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Determinants of Financing Risk Level of Islamic Commercial Banks in Indonesia

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A B S T R A C T

Financing is an activity of Islamic banks in distributing funds to other parties. Every financing carried out by a bank always contains a risk. The risks faced by Islamic banks are diverse and complex in line with the innovations in the financial and banking products they offer to the public. Although Islamic banks have quite fundamental factors to withstand the occurrence of financing risk, this risk can interfere with the performance of Islamic banking if it is not handled seriously. During the last four years, from the Islamic banking statistics released by the OJK, it is noted that the financing risk that occurs in Islamic Commercial Banks has increased quite significantly. This research is a type of quantitative research. The sampling technique used is purposive sampling. The data processed is secondary data from the annual published reports of Islamic Commercial Banks on the official website of each bank. The data analysis method used in this research is panel data regression analysis with the Eviews 8.0 software in analyzing data. The results obtained from this study indicate that partially UMKM financing, Return In Asset (ROA) has no significant effect on the Financing Risk (NPF) of Islamic Commercial Banks while the Finance to Deposit Ratio (FDR) has a positive and significant effect on the Financing Risk (NPF) of the Islamic Commercial Banks.

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A B S T R A K

Pembiayaan merupakan aktivitas bank syariah dalam menyalurkan dana kepada pihak lain. Setiap pembiayaan yang dilakukan oleh bank selalu mengandung suatu risiko. Risiko yang dihadapi bank syariah beragam dan kompleks sejalan dengan inovasi dalam produk keuangan dan perbankan yang mereka tawarkan kepada masyarakat. Meskipun bank syariah memiliki faktor yang cukup fundamental untuk menahan terjadinya risiko pembiayaan, tetapi risiko ini bisa saja mengganggu kinerja perbankan syariah bila tidak ditangani dengan serius. Selama kurun waktu empat tahun terakhir, dari data statistik perbankan syariah yang dirilis oleh OJK tercatat risiko pembiayaan yang terjadi pada Bank Umum Syariah mengalami peningkatan yang cukup signifikan. Penelitian ini merupakan jenis penelitian kuantitatif, Teknik pengambilan sampel yang digunakan yaitu purposive sampling. Data yang diolah adalah data sekunder dari laporan publikasi tahunan Bank Umum Syariah di website resmi bank masing-masing. Metode analisis data yang dipergunakan dalam penelitian ini adalah analisis regresi data panel dengan bantuan software Eviews 8.0 dalam menganalisis data.Hasil yang diperoleh dari penelitian ini menunjukkan bahwa secara parsial pembiayaan UMKM, Return In Assset (ROA) tidak berpengaruh signifikan terhadap Risiko Pembiayaan (NPF)

Kata Kunci:
Pembiayaan, ROA, FDR, Risiko Pembiayaan

Bank Umum Syariah sedangkan Finance to Deposit Ratio (FDR) berpengaruh positif dan signifikan terhadap Risiko Pembiayaan (NPF) Bank Umum Syariah.

INTRODUCTION

Indonesia is experiencing rapid growth in Islamic banking, which continues to be actively promoted by the Financial Services Authority (OJK) to develop a robust and sustainable Islamic banking industry. This industry aims to make a positive contribution to supporting quality economic development (Apriyanti, 2018). According to Law No. 21 of 2008, the definition of an Islamic bank is a bank that carries out its business activities based on Islamic principles and according to its type consists of Islamic Commercial Banks (BUS) and Islamic Rural Banks (BPRS) (Muhammad, 2019). The presence of Islamic banks is also driven by the high public interest in depositing their funds in these institutions. This is largely due to the attractiveness of the banking products offered, as the profit-sharing ratios and margins are relatively competitive compared to the interest rates offered by conventional banks (Bangsawan, 2017). Islamic banks distribute funds through various contracts, including *murabahah*, *mudharabah*, *musyarakah*, *ijarah*, and *salam*. Meanwhile, funds are raised through savings and investment products such as current accounts, savings accounts, and time deposits.

The performance of Islamic banking can be observed from the increasing number of Islamic banks and branch offices, which reflects their growing presence in Indonesia. This trend indicates a rise in public trust toward Islamic banking. The growth of each bank is significantly influenced by its ability to mobilize and allocate public funds, which, in turn, affects its performance as reflected in rising profits (Nurmalia, 2021). Islamic banks have demonstrated their resilience in navigating severe economic crises. However, their financing activities remain largely focused on domestic economic activities, limiting their integration with the global economic system.

Islamic banking operates based on Islamic principles while competing with conventional banking, particularly in maintaining profitability. Its operational activities must be conducted as effectively and efficiently as possible, adhering to Islamic principles while ensuring financial health. The financial health of Islamic banks is regulated under Bank Indonesia Regulation (PBI) No. 9/1/PBI/2007. One key measure of an Islamic bank's health is its profitability achieved within a specific period.

Financing serves as the primary source of income for Islamic Commercial Banks but also represents the largest source of business risk. The occurrence of problematic financing can reduce income and negatively impact the financial health of the bank, ultimately leading to losses. Financing refers to the activity of Islamic banks in allocating funds to third parties. However, every financing activity inherently involves risks. Islamic banks face diverse and complex risks, which have evolved alongside innovations in financial and banking products offered to the public. One common risk in Islamic banking is financing risk, which is equivalent to credit risk, as defined by Bank Indonesia in PBI Number 12/23/PBI/2011. Financing risk, often referred to as default risk, arises when borrowers fail to meet their obligations to repay the funds provided by the bank. This potential loss can significantly impact the bank's performance. Although Islamic banks possess foundational mechanisms to mitigate financing risks, these risks could still disrupt their overall performance if not managed effectively and with due diligence.

Over the past four years, statistical data on Islamic banking released by the Financial Services Authority (OJK) indicates a significant increase in financing risk for Islamic Commercial Banks. Financing risk is typically measured by the Non-Performing Financing (NPF) ratio. A higher NPF reflects poorer financing quality, as it indicates a rise in problematic financing that leads to bank losses. The NPF represents the level of problematic financing within a bank and is calculated as the proportion of non-performing financing to total financing. According to Bank Indonesia, the acceptable NPF tolerance limit is 5% per bank. Islamic banks are required to maintain their NPF levels within this threshold to ensure sound financial health (Trijoko Purwanto, 2011).

Although Islamic banks face risks similar to those of conventional banks, these risks are governed by Islamic principles. Financing risks in Islamic banks typically arise from a borrower's failure to repay the principal of the financing, coupled with the bank's inability to receive agreed-upon compensation, such as *ujrah* or profit-sharing, as stipulated in the financing contract. Additionally, banks may face increased costs and time delays in resolving non-performing financing, which can further degrade the financial health of the institution. These factors underscore the critical need for effective risk management in Islamic banking operations.

The growth of Islamic banks has also been accompanied by significant developments in the Non-Performing Financing (NPF) indicator, as evidenced by data from Islamic banking statistics. NPF is a ratio used to assess a bank's ability to manage problematic financing in relation to its productive assets. A declining NPF in Islamic banking over the years indicates an improvement in financing quality and overall financial health. According to Yulianto and Solikhah (2019), an increase in a bank's NPF ratio may lead to a decline in customer savings. This occurs because customers may hesitate to deposit funds, fearing either a potential loss of funds or reduced profit-sharing returns. Bank performance plays a crucial role, as banking operates primarily on public trust. To maintain and enhance credibility, banks must demonstrate financial health and reliability, one of which is through increased profitability. Profitability serves as a key performance indicator, reflecting a bank's ability to generate earnings through the productive use of its assets over a specific period (Machmud & Rukmana, 2010). According to Bank Indonesia Regulation No. 6/10/PBI/2004 Article 4 Paragraph (4), profitability can be measured using various ratios, including Return on Assets (ROA). ROA is calculated by comparing a bank's net profit with its total assets, most of which are derived from public savings. A higher ROA indicates better profitability and a stronger financial position for the bank.

The Return on Assets (ROA) ratio reflects a bank's ability to generate profits through the efficient utilization of its assets. Effective use of productive assets is essential for bank performance, as outlined in Bank Indonesia Regulation No. 9/9/PBI/2007. One of the most significant components of productive assets in Islamic banks is financing, which plays a direct role in enhancing profitability and ensuring operational success. Liquidity management in Islamic Commercial Banks or Islamic Business Units is an integral part of asset and liability management, with the primary goal of maintaining sufficient liquidity to ensure smooth operational activities and sustain public trust. Liquidity needs are influenced by several factors, including reserve requirements set by the central bank, the composition of funds collected by the bank, and the bank's commitments to financing or investment activities (Muhammad, 2015). The effectiveness of liquidity management, particularly in relation to the distribution of Islamic banking financing, can be evaluated using indicators such as the Financing-to-Deposit Ratio (FDR). FDR measures the proportion of financing provided by the bank relative to the third-party funds it has collected. This ratio serves as a key indicator of the bank's ability to effectively allocate third-party funds for financing activities, reflecting its operational efficiency and financial stability.

Furthermore, Islamic Commercial Banks (BUS) and Islamic Rural Banks (BPRS) serve as financial intermediary institutions aimed at supporting communities engaged in micro, small, and medium enterprises (MSMEs) in accordance with sharia principles. (Husaeni, 2017). So far, Islamic banks have provided greater support to MSME actors compared to conventional banks, by providing financing to the MSME sector. MSMEs make a large contribution to absorbing labor so that they can reduce unemployment which is currently a problem for this nation. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia in 2019, MSMEs in Indonesia numbered 65,471,134 business units, consisting of Micro Enterprises (UMi) 64,601,352 (98.67%), Small Enterprises (UK) 798,679 (1.22%), Medium Enterprises (UM) 65,465 (0.10%), and Large Enterprises (UB) 5,637 (0.10%). By absorbing a workforce of 116,431,224 119,562,843 people (96.92%) and contributing to the Gross Domestic Product (GDP) of 9,580,762.7 billion (60.51%), the largest contribution from UMi with a GDP absorption of 5,913,246.7 billion (37.35%), and Medium Enterprises (UM) of 2,158,545.8 billion (13.63%) (Kemenkopukm n.d.)

To develop and strengthen the MSME sector in Indonesia, of course, MSMEs need support from the banking sector, one of whose functions is to channel funds to the community in the form of financing (Nisa et al. 2019). Financing for MSMEs is quite important considering the need for working capital and investment required by MSMEs to run their businesses and increase their capital accumulation (Syarifuddin et al., 2020). So far, with the strength of 14 Islamic Commercial Banks (BUS) with a total of 2,035 offices, they have shown their role. BUS financing in the MSME sector at BUS has reached 202.298 billion from all financing provided to BUS to the business sector. Meanwhile, at the end of 2020, BUS financing in the MSME sector at BUS reached 246.532 billion with total assets of 397.073 billion (Finance n.d.). This is in line with the main objective of establishing Islamic banks in Indonesia, namely to encourage the economy of the lower middle class. It is proven that the development of MSME financing always increases every year and has a higher portion than non-MSMEs. The determination of the amount of the ratio or profit sharing ratio is made at the time of the contract based on the possibility of profit and loss. In carrying out a project run by the customer, if a loss occurs, it will be borne together. On the other hand, in the profit sharing system, the amount of profit sharing increases according to the increase in the amount of income, while in the conventional system, the amount of interest payments does not increase even though the amount of profit increases (Antonio, 2006). With this concept, it provides opportunities for MSMEs to develop their businesses based on the principle of partnership as promoted by Islamic banking.

Table 1: MSME Financing, ROA, FDR and NPF
Islamic Commercial Banks in Indonesia 2017-2020 Period

No.	Year	Working Capital (MSME) (Rp Milyar)	ROA (%)	FDR (%)	NPF (%)
1	2017	28.973	0,63%	79,61%	4,76%
2	2018	27.392	1,28%	78,53%	3,26%
3	2019	32.326	1,73%	77,91%	3,23%
4	2020	36.050	1,4%	76,36%	3,13%

Source: Indonesian Islamic Banking Statistics, 2020.

Based on the table above, it can be seen that MSME financing at Islamic Commercial Banks fluctuates every year. MSME financing increases every year except in 2018 which decreased from 28,973 to 27,326. This indicates that there are still many problems faced by different MSMEs, however, there are some problems that are common to all MSMEs in the country, and also, these obstacles are limited working capital and investment. Head of the Digital Financial Innovation and Microfinance Development Group of the Financial Services Authority (OJK), Triyono added, that as many as 70% of MSMEs in Indonesia have not yet received access to financing. Therefore, support is needed, including financial assistance with loans. (Detik n.d.)

From Table 1, it is stated that the Non-Performing Financing (NPF) ratio is quite fluctuating. In 2017, there was a very rapid increase, namely the NPF ratio reached 4.76% with MSME financing of 28,973 billion, while in 2018 the NPF ratio decreased by 1.5%, to 3.26% with MSME financing of 27,392, while in 2019 the NPF ratio decreased by 0.03% to 3.23% with MSME financing of 32,326, and in 2020 it decreased by 0.1%, to 3.13% with MSME financing of 36,050 billion. The role of MSMEs in economic growth is very large and is a favorite among all levels of Indonesian society, and the increasing MSME financing has a great influence on the Indonesian economy. Financing is the largest source of income for Islamic Commercial Banks, but it is also the largest source of business risk. The emergence of problematic financing can result in decreased income for Islamic Commercial Banks and also have an impact on the health of the bank which will ultimately be detrimental.

Studies on financing risks have previously been conducted by several researchers, including Wibisono (2015) who concluded that Micro, Small, and Medium Enterprises (MSMEs) Financing and liquidity do not affect Financing Risk (Wibisono, 2015). Research conducted by Sabila and Mujaddid (2018) that partially, the variables of MSME Financing, Operating Expenses to Operating Income (BOPO), and Non-Performing Financing (NPF) have a negative and significant effect on profit growth (ROA) of Islamic Commercial Banks. Meanwhile, the Capital Adequacy Ratio (CAR) variable does not affect the profit growth (ROA) of Islamic Commercial Banks, while simultaneously, MSME Financing, CAR, BOPO, and NPF together affect the profit growth of Islamic commercial banks (ROA) in the period from 2013 quarter I to 2017 quarter IV (Sabila and Mujaddid 2018). This study focuses on the variables of MSME financing, ROA, FDR, and Financing Risk (NPF) which are different from previous studies. Based on the description above, it is important to research financing risk considering that financing is the largest source of income for Islamic Commercial Banks, but at the same time, it is the largest source of business risk. Then the determinant of the level of financing risk is proxied by the MSME financing system, this is because one of the financing sectors that has a higher portion and has a higher number of enthusiasts based on the data obtained compared to other financing systems. Other variables that are determining factors for financing risk are ROA and FDR. Therefore, “Determinants of Risk Level of Islamic Commercial Banks in Indonesia” is an important study to be published.

LITERATURE REVIEW

Stewardship Theory

This theory sees that between the bank as the owner of the funds and the fund manager, mutual trust is needed so that the goals that have been set can be achieved, namely improving the welfare of life. The implications of Stewardship Theory in this study can be understood in Islamic banking financing. This theory is used to explain the relationship between the duties and responsibilities of stakeholders of Islamic general banks in Indonesia with the variables of MSME financing, financial ratios, and their influence on the risk of Islamic general bank financing (NPF).

Sharia Enterprise Theory

The concept of sharia enterprise theory encourages the realization of the value of justice towards humans and the natural environment. This is following the position of humans as Khalifatullah fil ardh who carry the mission of creating and distributing welfare for all humans and nature. Financing is one of the banking operational activities that must be managed properly. In line with the Sharia Enterprise Theory (SET), assets belong to Allah SWT and are only entrusted to humans and must be managed as well as possible, including in distributing financing, one should still pay attention to the level of financing so that it does not exceed the funds available and consider the possibility of uncollectible financing so that the NPF ratio remains under management supervision, in addition, Islamic banking must pay attention to the principles that are the basis of Islamic banking operations, in this case, the implementation of compliance with sharia principles.

Hypothesis Development

MSME Financing

MSME financing is financing to micro, small, and medium business debtors who meet the definition and criteria as stipulated in Law No. 02 of 2019 concerning MSMEs. Based on this law, MSMEs are productive businesses that meet business criteria with certain limitations of net assets and annual sales results (Wibisono, 2015). According to the results of research by Lia Tresnawati (2019), NPF has a significant effect on MSME financing (Tresnawati, 2019). Likewise, the results of research by Wahiddudin (2018) show that there is an influence between NPF on MSME financing (Wahiddudin, 2018). However, it is not appropriate if NPF affects MSME financing because NPF is the performance value of a bank in providing financing. Therefore, it is not NPF that affects MSME financing but MSME financing that affects NPF because banks will provide MSME financing if MSME actors clarify their cash flow. Based on the theory and results of previous research, the research hypothesis can be formulated as follows:

H1: Micro, Small and Medium Enterprises (MSMEs) Financing has a positive and significant effect on Financing Risk.

Return On Asset (ROA)

ROA is the result of calculating profit before tax divided by the average total assets. Return On Asset or ROA is the company's ability to generate profit from all existing working capital and manage efficiently (Kasmir, 2018). The increase in NPF will result in the loss of opportunities to obtain income from the financing provided, thus affecting profit and having a negative effect on ROA. Based on research by Isnaini (2021), ROA does not affect problematic financing (Isnaini, et al. 2021). Jayanti Mandasari (2021) also stated that the Return On Asset (ROA) variable has a significant negative effect on NPF (Mandasari, 2021). The results of research by Isnaini and Syafrildha (2019) found that ROA has a negative effect on NPF at BPRS in Indonesia. If ROA is positive, the banking assets used for financing provide benefits to the bank and vice versa if ROA is negative, the assets used by the bank do not provide benefits to the bank. The increase in ROA will certainly reduce the ratio of non-performing financing in BPRS, because the high RO ratio means that the profit obtained by the bank is higher. When the profit obtained is high, the non-performing financing will be small (Nugrohowati and

Bimo 2019). Based on the theory and results of previous studies, the research hypothesis can be formulated as follows:

H2: Return On Assets (ROA) has a negative effect on Financing Risk.

Financing to Deposit Ratio (FDR)

The Financing to Deposit Ratio (FDR) ratio is a comparison between the financing provided by the bank and the third-party funds that have been successfully mobilized by the bank (Kuncoro, 2002). No matter how much financing is provided to the community or customers, the bank must be able to balance it by immediately meeting the need for withdrawal of funds at any time by depositors. With the ability to carry out the intermediation function well, the FDR ratio can be used as an indicator. The higher the FDR, the better the bank is at carrying out its intermediation function. The higher the FDR, the financing that is distributed also increases. Conversely, if there is a decrease in FDR, the financing disbursed will also decrease, so FDR also has a positive effect on financing. The results of Mandasari's (2021) study concluded that FDR has a positive effect on NPF (Mandasari, 2021). Likewise, according to research by Indri Supriani and Heri Sudarsono (2018), FDR in the short and long term has a positive and significant effect on NPF (Supriani & Sudarsono 2018). Based on this description, the hypothesis to be tested in this study can be formulated as follows:

H3: Financing to Deposit Ratio (FDR) has a positive and significant effect on Financing Risk.

RESEARCH METHODOLOGY

The population in this study is all Islamic Commercial Banks in Indonesia, namely 14 Islamic commercial banks in Indonesia. The sample used in this study is the annual financial report of Islamic Commercial Banks found in the Financial Services Authority (OJK) Statistics and on the official website of each bank during the period 2017 - 2020.

The sampling technique used in this study is Purposive Sampling. The criteria applied in this study are (1) Annual financial reports of Islamic Commercial Banks found in the Financial Services Authority (OJK) Statistics and on the official websites of each bank during the 2017-2020 period, (2) Available data related to the research variables including data on the MSME Financing ratio, ROA, FDR, and NPF. The following are the banks that are the research samples:

Table 2: List of Samples

No	Bank	Period
1	PT. Bank Aceh Syariah	**2017-2020**
2	PT. BPD Nusa Tenggara Barat Syariah	**2017-2020**
3	PT. Bank Bukopin Syariah	**2017-2020**
4	PT. BCA Syariah.	**2017-2020**

Operational Definition of Variables

Dependent Variable

Dependent variable (Y), is a variable whose value is influenced by the independent variable. The variable in this study is the financing risk measured using NPF (Non-Performing Financing) with the indicator being non-performing financing divided by total financing. Based on the Decree of the Director of BI No. 30/12/KEP/DIR concerning the calculation of bank financial ratios, it is formulated as follows:

$$\text{NPF} = \frac{\text{Non} - \text{performing Financing}}{\text{Total Financing}} \text{x } 100\%$$

Independent Variables

The independent variable (variable X) is a free variable whose existence is not influenced and does not depend on other variables or variables that stand alone. The following are the independent variables in this study:

1. MSME Financing (X1)

Financing of Micro, Small, and Medium Enterprises (MSMEs) is measured by the amount of MSME financing divided by total financing.

2. Return In Asset (ROA) (X2)

The Profitability Ratio can be measured by Return on Assets (ROA) with the indicator Profit before tax divided by Average total assets.

$$\mathrm{ROA} = \frac{\text{Profit before tax}}{\text{Average Total Assets}} \text{ x } 100\%$$

3. Finance to Deposit Ratio (FDR) (X3)

The liquidity ratio can be measured by the Financing to Deposit Ratio (FDR) with the indicator of Total Third Party Funds (TPF) divided by Total Financing.

$$\mathrm{FDR} = \frac{\text{Financing}}{\text{TPF}} \text{ x } 100\%$$

The data analysis method used in this study is the panel data regression analysis method. Panel data is a combination of time series data and cross-section data (Adhar, 2017) with the help of Eviews 8.0 software as a tool for analyzing data. The basic equation of panel data regression in general is as follows:

$$\mathbf{Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it}}$$

Explanation:

Y = *Non Performing Finance* / Financing Risk
α = Constant
$\beta_1, \beta_2, \beta_3$ = Independent Variable Coefficient
X_1 = MSME Financing
X_2 = *Return On Asset*
X_3 = *Financing To Deposit Ratio*
ε = Coefficient *Error*
i = The number of Islamic General Banks is 4 Islamic General Banks
t = The research period is from 2017-2020

RESULTS AND DISCUSSION

After conducting the Chow test and Hausman test using the e-views 8 software, it was stated that the best model used in this study was the Fixed Effect Model.

Table 3: Fixed Effect Model (FEM) Test Results

Variable	Coeffisient	t-statistic	Significance
C	2,365193	0,520490	0,6153
PUMKM	-0,141724	-0,400978	0,6978
ROA	-0,086924	-0,402419	0,6968
FDR	8,770005	4,045424	0,0029
R-squared	: 0,992763		
F-statistic	: 205,7613		

Sig. (F-statistik)	: 0,000000

Source: Secondary data processed (Eviews 8.0 output)

Based on the table above, it can be seen that partially only variable X3 (FDR) has a prob. value of 0.0029 <0.05 with a coefficient value of 8.770005, meaning that variable X3 (FDR) has a positive and significant effect on financing risk. While variable X1 (PUMKM) does not have a significant effect on financing risk with a prob. value of 0.6978> 0.05. Variable X2 (ROA) also does not have a significant effect on financing risk with a prob. value of 0.6968> 0.05.

The Effect of MSME Financing on Financing Risk

Based on the results of research conducted related to MSME Financing on financing risk or NPF at Islamic commercial banks in Indonesia, which states that the coefficient value of the MSME Financing variable is -0.141724 with a negative direction and a prob. value. 0.6978 > 0.05 it can be concluded that Ha is rejected, meaning that the MSME Financing variable does not have a significant effect on financing risk.

The results of this study are not in line with the research conducted by Tresnawati (2019) which states that MSME financing has a significant effect on NPF. However, it is in line with previous research conducted by Achmadian Davin Wibisono which states that Micro, Small, and Medium Enterprises (MSMEs) Financing does not affect Financing Risk because there is collateral and KUR (People's Business Credit) for MSME financing customers where KUR is a government program that guarantees the financing/credit, through BUMN financing guarantors, namely Askrindo and Jamkrinda so that there will be no financing risk caused by MSME financing.

The insignificant research results indicate that they are not by the theory which states that MSME Financing has a positive and significant effect on Financing Risk, this is because Banks in their operational activities of distributing financing are required to form Allowance for Productive Asset Write-offs (PPAP) from the profits they earn. Therefore, if financing experiences problems such as substandard financing, doubtful financing, or even bad financing, the PPAP formed by the bank can minimize financing risks (Priatna, 2016), so that there will be no financing risk caused by MSME financing. In addition, there is risk mitigation for financing Micro, Small, and Medium Enterprises (MSMEs) carried out by each bank which has given good results. This can be seen from several methods used by Bank Aceh Syariah to avoid risks. Some of the methods used by Bank Aceh Syariah are conducting daily pick-ups, visits or friendships, monitoring, and strengthening collateral. These things are done by Bank Aceh Syariah where account officers are assigned to the field to control, approach, and protect financing (Rifqi, 2021) So that Bank Aceh Syariah can face and minimize problematic financing more appropriately.

The Effect of Return on Assets (ROA) on Financing Risk

Return on Assets (ROA) is the comparison between net profit and average assets. ROA can also be interpreted as a ratio that describes the bank's ability to generate profits from the assets used. Based on the results of research conducted regarding Return on Assets (ROA) on financing risk or NPF in Islamic commercial banks in Indonesia, which states that the coefficient value of the ROA variable is -0.141724 with a negative direction and a prob. value of 0.6968> 0.05, then Ha is rejected, meaning that the ROA variable does not have a significant effect on financing risk. (NPF).

The results of this study are supported by the research of Laili et al. (2021) which states that the ROA variable does not affect problematic financing in Islamic banking, this shows that no matter how much ROA changes in Islamic banking, it will not affect the level of problematic financing. However, this study is not in line with the research conducted by Nugrohowati & Bimo (2021) which stated in their research that the ROA variable has a negative effect on NPF. As well as research conducted by Mandasari (2020) which stated that the independent variable ROA has a negative effect on NPF.

The insignificant research results indicate a discrepancy with the theory which states that ROA has a positive and significant effect on Financing Risk, this is due to the high and low Non-Performing Financing and the greater the risk of financing channeled by the bank, this is not caused by the large Return On Asset or profit income obtained. The relationship between Stewardship Theory in the results of this study, namely with a negative ROA direction on the level of financing risk, means that Islamic Commercial Banks as Stewards trusted by principals (customers who save funds) have carried out their operational activities well, Islamic Commercial Banks have improved their performance in managing funds from customers so that income increases.

The Effect of Financing to Deposit Ratio (FDR) on Financing Risk

Based on the results of research conducted related to the Financing To Deposit Ratio (FDR) on financing risk or NPF at Islamic commercial banks in Indonesia, which states that the coefficient value of the FDR variable is 8.770005 with a positive direction and a prob. value of 0.0029 <0.05 indicates that the FDR variable has significant results. Thus, it is concluded that Ha is accepted, which means that partially FDR has a positive and significant effect on financing risk (NPF). The results of this study are supported by research by Mandasari (2020) and Indri & Sudarsono (2018) which states that the FDR variable has a positive and significant effect on the NPF of Islamic Commercial Banks in Indonesia. However, this study is not in line with the study conducted by Laili Isnaini, Slamet Haryono, and Muhdir (2021), which stated that FDR does not affect problematic financing in Islamic banking, and the study conducted by Putranta (2019) is also not in line with this study, where in his study the Financing to Deposit Ratio (FDR) has a negative and insignificant effect on Non-Performing Financing (NPF) in Islamic Commercial Banks.

The relationship between Sharia Enterprise Theory and the results of this study is that the party can manage and distribute its financing while still paying attention to the level of financing so that it does not exceed the limit of the funds owned and considering the possibility of the financing not being collected so that the NPF ratio remains under management supervision. This can be seen from the fact that Islamic banks have been quite good at maintaining the quality of the financing distributed based on the average FDR value of 89.94%. Based on Bank Indonesia circular letter No. 6/23/DPNP, 2 May 2004 concerning the criteria for determining the FDR value, the average value shows that Islamic commercial banks have been quite good at maintaining the quality of their financing.

CONCLUSION

Based on the results of the study, the MSME Financing Variable and the ROA Variable partially do not have a significant effect on the Financing Risk of Islamic Commercial Banks in Indonesia, meaning that no matter how much MSME Financing and the ROA Variable do not affect the level of financing risk which in this study is proxied by NPF. Then the FDR Variable has a positive and significant effect on the Financing Risk of Islamic Commercial Banks in Indonesia, meaning that if the amount of FDR is high, it will increase the NPF of Islamic Commercial Banks in Indonesia.

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