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Determinants of non-performing loans in sharia cooperative

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Abstract
This study is motivated by the increase in non-performing loan yearly at the Al Amin Berkah Sejahtera, one of the sharia cooperatives at central Lampung. Therefore, this study aims to determine whether internal and external factors affect financing problems in the Al Amin Berkah Sejahtera central Lampung sharia cooperative. This type of study is quantitative research with 73 respondents. The data collection technique uses interviews and questionnaires with a Likert scale. This study employs the explanatory survey method, which is a method that aims to test hypotheses in the form of relationships between variables. This study indicates that the partial test of internal and external factors positively and significantly affects non-performing loans.

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Abstrak
Penelitian ini dilatarbelakangi oleh meningkatnya pembiayaan bermasalah setiap tahunnya pada Koperasi Syariah Al-amin Berkah Sejahtera yang disebabkan oleh factor internal dan eksternal. Penelitian ini bertujuan untuk mengetahui apakah terdapat pengaruh faktor internal dan faktor eksternal terhadap pembiayaan bermasalah pada Koperasi Syariah Al Amin Berkah Sejahtera kantor pusat Lampung Tengah. Jenis penelitian ini adalah penelitian kuantitatif. Jumlah sampel sebanyak 73 responden. Teknik pengumpulan data menggunakan wawancara dan kuisioner dengan skala likert. Metode yang digunakan adalah metode explanatory survey yaitu metode yang bertujuan untuk menguji hipotesis dalam bentuk hubungan antar variabel. Metode analisis data yang digunakan dalam penelitian ini adalah SPSS (Statistical Packages for the Social Science) Versi 20. Hasil penelitian ini menunjukkan bahwa dari hasil uji secara parsial variabel factor internal dan eksternal semuanya berpengaruh positif dan signifikan. Sedangkan dengan uji secara Bersama-sama variabel dependen dan independen berpengaruh positif dan signifikan. Sedangkan dengan melakukan uji persamaan koefisien regresi memberikan kontribusi positif.

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Introduction

Islamic cooperatives are Islamic microfinance institutions that have a vital role in the structure of the Indonesian economy because Islamic cooperatives absorb funds from the community and channel them back to the community. It is the strategic role of sharia microfinance institutions in the economic development of a country. Many sharia microfinance institutions create a cooperative system that is healthy, resilient and able to maintain public trust. The sharia microfinance industry applies appropriate Islamic finance principles to achieve financial inclusion and encourage equity in increasing national economic growth and shared prosperity. Indonesia is one of the countries with the largest Muslim population in the world, but its contribution to the economy has not been fully realized. Of course, this makes sense because sharia cooperatives in Indonesia are relatively new compared to other Muslim-majority countries worldwide.

However, it does not mean that the sharia cooperative industry does not contribute to improving people's welfare. Currently, sharia cooperatives continue to experience favorable growth with fundamental principles based on Islamic religious teachings. Sharia cooperatives are very likely to be a way to improve people's welfare by prohibiting various practices that can harm society, and the more excellent the opportunity to create a healthy and buoyant economy. The Al Amin Berkah Sejahtera sharia cooperative has a product, namely microfinance products providing financing to entrepreneurs, traders, breeders, farmers, property, and contractors, especially those involved in the micro industry, both in terms of working capital, investment, and consumption. Every Islamic microfinance institution is inseparable from problematic financing. However, each Islamic microfinance institution has its strategy for overcoming or suppressing problem financing. Financial risks to Islamic microfinance institutions should be controlled with risk management. However, in reality, financial risks are most often faced by Islamic microfinance institutions.

Problem financing is a condition where the customer cannot pay or pay off his obligations and is included in the substandard, doubtful or lousy financing criteria. In the provision of financing facilities, the principal is not returned and does not get profit sharing as agreed in the financing agreement between the cooperative and the members receiving the facility. The customers who deliberately do not pay off the financing provided by the collective within a predetermined time limit and collateral can be used to replace their debts. The collateral is property belonging to the debtor or a third party that is tied up as collateral if the debtor is unable to settle his debt following an agreement that has been agreed. In other words, the provision of guarantees made by cooperatives to debtors is intended to guard against the possibility of problematic financing. The function of providing guarantees is as a function of prudence/precautions and as a determinant of the amount of financing offered.

Several factors cause problematic financing, namely internal and external aspects. Suppose the funding provided cannot be paid or returned by the customer. In that case, this will affect the level of the soundness of the cooperative, considering that the most significant income for the Al Amin Berkah Sejahtera Islamic cooperative is from financing products. The same was found in research conducted by Rusmaningsih (2018), who also examined the factors causing problematic financing at BMT Taruna Sejahtera. According to Rusmaningsih's research (2018), the factors that cause challenging financing at BMT Taruna Sejahtera are internal factors from account officers who do not apply the precautionary principle in analyzing financing customers. From external factors, namely customers who experience decreased losses and financial problems in their families due to business conditions. It can be interpreted that the factors causing problematic financing of research by Rusmaningsih (2018) are internal factors.

The observations and interviews showed that problem financing in the Al Amin

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Berkah Sejahtera Sharia Cooperative for the 2016-2019 period experienced an increase. In 2016 there was no problem financing or problem financing of 0%. Problematic funding began to be found in 2017, namely 0. 32%, then increased again in 2018 by 0.7%, and there was a significant increase in 2019, namely 4.30% problem financing of the total funding that had been disbursed. The data shows an increase in the percentage of problem financing, which offers an increase in the risk that Kopsyah Al Amin Berkah Sejahtera bears is also considerable risk. As a result of this high percentage, Kopsyah Al Amin had to provide an enormous reserve of funds,

Judging from these data, the financing distributed by the Al Amin Berkah Sejahtera Cooperative to customers is having problems with the increase in the percentage of problem financing. If non-performing loans are not appropriately handled, material losses will occur, disrupted cash flow, lost business opportunities, and reduced resource allocation and material losses. For example, the collateral value is no longer sufficient to cover all customer obligations due to the ever-increasing acceptable costs. Based on the research background, the author is interested in knowing more about the factors that cause problematic financing in Al Amin Syariah Cooperative Berkah Sejahtera Central Lampung Central Office.

Literature Review

Etymologically, cooperatives come from the English word cooperatives, a combination of the two words co and operation. In Dutch, it is called cooperative, which means cooperation. In Indonesian, it is pronounced cooperative. The legal basis for cooperatives in Indonesia is Article 33 of the 1945 Constitution of the Republic of Indonesia and Law of the Republic of Indonesia Number 25 of 1992 concerning cooperatives. According to Article 1 of RI Law No. 25 of 1992, what is meant by cooperatives in Indonesia is: "Business entities consisting of individuals or cooperative legal entities with the basis of their activities based on cooperative principles as well as a people's economic movement based on the principle of kinship"

Sharia Cooperatives are economic enterprises organized in a steady, democratic, autonomous, participative and social manner whose operations use principles that uphold moral ethics by paying attention to the lawful or unlawful conduct of a business as taught in Islam. As with cooperatives in general, Islamic cooperatives also have the same understanding that their business activities are engaged in financing, investment and savings according to profit-sharing patterns (sharia), better known as Islamic Financial Services Cooperatives. Therefore, sharia cooperatives have the same rules as general cooperatives, but what distinguishes them is that the products in public cooperatives are replaced, and their names and systems are adapted to the guidance and teachings of Islam.

Financing is a solution that has been chosen by many people who need funding. Financing is the provision of money or bills equivalent to that, based on an agreement between the cooperative and other parties that require the party being financed to return the funds or account after a certain period in return or profit sharing (Kasmir 2018). Meanwhile, Rivai and Arifin (2010: 681) mentioned that financing is funding provided by a party to another party to support planned investments, either carried out alone or by institutions. In other words, financing is funding issued for planned investments.

The definition of financing according to Ridwan (2010), financing is often used to indicate the main activities of BMT because it relates to plans to earn income. Based on Law no. 7 of 1992, what is meant by financing is the provision of money or bills that can be equated with it based on the purpose or loan agreement between the cooperative and another party which requires the borrower to pay off the debt after a certain period plus the amount of interest, compensation or profit sharing. Based on several definitions of expert opinion, it can be concluded that the donor of funds carries out the financing of all funding activities to the borrower of funds.

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Causal Factors

The causes of problematic financing are caused by customers' inability to fulfill their obligations to the bank. According to Hana (2017), because of the banking sector's internal and customer's external factors. One of the factors that cause financing problems is the internal factor. Internal factors can come from the company or come from customers. According to Siamat (2015), problematic financing is caused by interior elements from the company, including expansionary financing policy, irregularities in the implementation of financing procedures, weak administrative system and financing supervision, and bad faith from the cooperative.

The internal factors of cooperatives include weaknesses and financing analysis, financing weaknesses, grace, natural resources, technology, and cooperative officer fraud. Customer internal factors include customer character weaknesses, customer capabilities, disasters experienced by customers, customer carelessness, and customer management that can hinder financing payments (Mudrajad, 2012). Meanwhile, according to Kuncoro (2012), problematic financing is caused by external factors, namely, difficulties or failures in the liquidation process. These financing agreements have been agreed upon between the customer and the cooperative c) management conditions, the customer's business environment, and disaster (e.g., fire, natural disaster etc.). External factors are caused by the company and outside the customer. External factors include negative economic situations, domestic politics, natural disasters, and detrimental government regulations (Kuncoro, 2012).

Handling of Problematic Financing

Problematic financing needs to be addressed, and every effort will carry out its policies to overcome these problems. According to Usanti (2013), saving problem financing is a technical term that can be used among banks for the efforts and steps taken in Islamic cooperatives to overcome financing problems faced by customers who still have good business prospects, but experiencing difficulties in paying principal and other obligations, so that customers can fulfill their responsibilities. Sharia cooperatives should carry out guidance and regular monitoring to avoid non-performing loans. They should do active and passive monitoring. Active monitoring, namely visiting customers regularly, monitoring financial reports periodically and providing customer visit reports/call reports to the financing committee/supervisor. Meanwhile, passive monitoring tracks the payment of customer obligations to Islamic banks at the end of each month. Simultaneously, coaching is provided by providing advice, information and technical guidance to avoid financing failures.

Method

This type of research is quantitative by obtaining data from numbers or quantitative numerical data. This study aims to determine the factors that cause problematic financing in the Al Amin Berkah Sejahtera Cooperative Sharia Central Lampung head office. The method used in this study is the explanatory survey method, which is a method that aims to test hypotheses in the form of relationships between variables. The data analysis method used in this study uses the SPSS 20 program. The variables used in this study are the independent variable (x) and the dependent variable (y). The independent variable (x) is related to Internal Factors (x1) and External Factors (x2). At the same time, the dependent variable (y) is connected to problematic financing or non-performing loans (NPL).

According to Arikunto (2016), the population is the entire research subject. Meanwhile, Sugiyono (2017) suggests that the population is a generalization area consisting of objects/subjects with specific qualities and characteristics determined by researchers to be studied, which are then concluded. Based on the description above, it can be explained that the population is the entire subject or object that is the focus of the research by taking into account several characteristics that follow the research being carried out. The people used as the object

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of this research are all financing customers of the Al Amin Berkah Sejahtera Cooperative, totaling 329 financing customer members.

According to Sugiyono (2017), the sample is part of the number and characteristics possessed by the population. What is learned from the model, and how will the conclusions apply to the population? For this reason, samples taken from the people must be genuinely representative (representative). The sampling technique in this study used Accidental Sampling. This sampling method is based on the uncertainty of the number of customers who come, so only customers who come within one month during the research period will be used as respondents in this study. So all financing customers who come for one month of the research period at the Al Amin Berkah Sejahtera Cooperative Sharia will be given a research questionnaire sheet.

The data collection method used in this study was carried out through library research and field research. The data analysis technique used in this study is testing instrument requirements, testing requirements analysis, and testing model analysis, pushing the instrument's needs, namely the validation test, reliability test, analysis requirements test, normality test, homogeneity test, and linearity test. Multiple linear regression, t-test, F test, and determination R2 test are testing the analysis model.

Results

Internal factor variable data (X1) was obtained from the results of respondents' answers to the instrument, which consisted of 20 questions that were scored using the Likert scale method with weights of 1 to 5. With a value of 1 x 20 = 20, 2 x 20 = 40, 3 x 20 = 60, 4 x 20 = 80, and 5 x 20 = 100. The theoretical score ranges from 20 to 100. The empirical score ranges from 47-91. The average value obtained is 73.36, the median is 74, and the mode is 74. From the results of testing the internal factor variable (X1), the number of data (n) is 73, with the largest value being 91 and the smallest value being 47, so the range (R) of the table is 44.

Table 1. Internal Variable Questionnaire Statistics

No	Interval	Absolut Frequency	Relative Frequency
1	47 – 52	1	1,4
2	53 – 58	4	5,5
3	59 – 64	2	2,7
4	65 – 70	19	26
5	71 – 76	20	27,4
6	77 – 82	18	24,7
7	83 – 91	9	12,3
	Total	73	100%

External factor variable data (X2) was obtained from the respondents' answers to the instrument, which consisted of 20 questions that were scored using the Likert scale method with weights of 1 to 5. With a value of 1 x 20 = 20, 2 x 20 = 40, 3 x 20 = 60, 4 x 20 = 80, and 5 x 20 = 100. The theoretical score ranges from 20 to 100. The empirical score ranges from 49-88. The average value obtained is 71.79, the median is 73, and the mode is 69. From the results of the external factor variable (X2) trial, the number of data (n) is 73, with the largest value being 88 and the smallest value being 49, so the range (R) of the table is 39.

Table 2. External Variable Questionnaire Statistics

No	**Interval**	**Absolut Frequency**	**Relative Frequency**
1	49 – 54	6	8,2
2	55 – 58	1	1,4

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3	59 – 64	5	6,8
4	65 – 70	20	27,4
5	71 – 76	18	24,7
6	77 – 82	16	21,9
7	83 – 88	7	9,6
	Total	73	100%

Financing problem (Non-Performing Loan) variable data (Y) was obtained from the respondents' answers to the instrument, which consisted of 20 questions that were scored using the Likert scale method with a weight of 1 to 5. With a value of 1 x 20 = 20, 2 x 20 = 40, 3 x 20 = 60, 4 x 20 = 80, and 5 x 20 = 100. The theoretical score ranges from 20 to 100. The implicit score ranges from 48 to 96. The average value obtained is 75.60, and the median of 76 modes is 77. From the trial results of the troubled financing variable (Y), the amount of data (n) is 73, with the largest value being 96 and the smallest value being 48, so the range (R) of the table is 48.

Table 3. Financing Problem (Non-Performing Loan) Questionnaire Statistics

No	Interval	Absolut Frequency	Relative Frequency
1	48 – 54	2	2,7
2	55 – 61	4	5,5
3	62 – 68	7	9,6
4	69 – 75	22	30,2
5	76 – 82	21	28,8
6	83 – 89	12	16,4
7	90 – 96	5	6,8
	Total	73	100%

Multiple Regression Results

In this study, the hypothesis test was carried out using multiple regression, which would be tested empirically to find a functional relationship between two or more independent variables and the dependent variable or to predict two or more independent variables concerning the dependent variable. The results of multiple linear tests in this study can be seen in the table below:

Table 4. Multiple Regression Results

	Coeff	Std. Error	t
Constant	86.697	11.593	7.478
Internal Factor	0.231**	0.144	1.673
External Factor	0.881**	0.134	2.606

Notes:*significant at 0.10, **significant at 0.05, ***significant at 0.01. The dependent variable is the financing problem (NPL)

Based on the results of the coefficients test above, it can be developed using the multiple linear regression equation models as follows: Y = 86.697 + 0.231 + 0.881. The equation can be explained as follows: the intercept indicates a value of 86.697. It means that if internal and external factors influence it, the value of problem financing is 86.69%. Meanwhile, the regression coefficient on internal factors is 0.231, indicating that every 1% increase in internal factors will increase problem financing by 23.1%. The regression coefficient on external factors is 0.881, meaning that every 1% increase in external factors

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will increase problem financing by 88.1%

The Effect of Internal Factors on Non-Performing Loan

The influence of internal factors on problem financing is based on the research results showing that internal factors have a positive and significant effect on problem financing in the AL-Amin Sharia Cooperative. Internal factors that affect problematic financing come from interior companies. This positive influence indicates that the higher the internal factors that influence, the higher the problem financing that occurs, and the significant effect suggests that internal factors influence problem financing. It can be scientifically proven by accepting this study's hypothesis; internal factors positively and considerably influence Problematic Financing in the AL-Amin Sharia Cooperative.

The results of this study are supported by Yulis' research (2018) which shows that the results of the research show that the factors causing problematic financing at BMT cadets are prosperous, namely internal factors originating from account officers who do not apply the precautionary principle in the analysis of financing customers. Research from Sri (2015) indicates that the causes of problematic financing come from internal factors, namely, errors in managing data obtained from customers. The financing administration section is not thorough and enters data written in the attachments filled in by customers.

The effect of External Factors on Non-Performing Loan

Based on the results of the analysis of the influence of external factors on problem financing in the Al-Amin Sharia Cooperative, the results show that external factors have a positive and significant effect on Problem Financing in the AL-Amin Sharia Cooperative. External factors that affect problematic financing are government regulations that make it difficult for business owners, competing products and disasters or epidemics. For now, the external factor that increases the problem financing is the outbreak of the Covid-19 pandemic. This positive influence indicates that the higher the external factors that influence, the higher the funding problem that occurs, and the significant impact suggests that external factors affect problematic financing. It can be scientifically proven by accepting the hypothesis in this study; namely, external factors have a positive and significant influence on Problematic Financing in the AL-Amin Sharia Cooperative.

The results of this study are supported by the research of Cesilia (2016), which explains that external factors affect causing financing problems, with results of the research showing that the factors that cause financing problems are external factors. This study also aligns with Widya's (2013) statement that external factors influence problem financing.

Based on the analysis of the influence of internal and external factors, the most dominant factor influencing non-performing financing is the external factor. This positive influence indicates that the higher the internal and external factors that influence it. The higher the problem financing that occurs, and the more significant effect shows that internal factors and external factors influence problem financing, it can be scientifically proven by accepting the hypothesis in this study, namely internal factors and external factors together have a positive and significant influence on Problem Financing in the AL-Amin Sharia Cooperative.

The magnitude of the simultaneous effect of internal and external factors on problem financing seen from the R squared equation test is 63.5%, so the remaining 36.5% is influenced by other variables not examined. The results of this study are supported by Widya's 2013 research which states that the factors that influence problem financing are internal and external factors, with the results showing that external factors have a more dominant influence on problem financing.

Conclusion

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From the results of research and discussion conducted by researchers related to the factors causing problematic financing in the Al-Amin Berkah Sejahtera Cooperative Sharia Central Lampung Central Office, it can be concluded that internal factors have a positive and significant effect on Problem Financing in the Al-Amin Berkah Sejahtera Syariah Cooperative Central Lampung Central Office. The external factors positively and significantly affect problematic financing in the Al-Amin Berkah Sejahtera Cooperative, Central Lampung Central Office. Based on the joint test results, it was concluded that Internal Factors and External Factors together had a positive and significant effect on Problem Financing in the Al-Amin Berkah Sejahtera Sharia Cooperative Central Lampung Head Office, based on the multiple linear regression equation tests the independent variables had a positive effect on the dependent variable.

Based on the conclusion, the researchers provide several suggestions, namely as follows: Al-Amin Sharia Cooperative should pay attention to the balance of the company's internal conditions and customers, namely between the company's management and the capabilities and internal requirements of the customers. In dealing with external factors causing problematic financing, Al-Amin should quickly make situational decisions and policies for funding problems based on external factors. Al-Amin Sharia Cooperative deals with internal and external factors that coincide in causing problematic financing so that they can always be ready to face all changes and internal and external conditions.

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