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Effect of Financing to Deposit Ratio (FDR) and of Financing To Asset Ratio (FAR) Against Non-Performing Financing (NPF) at the Branch Office of Bank Rakyat Indonesia Syariah Makassar

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Abstract

This study aims to determine the effect of Financing to Deposit Ratio (FDR) and Financing to Asset Ratio (FAR) to Non Performing Financing (NPF) at Bank Rakyat Indonesia Syariah Branch Office Makassar. This type of research is quantitative with a descriptive approach, data normality test and multiple linear regression analysis and using SPSS.22. Research results show that Financing to Deposit Ratio has no effect on the Non Performing Financing (NPF) in Makassar BRI Syariah KC in Makassar because the amount of Financing to Deposit Ratio obtained will be easily handled by Non Performing Financing (NPF). Financing to Asset Ratio (FAR) has no effect on the Non Performing Financing (NPF) of BRI Syariah in Makassar City, because the size of Financing to Asset Ratio will determine the benefits of BRI Syariah Makassar branch of BRI and describe how the bank's ability to meet financing demand with assets owned.

Keywords: Financing to Deposit Ratio (FDR), Financing to Asset Ratio (FAR), Non Performing Financing (NPF).

Preliminary

Banks as financial institutions certainly carry out their functions to raise funds from the public and then channel it back to those who are in need of funds. It is intended that the bank gets a profit so that the activities at the bank continue to run and can develop. However, in channeling funds the bank is faced with credit risk. Islamic banks, including financial institutions, are also faced with credit risk, called problem financing. This problematic financing has an impact on the costs borne by the bank will be even greater so that the cash flow that occurs at the bank will be disrupted. The term non-performing financing in Islamic banking is "non-performing loans" funding in conventional banking. The term non-performing loans have been commonly used by Indonesian banks as problem translation or non-performing loans (NPLs), which is a term that is also commonly used in international banking. But in sharia banking statistics published by the Directorate of Sharia Banking Bank Indonesia, the term Non-Performing Financing (NPF) or Amwal Mustamirah Ghairu Najihah and in the syariah banking dictionary is called duyumun ma'dumah, which is defined as non-smooth financing starting from substandard to non-performing.

Non-Performing Financing (NPF) has the potential to be a loss for the bank so that the profits obtained will be reduced. , Yaya et al. (2012) state that delaying payments by financing customers on the one hand can disrupt Islamic banks in their operations and on the

other hand disadvantage savings customers because they do not get the profit share they should receive. Non Performing Financing (NPF) is the risk of possible losses that will arise from the distribution of funds by banks. The high NPF makes the Bank needs to form a reserve for greater problem financing; this will reduce the Bank's income (Nawawi, 2010).

In 2015 data taken from sharia banking statistics on the level of non-performing financing (NPF) in Islamic banks were considered unsatisfactory. This is because the Islamic banking NPF has risen sharply to touch the normal limit set by the Financial Services Authority (OJK) which is 5%. The amount of NPF on Islamic banks in 2015 reached 4.76% precisely in February reaching 5.10%. If it is numbered, the figure reaches 10 trillion rupiah. NPF aims to measure the level of financing problems faced by banks. The higher this ratio shows the quality of Islamic bank financing is getting worse. The NPF ratio used as a reference by Bank Indonesia is a maximum of 5%. If a bank's NPF ratio is higher than 5%, the bank is considered to have a high financing risk (Indonesian Bankers Association, 2014). This is a concern for high-ranking Islamic banks so that Islamic banks need more attention in order to tackle the problematic financing that occurs. The level of problematic financing that occurs can be caused by various factors, such as macroeconomic factors that can cause the level of problematic financing that occurs. Inflation, as well as Gross Domestic Product (GDP) can have an impact, not only to the debtor but also to the creditor as the channeling of funds. Inflation is a general increase in the price of goods in the economy over time. This inflation is likely to also have an impact on the debtor, due to the tendency of rising goods prices but real income still remains or even decreases (Putri, 2013).

In assessing the economic growth of a country, one of them uses Gross Domestic Product or GDP. By looking at the size of GDP in a country it can be seen that how goods or services are produced by a country. If the GDP in a country is good, then people's welfare can be considered better. By channeling funds to the community accompanied by increasing community welfare, financing will tend to generate profits (Eka, 2015).

Problematic financing does not only occur due to errors or failures of the debtor as the borrower of funds, but also because of the banks themselves which can cause problematic financing. When viewed from micro-economic factors there are several factors, namely, bank size, Financing to deposit ratio (FDR), financing to asset ratio (FAR). Basically, the size of the company which is reflected by the total value of the company's assets also has added value in the distribution of bank financing, the greater the size of the company the value of channeling funds to the public will also certainly be even greater.

Financing to Deposit Ratio (FDR) is a comparison between financing channeled by banks and third party funds. This indicator is a measure of the level of banking expansion in channeling financing (Sipahutar, 2007). Financing to Deposit Ratio (FDR) is a financial ratio of banking companies that is used to measure the ratio between loans given to the public and funds received by banks. Soebagio (2010) states that if a bank has a healthy FDR (according to Bank Indonesia regulations), it shows that the available funds can be used optimally in the form of loans as assets that are considered productive. Diyanti (2012) states that if a bank has a healthy FDR in accordance with the provisions of the Indonesian bank, it shows that the amount of funds available can be used optimally in the form of credit as assets that are considered productive that FDR has a negative effect on financing problems in Islamic banks.

By looking at Financing to Deposit Ratio, it can obtain information in the form of a comparison of financing channeled with third party funds received by banks. Third party funds obtaine in the form of current accounts, deposits and savings. The increase in funds

raised by Islamic banks from the public is not necessarily used to increase the portion of funding provided (Darma, and Rita, 2011).

In calculating asset management using a financing to asset ratio (FAR), to measure the ability of banks to extend credit or funds to debtors with collateral owned assets. Having sufficient assets to finance the bank will make a profit. If the bank is unable to distribute credit while funds raised a lot, will cause losses suffered by the bank (Pratiwi, 2012).

By having sufficient capital, banks will have more ability to bear the risk of loss, especially losses caused by credit risk at the bank. And can provide a sizeable contribution in obtaining profitability because in practice banks experience risks, especially credit risk, therefore the need for capital adequacy to stem losses caused by risky assets.

In contrast to financing to asset ratios (FDR), Financing to Assets Ratio (FAR) is the ability of banks to meet the demand for financing with a comparison of the number of assets owned by the bank. The higher the Financing to Asset Ratio (FAR), the lower the level of liquidity because the number of assets needed to finance the credit is greater. The large amount of credit extended will determine bank profits. If the bank is unable to distribute credit while the funds raised are large, it will cause the bank to lose (Pratiwi, 2012). Santosa, et al (2014) states that FAR has no influence on problem financing in Islamic banks, that FAR has no effect on problem financing variables. Based on our description, formulating the problem, Does Financing to Deposit ratio (FDR) and Financing to Asset Ratio (FAR) affect the Non Performing Financing (NPF)?

RESEARCH METHODS

The study uses a quantitative method with multiple regression analysis model, the data source is the KC BRI Syariah Makassar Financial Statements for the Period of 2015 - 2018 obtained from the Representative Office of the Indonesia Stock Exchange Makassar, this office is located at Jl. DR Ratulangi No.124, Mariso, Mariso District, Makassar, South Sulawesi.

RESEARCH RESULTS AND DISCUSSION

Table .1 Composite Weight of Financing to Deposit Ratio (FDR) Components

Year	Weight (%)
2015	Rp.84,78
2016	Rp.82,03
2017	Rp.72,75
2018	Rp.75,74

Source, Processed (2019)

Based on table 1 it can be seen that the FDR ratio in BRI Syariah KC in 2015 had a ratio of Rp 84.78% while in 2016 the FDR ratio decreased by 2.75% and had a ratio of Rp.82.03% and in 2017 the FDR ratio has decreased again by 9.28% and has a ratio of Rp. 72.75% and in 2018 the FDR ratio has increased 3.9% and has a ratio of Rp.75.74%. The higher the Financing to Deposit Ratio or FDR, the lower the Liquidity level because the

greater the number of assets needed to finance the credit. The large amount of credit extended will determine bank profits.

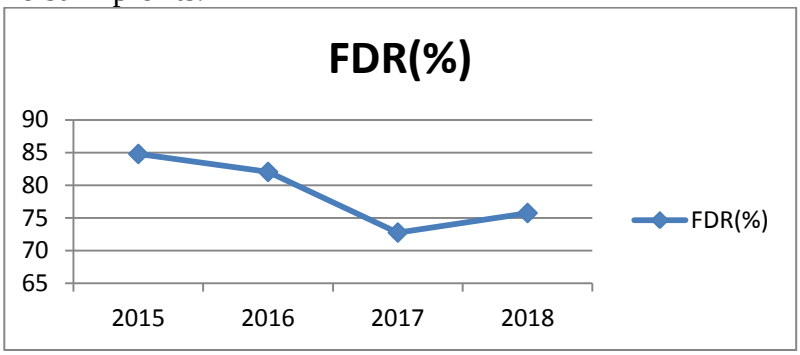

Figure.1 Composite Weight of Financing to Deposit Ratio (FDR) Components for 2015-2018.

Financing to Asset Ratio (FAR)

Financing to Assets Ratio (FAR) is used to measure the ability of banks to meet financing demand by comparing the number of assets owned by banks. The formula used is:

Table .2 Composite Ranking Weight of Financing to Assets Ratio (FAR) Components

Year	Weight (%)
2015	Rp.68,75
2016	Rp.65,14
2017	Rp.60,27
2018	Rp.57,66

Source, Processed (2019)

Viewed from table.2 the FAR ratio in 2015 had a ratio of Rp.68.75% and in 2016 the FAR ratio decreased by 3.61% with a ratio of 65.14% while in 2017 the FAR ratio decreased by 4.87% with a ratio of Rp. 60.27% while in 2018 the FAR ratio decreased again by 2.61% and the ratio was Rp.57.66%. It can be concluded that the FAR ratio has decreased every year. The higher the Financing to Asset Ratio or FAR, it can describe a high level of liquidity; the problematic financing that occurs will be easily overcome, because banks will be able to easily disburse the assets they have. As a bank despite having high problem financing, the bank has a liquidity ratio that is above average so that it can be overcome.

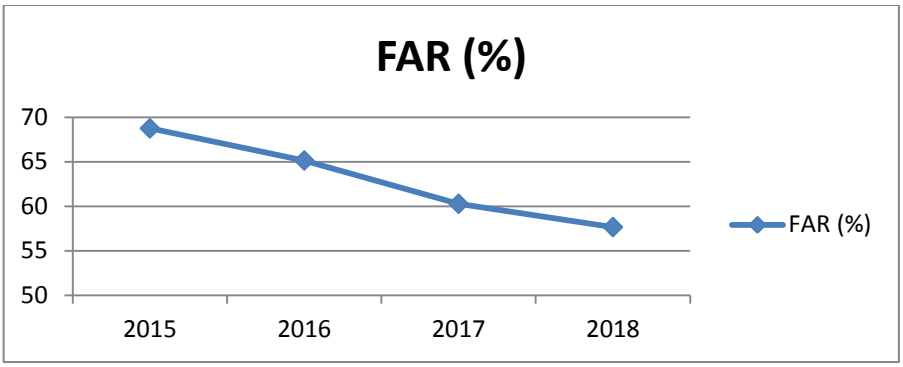

Figure 2 Weight of Composite Component Financing to Asset Ratio (FAR) 2015-2018.

Problematic Financing Rate (NPF)

Problem financing for Islamic banks is reflected by Non Performing Financing (NPF).

Table.3 Composite Weight of Non Performing Financing Components (NPF)

Year	Weight (%)
2015	Rp.7,74
2016	Rp.4,93
2017	Rp.4,15
2018	Rp.3,61

Source, processed (2019)

Seen from table.3 the level of the NPF ratio in 2015 had a ratio of Rp.7.74% and in 2016 the NPF ratio decreased by 2.81% with a ratio of Rp.4.93% while in 2017 it remained stable with a ratio of Rp .4.15% and in 2018 the NPF ratio has decreased again by 0.54% with a ratio of Rp.3.61%. It can be concluded that the NPF ratio every year has decreased continuously.

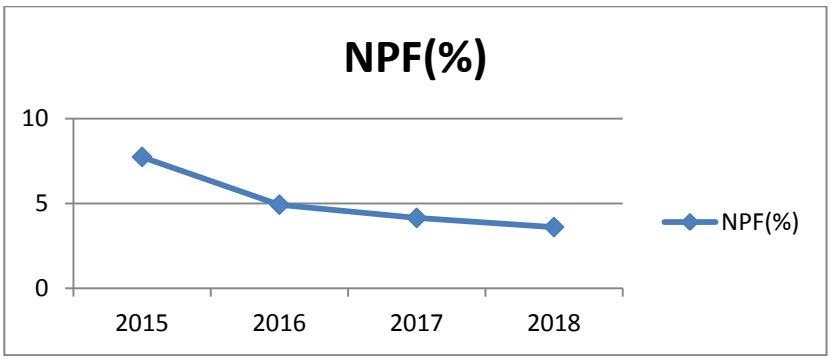

Figure 3. Non-Financing Financing Component (NPF) Component Weight of 2015-2018

Data Analysis

Table.4 Descriptive Statistics

	Mean	Std. Deviation	N
NPF	5,1075	1,83674	4
FDR	78,8250	5,54247	4
FAR	70,4700	4,55736	4

Based on Table 4.5 the mean value of the FDR variable is 78.8250% with a standard deviation of 5.54247. The mean value for the FAR variable is 70.400% with a standard deviation of 4.55736. While the mean value of the NPF variable is 5.1075% with a standard deviation value of 1.83674.

1. Multicollinearity test

Multicollinearity test is a condition when two or more independent variables correlate with each other. The emergence of multicollinity can be identified from the VIF (Variance Inflation Factor) which is the standard deviation of squares and is used to measure the closeness of the relationship between independent variables. Several things can be the basis for knowing the existence of multicollinearity in the regression model by noting: if the VIF value is not more than 10 (VIF≤10), then the regression model is free from multicollinearity. The tolerance value is not less than 0.1 (tolerance ≥ 0.10), then the regression model is free from multicollinearity.

Table.5 Multicollinearity test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-24,101	39,008		-,618	,648		
	FDR	,314	,256	,948	1,229	,435	,485	2,063
	FAR	,063	,311	,156	,202	,873	,485	2,063

Based on Table 5 the acquisition of VIF and Tolerance values generated by the FDR variable are 2.063 and 0.485, while for the FAR variable is 2.063 and 0.485. Therefore, these results indicate there is no multicollinearity in this regression model on the basis of the

absence of Tolerance values on all independent variables less than 0.10 and no Variance Inflation Factor (VIF) value of more than 10 on the five variables

2. Hypothesis Test

Basically, hypothesis testing is a proportion or response that is often used as a basis for making decisions / solutions to problems and also for the basis of further research. Hypothesis testing is performed to determine the effect of FDR and FAR on NPF profit sharing. This test uses the t test and F test as follows:

a. Partial Test (t test)

T test is a statistical test that is often encountered in statistical practical problems. T test shows how far the influence of one independent variable individually in explaining the dependent variable. The table presents the results of the t test.

Table.6 Test T coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-24,101	39,008		-,618	,648
FDR	,314	,256	,948	1,229	,435
FAR	,063	,311	,156	,202	,873

a. Dependent Variable: NPF

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If tcount> ttable, it means that H0 is rejected and H1 is accepted, meaning that the independent variable (X) partially has a significant relationship to the dependent variable (Y). And vice versa, if t arithmetic <t table, it means that H0 is accepted and H1 is rejected, meaning that there is no influence between the independent variables on the dependent variable. By using a 95% confidence level or α = 0.05, and 4 data (n = 4), a table of 12, 70620 can be generated. The following is the interpretation of testing the hypothesis of the independent variable on the dependent variable through the t test in this study:

1. **Effect of FDR on NPF**

Based on Table 6, it is known that the tally of the FDR variable is 1,229 with a significance level of 0.435> 0.05 meaning that H0 is accepted and H1 is rejected. Because the tcount of 1.222 is smaller than ttable or 1.222> 12.70620, it can be concluded that the FDR has no influence on the NPF.

2. **Effect of FAR on NPF**

Based on Table 4.7 it is known that the table of FAR variable is 0.202 with a significance level of 0.873 <0.05, which means that Ho is accepted and H1 is rejected. Because the t-value of 2.507 is greater than the table or 0.202> 12.70620, it can be concluded that FAR has no effect on NPF.

Discussion

Based on the results of the discussion and research on the influence of Financing to Depoti Ratio (FDR), the effect of Financing to Asset Ratio (FAR) on Non-Peforming Financing (NPF) in BRI Syariah Branch of Makassar City, the following conclusions can be drawn:

1. Partially the Financing to Deposit Ratio (FDR) (X1) variable has no effect on the Non Peforming Financing (YF) variable (Y) has been proven from the t test which shows that based on Table 4.6 it is known that the FDR variable is 1.222 with a significance level of 0.435 < 0.05 means that Ho is accepted and H1 is rejected. Because the tcount of 1.222 is smaller than ttable or 1.222> 12.70620, it can be concluded that the FDR has no influence on the NPF.
2. Partially the Financing to Asset Ratio (FAR) (X2) variable does not affect the Non Peforming Financing (NPF) variable (Y) has been proven from the t test shows that Based on Table 4.6 it is known that the table of the FAR variable is 0.202 with a significance level of 0.873 <0 05 means that Ho is accepted and H1 is rejected. Because the t-value of 2.507 is greater than the table or 0.202> 12.70620, it can be concluded that FAR has no effect on NPF.

CONCLUSION

Financing to Deposit Ratio has no effect on the Non Performing Financing (NPF) of KC BRI Syariah Makassar; the amount of financing to Deposit Ratio obtained will easily be Non Performing Financing (NPF) which is overcome by the benefits of KC BRI Syariah Makassar. Financing to Asset Ratio (FAR) does not affect the Non Performing Financing (NPF) of BRI Syariah Makassar, because the size of the financing to Asset Ratio obtained will determine the benefits of BRI Syariah Makassar KC Makassar and illustrate how the bank's ability to meet financing demand with assets that are owned.

Thanks to:

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