

Non Performing Financing (NPF) And Bank Indonesia Sharia Certificate (SBIS) Towards Sharia Financing In The Sector Of Micro, Small, And Medium Enterprise (MSME) In Indonesia 2012-2016 Period

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Abstract: MSME is one of the pillars of the rise of the Indonesian state following the monetary crisis in 1998, and the main obstacle in the movement of MSME is insufficient capital. The solution of the lack of capital is to receive funding in the form of financing from Bank Syariah, but in 2014, sharia financing in the MSME sector declined. One measure of the health of a Sharia Bank is to see how much NPF is happening. As a country that has a monetary dualism, Bank Indonesia also publishes Bank Indonesia Sharia Certificate (SBIS) as one of the instruments of controlling monetary conditions in the community. This study aims to analyze the effect of Non Performing Financing (NPF) and Bank Indonesia Sharia Certificates (SBIS) to Sharia financing in the sector of MSMEs. The data used in this study comes from the Statistics of Islamic Banking issued every month by the Financial Services Authority (OJK) from January 2012 to December 2016. Data analysis using the method of Multiple Linear Regression. The results of the analysis show that NPF and SBIS have a significant influence on MSME financing

1 INTRODUCTION

Micro, small and medium enterprises (UMKM) have been recognized around the world that its presence is a very vital role in development and economic growth, not enclosed also in developed countries. In addition to low interest still saving in Islamic banks (Abdallah and Lubis, 2014), thereby potentially lose financing due to the lack of third-party Funds collected by the Islamic Bank

As one sector that plays an important role in the economy of this country, then it is not surprising that 99.9% of the total existing entrepreneurs in Indonesia in the field of small medium enterprises (BPS, 2013). Small medium enterprises able to absorb labor 97.3% throughout Indonesia, and more than half or 56.5% of GDP Indonesia donated through this sector.

Development of small medium enterprises sector itself is getting digencarkan by either the Government or by the other party, given that by the year 2015 it yesterday already officially began a free

trade market in ASEAN or ASEAN economic community known as (MEA). Some programs that are intended to develop small medium enterprises sector refers to ASEAN Policy Blue Print for SME Development (APBSD) 2004-2014, among other things, an increase in entrepreneurship development program marketing capabilities, access to finance, access to to technology, and policies that are conducive.

Until recently Islamic banking is still one of the financial institutions that give pebiayaan to small medium enterprises sector. However, the number of issued during the last three years has always experienced a decline. Inversely proportional to the small medium enterprises financing non thus continuously increasing in number. The following data on Sharia financing sector of small medium enterprises and non small medium enterprises.

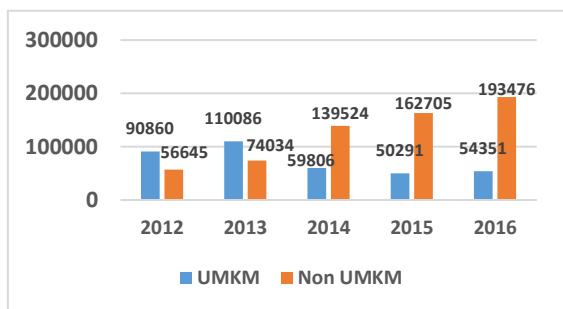


Figure 1: Financing of Small Medium Enterprises and Non Small Medium Enterprises (Islamic Banking Statistics OJK, 2016).

As the institution of intermediation then Islamic bank shall perform tasks in the channelling of funds, one of which is the Small Medium Enterprises sector. In accordance with the Regulation of Bank Indonesia No. 3/2/PBI/2001, conventional banking as well as Islamic banking financing sector makes the SMEC recommended as a priority and continues to be committed to facilitate the access of Small Medium Enterprises toward banking.

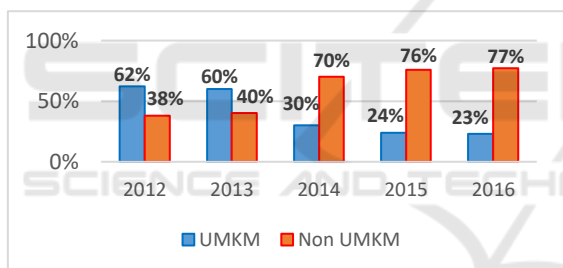


Figure 2: share of Financing Small Medium Enterprises and non Small Medium Enterprises (Islamic Banking Statistics OJK, 2016).

Financing of problematic or Non Performing Financing (NPF) is one of the dreaded Specter of its presence by Islamic banks. The higher the NPF who experienced the bad health of Islamic banks. Therefore, for the sake of safeguarding Sharia bank health on a healthy level, then the bank will tightening Sharia channeling financing so as not be NPF. The high cost incurred to monitor Small Medium Enterprises and does not provide a credible result made financial institutions reluctant to channel pembiayaannya to Small Medium Enterprises sector (Yoshino et al., 2015).

The distribution of Small Medium Enterprises sector financing through Islamic banking is determined by several factors, both internal factors or external factors. One internal factor is the NPF,

and one of the external factors are the SBIS. This is one reason that the research on the influence of NPF and SBIS against financing of Small Medium Enterprises is important to do because it will affect the actions of Islamic banks in channeling funds to Small Medium Enterprises sector. This research aims to identify the influence of Non Performing Financing and Bank Indonesia Certificates against Sharia financing Small Medium Enterprises of Islamic banking in Indonesia.

2 LITERATUR REVIEW

Financing or financing, i.e. funding provided given by one party to the other party to support the planned investment, well done alone as well as institutions. In other words, financing is funding issued to support the planned investment (Muhammad, 2005).

According to Muhammad (2005) Non Performing Financing (NPF) is an accepted risk financing bank and is one of the bank's business risk, resulting from not dilunasinya back the loan provided or investments that are being made by the bank. Mulyono (2000) explains that Non Performing Financing ratio is used to measure the ability of bank management in managing the troubled financing can be met by earning assets owned by a bank.

According to Wiraatmadja in Nurjaya (2011) which is said to be the NPF was not potentially financing to restore financing under the terms that have been approved and set out together in a suddenly without showing signs of a troubled first. While according to Siamat (2005) troubled financing are loans are having trouble paying off due to deliberate action and factors or due to external factors beyond the control of the customer's ability or the borrower.

The ratio of Non-Performing Financing Islamic financing is calculated by the formula:

$$\frac{\text{Total Financing Problems}}{\text{Total Syariah Finance}} \times 100\% \quad (1)$$

Certificate of Bank Indonesia Sharia is the instrument of monetary policy that aims to overcome excess liquidity at banks that operate with Sharia principles (Wiryaningsih, 2006:149). DSN-MUI fatwa No. 63/DSN-MUI/XII/2007 Bank Indonesia Certificates mentioning that Sharia is securities denominated in rupiah which was published by Bank Indonesia short timed based on sharia principles. Certificate of Bank Indonesia Sharia made by Bank Indonesia in order to improve the effectiveness of

monetary mechanism with Sharia principles. Before the year 2008, certificate of Bank Indonesia Sharia Wadiah Bank Indonesia Certificate named (SWBI) and was later changed to certificates of Bank Indonesia Sharia. Certificate of Bank Indonesia Sharia published using the Akkadian ju'alah, in contrast to conventional published through SBI auction with discount rate based on the interest (interest).

3 METHODOLOGY

Types of data used are secondary data in the form of a monthly time series from January 2012 up to December 2016. This research is quantitative research because the data shape numbers and descriptive analysis of shape because it is done with the aim to know and be able to explain the characteristics of variables caused by attachment to a State (Sekaran and Bougie, 2010). The research of using Multiple Linear Regression method to find out the influence of SBIS and NPF against financing of Small Medium Enterprises. Regression equation used is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \quad (2)$$

Explanation:

- Y = FinancingUMKM
- β_0 = Konstanta/Intercept
- β_1, β_2 = Koefisien
- X_1 = Non Performing Financing
- X_2 = Certificate of Bank Indonesia Sharia

4 RESULTS

The results of the regression analysis conducted aiming to find out the influence of variables that can be measured in Small Medium Enterprises financing.

Table 1: The Influence of The Variables The Dependent of Variable Independent.

Variable	Influence	Significance
C	Positif (+)	Significance
NPF	Negatif (-)	Significance
SBIS	Negatif (-)	Significance

Source: Research Result (2017).

Based on the research results obtained from a linear regression of multiple. Note that the value of R2 is 0.904421 which means on this independent

variable regression model can explain the financing of SMALL MEDIUM ENTERPRISES as the dependent variable and Public Islamic Bank Syariah Business Unit in Indonesia amounted to 90.4%.

The t-value count (17.14) greater than t table (1.67) which means to reject Ho and receiving Ha. Then with the level of probability of 0.000 smaller than $\alpha = 0.05$ so that it can be concluded that Non-Performing Financing influential and significantly to the financing of Small Medium Enterprises with negative relationships. Non Performing Financing is not terbayarnya risk financing channelled by banks. The higher Non-Performing Financing resulted in the bank's difficulties to reassemble a financing channelled.

Previous research linking between Non Performing Financing with the financing gave rise to mixed results, such as research conducted by Wardiantika and Kusumaningtiyas (2014) stating that Non-Performing Financing has a negative influence, it is in line with the research conducted by Maesun and Purwaji (2016) stating that Non Performing Financing has a negative and significant effect against the total financing for the results.

Maesun and Purwaji (2016) stating that Non Performing Financing has a negative and significant effect against financing. Other results obtained from the research study conducted by the Sacred Purwidianti and Hidayah (2014) that says that Non Performing Financing thus has no influence negatively to financing. But according to Wahab (2014) that the NPF Variable does not have a positive influence on the mudharabah financing significantly to. An increasing number of NPF will increase the number of PPAP which needs to be established by the bank.

Meanwhile according to Pratin (2005) that the variables have a positive relationship in the NPL against financing, however insignificant. This means that the increase or decrease of the NPL does not affect significantly to the amount of financing will be channeled by the bank. Non Performing Financing, according to Agista (2015) NPF has no effect against the financing on Islamic banks. In contrast to the study Hadiyati (2013) stating that the NPF effect negatively to financing on Islamic banks.

The t-value count (3.099) greater than t table (1.67) which means to reject Ho and receiving Ha. Then with probability rate of 0.003 smaller than $\alpha = 0.05$ so that it can be inferred that the Certificate of Bank Indonesia Sharia influential and significantly to the financing of Small Medium Enterprises with negative relationships.

While the results of research that discusses the influence of Bank Indonesia Certificates against Sharia financing showed the same results, as well as research conducted by Masyitha Pearls of Ramadan and Beik (2013) which States that Bank Indonesia Sharia Certificate effect negatively to financing Small Medium Enterprises. However, research conducted by Ambarwati (2008) shows a different thing, that the certificate of Bank Indonesia Sharia thus has a positive influence towards the financing of Islamic banks.

According to Ramadan and Beik (2013) bonus from Bank Indonesia Sharia Certificates have a relationship that is negative towards financing Small Medium Enterprises. That is because in the event of a rise in Bank Indonesia Certificate bonus then Sharia Islamic banking will divert their funds to put preferences by purchasing certificates of Bank Indonesia Sharia because it gives a better return higher and lower risk compared with funneling pembiayaannya to Small Medium Enterprises sector.

In contrast with research conducted by Hafly (2014), thinks the Bank Indonesia Certificate bonus though Syariah provided is quite high, but the demand for Community financing will also remain. The growth of the national economy are pretty well indicates adanya activity of the economy, hence SBIS have no effect against financing. Islamic banks for liquidity is still in a condition that is safe and stable, so that Islamic banking is not a dependency with a certificate of Bank Indonesia Sharia although bonuses obtained is extremely high.

5 CONCLUSIONS

Non Performing Financing (NPF) affect the financing of Small Medium Enterprises with negative relationships. The troubled financing is a serious problem for Islamic banks, therefore the bank will tighten the distribution of Small Medium Enterprises financing so that is not the case of the financing problematic on pembiayaan Small Medium Enterprises. Bank Indonesia certificates (SBIS) influence the Sharia financing Small Medium Enterprises with negative relationships. This shows that the yield given in the placement of SBIS more interest Islamic banks than on Small Medium Enterprises in finance, because the yield of SBIS offer lower risk compared to the profits obtained from the distribution of financing.

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