

Analysis of Control and Handling of Non-Performing Financing at PT BPRS Bumi Rinjani Batu

Analisis Pengendalian dan Penanganan Non-Performance Financing pada PT BPRS Bumi Rinjani Batu

Abdul Wahid Mahsuni

ABSTRACT

The purpose of this research is to analyze the process operation of defrayal which is conducted by PT BPRS Bumi Rinjani Batu in channeling of defrayal between *shahibul mal* and *mudharib*. And also to analyze the handling which have been done by PT BPRS Bumi Rinjani Batu to non-performing financing that happened during period 2014-June 2016. According to the Bank of Indonesia criterion, the amount of NPF consists of credit less fluent hesitated and stock. NPF in PT BPRS Bumi Rinjani Batu isn't exceeded from specified rule by the Bank of Indonesia means the NPF there during 3.5 the last years less than 5%. It's proven that in 2015 the NPF is 1.9% in 2014 is 0.75% in 2015 is 0.99% and in June 2016 is 0.9%. The handling has been done by PT BPRS Bumi Rinjani Batu depends on the weight and the light of the problem. For the heavy category, the bank will do abolition and in the light category, the bank will do revitalization.

Keywords: Operation of financing, non-performing financing, the handling of financing

ABSTRAK

Tujuan dari penelitian ini adalah untuk menganalisis proses operasi pembiayaan yang dilakukan oleh PT BPRS Bumi Rinjani Batu dalam menyalurkan pembiayaan antara *shahibul mal* dan *mudharib*. Serta untuk menganalisis penanganan yang telah dilakukan oleh PT BPRS Bumi Rinjani Batu terhadap pembiayaan bermasalah yang terjadi selama periode 2014-Juni 2016. Menurut kriteria Bank Indonesia, besaran NPF terdiri dari kredit kurang lancar dan saham. NPF di PT BPRS Bumi Rinjani Batu tidak melebihi dari ketentuan yang ditetapkan oleh Bank Indonesia artinya NPF yang ada selama 3,5 tahun terakhir kurang dari 5%. Terbukti pada tahun 2014 NPF sebesar 1,9% pada tahun 2015 sebesar 0,75% pada tahun 2016 sebesar 0,99% dan pada bulan Juni 2016 sebesar 0,9%. Penanganan yang telah dilakukan oleh PT BPRS Bumi Rinjani Batu tergantung berat dan ringannya masalah. Untuk kategori berat akan dilakukan abolisi dan pada kategori ringan akan dilakukan revitalisasi.

Kata Kunci: Operasional Pembiayaan, non-performing financing, Penanganan Pembiayaan



JIHBIZ
Jurnal Ekonomi,
Keuangan dan
Perbankan Syariah
P-ISSN 1238-1235

Vol. 2 No. 2 2018
Page 186-203

Published by:

Program Studi Ekonomi Syariah dan
Program Studi Perbankan Syariah
Universitas Islam Raden Rahmat Malang,
Indonesia

Website:

<http://ejournal.uniramalang.ac.id/index.php/jihbiz/>

Article's DOI:

<https://doi.org/10.33379/jihbiz.v2i2.775>



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Article Type:

Research Paper

1. Introduction

In 2010, Indonesia will use the Islamic economic system nationally. This hope will soon be realized because since 1991 Indonesia has introduced to the public the Islamic economic system (LM, 2006, p. 36). As one of the OIC member countries, Indonesia took the initiative to establish a Sharia Bank in 1990, namely through the 'Interest Bank and Banking' workshop organized by the Indonesian Ulema Council from 18 to 20 August 1990, in Cisarua, Bogor, West Java. And on November 1, 1991, the deed of establishment of PT Bank Muamalat Indonesia was signed, and PT Bank Muamalat Indonesia was born as a result of the work of the Banking Team of the Indonesian Council of Ulama.

Triyuwono 2000 explained in Muhammad (2005, p. 30) that in the same year, on July 15, 1991, the first Islamic (rural) banks in Indonesia were also established, namely the People's Credit Bank 'Mardatillah' (BPRMD) and the People's Credit Bank 'Berkah Amal Sejahtera'. These two banks operate based on Islamic law and are located in Bandung-West Java.

In 1991 there were two types of banks whose operational systems were based on Sharia principles, namely BPRMD and Bank Muamalat Indonesia. These two types of banks have a juridical basis as the basis for legality in running and establishing their offices, namely Undang-undang Nomor 7 1992.

Based on data from the Financial Services Authority (OJK), there are 167 BPRS in Indonesia supported by 441 offices and 4,619 employees as of December 2017. Total assets of BPRS in Indonesia as of December 2017 amounted to Rp 10.24 trillion- and third-party Funds (DPK) is Rp 6.98 trillion. BPRS manages 1.38 million savings accounts and 293 thousand loan accounts from their assets. The rapid growth in the number of BPRS is in line with the growth in assets, financing, and funding as a result of the issuance of Law Number 28 of 2008 concerning Islamic Banking.

BPRS financing is quite risky due to the slowdown in the growth of BPRS activities due to the slowdown in economic growth since 2013. One way to measure the quality of financing is by measuring Non-Performing Financing (NPF) (Bloem & Gorter, 2001, p. 4).

the importance of the function and role of banks as financial intermediaries (intermediary financial institutions), the government with its authority and authority to reform and improve the functions and roles of financial institutions as the locomotive of the national economy. One of the efforts to improve it is through the deregulation policy dated 27 October 1988 known as Pakto 1988. One of the contents of the deregulation package on 27 October 1988 was to allow the establishment of mixed (foreign and national) banks, Rural Banks (BPR), and Bank Muamalat Indonesia. (BMI) which in its operations is based on Islamic Sharia. In Article 1 (13) of Law No.10/1998, it is stated that:

Sharia principles are the rules of agreements based on Islamic law between banks and other parties for depositing funds and/or financing and business activities, or other activities that are declared following sharia, including financing based on the principle of profit-sharing (*mudharabah*), financing based on equity participation (*musyarakah*), the principle of buying and selling goods with a profit (*murabahah*), or financing of capital goods based on the principle of a pure lease without choice (*ijarah*), or with the option of

transferring ownership of the goods leased from the bank by another party (*ijarah wa iqtina*).

Based on the background of the problem that has been presented, the problem in this study is "How are the control and handling efforts carried out by PT BPRS Bumi Rinjani Batu on non-performing financing?"

2. Literature Review and Hypothesis Development

2.1 Results of Previous Research

Surbakti (2005) "Analysis of the factors causing non-performing financing, a case study on Islamic Bank 'X' in Jakarta." Concluding that the cause of non-performing financing of Islamic Bank 'X' in Jakarta is the quality of the customer's character and the quality of cash flow. The handling carried out by Bank Syariah 'X' Jakarta is that if it is indicated that the quality of the customer's character is less convincing, then lending must be avoided and lending becomes inappropriate and unsafe. Periodically evaluate customer cash flow performance by comparing it with projections and observing trends.

2.2 Differences between Conventional Banks and Islamic Banking

The definition of the bank according to RI Law No. 14, 1997, Article 1, point a which states: "Bank is a financial institution whose main business is to provide credit and services in payment traffic and money circulation".

In 1990 a new phenomenon emerged among users of conventional banking services in Indonesia, namely the interest system as a reward for bank service users was felt to be unfair, namely for bank customers who used loan/credit services with fixed interest rates and their business activities faced various elements. risk, then it continues to burden its business development activities. This phenomenon has been known and understood by the government and finally the issuance of a Government Regulation. RI Number 72 of 1992 concerning banks based on the principle of profit-sharing.

Antonio 2001 in Rachmawati (2003, p. 43) The fundamental difference between Islamic banking and conventional banking is related to legal aspects, organizational structure, finance business, and work environment and does not apply the interest system due to the prohibition of interest for Islamic banking. The difference between Islamic banking and conventional banking can be seen in table 1.

Table 1 Differences between Islamic Banking and Conventional Banking

Description	Islamic Bank	Conventional Bank
Legal Basis	• Shariah basis • Positive Legal Basis	• Positive Legal Basis
Bank Management	Supervision: Sharia Supervisory Board; board of Commissioners	Supervision: board of Commissioners
Incentives (returns) to Third Party Funds	• Profit sharing • Bonus	Interest
The amount of return to third parties	Depends on Bank Income	Not Dependent on Bank Income
Funded Business	Halal	Not Seeing Halal and Haram
Work environment	Work Ethics Reflects Sharia	Conventional Work Ethics

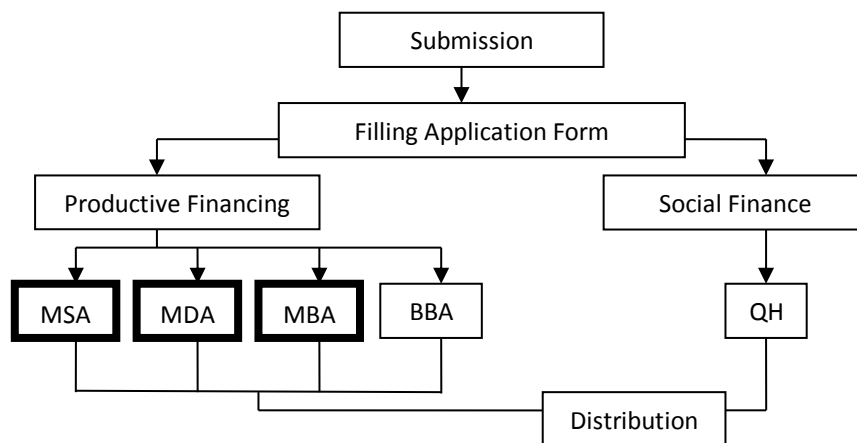
Sources: Sudarmiyati, 2004, p. 126

2.3 Definition of Credit and Financing

Laba merupakan selisih pengukuran pendapatan dengan biaya secara akrual Suwardjono Muljono (2001, p. 9) writes that the notion of credit has various dimensions. Starting from the word "credit" which comes from the Greek "Credere" which means "trust" or in Latin "*Creditum*" which means belief in the truth.

The definition of credit according to the Banking Law Number 10 of 1998 is:

“Provision of money or equivalent claims, based on an agreement or loan agreement between the bank and another party that requires the borrower to repay the debt after a certain period with interest.”



Gambar 1 General Procedures for Financing at Islamic Banks

Resource: Muhammad, 2001, p. 103

Noted:

MSA = *Musyarakah*

MDA = *Mudharabah*

MBA = *Murabahah*
BBA = *Ba’I Bithaman Ajil*
QH = *Al-Qardul Hasan*

2.4 Procedure for Granting and Valuation of Financing

Kasmir (2000, p. 95) procedures for granting and assessing credit by the banking world, in general, are not much different from one bank to another. The difference may only lie in the requirements and assessment measures set by the bank with their respective considerations.

As decided by Bank Indonesia through its Decree No.27/162/Kep/Dir which was delivered in a Bank Indonesia Circular Letter No.27/7/UPPB dated March 31, 1995, all commercial banks must have a written general financing policy.

Kasmir (2000, p. 91-95) states that there are several principles of credit assessment that are often carried out, namely the 5 C analysis, including character (character), capacity (ability to pay), capital (capital), collateral (collateral), condition of economy and sector of business (economic and business conditions).

2.5 Non-Performing Financing

Non-performing financing for Islamic banking and non-performing loan terms for conventional banking is credit with the conditions of payment of principal or principal installments and the degree of possibility of receiving the financing back, not following the agreement or agreement between the creditor and debtor.

For financing that has the potential to be unable to be repaid by the customer following the terms that have been determined and mutually agreed upon, the bank is obliged to provide an assessment of the quality of the financing. In general, the assessment of the quality of financing must comply with the provisions on the collectability assessment set by the Central Bank, in this case Bank Indonesia.

According to the criteria of Bank Indonesia, the amount of non-performing financing consists of bad debts, doubtful and substandard loans (Indocommercial, 2004, p. 48).

Table 2 Credit Collectability with Installment (non-mortgage)

COLLECTABILITY	INSTALLMENT TIME	OUTSTANDING PAYMENT(S)	OUTSTANDING INTEREST	OVERDRAF
Good	< 1 month	< 1 month	< 1 month	
	Monthly	< 3 months	< 3 months	
	two-Monthly	< 3 months	< 3 months	<=15 days
	quarterly	< 3 months	< 3 months	
	four Monthly	<= 6 months	< 3 months	
Bad	< 1 Month	> 1 Month <= 2 Months	> 1 Month <= 3 Months	
	Monthly	> 3 Months <= 6 Months	> 3 Months <= 6 Months	

	two-Monthly	> 3 Months <= 6 Months	> 3 Months <= 6 Months	> 15 days <= 30 days
	quarterly	> 3 Months <= 6 Months	> 3 Months <= 6 Months	
	6 Months <=	> 3 Months <= 12 Months	> 3 Months <= 6 Months	
Doubtful	Does not fall into the two collectability categories above Loans can still be saved with collateral worth at least 75% of the borrower's debt (including interest) Credit cannot be saved with collateral worth at least 100% of the borrower's debt.			
Bad credit	Not categorized into the three collectability criteria above There has been no settlement or rescue effort within 21 days since it was classified as collectability III. Loans whose settlement has been submitted to the District Court or State Receivable Affairs Agency or compensation has been submitted to a credit insurance company.			

Source: Tawaf, 1999, p. 261

Table 3 Credit Collectability with Installment (KPR)

DESCRIPTION	OUTSTANDING PAYMENT(S)
Good	Nihil or <=6 months
Substandard credit	> 6 months <= 9 months
Doubtful	Does not fall into the two categories above Loans can still be saved with collateral worth at least 75% of the borrower's debt (including interest) Credit cannot be saved with collateral worth at least 100% of the borrower's debt
Bad credit	Not categorized into the three collectability criteria above There has been no repayment or rescue effort within 21 days from being classified as collectability III. Loans whose settlement has been submitted to the District Court or State Receivable Affairs Agency or compensation has been submitted to a credit insurance company

Sources: Tawaf, 1999, p. 262

Table 4 Credit Collectability Without Installment

COLLECTABILITY	INSTALLMENT TIME	OUTSTANDING INTEREST	OVERDRAFT	NOTES
Good	Before maturity	Nothing <= 3 Months		
	Maturity		MAX. 15 days	Has been analyzed for extension but cannot be extended yet due to technical difficulties

substandard credit	Before Maturity	> 3 Months <= 6 Months <i>plafondring</i>	> 6 hr <= 60 days	
	Maturity	<= 3 Months		
Doubtful	- Not included in the categories above - Credit can still be salvaged by collateral worth at least 75% of the debt the borrower (including interest) - Credits can not be saved by collateral worth at least 100% of the debt of borrowers			
Bad credit	- Not categorized into the three collectability criteria above - There has been no repayment or rescue effort within 21 days from being classified as collectability III. - Loans whose settlement has been submitted to the District Court or State Receivable Affairs Agency or compensation has been submitted to a credit insurance company.			

Sources: Tawaf, 1999, p. 262

2.6 Conceptual framework

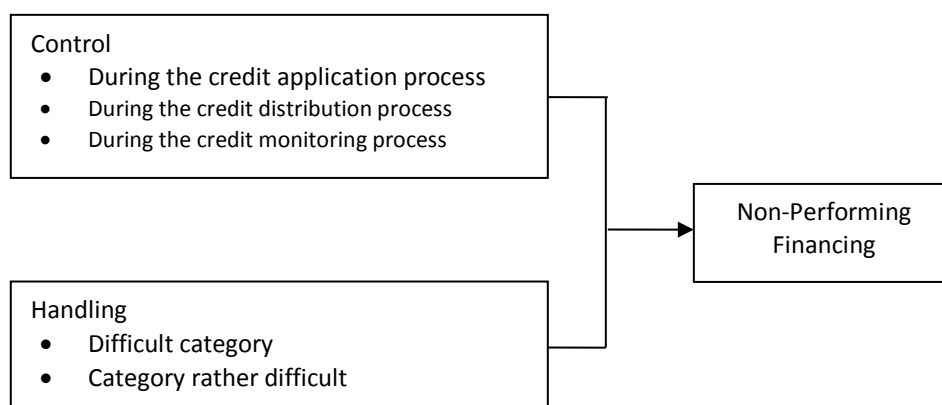


Figure 2 Conceptual framework
Control analysis and handling of non-performing financing

3. Research Methodology

3.1 Sources and Methods of Data Collection

In this study, primary data was obtained by conducting interviews with finance officers (A/O) at PT BPRS Bumi Rinjani. The data collection method is through:

1. Documentation, namely collecting data by studying documentation and files at agencies and parties that are used as input materials related to the subject (Cooper and Emory, 1996, p. 147).
2. Interview is one of the data collection techniques. The implementation can be done directly dealing with the interviewee, it can also be done indirectly, such as providing a

list of questions to be answered on another occasion. The instrument used can be an interview guide or a checklist (Umar, 2000, p. 116).

3.2 Variable Operational Definition

3.2.1 Non-performing financing (NPF)

Non-performing financing is financing with the conditions of payment of principal or principal installments and the level of possibility of receiving the financing back, not by the agreement or agreement between the creditor and debtor.

3.2.2 Control of NPF

Control is a preventive tool that can minimize the opportunities for deviations and a tool to detect deviations that can lead to Non-Performing Financing (Arifin, 2003, p. 222). To achieve this goal, the credit-control system has several elements, including:

1. Control during the credit application process.
2. Control during the credit analysis process.
3. Control during the credit distribution process.
4. Control during the credit monitoring process.

3.2.3 Handling of NPF

Afif (1996, p. 246) Bank activities in channeling funds to the public/customers cannot be separated from the risk of non-performing financing. This situation will affect the bank's capital. Therefore, banks carry out supervision and guidance to customers when loan funds have been disbursed.

3.3 Data analysis method

3.3.1 Quantitative analysis used in this study is to:

1. Development Analysis of all financing disbursed by PT BPRS Bumi Rinjani Batu
2. Analysis of the development of the type of financing disbursed by PT BPRS Bumi Rinjani Batu period 20014 – June 30, 2016.
3. Analysis of the composition of the types of financing disbursed by PT BPRS Bumi Rinjani Batu period 2014 – June 30, 2016.
4. Analysis of the development of financing collectability of PT BPRS Bumi Rinjani Batu period 2014 – June 30, 2016.
5. Analysis of the number of customers experiencing non-performing financing of PT BPRS Bumi Rinjani Batu period 2014 – June 30, 2016.

3.3.2 Qualitative descriptive analysis was used in this study to:

1. Provide an explanation and confirmation of the results of quantitative analysis that have been obtained and processed sourced from PT BPRS Bumi Rinjani Batu regarding financing for the period 31 December 2014 – 30 June 2016.
2. To analyze the financing control conducted by PT BPRS Bumi Rinjani Batu include:

- a. Control during the credit application process.
 - b. Control during the credit analysis process.
 - c. Control during the credit distribution process.
 - d. Control during the credit monitoring process.
3. To analyze the handling by PT BPRS Bumi Rinjani Batu in the occurrence of non-performing financing (non-performing financing).

4. Result and Discussion

4.1 Operating System PT BPRS Bumi Rinjani Batu

PT BPRS Bumi Rinjani Batu as a financial intermediary or financial intermediary institution carries out a mechanism for collecting and distributing funds in accordance with applicable regulations. The existing operational system at PT BPRS Bumi Rinjani Batu include:

4.1.1 Funding

a. Mudharabah savings

That is a type of deposit for individuals or groups that aims to entrust money for security as well as investment, the withdrawal of which can be made at any time according to a mutual agreement, and savers will get a profit-sharing on bank profits every month. The savings product at PT BPRS Bumi Rinjani Batu, namely Syariah Rinjani savings (TASYARIN) and education savings.

b. Mudharabah deposits

Namely, the type of individual or legal entity savings that are intended for investment, where withdrawals can only be made at maturity according to an agreed period of time and can be automatically extended and depositors will be given profit sharing on bank profits every month. The *mudharabah* deposits at PT BPRS Bumi Rinjani Batu are divided into four terms, including:

1. Deposit with a term of 1 month
2. Deposit with a term of 3 months
3. Deposit with a term of 6 months
4. Deposit with a tenor of 12 months

Table 5 Terms of the ratio of PT BPRS Bumi Rinjani Batu

Product	Nisbah
Savings	28:72
Deposito 1 month	30:70
Deposito 3 months	35:65
Deposito 6 months	40:60
Deposito 12 months	45:55

Resources: PT BPRS Bumi Rinjani Batu

The profit obtained from the *mudharabah* deposit product at PT BPRS Bumi Rinjani Batu include:

1. Inner comfort because its operations are carried out by Islamic law.

2. Get fair profit sharing.
3. Can find out the balance at any time

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- 3) Can find out the balance at any time

4.1.2 Financing

The financing distribution mechanism (credit disbursement) at PT BPRS Bumi Rinjani Batu as Sharia-based banking has its uniqueness compared to conventional banks. The financing is carried out with the concept of Sharia financing which consists of:

- a. *Murabahah* financing is a sale and purchase contract of goods by stating the acquisition price and profit (margin) agreed upon by the seller and the buyer.
- b. *Mudharabah* financing is a type of financing related to the expectations of working capital and investment capital for the debtor in need. The bank provides working capital of 100% to the debtor in need.
- c. *Musyarakah* financing is a type of financing that is similar to *mudharabah*, because it is also related to the expectations of working capital and investment capital for the debtor. The bank provides working capital of around 50% because the remaining 50% of the funds have been prepared by the debtor.

4.2 Financing Control Analysis Conducted by PT BPRS Bumi Rinjani Batu

In carrying out operational banking activities (funding) between *shahibul mal* (PT BPRS Bumi Rinjani Batu) and *mudharib* (customers/debtors), the *shahibul mal* party of BPRS carries out the financing control process according to the procedures that have been made and applicable at PT BPRS Bumi Rinjani Batu. The financing control processes carried out include the following:

4.2.1 Control during the credit/financing process

Control carried out by PT BPRS Bumi Rinjani Batu during the financing process, namely conducting initiation and outreach, such as:

1. Collection of Information regarding the type of customer:
 - a. Customers come to the office
 - b. A/M comes to the customer
2. Information seeking techniques
Internal: Fund customer, has a good reputation, existing customer, Interlink Customer.
External: Reference (letter or acquaintance), the buyer from existing customer product, supplier from existing customer product, current service to the bank.
3. *Taaruf* (interview)
 - a. Coverage in interview
 - b. Completeness of applicant data
 - c. Explanation of supporting data
 - d. Re-checking the correctness and consistency of application data

4. Determination of potential customers
 - a. Not comparing with other customers
 - b. Qualification not below average

4.2.2 Control during the credit analysis process

Process Analysis

1. Evaluating the ability and willingness of prospective customers to repay the financing received by the contents of the financing agreement or contract based on the following aspects:
 - a. The success of the business flow is financed
 - b. Makes conclusions and work on financing capital quickly and accurately.
2. The form of analysis used in general is by:
 - a. Quantitative analysis
 - b. Qualitative analysis

Approval Process

1. Financing proposal
 - a. After the analysis process, a financing proposal (UP) is made to the financing committee to be recommended for financing facilities.
 - b. The financing proposal contains (most important)
 - a) Form of financing facility
 - b) Type of financing facility: new/old extension/addition
 - c) Specifically, for the form of buying and selling financing, there is no additional ceiling, only a time delay (the installment schedule has been extended).
 - d) Number of ceilings.
2. Financing memorandum
A brief analysis of financing quality
3. Financing committee
The committee determines whether or not the funding is accepted.
4. Control during the process of lending/financing

4.2.3 Control during the process of lending/financing

Financing Realization Process

1. Realization Process is the process of seeking funds or purchasing customer goods after being processed and decided by the financing committee.
2. The use of sale and purchase funds is called payment and the disbursement of funds for financing in syirkah and services is called disbursement.
3. Requirements that must be met:
 - a) Checking customer documents
 - b) Examination of compliance with applicable internal or external provisions.

4.2.4 Control during the credit/financing monitoring process

Financing Coaching

1. Guidance and monitoring is a constructive way to improve customer business conditions
2. Directing the use of financing facilities correctly
3. Preventive action to avoid default.
4. In coaching, the Bank must:
 - a) Avoiding the attitude of merely looking for faults or weaknesses.
 - b) If errors and weaknesses are found, a critical and analytical evaluation is required as well as whether the customer can correct them.
5. Construction method:
 - a) Build friendship.
 - b) Evaluating the mutation of the customer's account or assets.
 - c) Paying attention to the continuity of the customer's business, especially those related to the products and services it produces.
 - d) Helping customers to solve the problems they face.
6. Reporting (conditions and visits).

Make reports obtained including the results of direct visits that are related and non-technical.

Settlement and Release of Guarantees

- a) Repayment

Repayment is the completion of the customer's obligations to the Bank, the settlement will have an impact on important documents submitted by the customer to the Bank, therefore the customer has the right to request a return and the bank is obliged to return it. This process of returning documents and warranties is generally referred to as release of warranties.
- b) Waiver of warranty

The guarantee will be given if the obligations and administrative and other costs arising from the settlement have been settled with the bank.

4.3 Development Analysis of All Financing Disbursed by PT BPRS Bumi Rinjani Batu Period 2014–June 2016

In line with the rapid development of public funds. The development of financing by PT BPRS Bumi Rinjani Batu has also continued to increase in the last 3.5 years.

The development of the financing is proven, in 2004 the amount of financing disbursed by PT BPRS Bumi Rinjani Batu was recorded at Rp 2,122,313,680.00 and subsequently increased to Rp 3,986,862,625.00 in 2015 or an increase of 23.99% from 2014. This disbursement of financing continued to increase to Rp 4,735,952,450.00 in 2016 or an increase of 28.48% from 2015.

And until June 2016 distribution of financing by PT BPRS Bumi Rinjani Batu has jumped again to reach Rp 5,781,218,400.00 or an increase of 34.77% of the total financing disbursed in 2015.

4.4 Development Analysis Types of Financing distribution of PT BPRS Bumi Rinjani Batu Period 2014–June 2016

The development of the distribution of financing Disbursed by PT BPRS Bumi Rinjani Batu Period 31 December 2014 – 30 June 2016 can be seen in the table below:

Table 6 The development of the type of financing distribution of PT BPRS Bumi Rinjani Batu December 2014 – 30 June 2016*

Type of financing	Financing Amount Period 31 Dec 2014 – 30 June 2016	Percentage
Financing of <i>murabahah</i>	Rp 9.030.610.005,00	54%
Financing of <i>mudharabah</i>	Rp 6.106.337.150,00	37%
Financing of <i>musyarakah</i>	Rp 1.489.400.000,00	9%
Total financing	Rp 16.626.347.155,00	100%

Source: PT BPRS Bumi Rinjani, data processed

4.5 Analysis of the Composition of Types of Financing Disbursed by PT BPRS Bumi Rinjani Batu

The type of financing distribution carried out by PT BPRS Bumi Rinjani Batu include *murabahah* financing, *mudharabah* financing, and *musyarakah* financing. The following can be seen as the composition of the financing disbursed by PT BPRS Bumi Rinjani Batu by type, period 31 December 2004 – 30 June 2007.

Table 7 Composition of Financing Disbursed by PT BPRS Bumi Rinjani Batu by Type Period 31 December 2014 – 30 June 2016*

Type of financing	31 December 20015		31 December 20016	
	Total	Percentage	Total	Percentage
Financing of <i>murabahah</i>	Rp 1.607.033.680,00	75.72%	Rp 2.558.575.475,00	64.18%
Financing of <i>mudharabah</i>	Rp 440.280.000,00	20.75%	Rp 1.189.287.150,00	29.83%
Financing of <i>musyarakah</i>	Rp 75.000.000,00	3.53%	Rp 239.000.000,00	5.99%
Total Financing	Rp 2.122.313.680,00	100%	Rp 3.986.862.625,00	100%

Source: PT BPRS Bumi Rinjani, data processed

Table 8 Composition of Financing Disbursed by PT BPRS Bumi Rinjani Batu by Type, Period 31 December 2015 – 30 June 2016*

Type of financing	31 December 2006		30 June 2007	
	Total	Percentage	Total	Percentage
Financing of <i>murabahah</i>	Rp 2.414.342.450,00	50.98%	Rp 2.450.658.400,00	42.39%
Financing of <i>mudharabah</i>	Rp 1.990.510.000,00	42.03%	Rp 844.300.000,00	14.60%
Financing of <i>musyarakah</i>	Rp 331.100.000,00	6.99%	Rp 2.486.260.000,00	43.01%
Total Financing	Rp 4.735.952.450,00	100%	Rp 5.781.218.400,00	100%

Source: PT BPRS Bumi Rinjani, data processed

4.6 Analysis of Credit Collectability Development at PT BPRS Bumi Rinjani Batu

The control mechanism is carried out by PT BPRS Bumi Rinjani Batu in distributing financing to the people of Batu and its surroundings can minimize the number of NPFs each year. Based on reports obtained from PT BPRS Bumi Rinjani Batu shows that in the last 3.5 years (2004-June 2007) the number of NPF PT BPRS Bumi Rinjani Batu is below 5%.

According to the credit collectability criteria of Indonesian banks in Decree No: 09/BPRS/BRB/DIR/XII/2002 concerning the provisions on the collectability level of financing at PT BPRS Bumi Rinjani Batu, NPF consists of substandard financing (collectability 2), doubtful (collectability 3), and loss (collectability 4).

In 2004 NPF PT BPRS Bumi Rinjani Batu was 1.9% while current financing was able to reach 98.10%. In 2005 NPF decreased by 0.75% and current financing by 97.97%. Furthermore, in 2006 NPF fell again by 0.9% and current financing increased from the previous year which was 98.78%. And at the end of June 2007, NPF was 0.99% with current financing of 98.61%.

The development of NPF in PT BPRS Bumi Rinjani Batu has met the criteria set by BI, where at the end of 2003 the value of the national banking NPF was set at a maximum of 5%.

4.7 Development Analysis of the Number of Financing Customers of PT BPRS Bumi Rinjani Batu

Table 9 The number of financing customers of PT BPRS Bumi Rinjani Batu period 31 December 2014 - 30 June 2016

Collectability	31-12-2013	31-12-2014	31-12-2015	30-06-2016
Good	374	547	529	540
Substandard credit	9	9	13	5
Doubtful	5	4	5	7
Bad Credit	-	-	-	2
Total of Customers	388	560	547	554

Source: PT BPRS Bumi Rinjani, data processed

Based on the table of the number of financing customers above, it is clear that the financing customers of PT BPRS Bumi Rinjani Batu in 2004 as many as 388 customers. In 2005 there were 560 customers. In 2006 there were 547 customers and in June 2007 there were 554 customers in which 5 customers experienced col 2 (substandard), 7 customers experienced col 3 (doubtful), and 2 customers experienced col 4 (lost). The classification of collectability can be seen in appendix 8.

4.8 Analysis of Non-performing Financing Handling PT BPRS Bumi Rinjani Batu

From the results of research that has been done at PT BPRS Bumi Rinjani Batu is known that the handling of non-performing financing, which is carried out by PT BPRS Bumi Rinjani Batu as Sharia-based banking for customers who experience collectability are as follows:

PT BPRS Bumi Rinjani Batu re-evaluates financing to customers who experience collectability, re-examines customer files regarding juridical aspects, including business legality, the legality of submitting financing applications, and legality of collateral. The marketing aspect includes current marketing and future projections as well as supporting factors and problems. The financial aspect, namely the analysis to review the extent to which the customer's ability to process his finances including the fulfillment of his obligations to the bank. Technical aspects, namely the technical factors of the customer's project. Management aspects, namely the analysis of customer management capabilities, character, and organization. And the assurance aspect, namely the analysis to see the possibility of providing customer guarantees.

From the results of the evaluation of financing, the PT BPRS Bumi Rinjani Batu classifies customers into two categories of customers with collectability 2, 3, and 4 in the light/moderate category. So far, the light/moderate category has customers. Customers are in the heavy category. If the customer exceeds the collectability requirement 4, it means the arrears are more than 24 months.

Customers who fall into the light/moderate category, PT BPRS Bumi Rinjani Batu handles it directly through summons, reprimands, and visits to customers. If the customer pays in full, the guarantee will be returned and the money will be included in the financing group received. If the customer does not pay then the PT BPRS Bumi Rinjani Batu is revitalizing (saving financing).

5. Conclusions and Recommendations

Distribution of financing conducted by PT BPRS Bumi Rinjani Batu over the past 3.5 years has shown an increasing trend. In distributing financing to the people of Batu and surrounding areas, PT BPRS Bumi Rinjani Batu implements a very strict prudential banking system, this is done to control the occurrence of Non-Performing Financing and to avoid misuse of financing for things that are forbidden/prohibited by religion. Control and handling by PT BPRS Bumi Rinjani Batu has been effective. This is evident where the NPF that occurred in the last 3.5 years is below 5%, this is by the criteria set by Bank Indonesia that the NPF of national banking is set at a maximum of 5%.

Controls that have been carried out by PT BPRS Bumi Rinjani Batu consists of controlling the process of requesting financing in the form of initiation. The control carried out during the

financing analysis process is in the form of solicitation. Control at the time of disbursement of financing is in the form of fulfilling the conditions that the customer must fulfill. Control during the monitoring process is in the form of financing coaching by A/O officers to financing customers. Handling by PT BPRS Bumi Rinjani Batu against Non-Performing Financing that occurred during the period 2004-June2007 depending on the severity of the problem faced by the customer. And the causes of collectability. So far, PT BPRS Bumi Rinjani Batu has revitalized (rescued) 59 customers who experienced collectability, in the form of restructuring, rescheduling, reconditioning, and management assistance.

The results of research conducted at PT BPRS Bumi Rinjani Batu shows that the market potential of PT BPRS Bumi Rinjani Batu as Sharia-based banking, to the community of Batu and its surroundings, is very large. This is shown by the number of customers who become customers at PT BPRS Bumi Rinjani Batu approximately 2,049 customers. Therefore:

1. It is hoped that in the future, the target consumers will not only be emotional, namely customers who use Islamic banking services for religious reasons that interest is usury. However, it is expected that general consumers, namely customers who use Islamic banking services on the grounds of being able to think rationally, means that customers do not only think interest is usury but more on self-awareness to take advantage of Islamic banks.
2. The greater the distribution of funds carried out by PT BPRS Bumi Rinjani Batu is based on the concept of profit-sharing, on the business activities of real economic actors. It is not expected to have an impact on increasing the inflation rate in the economy. In the sense of the word, the increasing flow of funds to the public for productive activities will spur an increase in product activity by real economic actors which will encourage economic growth without causing inflationary fluctuations.
3. Islamic banking is a bank that has bright prospects. So in maintaining Non-Performing Financing with prudential principles, it is expected that later:
 - a. Improving prudential provisions and good corporate governance based on the operational characteristics of Islamic banks.
 - b. Encouraging an increase in the role of profit-sharing financing.
 - c. Encouraging the realization of the concept of integrated Islamic financial banking operations.

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