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Determinants of Islamic Banking Going Concern: Effect of Musharakah, Murabaha, Ijara and Profitability on Non-Performing Financing

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ABSTRACT: The purposes of this research is to analyze the influence of Musharakah, Murabaha, Ijara and ROA of Non Performing Financing in Islamic Banking in simultaneous and partial. The contribution of this research is to provide feedback to banking management on the company's policy to be taken in connection with the implementation of bad credit. This study uses the design of causality. Methods of analysis using path analysis. Population used is the Islamic Business Banking in Indonesia. Saturated sampling is the technique that is used as a sampling technique. The unit of analysis is annual financial statement. The results of this study is only partially the three variables are found to significantly affect the Non Performing Financing, they are Murabaha contract, Ijara contract, and Return on Assets. As for Musharakah contract proved to be not significantly affected. Simultaneously the results showed the fourth variable fit or match the data. The findings of this study was that going concern business of the company is very risky. The company's core business is measured from negative ROA. This means that the company is able to extend credit, but unable to convert the financing to be an advantage. It automatically will threaten the company's existence.

KEYWORDS: Ijara, Murabaha, Musharakah, Profitability and Non Performing Financing, Return on Assets.

INTRODUCTION

Islamic banking has become a global phenomenon, including in countries that are not predominantly Muslim. The development of sharia banks which are accelerating and spreading is a positive sign for the development of the banking world in Indonesia. In practice, users of Islamic banking services are not only enjoyed by adherents of the Muslim religion, even non-Muslims feel more comfortable with the products presented by Islamic banking. In principle, Islamic banks are agreements based on Islamic law between banks and other parties to save their funds and finance capital for business activities regardless of religious background. The development of Islamic banking should be supported by adequate human resources both in terms of quality and quantity. However, the current fact shows that human resources those involved in sharia institutions mostly do not have academic or practical experience in terms of sharia banking. This condition affect the productivity and professionalism of Islamic banking itself. And this is what we all need to pay attention to creating human resources that capable of practicing Islamic economics in various places. Because a good system is impossible to run if it is not supported by good human resources.

The sustainability of Islamic Banks is also measured from the performance of a Bank which is measured through several ratios set by BI and OJK as a regulators with specific parameters to describe the condition of the Bank whether it is considered healthy or not. One of them is the ratio of Non-Performing Loans (NPL). If a bank's NPL margin has exceeded 5%, then the bank is considered to need special attention because it is close to an unhealthy bank condition.

Research on credit risk (Wisnu M et al., 2019) which stated that high Non-Performing Loan (NPL) conditions would increase the cost of both productive asset reserve costs and other costs, so that it has the potential to cause losses to banks, or in other words Non-Performing Loan (NPL) reduces bank profitability. This shows that Non-Performing Loans (NPL) have a negative effect on bank profitability or performance.

In recent years, Indonesian Islamic banking has had a tendency for the value of the NPL margin to be unstable and even increase quite significantly. It is feared that this poor condition will increasingly affect the company's performance and if left unchecked can also affect the continuity of the company.

ROA, which is a measure of their profitability, will decline.” Meanwhile, (Arim et al., 2019) states that: "The level of financing risk as seen from the NPF ratio has a negative effect on profitability (ROA) in Islamic Banks." From the explanation above, it can be concluded that non-performing financing at the bank is a credit risk that greatly influences the increase in projected profitability by ROA. Because the higher the NPF, the smaller the ROA, and vice versa, the higher the ROA, the NPF at the bank will decrease.

The motivation for this research, firstly the increasing NPF margins and decreasing ROA margins in companies that bring Indonesia sharia banking closer to regulatory sanctions so that the company's business continuity is threatened. Second, to see whether the type of financing sharia product and ROA as a measurement instrument from the investor side has a significant influence on NPF. So that the value of bad credit at the company is increasing. Third, the differences in the results of previous studies on the same variables led to differences in the results of the analysis in that study. The author is motivated to provide recommendations to sharia banking industries regarding the distribution of investment types of financing products and the development of these types of products by providing information on the relationship between variables.

THEORY AND HYPOTHESES DEVELOPMENT

Compliance Theory

In compliance, what is assessed is the compliance of all activities in accordance with applicable policies, rules, regulations and laws. While decency is more on the nobility of the leader in making decisions. If it violates propriety it does not necessarily violate compliance. In addition, compliance determines whether the party being audited has followed certain procedures, standards and rules set by the competent authority. This aims to determine whether the party being audited complies with certain conditions, regulations and laws.

There are two basic perspectives of compliance with the law, namely instrumental and normative (Tyler et al., 2004). The instrumental perspective means individuals with self-interest and responses to behavior-related changes. The normative perspective relates to morals and conflicts with self-interest. Someone is more likely to obey the law that is considered appropriate and consistent with their norms. Normative commitment through morality means obeying the law because the law is considered a necessity, while normative commitment through legitimacy means comply with the rules because the law-making authority has the right to dictate behavior (Sudaryanti et al., 2018).

In modern organizations, the existence of a system is the core that drives the wheels of the organization so that it can run according to the stated vision and mission. A system can be interpreted as a set of rules, regulations, even a culture within an organization that provides instructions and directions for action and behavior for members of the organization. .

Musharakah Contract

Musharakah is a joint enterprise or partnership structure in Islamic finance in which partners share in the profits and losses of an enterprise. Since Islamic law (Sharia) does not permit profiting from interest in lending, musharakah allows for the financier of a project or company to achieve a return in the form of a portion of the actual profits according to a predetermined ratio. However, unlike a traditional creditor, the financier also will share in any losses should they occur, also on a pro rata basis. Musharakah is a type of shirkah al-amwal (or partnership), which in Arabic means "sharing."

Murabaha Contract

Murabaha, also referred to as cost-plus financing, is an Islamic financing structure in which the seller and buyer agree to the cost and markup of an asset. The markup takes place of interest, which is illegal in Islamic law. As such, murabaha is not an interest-bearing loan (qardh ribawi) but is an acceptable form of credit sale under Islamic law. As with a rent-to-own arrangement, the purchaser does not become the true owner until the loan is fully paid.

Ijara Contract

Ijara is an Arabic word and it means “to give something on rent”. Under the concept of Ijara in Islamic banking, a customer can use an asset or equipment, which is owned by an Islamic bank, for a fixed period against a fixed price. Al Ijara is very similar to a leasing contract, and the asset under the Ijara finance could be used for vehicles, homes, plants, or machinery.

Non-Performing Financing

A nonperforming financing (NPF) is a loan that is in default due to the fact that the borrower has not made the scheduled payments for a specified period. Although the exact elements of nonperforming status can vary depending on the specific loan's terms, "no payment" is usually defined as zero payments of either principal or interest. The specified period also varies, depending on the industry and the type of loan.

Bankruptcy Theory

Bankruptcy theory assumes that economic distress is a company's failure to lose income that is unable to cover expenses, namely the company's profit margin in capital costs is not in line with the expected cash flow. Financial distress means it is difficult to collect funds, both in the form of cash and working capital. As asset and liability management, it plays a very important role in avoiding financial difficulties. Companies in countries experiencing financial difficulties will soon go bankrupt because financial difficulties have become ill and then lead to rapid bankruptcy of those who are sick and bankrupt.

The Relationship of Musharakah, Murabaha, Ijara Contract and ROA to Non-Performing Financing

Non-Performing Financing is an indicator that describes how well an Islamic banking business is running. The greater the NPF value, the higher the bank's risk of facing bankruptcy. The type of contract in Islamic banking can directly affect the level of non-performing loans, so it is necessary to carry out further analysis on each contract that contributes the largest NPF. This is usually supported by the ROA value at the bank, the greater the ROA value, the less likely the non-performing credit agreement can increase the NPF value.

Relationship of Musharakah Contract to Non-Performing Financing

Basically, the Musharakah contract is a collaboration between the bank and the customer, so that the smoothness of the customer's payment depends very much on the business being run. In this case the bank and the customer both share the profit or loss from a business result where there is a risk that the customer's business suffers a loss. The amount of Musharakah financing increasingly determines the NPF margin, the more current loans, the lower the NPF margin and vice versa the less current loans, the higher the NPF margin. Previous research stated that there was a non-significant positive effect on financing products on NPF.

Relationship of Murabaha Contract to Non-Performing Financing

Because the Murabaha contract is a sale and purchase agreement between the bank and the customer, in this contract there is a risk of late payment of the previously agreed installments. The amount of Murabaha financing increasingly determines the NPF margin, the more current loans, the lower the NPF margin and conversely the less current credit, the higher the NPF margin. Previous research stated that NPF has a negative effect on Murabaha financing.

Relationship of Ijara Contract to Non-Performing Financing

In Ijara Contracts or leasing laws, there is usually a greater risk of long-term leases such as property products. Ijara contracts depend on changing BI interest rates, this also increases the risk of late payment by customers if the interest rates issued by BI are high enough. The amount of Ijara financing increasingly determines the NPF margin, the more current loans, the lower the NPF margin and vice versa the less current loans, the higher the NPF margin. Previous research stated that there was a non-significant positive effect on financing products on NPF.

Relationship of Return on Asset to Non-Performing Financing

In Islamic banks, the NPF margin value depends on the income received by the bank in a certain period. The greater the profit is an indication that the smaller the total NPF margin. In previous studies it was stated that there was a significant positive effect on NPF on ROA.

Hypothesis Development

Based on the literature review and the results of previous studies, the hypotheses are formulated as follows:
H1: Musharakah, Murabaha, Ijara Contract and ROA has positive effect on Non-Performing Financing
H2: Musharakah has positive effect on Non-Performing Financing
H3 : Murabaha has positive effect on Non-Performing Financing
H4 : Ijara has positive effect on Non-Performing Financing
H5: Return on Asset has positive effect on Non-Performing Financing

RESEARCH METHODS

Research design

A good research model will describe the relationship between all the variables to be studied, aiming to make it easier to gain an understanding of the direction of the research. In this research, 4 independent variables are used, namely Musharakah, Murabaha, Ijara and Return on Asset. Causality is the research design used in this study. Causal research to obtain a causal relationship, to be able to detect variables that influence and are influenced (Pambagyo et al, 2020). The variables determined in this study are the independent variables, namely Musharakah, Murabaha, Ijara and Return on Asset with the dependent variable being the Non-Performing Financing. The data in the research used is secondary data in the form of data from the official accounts of the Islamic Banking Indonesia in the 2019-2021 period. This research was conducted by applying the method of quantitative analysis. Data analysis applies multiple linear regression analysis; classical assumption test consisting of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test; goodness of fit test which consists of the simultaneous test (F test), partial test (t-test), and coefficient of determination test (R2). And the data is processed using statistical data processing software.

Variable Operational Definition

Non-Performing Financing in this study is the dependent variable, according to (Banking Supervision Europe, 2016) A loan becomes non-performing when there are indications that the borrower is unlikely to repay the loan, or if more than 90 days have passed without the borrower paying the agreed instalments. This may happen when an individual loses their job and therefore cannot repay their mortgage as agreed, or when a company experiences financial difficulties.

Musharakah is the term refers to a financing technique adopted by Islamic banks. It is an agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. All providers of capital are entitled to participate in the management but not necessarily required to do so. The profit is distributed among the partners in predetermined ratios, while the loss is borne by each partner in proportion to his contribution.

Murabaha is basically sale on profit. Technically a contract of sale in which the seller declares his cost and profit. This has been adopted as a mode of financing by a number of Islamic banks. As a financing technique, it involves a request by the client to the bank to purchase a certain item for him. The bank does that for a definite profit over the cost which is settled in advance. Some people have questioned the legality of this financing technique because of its similarity to riba or interest.

Ijara is a type of contract in Islamic finance. It is an ownership of the right to the benefit of using an asset for a particular period of time in return for a payment

ROA is a method of calculating the financial performance of a company by comparing the net profit generated by the company with the company's total assets. ROA reflects how much a company earns from the financial resources it invests. The reason the author uses ROA to assess the financial performance of a company is that the ROA ratio is very important in financial analysis which is a comprehensive method. ROA ratio analysis is a method of analysis that is commonly used to assess the level of effectiveness of the company's operations as a whole. According to (Priyanto, 2013). Understanding ROA is a type of profitability that is able to assess the company's ability in terms of obtaining profits based on the assets used.

RESULTS AND DISCUSSION

Research result

Descriptive Statistics

Ghozali (2012) Descriptive statistics provide an overview or description of a data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (distribution skewed). 4.1

Tabel 4.1. Descpritive Statistics

Variabel	Maksimum	Minimum	Mean	Std. Dev
NPF	0.85	-0.40	0.04	0.28
Murabaha	10.67	9.83	10.29	0.20
Musharakah	9.83	8.43	9.20	0.34

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Ijara	11.45	11.10	11.36	0.09
ROA	0.27	-0.44	-0.05	0.17

Source: Secondary Data Processing

The table above shows the NPF variable has a minimum value of -0.04 with a maximum value of 0.85. The average value of NPF growth is 0.04 with a standard deviation of 0.28. This average value of 0.04 means that the overall average NPF margin growth is 0.04% every month. This provides information that the performance of lending to companies is not good because there are more and more bad loans. The Murabaha variable contributes to the growth of buying and selling financing in companies with a minimum value of 9.83 with a maximum value of 10.67. The average growth value of Murabaha financing is 10.29 with a standard deviation of 0.20. The average growth value of 10.29 means that buying and selling financing has a pretty good growth every month. The Musharakah variable contributes to the growth of capital financing in companies with a minimum value of 8.43 and a maximum value of 9.83. The average value of Musharakah financing growth is 9.20 with a standard deviation of 0.34. The average growth value of 9.20 means that business capital financing has a fairly good growth every month. The Ijara variable contributes to the growth of leasing finance in companies with a minimum value of 11.10 with a maximum value of 11.45. The average value of Ijara financing growth is 11.36 with a standard deviation of 0.09. The average growth value of 11.36 means that leasing financing has a better growth of 11.36 every month. The ROA variable has a minimum value of -0.44 with a maximum value of 0.27. The average ROA margin growth value is -0.05 with a standard deviation of 0.17. The average ROA margin growth value of -0.05 informs that every month there is an average reduction in ROA margin of -0.05%. This also illustrates that the company's main sharia business activities do not produce profitable performance for the company due to the decreasing ROA margin over time.

Normality test

The use of the normality test is used to process data from research results using the Kolmogorov-Smirnov test method, as explained in the previous chapter that the normality test can be used to see the residual model in research with a normally distributed

Tabel 4.2. Normality

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		48
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	,00211940
Most Extreme Differences	Absolute	,100
	Positive	,100
	Negative	-,086
Kolmogorov-Smirnov Z		,696
Asymp. Sig. (2-tailed)		,718

a. Test distribution is Normal.

b. Calculated from data.

The Kolmogorov-Smirnov test above shows residual data which has a normal distribution. The results of this normality test explain that the Kolmogorov-Smirnov value is significant at 0.718 > 0.05, which is in accordance with the assumption of normality.

Data Multicollinearity Test

The multicollinearity test is to see the results of the tests contained in the regression model found, namely the independent variables of the regression model by analyzing at the VIF level (Variant Inflation Factors). Then the VIF value of <10 is higher than 0.10 i.e. there is no sign of multicollinearity and vice versa.

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Tabel 4.3. Multicollinearity

Output Uji Multikolinearitas & Autokorelasi

Model	Collinearity Statistics	
	Tolerance	VIF
Murabaha	.523	1.914
Musharakah	.840	1.191
Ijara	.524	1.910
ROA	.936	1.068

The occurrence of multicollinearity can be known from the Variant Inflation Factor (VIF) and Tolerance values. The VIF value is less than 10 and the Tolerance value is more than 0.1, so multicollinearity does not occur Ghozali (2012). Based on the output results, the VIF value in the Collinearity Statistics column for variable X1 (Murabaha) is 1,914, variable X2 (Musharakah) is 1,191, variable X3 (Ijara) is 1,910, variable X4 (ROA) is 1,068 all VIF values show numbers less than 10 .

While the tolerance value for all ratios has a value above 0.1 where the X1 variable (Murabaha) is 0.523, the X2 variable (Musharakah) is 0.840, the X3 variable (Ijara) is 0.524, the X4 variable (ROA) is 0.936. This means that there is no multicollinearity problem in the multiple regression model.

Autocorrelation Test

Autocorrelation can be detected by statistical nonparametric run test. The criteria used are the probability value > 0.05 then there will be no auto-correlation and if the probability value is <0.05, it is declared that there is auto-correlation.

Tabel 4.5. Autocorrelation

Model Summary[b]

Model	Durbin-Watson	Du/k'5
1	2.823	1,7726

a. Predictors: (Constant), ROA, Ijara, Murabaha, Musharakah

b. Dependent Variable: NPF

Autocorrelaction test is used to see the correlation of a previous period between the independent variable and the dependent variable. The autocorrelation test was carried out using the Durbin-Watson method and the resulting output shows that the Durbin-Watson value in this multiple regression is 2,823. Ghozali (2012) based on interpretation guidelines for the Durbin-Watson test the number 2,823 is DW > 1.7726 (du), which means there is no autocorrelation.

Heteroscedasticity Test

Heteroscedasticity test is a test of whether there is a similarity of variance from one study to another in the regression model. If the residual variance from one control to another has the same value, that is, we talk about homoscedasticity, and if it is different, we will talk about heterogeneous variance.

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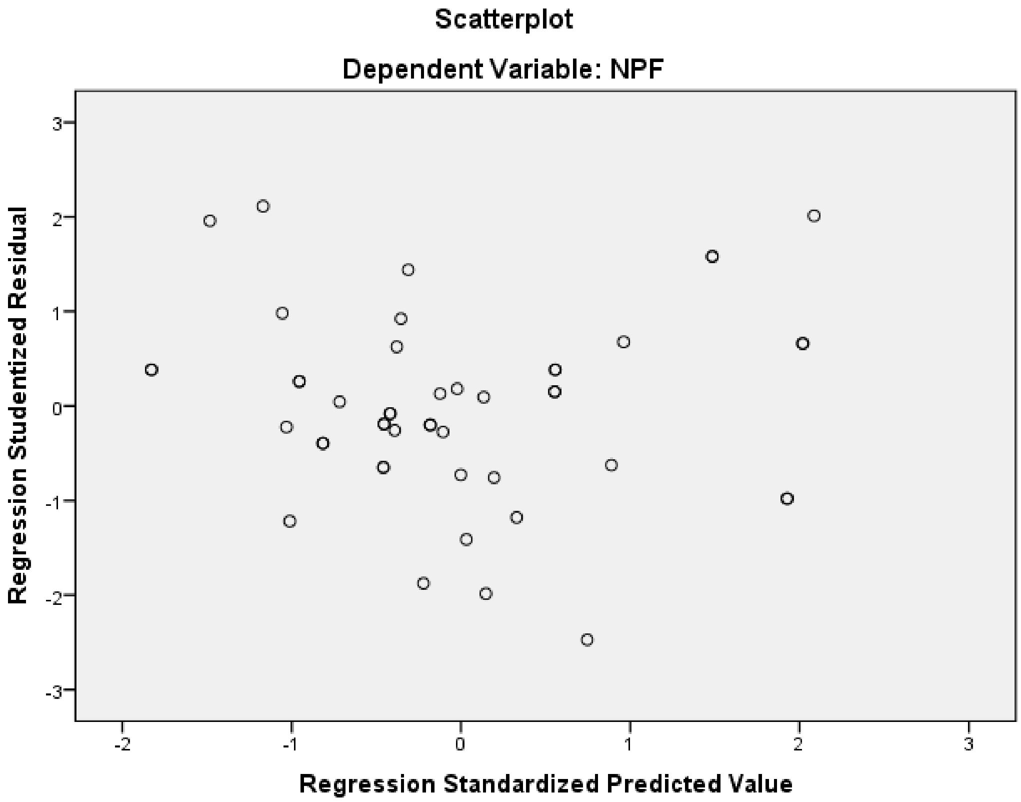

From the scatterplot graph it can be seen that the points spread randomly and are spread both above and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity.

Hypothesis Testing

Hypothesis testing is done either simultaneously or partially. The calculation results are in table 4.5 below.

Tabel 4.5 Coefficient of Determination Test Table (R2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,661[a]	,437	,385	,0022158	2,823

a. Predictors: (Constant), ROA, Ijara, Musharakah, Murabaha

b. Dependent Variable: NPF

Based on the results of the summary model output, the Adjusted R Square value is 0.38 which means that the magnitude of the influence of Murabaha, Musharakah, Ijara and ROA financing on NPF is 38% and 62% due to other factors outside of this regression. With the Adjusted R Square value of 0.38, it means that the influence or relationship of the influence of Murabaha, Musharakah, Ijara and ROA financing on NPF is weak. While other factors of 0.62 can be caused by other factors that are not included in the regression model under study.

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Tabel 4.6 F Test Table (Simultan)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	,000	4	,000	8,355	,000[b]
1	Residual	,000	43	,000		
	Total	,000	47			

a. Dependent Variable: NPF

b. Predictors: (Constant), ROA, Ijara, Musharakah, Murabaha

Based on the regression test in table 4.6, According to the ANOVA test or F-test, the F count is 8.355 with a significance of 0.000, so the significance value is less than 0.05. Based on these results it can be concluded that Murabaha, Musharakah, Ijara and ROA financing simultaneously affect NPF because the research significance is <0.05 (0.000 <0.05). Based on this description, it is proven that Murabaha, Musharakah, Ijara and ROA have an effect on NPF simultaneously.

Tabel 4.7. T Test Results (Partial)

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Keterangan
		B	Std. Error	Beta			
	(Constant)	-,176	,073		-2,411	,020	
	Murabaha	,005	,002	,340	2,151	,037	H1 = Diterima
1	Musharakah	-,001	,001	-,066	-,532	,598	H2 = Ditolak
	Ijara	,012	,005	,380	2,407	,020	H3 = Diterima
	ROA	-,839	,189	-,525	-4,439	,000	H4 = Diterima

a. Dependent Variable: NPF

According to the T test above it is proven that only Musharakah does not have a significant effect on NPF because the significance value of Musharakah is above 0.05. While the other three variables are proven to have a significant effect on NPF.

DISCUSSION

Effect of Musharakah, Murabaha, Ijara Contract and ROA on Non-Performing Financing

Based on the test of the F-count regression the value of the ANOVA test or F test obtained F count of 8.355 with a probability level of 0.000 which is less than 0.05. It can be concluded that Murabaha, Musharaka, Ijara and ROA financing jointly affect NPF. The results of this study indicate that the four variables simultaneously affect the NPF. This illustrates that the cause of the increase in NPF or bad loans at banks is caused by many factors, including the four factors above. The four variables each show different results, some are significant and some are not. However, when these four variables are combined, the results turn out to be significant. This shows that each of these four variables has a fairly close relationship as the main business instrument and company performance, so that when combined they will become one unit that influences the company's performance.

NPF margin growth. With this information it can be concluded that all the financing products offered by the company and the performance as illustrated by the ROA margin, make a very significant contribution to the increase in the NPF margin or bad loans received by the company.

Effect of Musharakah on Non-Performing Financing

The results of the regression test shows that Musharakah financing shows a regression coefficient of -0.001 with a significance level of 0.598 which is greater than α (0.05). Because the sig value (0.598) > α (0.05), it can be concluded that the second hypothesis or H2 which states that Musharakah financing has an effect on NPF is rejected. This means that Musharakah

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financing does not have a significant effect on NPF. The results of this study state that Musharakah financing does not have a significant effect on NPF. This illustrates that the greater the value of Musharakah financing, which is financing for the customer's business capital contract, it does not have a significant effect on the NPF margin. In this case, it means that Musharakah financing does not have a major contribution to the higher bad loans received by the Bank. When compared to the amount of other contract financing, the financing for business capital contracts is less, based on this fact it can be concluded that business capital financing products are less attractive to customers, so that Musharakah contracts do not automatically contribute significantly to the increase in bad loans or NPF margins in companies. Based on this information, it can also be concluded that due to the nature of Musharakah financing or working capital which has more stringent requirements compared to other financing contracts, it also indirectly helps companies in selecting and determining customers who have sufficient credibility in credit settlement.

Effect of Murabaha on Non-Performing Financing

The results of the regression test shows that Murabaha financing variable as an independent variable has a regression coefficient value of 0.005 with a significance level of 0.037 which is smaller than α of 0.05. Because the sig value (0.037) < α (0.05), it can be concluded that the first hypothesis or H1 which states that Murabaha financing has an effect on NPF is accepted. This means that Murabaha financing has a positive effect on NPF. The results of this study state that Murabaha financing has a positive effect on NPF. This illustrates that the greater the value of Murabaha financing, which is financing for sale and purchase contracts to customers, this will increase the opportunity for NPF margins. This proves that increased Murabaha financing with a growth of 10.29 will cause NPF growth to experience bad loans which increase by 0.04. This proves that the sale and purchase financing agreement is one of the main causes of the increase in the level of bad loans received by the Bank. The sale and purchase financing contract is one of the financing that is in demand by customers, the consumer attitude of customers and products that make it easier for customers to buy an item create considerable attraction to customers for buying and selling financing. In line with this, the greater the sale and purchase financing issued also contributes to the bad loans experienced by the company. The company's inaccuracy in assessing prospective borrowers can be one of the main causes of Murabaha contracts as a contributor to the company's high NPF margin.

Effect of Ijara on Non-Performing Financing

The results of the regression test shows that Ijara financing shows a regression coefficient of 0.012 with a significance level of 0.020 which is smaller than α (0.05). Because the sig value (0.020) < α (0.05), it can be concluded that the third hypothesis or H3 which states that Ijara financing has an effect on NPF is accepted. This means that Ijara financing has a positive effect on NPF. The results of this study state that Ijara financing has a positive effect on NPF. This illustrates that the greater the value of Ijara financing which is leasing contract financing to customers, this will increase the opportunity for NPF margins. This proves that increased Ijara financing with a growth of 11.36 will cause NPF growth to experience bad loans increasing by 0.04. This proves that the lease financing contract is also one of the main causes of the increase in the level of bad loans received by the Bank. The high demand from customers for leasing financing has made Ijara contracts the company's main business core with the largest amount of financing issued. This fact also reinforces that companies again need to be more stringent in evaluating prospective debtors so that only debtors with the capability to pay off credit become dominant in the financing issued by the company.

Effect of ROA on Non-Performing Financing

The results of the regression test shows that growth shows a regression coefficient of -0.839 with a significance level of 0.000 which is smaller than α (0.05). Because the sig value (0.000) < α (0.05), it can be concluded that the fourth hypothesis or H4 which states that ROA has an effect on firm value is accepted. This means that ROA has an effect on NPF. The results of this study state that ROA has a negative effect on NPF. This illustrates that the lower the ROA margin, the more the NPF margin will increase. Or it can be said that the decrease in ROA at the Bank really illustrates that the increasing number of bad loans is occurring. With this it can be concluded that the company's main business core does not have good performance, the company is able to provide financing loans but unable to take back the credit given to turn into profits. This also directly illustrates the need for changes to the criteria and selection of prospective debtors who are approved for credit financing because currently companies still make many mistakes in assessing the credit credibility of prospective debtors or customers. Thus, the greater the financing or credit issued by the company, it will actually make the NPF margin or the company's bad credit figure increase.

RESEARCH FINDINGS

This research has some interesting findings, among the financing products offered by the company, lease financing or Ijara contracts are the most dominant in contributing to bad loans. This happens because Ijara contracts are more desirable to customers than Murabaha and Musharakah contracts, so that the financing issued for Ijara contracts is greater than the others. From these facts it can be concluded that the greater the financing issued by the company, the greater the bad loans received by the company. Musharakah contracts are the financing that is least interested in by customers, when compared to Ijara and Murabaha contracts, Musharakah contracts have relatively smaller financing figures, this also makes capital financing not a significant contributor to increasing NPF margins or the company's bad loans. If viewed from a credit rating point of view, working capital or Musharakah financing contracts have more stringent requirements compared to buying and selling or leasing financing contracts, this indirectly helps the company in selecting prospective customers who are less credible and only provide credit to the majority of customers. have the ability to pay off the credit that has been given by the company. The going concern/going concern of the company is very risky, due to the company's main business core as measured by negative ROA. This means that the company's performance continues to deteriorate as ROA margins continue to decline over time. So this will automatically threaten the existence of the company if there is no continuous change. Increasing NPF margins can also be one of the factors that threatens the continuity of a company's business, due to Bank Indonesia regulations that regulate the minimum number of bad loans received by a bank. The fact that the greater the financing issued by the company, the greater the contribution to bad loans, gives the conclusion that the company does not provide credit to the right customers. Poor company criteria in conducting assessments and selecting prospective debtors is one of the biggest factors causing bad loans to companies to increase.

CONCLUSION

Musharakah financing does not have a significant effect on NPF, in this case it means that Musharakah financing does not have a major contribution to the higher bad loans received by the Bank. Murabaha financing has a positive effect on NPF, which means proving that Murabaha financing is also one of the main causes of the increase in the level of bad loans received by banks. Ijara financing has an effect on NPF, this proves that Ijara financing is also one of the main causes of the increase in the level of bad loans received by banks. ROA has an effect on NPF, which means that a decrease in ROA at the Bank does indeed reflect that the number of bad loans is increasing. From the research conducted, with this information condition if there is no significant change from management related to efforts to reduce Non Performing Financing margins, the company's business continuity will be disrupted and this will have a direct impact on the company's going concern.

RECOMMENDATION

Recommendations for this research: it is recommended and expected to use study objects that focus on other industries and increase the study time span more than the current research period, add independent variables that affect Non-Performing Financing. The banks are required to review procedures for granting credit, so that there is no manipulation of customer data with the aim of obtaining financing from the Bank which is then not accounted for. Management can review and refer to the 5C principles in lending, namely looking at Character, Capacity, Capital, Collateral and Condition. By paying more attention to the characteristics of the prospective debtor, business track record or historical data on the prospective debtor's account, guarantees guaranteed by the prospective debtor, as well as market economic conditions for the financing to be issued, the company will be able to better determine which debtor is given credit. The banks also need to present new innovations in their products, especially in products with minimal bad credit rates, namely business capital financing with the aim of increasing profits generated from the company's core business.

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