THE PERFORMANCE OF BPRS FROM

THE NON PERFORMING FINANCING SIDE

Maya Indriastuti
Indri Kartika
Fakultas Ekonomi Universitas Islam Sultan Agung (UNISSULA), Semarang

ABSTRACT

The aims of this study is to examine the BPRS performance from the non-performing financing (NPF) of mudharaba, musharaka, murabaha. The population in this study was 3-year data of financial statement i.e. from 2014 to 2016. The analysis method used in this research was multiple linear regression. The results showed that (1) mudharaba financing NPF, musharaka financing NPF, murabaha financing NPF simultaneously have positive to increase the performance of BPRS; (2) partial test showed that the NPF of Musharaka and NPF of Murabaha financing have significant positive effect on the performance of BPRS, its mean that both of them can improve the BPRS performance; (3) while the NPF of mudharaba financing has a positive effect but not significant on the performance of BPRS, it means that the Bank did not dare to take very high risk due to the absence of collateral.

Keywords: mudharaba NPF, musharaka NPF, murabaha NPF, performance, BPRS

ABSTRAK

Tujuan dari penelitian ini adalah untuk menguji kinerja BPRS dari pembiayaan non-performing (NPF) dari mudharaba, musyarakah, murabahah. Populasi dalam penelitian ini adalah data 3 tahun laporan keuangan yaitu dari tahun 2014 hingga 2016. Metode analisis yang digunakan dalam penelitian ini adalah regresi linier berganda. Hasil penelitian menunjukkan bahwa (1) pembiayaan mudharaba NPF, NPF pembiayaan musyarakah, pembiayaan murabahah NPF secara simultan memiliki pengaruh positif untuk meningkatkan kinerja BPRS; (2) uji parsial menunjukkan bahwa NPF pembiayaan Musyarakah dan NPF Murabaha berpengaruh positif signifikan terhadap kinerja BPRS, artinya keduanya dapat meningkatkan kinerja BPRS; (3) sedangkan NPF pembiayaan mudharaba berpengaruh positif tetapi tidak signifikan terhadap kinerja BPRS, artinya Bank tidak berani mengambil risiko sangat tinggi karena tidak adanya agunan.

Kata kunci: Mudharaba NPF, Musharaka NPF, Murabahah NPF, Kinerja, BPRS

1. Introduction

The presence of the Sharia Financing Banks (BPRS) in Indonesia further adds to the name list of sharia banks, as they in the banking system in Indonesia are a financial institution in fulfilling public's need for non-*riba* financing transactions (Bank Indonesia, 2006). BPRS is experiencing an ever-increasing development, causing the increasing number of BPRS to emerge which creates a very tight competition among BPRS (Andraeny, 2011). To win the competition, BPRS tries to find a strategy to market their products and attract customers to buy products offered such as providing financing services based on contracts with the principles of

sharia sale, such as *Mudharaba* financing, *Musharaka* financing, and *Murabaha* financing. However, the high level of risk generated by these three financing causes non-performing financing (NPF) for sharia banks, especially in BPR Sharia (Herijanto, 2012).

Based on the data from the Financial Services Authority in 2013, Non-Performing Financing (NPF) of BPRS is currently increasing from 6% to 7.18% (Otoritas Jasa Keuangan (OJK), 2013), whereas according to regulations of Bank Indonesian number 11/10 / PBI / 2009 (Bank Indonesia, 2013) that NPF is said to be healthy if it is under 5%, in this case BPR Sharia can be indicated experiencing NPF. The decrease in NPF rate to below 5% can be generated through billing, then restructuring so that it can change customer's payback time, as well as taking over the collateral. If this condition continues to occur in BPRS, it may result in not achieving the goal of banking companies that maximize profit and the bank will experience liquidation. This study aims to analyze the effect of non-performing financing of *Mudharaba* financing, non-performing financing of *Musharaka* financing, non-performing financing of *Murabaha* financing on the performance of BPR Sharia in Central Java during the period of 2014-2016.

2. Review of Related Literature

2.1 The Effect of NPF of Mudharaba Financing on BPRS

Mudharaba is absolute, where the owner of capital does not bind the manager of the property to trade in a certain country, use certain goods, while at other times is not exposed to binding conditions which often deviate from *Mudharaba* goal, i.e profit (Andraeny, 2011; Hadiyati, P. and. Baskara, 2013; Hasbi, 2011; Saputra, 2014; Sudiyatno, B. and Suroso, 2010).

H1: NPF of *Mudharaba* Financing has an effect on BPR Sharia Performance

2.2 The Effect of NPF of Musharaka Financing on BPRS Performance

To generate profits, a bank should conduct funding to community. The distribution of the funds contains a risk of not returning the distributed funds. The risk will lead to Non-Performing Financing of *Musharaka* Financing (Andraeny, 2011; Hadiyati, P. and. Baskara, 2013; Hasbi, 2011; Saputra, 2014; Sudiyatno, B. and Suroso, 2010).

H2: NPF of *Musharaka* Financing has an effect on BPR Sharia Performance

2.3 The Effect of NPF of Murabaha Financing on BPRS Performance

Murabaha is generally applicable on financing products for the purchase of investment goods, both domestic and abroad. This contract is a form of natural certainty contracts, because in

Murabaha, it is determined some of the benefits which are to be gained (Andraeny, 2011; Hadiyati, P. and. Baskara, 2013; Hasbi, 2011; Saputra, 2014; Sudiyatno, B. and Suroso, 2010).

H3: NPF of *Murabaha* Financing has an effect on BPR Sharia performance

3. Method of The Study

3.1 Operational Definitions and Variable Measurement

3.1.1 Performance

Performance in this study uses the indicator of Return on Asset (ROA) or the level of asset return. A bank may be incorporated into a healthy classification if: Return on Asset (ROA) ratio reaches at least 1.5%. In this case, If the finance runs smoothly, the bank will get profit smoothly as well. This ROA is the ratio of net income before tax ratio to total assets (Prabowo Bagus Andrean, 2015).

3.1.2 Non-Performing Financing (NPF) of *Mudharaba* Financing

NPF Mudharabah financing is a financing that occurs when the debtor for various reasons cannot fulfill the obligation to repay the loan, (Hadiyati, P. and. Baskara, 2013; Prabowo, 2015). This NPF of *Mudharaba* is the comparison ratio of *Mudharaba* NPF and total *Mudharaba* financing.

3.1.3 Non-Performing Financing (NPF) of *Musharaka* Financing

NPF of *Musharaka* is a financing that occurs when the debtor for various reasons cannot fulfill the obligation to repay the loan, (Hadiyati, P. and. Baskara, 2013; Prabowo, 2015). *Musharakah* NPF is comparison ratio of *Musharaka* NPF and total *Musharaka* financing.

3.1.4 Non-Performing Financing (NPF) of Murabaha Financing

Murabaha NPF is a financing that occurs when the debtor for various reasons without prior consent (Hadiyati, P. and. Baskara, 2013; Prabowo, 2015). *Murabaha* NPF is comparison ratio of a *Murabaha* NPF and total *Murabaha* financing.

3.2 Population and Sample

The population in this study was BPR Sharia in Central Java, in the period of 2010 to 2012. Total sample of 25 BPRS in Central Java with sample of all operational headquarters. The sampling method in this research was done by purposive sampling with these following criteria: (1) BPRS with head office period of 2010 to 2012; (2) BPRS submitting a complete financial report; (3) BPRS' Financial Statements do not suffer any losses during that period; (4) BPRS used as research samples have the completeness of data related to the required data according to the model used.

3.3 Type and Source of Data

This study took secondary data i.e. quarterly financial statements of BPRS in Central Java in the period of 2014 to 2016, which were obtained from (www.ojk.go.id)

3.4 Technique of Data Analysis

This study employed multiply linear regression analysis technique (Ghozali, 2013) with these equation:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + e$$

Where: Y is ROA, α is Constanta, $\beta1 - \beta4$ is the Regression Coefficient of Independent Variable, X1 is Non-Performing Financing of *Mudharaba* Financing, X2 is Non-Performing Financing of *Musharaka* Financing, X3 is Non-Performing Financing of *Murabaha* Financing, and e is Error Term.

4. Results

4.1 Classic Assumption Test Results

1. Normality Test Results

Kolmogorov Smirnov test results show that the data is normally distributed (asymp sig. 0, 593) so it can be said that the regression model in this study meets the assumption of normality

2**.** Multicollinearity Test Results

Based on the results of multicollinearity test, it is known that the tolerance value of independent variables shows that there is no tolerance value less than 0.10 which means there is no correlation between independent variables whose value is more than 95%. The VIF value calculation results also show no independent variable has VIF> 10. So it can be concluded that there is no multicollinearity

3. Autocorrelation Test Results

From the autocorrelation test result that DW 1,820 and 2,500 are bigger with upper limit (dU) 1,659 and less than 4-1,659 (4-du) = 1,341, it can be concluded that we can reject H0 stating that there is positive or negative autocorrelation

4. Heteroskesdasticity Test Result

From the output of SPSS it can be seen that the significance value of NPF Mudharabah 0,413> 0,05, Musharaka NPF 0,514> 0,05, Murabahah NPF 0,322> 0,05 and DPK 0,629> 0,05. So it can be concluded that the three independent variables namely NPF Mudharabah, Musharaka NPF, NPFMurabahah and DPK does not occur Heteroskesdastisitas.

4.2 Multiple Linier Regression Result

1. Simultaneous Test Result (F Test)

The test obtained F count 14,321 with probability 0,000. Therefore, the probability is lower than 0,05, so it can be concluded that NPF of *Mudharaba*, NPF of *Musharaka*, NPF of *Murabaha* simultaneously have a positive effect on BPRS performance.

2. Partial Test Result (T Test)

The test showed that among the three variables tested in this study, only two variables which have significant positive effect, i.e. NPF of *Musharaka* (α = 0.001) and NPF of *Murabaha* (α = 0.000) which both were significant below 0,05. Another independent variable, NPF of *Mudharaba,* has no significant effect on ROA because its significant level was above 0.05 i.e. 0.054.

3. Determination Coefficient Test Result (Adjusted R^2)

The test showed that *adjusted* R^2 resulted 0,54 which means that 46% of the variation of ROA financial performance can be determined by the variation of the three independent variables i.e. NPF of *Mudharaba*, NPF of *Musharaka*, and NPF of *Murabaha* while the test was explained by other variables outside the model.

5. Conclusion and Suggestion

According the result, it can be concluded that all three independent variables (NPF of *Mudharaba*, *Musharaka*, and *Murabaha* Financings) have significant positive effect on BPRS Performance. Those three variables can explain their effect as much as 46% on BPRS Performance, while the rest is explained by other variables outside the model. The findings showed that the variables of *Musharaka* NPF, and *Murabaha* NPF have significant positive effect on BPRS performance, while *Mudharaba* NPF has no significant positive effect on BPRS performance. This is because *Mudharaba* financing nowadays is not applied in sharia banks anymore, because it is considered as very high risk financing (without collateral). Therefore, the banks do not want to take a risk to apply *Mudharaba* contract. The suggestions for the next research can involve other variables (such as TATO, CAR, CR, BOPO, and FDR) and research samples (such as, Sharia Banks (BUS) or Sharia Business Unit (UUS)) which concern on sharia finance or sharia financial institution, so that the finding is expected to be more accurate. And also suggested to the management of BPRS to consider the risk of NPF and also synchronize the risk and profit level between *Mudharaba* contract with the owner or *Shahibul Mal* (here, the bank should act as a *Mudharib*), in the side of the assets, with *Mudharaba* contract with costumers given financing as *Mudharib* (Bank takes role as *Shahibul Mal*), in the side of assets. This synchronization can decrease the risk of banks.

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