose quality is classified as substandard, doubtful and loss. Problem financing is reflected in the high Non Performing Financing (NPF) ratio. NPF is a ratio that shows the ability of bank management to manage problem financing. So that the higher this ratio shows the worse the quality of bank financing that causes the greater number of problematic financing (Hariyani, 2010). To find out the effectiveness of financing channeled by Islamic banks can be calculated by the ratio of NPF (Wulandari, Cakhyanu, & Rosida, 2015)

The NPF ratio is either one or a benchmark to determine the soundness of a bank that can be assessed from the smoothness or non-return of the financing that has been channeled. The NPF ratio is the result of the comparison between total problem financing (category of substandard, doubtful, loss) to the total financing disbursed as follows:

$$\text{NPF} = \frac{\text{Non Performing Financing}}{\text{Total Financing}} \times 100\%$$

The purpose of NPF calculation is to measure the level of financing problems faced by banks, the higher this ratio, the lower the quality of Islamic bank financing (Lusian, Siregar, & Maulana, 2014). Based on the Bank Indonesia Circular Letter Number 13/24/DPNP/2011 the NPF level of an Islamic bank is said to be good if the NPF ratio is less than 5% (Bank Indonesia, 2011).

Predicted factors that affect on non performing financing are Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR) and Bank Indonesia Syariah Certificates (SBIS). Based on the research focus, a relationship model can be developed as follows:

2.1. Capital adequacy ratio

The level of capital adequacy of a bank can be reflected in the ratio of Capital Adequacy Ratio (CAR). CAR is a ratio that shows the ability of Islamic banks to be able to cover the decline in assets as a result of bank losses caused by risky assets when conducting bank operations. The higher CAR indicates that the better the bank's ability to bear the risk of each risky credit or productive asset.

If the CAR is high, the bank is able to finance operational activities and make a substantial contribution to profitability (Barus & Erick, 2016). CAR is the result of a comparison between capital versus antiva that contains a risk or minimum capital adequacy ratio by taking into account market risk, so that the following formulas are obtained:

$$CAR = \frac{\text{Capital}}{\text{Risk Weighted Assets}} \times 100\%$$

Increasing CAR values indicates that capital owned by banks has increased, so it can reduce NPF This shows that the more the level of capital adequacy is owned, the bank will be easier to manage the risk of non-performing financing, so that it can reduce the NPF value (Makri, 2013). This statement is confirmed by research conducted by Lidyah (2016) which states that CAR has a negative effect on NPF. However, research conducted by Firdaus (2015) states that there is a positive influence between CAR and NPF. Based on the theory and results of the study which refer to Lidyah's statement (2016), the first hypothesis to be tested is that CAR has a negative effect on NPF.

2.2. Financing to deposit ratio

FDR shows the ability of banks to repay withdrawals made by depositors by relying on loans provided as a source of liquidity. The higher the FDR ratio shows the lower the bank's liquidity capability (Loen & Ericson, 2008). In this case the bank must be able to regulate the amount of financing channeled and third party funds received by the bank so that the FDR value remains in a stable position. When FDR has increased, the NPF will decrease. Good liquidity indicates that the bank has sufficient sources of funds to fulfill all obligations. So that the higher bank liquidity will reduce the risk of non-performing

financing (Akbar, 2016). FDR values can be known by performing calculations with the formulation below:

$$\text{FDR} = \frac{\text{Total Financing}}{\text{Total Deposits}} \times 100\%$$

The lower the FDR indicates that banks are increasingly liquid. The higher FDR value will reduce the NPF value with the assumption that the financing channeling by Islamic banks is accompanied by an increase in the quality of financing. According to Sipahutar 2007 stated that with good FDR quality, the expansion of financing distribution will provide a good contribution to increase bank profits, so that the NPF level will decrease.

This statement was confirmed by Vanni's research (2017) which stated that FDR had a negative effect on NPF. However, the results of research conducted by Haifa & Wibowo (2015) which states that FDR has a positive effect on NPF. Based on the theory and research results that refer to Vanni's statement (2017), the second hypothesis that will be tested is that FDR has a negative effect on NPF.

2.3. Bank Indonesia Syariah certificate

SBIS is short-term securities based on sharia principles in rupiah currency issued by Bank Indonesia as one of the instruments for open market operations in the context of monetary control (Efendi, Widodo, & Lutfianingsih, 2016). Investment in the form of SBIS has a lower level of risk when compared to the risk of financing distribution in the real sector. So that when SBIS yields increase, banks tend to reduce the amount of financing distribution in the real sector. The amount of financing disbursement in the real sector is reduced, it will also reduce the risk of non-performing financing and result in a decrease in the NPF ratio (Asnaini, 2014).

This statement is confirmed by research conducted by Aryani, Anggraeni, & Wiliasih (2016) which states that there is a negative relationship between SBIS and NPF. However, research conducted by Popita (2013) stated that SBIS has no effect on NPF. Based on the theory and results of research that refers to the statements of Aryani, Anggraeni, & Wiliasih (2016), the third hypothesis that will be tested is that SBIS has a negative effect on NPF.

3. Methodology

The research method used is explanatory method using a descriptive approach. The samples used were six Islamic Banks namely BNI Syariah, BJB Syariah, Bank Syariah

Mandiri, Bank Syariah Bukopin, Maybank Syariah and BCA Syariah from 13 BUS which became the population in this study. This research was conducted in the 2013 - 2018 period for six year or 21 quarterly (from quarterly 1 in 2013 until quarterly 1 in 2018).

The data used in this study is secondary data. In addition, data collection techniques in this study are documentation studies obtained from the six BUS quarterly financial reports on the OJK website, Islamic banks website and Bank Indonesia website. Data collection was also carried out through literature study.

The data was analyzed using panel data regression test. There are advantages of using panel data regression that can control the occurrence of heterogeneity between cross section units (Basuki & Prawoto, 2016). Before hypothesis testing, it is necessary to select the model that will be used in the research by conducting Chow test, Hausman test and the Lagrange Multiplier (Rosadi, 2012). The next step is the classic assumption test. In panel data regression, classical assumption is only used multicollinearity and heteroscedasticity (Basuki & Prawoto, 2016). After select model and classical assumption, the next step is hypothesis testing consisting of statistical t test, statistical f test and determination coefficient (R²).

4. Result

Base on the Islamic Banks publication on the OJK website, NPF in six Islamic Banks in Indonesia in 2013 – 2018 overall experienced fluctuating growth every year, but tends to increase. The average of non performing financing ratio from the six banks is 6,67%. The highest non performing financing ratio amount the six bank is reach by Maybank Syariah is 16,98%. Meanwhile, BCA Syariah is the lowest average non performing financing there is only 0.41%.

CAR in six Islamic Banks in Indonesia in 2013 – 2018 overall experienced fluctuating growth every year, but tends to increase. The average of CAR from the six banks is 25,97%. The highest CAR amount the six bank is reach by Maybank Syariah is 61,08%. Meanwhile, Bank Syariah Mandiri (BSM) is the lowest average CAR there is only 14,28%. Besides, FDR in six Islamic Banks in Indonesia overall experienced fluctuating growth every year. The average of FDR from the six banks is 97,62%. The highest FDR amount the six bank is reach by Maybank Syariah is 142,08%. Meanwhile, BSM is the lowest average FDR there is only 82,96%.

In addition, SBIS in Bank Indonesia for the period of 2013 – 2018 has fluctuating growth every year. The average of SBIS rate is 6,31%. The highest SBIS rate is 7,22% in 2013. Meanwhile, the lowest SBIS rate is 4,87% in 2013.

4.1. Model estimation results

The first thing to do in testing panel data regression is to determine the regression model to fit the data used in the research, so that the research data can be formulated well in accordance with the criteria. Panel data regression was carried out using three approaches namely Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). The following are the results of the model estimation.

TABLE 2: Chow Test Results.

Redundant Fixed Effects Tests Pool: PANEL Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.576077	(5,113)	0.0000
Cross-section Chi-square	60.721297	5	0.0000

Source: Research result

The chow test results shows that the Chi-square value is equal to 0.0000 where the value is smaller than of 0.05, it can be concluded that the right model for panel data regression is Fixed Effect Model (FEM).

TABLE 3: Hausman Test Results.

Correlated Random Effects - Hausman Test Pool: PANEL Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	39.212247	3	0.0000

Source: Research result

The hausman test results shows that the probability value is equal to 0.0000 where the value is smaller than of 0.05, it can be concluded that the right model for panel data regression is Fixed Effect Model (FEM).

From a series of testing panel data models such as Chow and Hausman test to determine the appropriate regression model and can be used, the two tests show that Fixed Effect Model (FEM) is the best model used with the estimation model as follows:

TABLE 4: Fixed Effect Model Result.

Dependent Variable: NPF Method: Pooled Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	38.31647	6.909956	5.545111	0.0000
CAR	-0.482327	0.125509	-3.842968	0.0002
FDR	-0.122744	0.045421	-2.702360	0.0079
SBIS	-1.274878	0.838656	-1.520144	0.1313
Fixed Effects (Cross)				
_BNIS—C	-9.040011			
_BJBS—C	0.453939			
_MBS—C	34.78384			
_BSM—C	-7.859877			
_BCAS—C	-3.986894			
_BSB—C	-7.725505			

Source: Research result

Regression estimation result in table 4 obtained the following equation:

$$\begin{aligned}
 NPF_{it} = & 38,31647 - 9,040011D_1 + 0,453939D_2 \\
 & +34,78384D_3 - 7,859877D_4 - 3,986894D_5 \\
 & -7,725505D_6 - 0,482327X_{1it} \\
 & -0,122744X_{2it} - 1,274878X_{3it} + e_{it}
 \end{aligned}$$

Base on the model, it can be explained that when CAR, FDR and SBIS are equal to zero, the NPF is 38,32%. Then when CAR increase 1%, the amount of the NPF on Islamic Banks will decrease 0,48%. When FDR increase 1%, the amount of the NPF on Islamic Banks will decrease 0,12%. As well the SBIS increase 1%, the amount of the NPF on Islamic Banks will decrease 1,27%.

The D_1, D_2, D_3, D_4, D_5 and D_6 are dummy variables to determine changes in intercepts between companies that explain the effect of differences in each Islamic Banks.

4.2. Classic assumption test

In panel data regression not all classical assumption tests need to be done, only multicollinearity tests and heteroscedasticity tests need to be done (Basuki & Prawoto, 2016). The following are the results of the classic assumption test:

4.2.1. Multicollinearity test

Variables are affected by multicollinearity if the R^2 coefficient is between 0.8 and 1.0. The following are the results of multicollinearity tests.

TABLE 5: Multicollinearity Test Results.

	CAR	FDR	SBIS
CAR	1.000000	0.590340	-0.098595
FDR	0.590340	1.000000	0.243636
SBIS	-0.098595	0.243636	1.000000

Source: Research result

Based on the results of the multicollinearity test, it can be seen that all the independent variable has a low coefficient that is under 0.80. So it can be concluded that in this study there is no multicollinearity between independent variables.

4.2.2. Heteroscedasticity test

Variables are exposed to heteroscedasticity if the probability is greater than 0.05. The following are the results of multicollinearity tests.

TABLE 6: Heteroscedasticity Test Results.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.434919	2.761032	0.519704	0.6043
CAR	0.039794	0.050150	0.793509	0.4291
FDR	-0.003158	0.018149	-0.173978	0.8622
SBIS	-0.379356	0.335104	-1.132052	0.2600

Source: Research result

Based on the heteroscedasticity test result, it can be seen that the probability value of all independent variable is more than 0.05. So it can be concluded that all independent variables in this study do not occur heteroscedasticity.

4.3. Hypothesis testing

In testing the panel data regression hypothesis there are two tests that need to be done, namely the t test to determine how much influence each independent variable partially in explaining the variation of the dependent variable and F test to examine the

effect of independent variables simultaneously on the dependent variable. Then also carried out the coefficient of determination to see how far the ability of the independent variable in explaining the dependent variable.

TABLE 7: t Test Results.

Variable	Coefficient	t-Statistic	Prob.
CAR	-0.482327	-3.842968	0.0002
FDR	-0.122744	-2.702360	0.0079
SBIS	-1.274878	-1.520144	0.1313

Source: Research result

4.3.1. Effect of CAR on NPF

Based on the estimation results in table 7 shows that the level of significance of the influence of Capital Adequacy Ratio (CAR) on Non Performing Financing (NPF) is 0.0002 less than 0.05, which means significant. This indicates that CAR has a negative effect on NPF with a coefficient of -0.4482327. The results of this study are in accordance with the initial hypothesis which states that there is a negative effect CAR to NPF.

The results of this study are supported by the research of Asnaini (2014) and Lidyah (2016) which states that CAR has a negative and significant effect on NPF. This is because the greater the amount of capital owned by Islamic Banks, the smaller the chance of non-performing financing receivables. The higher the capital adequacy ratio will be able to function to accommodate the risk of losses faced by banks because of increased financing problems. Then the results of research conducted by Aryani, Anggraeni, & Wiliasih (2016) show that CAR has a negative effect on CAR because the higher the CAR, the greater the amount of capital used to accommodate the risk of default.

CAR has a significant negative effect on NPF with the assumption that when an increase in CAR is accompanied by a low value of Risk Weighted Assets (RWA). The low value of ATMR indicates that the bank's ability to bear the risk of any financing or productive assets is at risk. When the ATMR value is low, the credit risk or financing risk will decrease. This indicates that the capital of Islamic banks projected by the CAR must be able to cover all business risks faced by banks, including the risk of losses caused by problematic financing. So, when CAR increases, it will reduce the risk of non-performing financing projected with NPF.

Thus, based on the findings of this study it can be concluded that CAR has a negative effect on the level of NPF so that it can be seen that CAR is able to contribute to the decline in NPF. This means that any increase in the CAR ratio has the potential to reduce problem financing in Islamic bank.

4.3.2. Effect of FDR on NPF

Based on the estimation results found in table 5 shows that the level of significance of the effect of Financing to Deposit Ratio (FDR) on Non Performing Financing (NPF) of 0.0079 is less than 0.05, which means significant. This indicates that FDR has a negative effect on NPF with a coefficient of -0.122744.

The results of this study are supported by the research of Vanni (2017), Faiz (2010) and Poetry & Sanrego (2011) which states that FDR has a negative effect on NPF, because if the bank issues more financing then the problematic financing level will decrease. If an increase in non-performing financing is caused by technical factors, the amount of financing allocation will increase problematic financing. Thus, the causes of problem financing are not only caused by technical factors, but more complex variables involve behavioral and macro aspects such as inflation, interest rates, and so on.

FDR has a significant negative effect on NPF with the assumption that when there is an increase in FDR, the financing channeled to customers has good quality, so that the expansion of financing disbursement can increase returns and reduce the level of NPF Islamic Banks. This is in accordance with what was stated by Sipahutar (2007) that with good FDR quality, the expansion of financing distribution will provide a good contribution to increasing banking profits, so that the NPF level will decrease.

Thus, based on the findings of this study it can be concluded that the FDR ratio has a negative effect on the level of NPF. So that it can be seen that the FDR is able to contribute to the reduction of problem financing on Islamic Banks in Indonesia. This means that every distribution of financing made by the Bank must be accompanied by good financing quality so that it does not have the potential to increase the level of problematic financing.

4.3.3. Effect of SBIS on NPF

Based on the estimation results found in table 5 shows that the level of significance of the effect of the SBIS rate on Non Performing Financing (NPF) is 0.1313 greater than 0.05, which means it is not significant. This indicates that the SBIS rate has no effect

on NPF. The results of this study are not in accordance with the initial hypothesis which states that there is a positive relationship between FDR and NPF.

The results of this study were supported by Popita (2013) who stated that partially the SBIS bonus has no effect on the NPF, so the reduction or increase in the SBIS bonus level has no effect on the NPF on Islamic Banks. Then a similar study was carried out by Rahmawulan (2008) which stated that SBIS Islamic banks did not have a significant influence on the level of NPF.

SBIS has no effect on the NPF because the magnitude of the rate of return set by Bank Indonesia does not affect the bank to reduce the distribution of financing to customers. Basically the main activities of Islamic banks are collecting and distributing funds in the form of financing, while the return on the placement of funds in the SBIS is only a bonus for Islamic Banks. In principle the bonus is in the form of giving, large or small depending on the policies and authority of Bank Indonesia. Therefore, the magnitude of the SBIS yield does not has a significant contribution in determining the level of financing distribution which indicates the increase in problematic financing.

Thus, based on the findings of this study it can be concluded that the rate of return on SBIS does not affect the level of NPF. so that it can be seen that the rate of return on SBIS is not able to contribute to the increase or decrease in non-performing financing in Indonesia Islamic banks.

4.3.4. Effect of CAR, FDR and SBIS on NPF

TABLE 8: Simultaneous Test Results.

R-squared	0.496710
Adjusted R-squared	0.461079
Prob(F-statistic)	0.000000
Source: output regresi data panel Eviews 9	

Based on the estimation results shown in table 6 shows that the level of significance of the influence of CAR, FDR and SBIS rate on Non Performing Financing (NPF) of 0.000000 is less than 0.05, which means significant. This indicates that the CAR, FDR and SBIS rate together affect the NPF. The influence of the CAR, FDR and SBIS rate on the NPF is 46.11 percent. While the remaining 53.89 percent is explained by other variables outside the model that are not included in the study.

5. Conclusion

Overall Non Performing Financing, Capital Adequacy Ratio, Financing to Deposit Ratio and Bank Indonesia Sharia Certificate for the period 2013 – 2018 are always experienced fluctuating growth every year. The highest NPF ratio is Maybank Syariah and BCA Syariah is the lowest NPF ratio in period 2013-2018. The highest CAR is Maybank Syariah and Bank Syariah Mandiri is the lowest CAR in period 2013-2018. While The highest FDR is Maybank Syariah and Bank Syariah Mandiri is the lowest FDR in period 2013-2018.

CAR has a negative and significant effect on NPF in Indonesia Islamic Banks. If the capital in Islamic banks increase indicate that banks are able to accommodate or manage any risks arising from bank operations including financing risk. So that the increasing CAR ratio will be able to contribute to the decline in the level of the NPF. FDR has a negative and significant effect on NPF in Indonesia Islamic Banks. If the liquidity in Islamic banks increase indicate that banks are able to channeling financing with a good quality. So, FDR is able to contribute to the reduction of NPF. On the other hand, the SBIS does not has effect on NPF. This means that the rate of return on SBIS results is not be able to contribute to the amount of NPF. If the SBIS increase, it will not effect the amount of NPF in Indonesia Islamic Bank. Then there is a tendency that the CAR ratio, FDR ratio and rate of return on SBIS can support the development of the NPF so that the CAR, FDR and SBIS simultaneously have an influence on NPF.

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