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THE INFLUENCE OF CONSUMPTION LEVELS, INFLATION, CAR, AND BOPO AGAINST PROBLEM FINANCING IN SHARIA COMMERCIAL BANK

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Abstract
The aim of this research is to identify variables that influence Non-Performing Financing (NPF) of sharia banking in Indonesia. Consumption level (GDP), price increase (inflation), capital adequacy (CAR), operating expenses and operating income (BOPO) are the variables used in this research as independent variables. This data was taken from the Sharia Financial Development Report and analyzed using the multiple regression method. The general population in this research is Sharia Commercial Banks registered with the Financial Services Authority (OJK) in 2018-2022, with a total research observation sample of 5 types of Sharia banks, because other categories of Sharia commercial banks do not meet the criteria for this research. The research results show that all variables do not have a significant influence on Non-Performing Financing (NPF) except that the Capital Adequacy Ratio (CAR) has a small influence on Non-Performing Financing (NPF). Previous research explains that capital adequacy (CAR) has a positive and significant effect on non-performing financing (NPF). Meanwhile, this research explains that capital adequacy (CAR) has a negative effect on non-performing financing (NPF).
***Keywords**: GDP, Inflation, CAR, BOPO, NPF*

Abstrak
Tujuan dari penelitian ini adalah untuk mengidentifikasi variabel yang mempengaruhi Pembiayaan Bermasalah (NPF) pada perbankan syariah di Indonesia. Tingkat konsumsi (GDP), Kenaikan harga (Inflasi), Kecukupan modal (CAR), Beban Operasional dan Pendapatan Operasional (BOPO) adalah variabel yang digunakan dalam penelitian ini sebagai variabel independen. Data ini diuji dengan metode regresi berganda setelah diambil dari Laporan Perkembangan Keuangan Syariah. Bank umum syariah yang terdaftar di Otoritas Jasa Keuangan (OJK) antara tahun 2018 hingga 2022 menjadi subjek penelitian ini. Karena bank umum syariah lainnya tidak sesuai dengan kriteria penelitian, maka lima jenis bank umum syariah yang berbeda menjadi sampel observasi penelitian. Temuan studi ini menunjukkan bahwa dampak *Capital Adequacy Ratio* (CAR) yang dapat diabaikan, tidak ada satupun variabel yang memiliki dampak besar terhadap *non-performing financing* (NPF). Penelitian sebelumnya menunjukkan bahwa kecukupan modal berdampak positif dan signifikan pada pembiayaan bermasalah (NPF). Sedangkan dalam penelitian ini menjelaskan bahwa Kecukupan modal (CAR) berpengaruh negatif terhadap pembiayaan bermasalah (NPF).
Kata kunci: GDP, Inflasi, CAR, BOPO, NPF

Introduction

Indonesia's sharia banking sector is expanding rapidly. A significant factor in the growth of Islamic banks is the inclination of people to save money for investments. Authority Data Financial Services (OJK) reports that in 2018, Islamic banks grew by 4-5% more than conventional banks (Salsabila, 2023). This advancement is also being fueled by prudent banking and monetary policies. A number of variables saw notable increases, including the allocation of funds and third-party financing, as well as the growth of office and banking networks (Hardiansyah, 2016).

In other words, the Islamic monetary policy system is based on the basic principles of Islamic economics: Allah SWT has the ultimate power and humans are only caliphs, not real owners. Materials owned by humans can only be obtained with the permission of Allah SWT, the true owner of the property. In Islamic teachings, wealth cannot be kept because it contains the rights of the poor. To eliminate conflict and group differences, individualism in Islam must be removed. Voluntary nature should be possessed by everyone, even in materially deprived societies (Rahmania et al., 2022)

A financial institution called Sharia Bank was established with the goal of promoting and enhancing Islamic values found in the Al-Qur'an and the Hadith, as well as the Islamic customs surrounding banking, finance, and related industries. This particular bank focuses in providing Islamically governed loans, financing, and other payment and money circulation services. The establishment of Law No. 7 of 1992, which deals with banks that use a profit-sharing model, is credited with giving rise to Indonesia's sharia banking system. The following year, Bank Muamalat Indonesia (BMI) switched from the interest-based system practice that other banks frequently employed to a profit-sharing structure (Amri & Ramadhi, 2021);(Kartikasari, 2019).

Financial organizations that provide payment services in accordance with sharia law are known as Sharia Commercial Banks (BUS). Similar to a regular commercial bank, Bus operates under the legal framework of a cooperative, limited liability company, or regional enterprise. Like most commercial banks, BUS can function as both a domestic and international bank. Bank Syariah Mandiri, Bank Syariah Bukopin, and Bank Muamalat Indonesia make up the BUS consortium (Desda & Yurasti, 2019).

Outside of the Indonesian banking industry overall, sharia banking is becoming more and more well-known. UU No. 10 of 1998, which mandates that commercial banks conduct business largely on payment transactions while abiding by normal banking norms, also governs the sharia banking system. Sharia banks are playing a more significant role in fostering regional economic expansion and establishing a more equitable financial system. The "two bank system" that permits conventional banks to create sharia business units is evidence that sharia banking is being supported (Otoritas Jasa Keuangan, 2020).

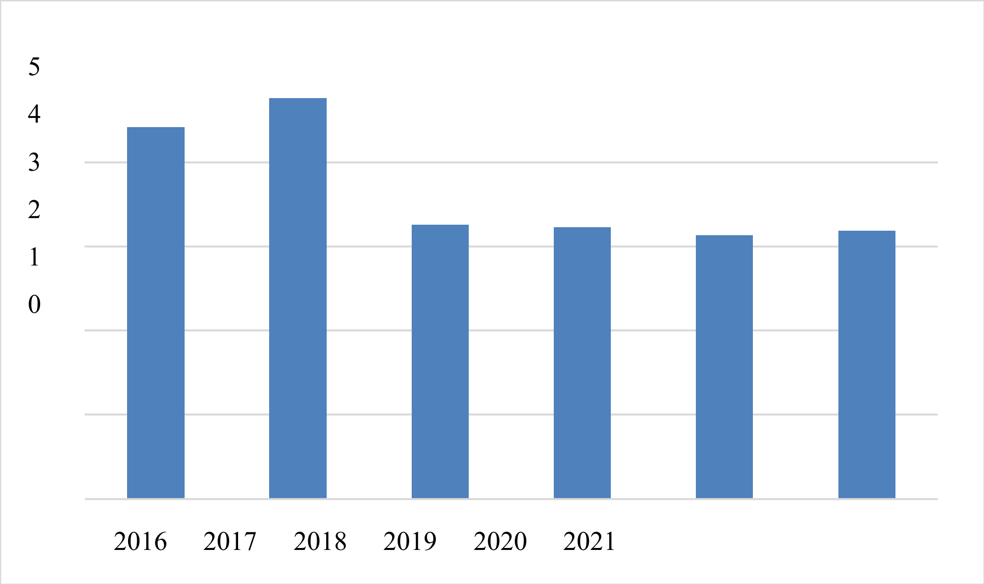

Figure.1 Performens of Problem Financing

Figure.1 above shows the increase in NPF development over the last six years. This is shown by the decline in the NPF ratio from 2016 to 2021. However, to avoid negative credit impacts in the future, Islamic banking must increase non-performing financing (NPF) by providing loans selectively and increasing the capabilities of account officers.

One element of a bank's financial ratios is non-performing financing (NPF). This is used to evaluate the possible risk of loss related to the potential for a borrower to default on their bank payments (Husaeni, 2017). NPF is non-current financing (bad credit). An increasing ratio indicates that a bank cannot handle problematic financing. Of course, this will reduce the bank's confidence in subsequent operations, such as disbursing financing (Arthasari, 2021);(Warsihna et al., 2021).

Systemic hazards, such as credit risk while extending credit, are an inevitable part of sharia banking, particularly for sharia commercial banks. Their poor credit management is the source of this threat. One measure for determining credit risk is the Non-Performance Financing Index (NPF). The riskier a bank is, the higher its Non-Performance Financing (NPF) ratio (Laksono, 2021).

By enacting monetary and macroprudential policies to reduce credit and liquidity risks, Bank Indonesia seeks to strengthen, maintain, and enhance the resilience of Indonesia's financial system. The term "macroprudential" gained considerable traction during the global financial crisis of 2008, having emerged in response to the Asian economic crisis in the late 1990s. The International Monetary Fund (IMF) defines macroprudential policies as those intended to reduce systemic risk and guarantee the general stability of the financial system. Stricter capital requirements, targeted credit limitations, and laws forcing financial institutions to closely monitor and report their credit risks are a few examples of these measures (Astuti, 2022).

Trade credit, also referred to as a trade loan, is among the riskiest financial instruments. Thus, one of the issues that financial organizations continue to encounter is the influence of loans. It also has a significant impact on the financial distress models that financial institutions use. Nonetheless, loans are the primary source of revenue for the majority of Indonesian banks. The distribution of credit propels a nation's economic growth by assisting internal banking. similar to Indonesia, which still gets its company financing from bank loans. Thus, it is anticipated that these activities will result in economic growth. Nevertheless, lending can also harm banking if done improperly (Syariah et al., 2023).

A measure of the health of the banking industry is a bank's capacity to extend credit, as evidenced by non-performing loans (NPL) at traditional banks and non-performing financing (NPF) at sharia banks. In spite of adverse conditions, management failed to anticipate unforeseen outside developments, leading to bank crises and financial collapses. Declining economic fundamentals and subpar financial performance measures might give rise to problematic loans. Therefore, it's critical to identify the underlying problem in order to prevent financial difficulties (Soekapdjo et al., 2019).

Table 1
NPF Rating Assessment Criteria

Assessment Criteria	NPF	Information
Ranking i1	NPF i≤ i7%	Very Healthy
Ranking i2	7% i< iNPF i≤ i10%	Healthy
Ranking i3	10% i< iNPF i≤ i13%	Quite Healthy
Ranking i4	13% i< iNPF i≤ i16%	Unwell
Ranking i5	NPF i> i16%	Not Healthy

Source: Financial Services Authority Circular Number/SEOJK.03/2019

The high NPF shows that banks are not successful in managing the funds given to the public for business capital, which can conflict with the results of the banking work itself. Because many challenges can arise if the NPF ratio value is adjusted to meet regulatory requirements, every bank with a high NPF ratio will be summoned by the OJK, the government agency responsible for regulating and supervising financial services. This is done to ensure that the NPF ratio of each bank does not exceed 5% (Asmara, 2019).

An increase in credit, especially consumption credit, can cause overheating because aggregate demand exceeds the output that can be achieved. These loans will fail due to increasing bank confidence in their customers' ability to pay and their lack of attention when providing credit to high-risk groups. Customer trust is part of the key to business continuity in banking, including sharia commercial banks. In addition, bank supervision is intended to ensure that banks function as intermediary institutions and monetary policy mediators (Laksono, 2021).

It is important to investigate the elements that contribute to unhealthy bank lending. According to Popita, there are three things that can cause problematic financing: first, the bank itself (lender), second (loan recipient), and third (Macroeconomics). Factors causing problematic bank external funding (GDP) can be an increase in Gross Domestic Product (Sihombing, 2021).

Another external aspect influencing NPF is inflation. After inflation rises, problematic bank financing will rise as well. Another way to think about inflation is as a steady drop in the value of the rupiah brought on by rising consumer spending, more market liquidity, and unequal product distribution. Inflation is the general, steady process of raising the price of products in the context of market activity. When there is a surplus of demand for some products or services, the price of things as a whole may increase, leading to inflation (Amri & Ramadhi, 2021);(Widiwati & Rusli, 2020).

The capital adequacy ratio (CAR), a quantitative indicator, assesses a bank's ability to fund its operations with easily accessible capital. A bank has to set aside some capital to meet operational risks. The capital adequacy ratio (CAR) and the operating ratio ought to be within 8% of each other. The purpose of the Capital Adequacy Ratio (CAR) is to protect sharia commercial banks from possible losses. The higher the CAR scale, the more resilient a bank is against the effects of risky loans or profitable assets. plays a crucial part in a bank's ability to maintain an index or strength strong enough to withstand several losses brought on by credit risk before the bank fails and loses depositors (Budianto & Dewi, 2023).

A bank's effectiveness and proficiency in managing operating expenses and producing operational revenue are gauged by its BOPO ratio. One can obtain the operational efficiency required to generate significant revenues by reducing this ratio. Because these banks have experience running their businesses profitably by managing costs effectively, it is believed that they will do better financially (Purwanto, 2017).

A corporation typically values a bank's size since it gives a clear picture of the bank's size, which can be ascertained by looking at variables like total assets, sales volume, average sales level, and average total assets. A bank's size ratio, or total assets, can be determined by contrasting them with those of other banks (Syariah et al., 2023).

Literature Review

Non Performing Financing (NPF)

Credit risk, according to Bank Indonesia Regulation Number 13/23/PBI/2011 concerning the Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units, is the potential for a customer or debtor to fail to fulfill their financial obligations to the bank in accordance with the terms of the original agreement. The margin used to assess credit risk represents only a small portion of the credit extended by banks. However, credit losses have the potential to drain bank capital quickly, even if there is a buffer (Ibrahim & Raharja, 2018).

NPF, or proxy non-performing financing, is a crucial indicator of a sharia commercial bank's efficacy. NPF assesses the purchase of assets, especially when there are difficult financial arrangements. In accordance with Bank Indonesia regulations, the desired Non-Performing Financing (NPF) value is below 5%. Given the high proportion of issue loans and the deteriorating quality of bank financing, the bank is deemed unhealthy if the ratio is more than 5%. In addition, the possibility of banks experiencing financial difficulties is higher. Financing is provided by banks, but if consumers fail to make payments or do not comply with the agreed installment plan, it is called problematic financing or bad credit, as stated by Ismail (2010: 124) (Himmati & Arwendi, 2023).

Kasmir (2015: 148) identifies several factors that contribute to financial difficulties: Banks often fail to carry out thorough analysis, resulting in an inability to predict results accurately and potentially causing calculation errors. client perspective: There are two elements that contribute to the financing problem from the client's perspective. The first factor is deliberate non-payment, where the customer consciously chooses not to fulfill his commitment to the bank, even though he has the ability to do so. The second component is an unintentional situation: the customer wants to fulfill his financial commitment to the bank but is unable to do so. Financing is provided if a natural disaster occurs, such as fire or flood, which results in the customer being unable to fulfill his obligations (Marzuki, 2021).

Once the causes of financing risk are identified, it can be quantified using Non-Performing Financing (NPF), a term used in Islamic banking to indicate the level of risk associated with financing and reflect problematic financing. According to Kasmir (2014:227), a greater Non-Performing Financing (NPF) ratio denotes both a higher degree of risk associated with the bank's financing offerings and a lack of professionalism in bank management (Subekti & Wardana, 2022).

Inflation

Keynes Theory

Keynes argued that the level of economic activity depends on government regulations and the total costs required to organize the economy. This regulation is intended to increase economic speed, protect the balance of the foreign sector, and prevent inflation in cost levels (Sukirno, 2011:20). This theory is used to explain the relationship between GDP and NPF (Kurniawati, 2019).

Keynes's hypothesis about inflation is based on macro theory. According to macroeconomic theory, inflation arises from the behavior of individuals with life expectancies that exceed their financial capabilities. This statement suggests that inflation is a form of competition between different social groups, where each group wants more resources than they can provide. In essence, this competitive process can be described as a scenario in which the aggregate demand for a particular commodity exceeds the total number of accessible goods. The inflation gap is caused by the successful communication of desires into legitimate demand for those goods (Rohmah, 2024).

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) functions as an indicator of a country's economic condition. An increase in GDP indicates an increase in productivity, sales, and income. With conditions like this, it will be easier for customers to repay their loans. However, banks will face increased vulnerabilities as a result of large credit expansion. As individuals increase product consumption, their ability to repay their financing becomes increasingly challenging (Financing, 2023).

Capital Adequacy Ratio (CAR)

The Commercial Loan Theory

According to the theory, a bank that provides the majority of its credit in the form of short-term funding that can be disbursed under normal business circumstances will be able to maintain its liquidity in normal operations. This theory shows that when banks are able to disburse credit, there is a correlation between CAR and NPF (Tsania et al., 2022).

Capital is very important for business expansion because it has the ability to absorb potential losses. Increasing the bank's Capital Adequacy Ratio (CAR) will increase the bank's ability to bear risk. This is because banks have the ability to enjoy their own activities thereby generating large profit contributions. When providing bank loans, it is very important to be aware of the dangers involved. Likewise with research conducted by Wibowo and Saputra (2017). According to Mardiana (2013), when the capital adequacy of Sharia Commercial Banks grows, it will create a sense of security for the bank to provide funding. This will improve the work of Sharia Commercial Banks in allocating financing. If this condition occurs, the danger of providing credit to incompetent customers will increase drastically, so that the NPF will bear the losses if it is not collected (Ekonomi et al., 2020).

Operating Expenses and Operating Income (BOPO)

The operations of Islamic banks are directly associated with Operating Expenses and Operating Income (BOPO). Sharia banks won't be profitable if their operating expenses rise too high. On the other hand, the BOPO ratio can exert pressure on Islamic banks to maintain their health in the event that income is high and operating costs are low. This implies that Islamic banks will be in a healthy position and have a low likelihood of experiencing problems (Suwarno & Muthohar, 2018).

Methods

Quantitative research with a quantitative descriptive approach is the methodology used. Secondary data which can be accessed directly from each bank's website is collected electronically using document data collection methods through third parties, including Bank Indonesia, the Financial Services Authority and the Central Statistics Agency. This research uses the annual financial reports of Islamic commercial banks from 2018 to 2022.

The population of this research is five Sharia Commercial Banks which use purposive sampling techniques. The banks selected for this research are Islamic commercial banks that meet certain criteria and offer thorough and comprehensive report data.

Method of Data Analysis Panel data were subjected to multiple linear regression analysis in this study. Panel data are created by combining time series and cross section data. The author analyzed the data using Eviews version 10. Common Effect, Fixed Effect, and Random Effect techniques are the three models available to evaluate the parameters of the panel data regression model. There are three methods to ensure the most suitable technique: Chow test, Hausman test, and Lagrange multiplier test. Classic assumption tests include; tests for normality, multicollinearity, heteroscedasticity, and autocorrelation must be carried out if the CEM and FEM approaches are selected. After the classical assumption test is completed, a hypothesis test is carried out using the simultaneous F test, partial T test, and coefficient of determination (R2).

Result and Discussion

Test Phase

Model Selection Test

Table 2
Model Selection Test Result

Testing	Results	Conclusion
Uji Chow	Prob < 0,05	FEM
Uji Hausman	Prob > 0,05	REM
Uji Lagrange Multiplier	Prob > 0,05	CEM

Source: Data processed (2024)

Table 3
Test the Accuracy of the Model

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	17.17855	10	0.0705
Pesaran scaled LM	1.605174		0.1085
Pesaran CD	-1.220520		0.2223

Source: Data processed (2024)

From the results of the 2 and 3 model selection tests that have been carried out, it produces the Lagrange Multiplier Test (LM Test) which shows a Breusch Pagan Probability value of 0.0705 (>0.05) therefore to carry out regression analysis you can use the Common Effect Model (CEM) what is better to do.

Classic Assumption Test

The classical assumption test is a procedure used to determine whether residual values are normally distributed. The details are as follows:

Multicollinearity Test

Based on the output of the multicollinearity test results in the table above, it is known that each independent variable is not subject to multicollinearity problems. This is because the respective matrices of GDP, INF, CAR, and BOPO are <0.8.

Heteroskedasticity Test

Table 4
Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.512045	0.927733	0.551931	0.5871
GDP	0.083379	0.052970	1.574082	0.1312
INF	-0.214240	0.173488	-1.234900	0.2312
CAR	0.004296	0.010335	0.415638	0.6821
BOPO	0.006396	0.004616	1.385717	0.1811
R-squared	0.275083	Mean dependent var		0.944045
Adjusted R-squared	0.130100	S.D. dependent var		0.606121
S.E. of regression	0.565319	Akaike info criterion		1.874004
Sum squared resid	6.391719	Schwarz criterion		2.117780
Log likelihood	-18.42506	Hannan-Quinn criter.		1.941617
F-statistic	1.897345	Durbin-Watson stat		2.305096
Prob(F-statistic)	0.150317			

Source: Data processed (2024)

It is established from the output of the aforementioned test findings that there are no heteroscedasticity issues with any of the independent variables. This is because the respective matrix values of GDP, INF, CAR, and BOPO have a significance value greater than 0.05.

Regression Equation Test

Table 5
Regession Equation Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.285405	2.046342	2.094178	0.0492
GDP	-0.163571	0.116837	-1.399985	0.1768
INF	0.199904	0.382670	0.522392	0.6071
CAR	-0.098733	0.022796	-4.331105	0.0003
BOPO	0.005385	0.010181	0.528923	0.6027

Source: Data processed (2024)

The value of the derived constant is 4.28540463025. This indicates that the dependent variable will grow by 4.28540463025 units for every unit increase in the independent variable. The coefficient for the GDP variable is -0.163570657912, which indicates that an increase in the GDP variable causes a decrease of -0.163570657912 in the NPF variable, which functions as a proxy for credit risk. The inflation coefficient (INF) of +0.199903807162 indicates that changes in the inflation variable will result in the same change in the NPF variable of 0.199903807162, and vice versa. On the other hand, the Capital Adequacy Ratio (CAR) has a negative coefficient of -0.0987327398665. This means that an increase in the CAR variable will result in a decrease in the NPF, which is a credit risk instrument, by -0.0987327398665. Likewise, the BOPO variable shows a coefficient value of 0.00538502605384, which indicates that an increase in one BOPO unit will result in an increase in NPF of 0.00538502605384.

Coefficient of Determination Test

Table 6
Coefficient of Determination Test

R-squared	0.611206	Mean dependent var	1.848800
Adjusted R-squared	0.533448	S.D. dependent var	1.825571
S.E. of regression	1.246950	Akaike info criterion	3.456135
Sum squared resid	31.09769	Schwarz criterion	3.699910
Log likelihood	-38.20168	Hannan-Quinn critter.	3.523748
F-statistic	7.860292	Durbin-Watson stat	1.083045
Prob(F-statistic)	0.000561		

Source: Data processed (2024)

Based on the available table, the Adjusted R-square value is 0.533. This shows that the variables Consumption Level, Inflation, Capital Adequacy, Operational Costs and Operational Income together contribute 53.3% to the variation in Problem Financing. Other variables not included in the analysis influence the remaining variation.

Uji F

Table 7
Uji F

R-squared	0.611206	Mean dependent var	1.848800
Adjusted R-squared	0.533448	S.D. dependent var	1.825571
S.E. of regression	1.246950	Akaike info criterion	3.456135
Sum squared resid	31.09769	Schwarz criterion	3.699910
Log likelihood	-38.20168	Hannan-Quinn criter.	3.523748
F-statistic	7.860292	Durbin-Watson stat	1.083045
Prob(F-statistic)	0.000561		

Source: Data processed (2024)

The likelihood f <0.05 in the preceding image indicates that the variables Consumption Level, Inflation, Capital Adequacy, and Operational Expenses have an impact on the Problem Financing variable.

Uji T

Table 8
Uji T

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.285405	2.046342	2.094178	0.0492
GDP	-0.163571	0.116837	-1.399985	0.1768
INF	0.199904	0.382670	0.522392	0.6071
CAR	-0.098733	0.022796	-4.331105	0.0003
BOPO	0.005385	0.010181	0.528923	0.6027

1. Consumption Level (GDP)
   Given that the prob value is 0.1768 (>0.05), it may be deduced that there is no relationship between Problem Financing and Consumption Level.
2. Inflation
   The fact that the prob value is 0.6071 (>0.05) indicates that the inflation variable has no bearing on problem financing.

3. Sufficient Capital (CAR)
   Since the prob value is known to be 0.0003 (<0.05), it can be said that the growth variable has a detrimental impact on problem financing.
4. Operating Expenses and Operating Income (BOPO)
   It is known that the prob value is 0.6027 (>0.05), so this means that the variables Operational Expenses and Operational Income have no effect on Problem Financing.

The Influence of Consumption Levels on Credit Risk

From the results of this research, it was found that Consumption Levels do not have a significant influence on Bad Credit. Data studies show that the state of Islamic banks is more resistant to macroeconomic changes than GDP expansion. According to a study, Islamic banks are more resilient than traditional banks to various crises, including downturns in the economy. Because the basic principles of Islamic banking encourage the concept of profit sharing in contracts for financing distribution or placement of funds, banks and consumers must share profits and financial risks. This is also the case because banks typically examine all sectors of the economy that contribute to a decline in GDP growth. The bank will assess which sectors should be evaluated and entered. This research supports the results, which found no relationship between the NPF status of Islamic banks and GDP growth. This also runs counter to Keynes's thesis, according to which the macroeconomic circumstances of a nation also affect how effective long-term financing is. When loan payments are made on time, the risk ratio for non-performing finance (NPF) will drop (Figo, 2023).

The Effect of Inflation on Financing Risk

According to this research, NPF is not positively affected by inflation. This is because conventional banks are not as strong as Islamic commercial banks. Islamic banks use various more common contracts in their financing to reduce credit risk. 61% of financing comes from murabahah contracts. The amount of installments that consumers must pay will not be affected by long-term increases in inflation because the murabahah application payment has been determined from start to finish. the customer's ability to calculate the amount of funds required to pay murabahah financing. As a result, the NPF is not affected, and the effects of inflation can be reduced (Larasati & Sulasmiyati, 2018).

The Effect of Capital Adequacy on Problem Financing

Financing Risk is negatively impacted by the Capital Adequacy Ratio (CAR) in this study. In order to persuade the public that a sharia commercial bank can offer customers a sense of security when saving money and using sharia commercial bank products, the bank must have a sufficient capital adequacy ratio. This will enhance the bank's reputation and ensure that it is seen favorably by the public, indicating that it operates in a healthy environment. Therefore, a higher CAR indicates that the bank is able to manage systemic risk very well, it can also be said that the bank has above average health (Assa & Loindong, 2023).

The Effect of Operating Expenses and Operating Income on Loss Financing

Data study shows that NPF is unaffected by BOPO. When a bank performance indicator, or BOPO, is present, the poor financing ratio, or NPF, does not necessarily decrease. This is done to prevent bank management from basing policies for handling problematic financing on efficiency levels. When someone borrows money from an external bank and doesn't pay it back on time, that is known as problematic financing. It is unaffected by the success of Islamic banking other from that. The efficiency theory, which contends that there is a positive correlation between bank efficiency and the appropriate BOPO ratio, is not supported by this study. Increased profits from better financing translate into fewer troublesome financings (Guicheldy & Sukartaatmadja, 2021).

Conclusion

Determining the impact of internal and external factors on credit risk in Islamic commercial banks is the goal of this study. The financing ratio to third party funds (DPK), also known as the variable capital adequacy ratio, has a negative effect on credit risk, as may be seen from the reasoning given above. There is a negative correlation between the capital adequacy ratio or financing ratio to third party funds (DPK) and credit risk, meaning that a decrease in this ratio will result in higher credit risk. Credit risk is not greatly influenced by inflation and the balance of payments, but GDP does not have a major impact on credit risk. The coefficient of determination test shows that the independent variable has a simultaneous influence of 53 percent on the dependent variable, while the remainder is influenced by other variables not included in the research. Sharia Commercial Banks have emerged as a reliable alternative banking system in Indonesia, offering a variety of products, services, and various financial schemes to overcome systemic financial problems.

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