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2nd AICIF

2nd ASEAN INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

"Islamic Finance and Its Role in Economic Development and the Creation of Just and Stable Financial System in Light of Maqosid Syariah"

State Islamic University Sunan Kalijaga
Royal Ambarukmo Hotel

Yogyakarta, 12th - 14th November 2014

2nd ASEAN INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

Jointly organized by:

Faculty of Islamic Economics and Business-UIN Sunan Kalijaga

Institute of Islamic Banking & Finance-IIU Malaysia

Faculty of Economics-UNISSULA

PREFACE

State Islamic University, as the oldest State Islamic University in Indonesia, has strong commitment in developing Islamic Economics in the world, especially in ASEAN Countries. 2nd ASEAN International Conference on Islamic Finance is the annual conference which has been jointly organized by State Islamic University Sunan Kalijaga Yogyakarta, International Islamic University Malaysia and University Islam Sultan Agung Semarang supported by Islamic Research and Training Institute (IRTI-IDB). The idea of having this international conference sparked from the discussion between II*i*BF and two universities from Indonesia i.e. UNISSULA and UIN Jogjakarta. They have agreed to strengthen their cooperation and the body of knowledge of Islamic banking and finance by jointly organizing an annual international conference which will be held in Malaysia and Indonesia subsequently.The purpose of this conference has been to generate and disseminate ideas to encourage the best practices as a way for enhancing the growth of Islamic economics around for betterment to all mankind.
The topic of the international conference was “*Islamic Finance and Its Role in Economic Development and the Creation of Just and Stable Monetary System in light of Maqosid Syariah*”. The background of this topics are to address some significant issues, including a) addressing the issue of Islamic finance in the era of ASEAN Economics community that will be started 2015. b) its implication for Islamic economics development of ASEAN members countries. c) the role of Islamic finance on the creation of Islamic monetary system, both in theoretical and practical basis, supported by the integration of ASEAN Community, to enhance the role of Islamic finance. 4) the challange of Muslim countries for robustness the development of Ummah in ASEAN Community, that mostly are muslem.

Therefore, addressing some above issues, the conference is designed to serve as forum and platform for the academician, practicioners and researchers to share their knowledge, experience and to learn lessons in managing the Islamic finance especially in the market integration. The conference is answering the need of some ASEAN Countries which much focuses on development of Islamic finance in dealing with the issues of ASEAN Economics community, namely 1) ideas in the creation of just and stable Monetary policy that comply with shariah rule and guidlines. 2) the solution for encouraging the development of Islamic banking and finance in the ASEAN Economics community. 3) Current issues of Islamic banking and finance in managing Hajj fund which is uderstood as crucial isssues for Muslim Countries particularly ASEAN Countries such as Indonesia. The conference also highlighted some issues related to shariah compliant financial Instruments that are very important in providing safeguards against the ribawi system in ASEAN Members countries.

To answer all above issues, some panelists, namely Dr. Dadang Muljawan from Bank Indonesia, Mr. Adiwarman Azwar Karim (nominated by IRTI-IDB) will present some issue regarding the role of OIC countries for ASEAN Economics Community. In addition, Prof. Dr. Amin Abdullah will discuss some issue regarding Islamic Economics from philosopics perspective, and Prof Tjiptohadi Sawarjuwono from University Airlangga will discuss accounting issues in Islam. In the plenary session, there are Chief Executive Officers (CEO) from 6 Islamic Banks, namely Bank Mandiri Syariah, Bank Muamalat Indonesia, Bank BNI Syariah, Bank BRI Syariah, Bank Mega Syariah and Bank Permata Syariah who will highlight their experience in managing Islamic banking. Followed by the discussion on issue of Hajj Fund Management and the role of Islamic Finance: Best Practised in Malaysia and Indonesia. Directur General, Hajj and Umroh, Minisitry of Religious Affair, Prof. Dr. H. Abdul Djamil and Dean of Institute of Islamic Banking and Finance, IIUM, Prof. Dr. Syed Musa Al-Habsyi will deliver speech on this issues.

In addition, in this conference there are 70 articles that will be presented in many area of Islamic economics. This proceeding consists the abstracts of that articles, which is hopefully can be a general guideline for the participant of the conference to understand all isssue discussed during the event. Therefore, the conference’s participant will generate useful discussion on some pertinent issues and will encourage the finding of new ideas to develop Islamic finance.

Yogyakarta, 05 November 2014

Dr. Misnen Ardiansyah, SE, M.Si.Ak.CA.
Chairman

AGENDA
2ND ASEAN INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE
Royal Ambarukmo Hotel & Convention Hall UIN Sunan Kalijaga
12th-14th November 2014

Day 1: Wednesday, 12 November 2014	
Venue: Convention Hall UIN Sunan Kalijaga Yogyakarta	
OPENING CEREMONY AND INTERNATIONAL SEMINAR	
12.30-12.45	Registration
12.45-13.00	Welcoming Remarks by the Rector of the UIN Sunan Kalijaga: Prof. Dr. Musa Asy'arie
13.00-13.15	Official Launching by Ministry of Religious Affair : Prof. Dr. Nur Syam, M.Si
13.15-13.30	MOU Signing: UIN Sunan Kaliga and BSM, BMI, BRI Syariah, BNI Syariah, Bank Mega Syariah, Bank Permata Syariah
13.30-14.00	KEYNOTE SPEECH: Deputy Commissioner of OJK: Dr. Mulya E. Siregar
14.00-14.45	Special Address : Dr. Muhammad Syafii Antonio
14.45-15.15	Break and Ashar Prayer
INTERNATIONAL SEMINAR	
15.15-17.30	Moderator: Assoc. Prof. Dr. Muhammad Abduh
	1. Adiwarman Azwar Karim (IRTI-Islamic Development Bank) *"Islamic Finance development in OIC Countries and Its Role for the ASEAN Economics Community"*
	2. Prof. Dr. H. Amin Abdullah (UIN Sunan Kalijaga) *"Islamic Economics in the paradigm of Intergration and Interconnection: Developing New Economics Mainstream for the Betterment of the Ummah."*
	3. Prof. Dr. Tjiptohadi Sawarjuwono (UNAIR) *"Islamic Accounting in the Era of ASEAN Economics Community: Opportunity and Challange"*
	4. Dr. Dadang Muljawan (Bank Indonesia) *"Islamic Finance and Monetary Policy: the Case of Indonesia"*
17.30	End of Session
GALA DINNER AND ISLAMIC ART PERFORMANCE: Theme: "Sunan Kalijaga and Islamic Propagation in Java Island"	
20.00-22.00	Islamic Music Performance: Sunan Kalijaga - *Gambus Al-Jamiah* - *Ilir-ilir Sunan Kalijaga and Islamic Propagation*

Day 2: Thursday, 13 November 2014	
Venue : Royal Ambarukmo Hotel	
Plenary Session: CEO Talk: *Panel Discussion on Indonesia Shariah Banking*	
08:00-10.10	Registration
	Moderator : Dr. Anggito Abimanyu
	1. *CEO Bank Syariah Mandiri*
	2. *CEO Bank BRI Syariah*
	3. *CEO Bank BNI Syariah*
	4. *CEO Bank Muammalat Indonesia*
	5. *CEO Bank Mega Syariah*
	6. *CEO Bank Permata Syariah*
10.10-10.15	**Coffee Break**
Plenary Session: ***Hajj Fund Management : Malaysia and Indonesia Experience***	
10.15-11.30	Moderator : M. Kurnia Rahman Abadi
	1. Prof. Dr. Syed Musa Al-Habsyi *(Tabung Haji Malaysia)*
	2. Prof. Dr. H. Abdul Jamil *(Director General of Hajj, Religious Ministry of RI)*
11.30-12.30	**Lunch and Dhuhr Prayer**
2ND ASEAN INTERANATIONAL CONFERENCE ON ISLAMIC FINANCE	
12:30-14.00	SESSION ONE: (Parallel Session in 5 different Venue)
14.00-15.30	SESSION TWO: (Parallel Session in 5 different Venue)
15.30-16.00	**Coffe Break and Ashr Prayer**
16.00-17.30	SESSION THREE: (Parallel Session in 5 different Venue)

Day 3: Friday, 14 November 2014	
Venue : Royal Ambarukmo Hotel	
08.00-09.30	SESSION FOUR: (Parallel Session in 5 different Venue)
09.30-10.00	**Coffee Break**
CLOSING CEREMONY	
10.00-10.30	Speech : FEBI-UIN, IIiBF-IIUM, FE-UNISULA
10.30-10.45	Closing Remarks : Prof. Dr. H. Anis Malik Thoha (Rector of Universitas Islam Semarang)
10.45-11.00	Award Announcement: Dr. Misnen Ardiansyah
11.00	End of Session

Table of Content

Cover i
Preface ii
Agenda iii

List of Articles

A Research Agenda for Islamic Perspective of Leadership in Project Management 1
Muhamad Rosdi Senam, Khairuddin Abdul Rashid, Azila Ahmad Sarkawi
An Analytical Framework to Examine Shari'ah-compliant Mortgage Financing by Cooperative Financial Institutions in Malaysia 10
Mohd Zaidi Md Zabri, Dzuljastri Abdul Razak, Mustafa Omar Mohammed
Analysis of Cash Waqf Fund Management in Indonesia: An Analytic Network Process (ANP) Method Approach 23
Aam S. Rusydiana, Abrista Devi
Analysis of Organizational Pride and Its Positive Effects on Employees Behavior in Islamic Business Sector 35
M.Kurnia Rahman Abadi
An Analysis the Effect of Macroeconomic Indicators and Specific Firm Characteristics as Determinant Profitability of Islamic Banks in Asia 36
Lupita Widyaningrum, Dodik Siswantoro
An Examination of Cultural-Economic Model and Public Relations in the Malaysian Islamic Banking System 46
Mohamed Asmy Bin Mohd Thas Thaker, Hassanudin Bin Mohd Thas Thaker
An Incubation Strategy for Small Medium Enterprises (SMEs) Assisted by BAZDA 53
Jumaizi, Ken Sudarti
Are Sukuk and Bond Really Special to Specific Investors? A Comparative analysis using Wavelet approach evidenced from Emerging Economies 62
Mohamed Hisham Hanifa, Mansur Masih, Obiyathulla I. Bacha
Awareness of Islamic Business and Institutions towards Cash Waqf 81
Anwar Allah Pitchay, Ahamed Kameel Mydin Meera, Muhammad Yusuf Saleem
Banking on Mobile Technologies: The Relevance of Online Dispute Resolution in the Islamic Banking Industry in Malaysia 89
Umar A. Oseni, Sodiq O. Omoola
Banking Regulations of Islamic Banks: Experiences of Some Countries 101
Ahmad Ibrahim Malawi
Can Islamic Micro-finance Spur Interest Bearing Micro-finance Sector in Bangladesh? Potentials, Challenges and Policies 108
Md.Aslam Mia, ShamimaNasrin, Noman Bashir
Cash Waqf as a Microfinance Instrument: Concept, Challenges and Way Forward 114
Salina Hj Kassim, Taslima Julia
Corporate Social Responsibility of Islamic Banks: An Islamic Perspective 123
Wan Noor Hazlina Wan Jusoh, Uzaimah Ibrahim, Mohammad Deen Mohd. Napiah
Current Practices and Issues of Shari'ah Supervision in the Yemeni Islamic Banks: A Qualitative Survey 131
Abdullah Mohammed Ayedh, Abdelghani Echchabi
Deposit Insurance Mechanism for Islamic Banking from Maqasid Point of View: The Case of Malaysia's PIDM 140
Md. Habibur Rahman
Derivatives, Pricing Efficiency and Gharar Evidence On Embedded Options in Malaysia 148
Razali Haron

Developing a Framework for Accounting Education Based on Islamic Ethics 157
Muslichah
Economic Problems and the Subject-Matter of Islamic Economics as A Scientific Discipline 164
Hafas Furqani
Effectiveness of Internal Control Over Financial Reporting at Islamic Banking in Indonesia 175
Rini
Entrepreneurship: Concept and Philosophical Underpinning 187
Farra Munna Harun, Bayu Taufiq Possumah, Muhammad Hakimi Bin Mohd Shafiai, Abdul Halim *Mohd Noor, Abdul Ghafar Ismail*
Exploring Wadi'ah Model for Traditional Family Takaful Products 195
Asyraf Wajdi Dusuki, Nor Azman Zainal, M. Mahbubi Ali, M. Ali Jinnah, LokeChang Yueh
Financial Crisis and Non-Traditional Activities: Islamic Banks vis-à-vis Conventional Banks 207
Mohamad Fany Alfarisi, Mohd. Azmi Omar, Gairuzazmi Mat Ghani, Nor Azizan Che Embi
Financing Risk Analysis at Indonesia Islamic Bank 216
Mutamimah, Nafis Afiana
Fundamental Failure of Fiat Money System and A Learning from Al Ghazali, Ibnu Taimiyah and Ibnu Khaldun 223
Partin Nurdiani, Rifaldi Majid, Bahrina Almas
Globalisation of Islamic Financial Services and their City Networks 232
Abul Hassan
Good Governance of "Baitul Maal": Case Study at Regional Amil Zakah (Bazis) in DKI Jakarta Indonesi 243
Zainal Alim Adiwijaya
Guidelines for Making Decisions on Shari`ah Matters by Shari`ah Supervisory Committee: A Comparative Study between Bank Nigara Malaysia (BNM) and al-Ma`ayir al-Shar`iyyah, AAOIFI 251
Muhammad Amanullah
Hybrid Contract in Islamic Banking and Finance: A Proposed Shari'ah Principles and Parameters for Product Development 259
Muhammad Iman Sastra Mihajat, Aznan Hasan
Increasing Performance Through Seasoned Equity Offerings in Islamic Securities Exchanges 268
Luluk Muhimatul Ifada, Chrisna Suhendi
Indications of Moral Hazard on Mudharabah and Murabaha Financing at Islamic Commercial Banks in Indonesia 272
Siti Aisiyah Suciningtias, Ratna Dwi Astuti
Intellectual Capital with Human Resource Management Practices Base at BPRS in Central Java 279
Tri Wikaningrum
Islamic Banking Business Models and efficiency for stability 288
Mythili. K
Islamic Financial Engineering: An overview 295
Mahfoud Djebbar
Islamic Human Resources Management Practices: Conceptual Review and Scale Development 311
Olivia Fachrunnisa, Arrizqi
Long and Short Terms Dynamic Causal Relationship Between Islamic Banking and Economic Growth: A Time Series Experience for Malaysia 319
Hassanudin Mohd Thas Thaker, Ahmad Khaliq
Musyarakah Analysis on Islamic Financial Institution in Semarang 329
Ardian Adhiatma, Tri Atikah Dinina
Musharakah Ta'awuniyyah: Exploring an Alternative to the Application of the Doctrine of Tabarru in Takaful 345
Abu Umar Faruq Ahmad

Perspectives of Islamic Banking, Finance and Capital Markets in Azerbaijan.. 358
Mahir Humbatov
Proposing an Integrated Islamic Microfinance Model in Alleviating Poverty and Improving Microenterpreneur's Performance in Indonesia 363
Weni Hawariyuni, Salina Hj. Kassim
Retaining Customers through Islamic Relationship Marketing Practice: Findings from Malaysian Takaful Industry 379
Marhanum Che Mohd Salleh
Sharia-Based Performance and Disclosures of Islamic Banks in Indonesia.. 387
Analis Indriatun
Sukuk Phenomenon in Jakarta Islamic Index.. 401
Maya Indriastuti
The Effect of Macroeconomics Variables on Non-Performing Financing of Islamic Banking 406
Sunarsih
The Effect Of Segregating Controlling System Between Central Bank of Indonesia (Bank Indonesia) and Financial Service Authority (Otoritas Jasa Keuangan)On Islamic Banking Development in Indonesia 407
Mohamad Jatiardi Fitriantoro, Dita Anggraini, Mahdiah Aulia
The Effectiveness Of Monetary Policy Transmission Through Profit And Loss Sharing Channel Of Sharia Banking In Indonesia.. 413
Muh. Ghafur Wibowo , Rizqi Umar
The Effectiveness Management of Zakat-Infaq-Shadaqah (ZIS) for Society Welfare Improvement at Central Java 414
Heru Sulistyo, Budhi Cahyono
The Efficiency of Zakat Management in The Case of Federal Territory of Labuan-Malaysia 423
Farah Shazwani Ruzaiman, Ahmad Aizuddin Hamzah, Haneffa Muchlis Gazali, Mohd Azmi Abdullah
The Empowerment of Family Economy Through Productive Inheritances.. 428
Ika Rachmawati, Zein Muttaqin
The Factors that Affecting Sustainability Ratio Islamic Banking during the Global Financial Crisis: Empirical Evidence from Indonesia.. 435
Sri Wahyuni
The Impact Of Stock Delisting From The Shari'ah-Compliant List: Evidence From Bursa Malaysia 444
M. Rizky Prima Sakti, Mohd. Nizam Barom
The Implementation of Corporate Environmental Management and Its Impact on Environmental Performance, and Corporate Performance, Labor Absorption, and Employee Welfare in Islamic Perspective: Case Study in Convection Industries in Central Java 455
Budhi Cahyono
The Implementation of Islamic Good Corporate Governance on the Companies Listed in the Jakarta Islamic Index to Decrease Earning Management Practices 463
Edy Suprianto, Rufi Abdillah
The Indonesian Islamic Bank's Profitability Response on the Policies of Monetary Authority 470
Zulfikar Bagus Pambuko
The Influence of Risk Taker Executive Characters and Corporate Governance Toward Tax Avoidance in the Manufaturing Compavy Listed in the Indonesian Stock Exchange in the Period of 2090-2011 482
Sri Dewi Wahyundaru, Windari
The Monitoring Mechanism And The Performance : The Moderating Roles Of Sharia Board................ 489
Henny Hazliza Mohd Tahir, Romlah Jaafar, Zaleha Abd Shukor, Mohamad Mohid Rahmat
The Proposed Formation of A Single Currency in ASEAN-5 Countries under Selected Commodity Basket Arrangements 490
Dimas Bagus Wiranata Kusuma

The Role of Stock Markets in Economic Performance: A Comparison between Islamic and Conventional Markets in Malaysia....511
Basheer Hussein Motawe Altarturi, Muhamad Abduh
Towards a Competency Framework for Shariah Auditor in Malaysia....523
Nor Aishah Mohd Ali, Zakiah Muhammadun Mohamed, Shahida Shahimi, Zurina Shafii
Understanding Waqif Behavior towards Cash Waqf Giving: The Study of Selangor State....531
Amirul Faiz Osman , Mustafa Omar Muhammad
Who is Eligible to Obtain Micro Financing from Islamic Banks? A Case Study of Pakistan....542
Kausar Abbas, Dzuljastri Abdul razak
Zakat based microfinance and its role in poverty eradication in Bangladesh: Special reference from Centre for Zakat Management (CZM)....548
Abdullah Al Masud, Md. Ruhul Amin

Financing Risk Analysis At Indonesia Islamic Bank

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Abstract

Financing risk is one of the risks faced by Islamic bank. This is the potential loss due to the inability the payment obligations of the debtor debts owned both principal and interest. The purpose of this study was to analyze influence of profitability, Capital Adequacy Rati , third party fund , capital to financial risk in Islamic banks and the effect of financial risk on the profitability of Islamic banks , Capital Adequacy Ratio, third party fund, capital in the next period. Population in this research are all Indonesia Islamic Bank dan Sampling technique used purposive sampling. Obtained a sample size of 5 Islamic banks. The data analysis technique used is linear regression.
These results indicated that the profitability, Capital Adequacy Ratio negatif affect to the financing risk, while the third party fund and capital does not affect to the financing risk. And financing risk wasn't effect on profitability, and financing risk negative effect on Capital Adequacy Ratio, third party fund, capital next period.

Keywords : *Financing Risk; Profitability; Capital Adequacy Rati; Third party fund and Capital*

1. Introduction

Islamic banking has improved significantly. However, these developments can not be separated from risk. The nature of risk held by Islamic banks is very unique. This uniqueness arises from the composition of its assets and liabilities. One of the risks faced by Islamic banks are financing risk which according to RetnoGunarsih Lydia (2008) is a potential risk of financial loss caused by the inability (failure to pay) of the debtor on its debt payment obligations either principal or interest or both. According to Bank Indonesia regulations, one of which is the source risk assessment of the soundness of a bank is the source of credit / financing in which a bank must have a value of NPLs (Non Performing Loan) / bad debts must be below 5%.

Table 1Assets, Third Party Fund, Financing, FDR, NPFIndonesia Islamic Bank

	Year (Million)						
Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Asset	36,538	49,555	66,090	97,519	145,467	160,292	193,110
TPF	28,011	36,852	52,271	76,036	115,415	124,357	148,731
Financing	27,944	38,195	46,886	68,181	102,655	121,111	149,672
FDR	99.76%	103.65%	89.70%	89.67%	88.94%	96.82%	100.63%
NPF	4.05%	3.95%	4.01%	3.02%	2.52%	2.72%	2.49%

Source: Indonesia Bank Statistik, 2013

From these data it appears that the distribution of funds through financing is increasing every year. The same thing on assets ratio has increased from year to year. However, the risk of fluctuations in the financing motivates writers to examine factors - factors that influence the risk of Islamic bank financing and influence the risk of financing the current year on bank performance in the next year which is reflected in financial ratios.

Researchs that has been done previously through research Anggriani (2004) found that the Third Party Funds (TPF) and a significant positive effect on the NPL (non-performing loan). Similar results were also found by Soedarto (2004) and Budiawan (2008). While the different results found by Setiyati (2007) in which deposits and a significant negative effect on the NPL (non-performing loan). According Soedarto (2004) Capital Adequacy Ratio

(CAR) and a significant positive effect on the NPL (non-performing loan) banks, as well as research conducted by Budiawan (2008).

Meanwhile, according to Lestari (2007) CAR (Capital Adequacy Ratio) and a significant negative effect on the NPL (non-performing loan) of conventional banks. According to Nor Hayati Ahmad and Ahmad ShahrulNizam (2003) ROA ((Profitability) Islamic banking is positive and significant at the 5 percent level in the NPF (Non-perfoming Financing) while Ahmad (2003) and Angbazo et al (1998) that the ROA (profitability) negative effect on NPF (Non-perfoming Financing) Islamic banks. research and Nor Hayati Ahmad ShahrulNizam Ahmad (2003), CAPITAL (capital ratio) is negative and significant to the NPF (Non performing loan) at conventional banks. NPF To influence on ROA no previous study presented that OctaMasdjojoArtarina and Gregory N. (2011) NPL (non-performing loan) and a significant negative effect on ROA (profitability) of banks. research and Fatwal Sam (2011) NPL (non-performing loan) and a significant positive effect on) Capital Adequacy Ratio (CAR). Research NindyFitria Sari (2011) found that the NPL (non-performing loan) and a significant positive effect on the Third Party Funds (TPF). The research Erna wati (2009) NPL (non-performing loan) and a significant negative effect on the capital.

Based on the phenomenon of gap financing problems above as well as the lack of consistency between the results of one study to another, the researchers are interested in testing How does Profitability, Capital Adequacy Ratio, TPF (Third Party Fund) and Capital in year (t) on the risk of Islamic bank financing in Indonesia the year (t). How does the influence of risk financing in year (t) to Profitability, CAR Capital Adequacy Ratio, TPF (Third Party Fund) and Capital in year (t + 1).

2. Literature Review

2.1 Risk Financing

Risk financing is also called Non-Performing Financing is a ratio used to measure the ability of the bank management in managing non-performing loans can be filled with productive assets owned by a bank (True PudjoMulyono, 1995) and risk arising as a result of the failure of the counterparty to fulfill its obligations (Tampubolon, 2004). Credit risk is the loss which is caused by the default of the debtor or the debtor financing decreasing quality (Joel Bessis, 1998). At the time of the decline in the quality of financing, although it is not the default, it reflects an increase in credit risk. This reflects the growing opportunities occur as a result of the fall of the default credit quality.

2.2 Profitability

Profitability is used to measure the bank's ability to increase profits, as well as to measure business efficiency and profitability of the bank achieved bersankutan. Return on Assets (ROA) shows the bank management's ability to generate profits from the management of assets owned (Yuliani, 2007). ROA is used to measure the profitability of banks as Bank Indonesia as a builder and banking supervisors prefer the profitability of a bank's value, measured by assets with funds mostly from the public deposits (DendawijayaLukman, 2009).

2.3 Capital Adequacy Ratio

CAR (Capital Adequacy Ratio) is a capital adequacy ratio that shows the ability of banks to provide funds for business development purposes and to accommodate the risk of loss of funds resulting from the operations of the bank. CAR (Capital Adequacy Ratio) indicates the extent of the decline in bank assets can still be closed by bank equity is available, the higher the CAR (Capital Adequacy Ratio), the better the condition of a bank (Ali, 2004). CAR (Capital Adequacy Ratio) is a ratio used to overcome the losses that may be faced by the bank.

2.4 TPF (Third Party Funds)

Bank after collecting funds from the public in the form of demand deposits, savings deposits, and deposits the funds are channeled back to the people who need it. This fund distribution activities also known as the allocation of funds. The allocation of funds can be realized in the form of a loan or more commonly known as credit (Kasmir, 2008). The extension of credit is the primary activity of most banks in generating profits (Dendawijaya, 2005). TPF (Third Party Fund) is a source of public funds or savings bank used to finance capital or operational activities of the bank.

2.5 Capital

This ratio indicates the importance of the source of loan capital and the level of security that is held by creditors. The higher this ratio the smaller the amount of capital shall mean the loans used to finance the company. (Nor Hayati Ahmad and Ahmad ShahrulNizam, 2003). This ratio is also referred to as proprictory solvency ratio which indicates the level of the company with the assumption that all assets can be realized as reported in the balance sheet.

3. Hypothesis

3.1 Influence on the profitability of Credit Risk in Islamic banks in Indonesia

In research Ahmad (2003) and Angbazo et al (1998) that the profitability significantly and negatively related to the NPF (Non-perfoming Finance) Islamic banks, which means very influential but if ROA (profitability) has increased the problem loans will decrease whereas According to Nor HayatiShahrulNizam Ahmad and Ahmad (2003) ROA ((Profitability) Islamic banking is positive and significant at the 5 percent level in the NPF (Non-perfoming Financing), the effect of ROA (profitability) of the non-performing loans (NPF) in the same direction, which means if ROA (profitability) increases, the NPF on Islamic banks will experience a significant increase. thus proposed the following hypothesis:

H1: Profitability effect on financing risk

3.2 Effect of CAR (Capital Adequacy Ratio) against RisikoKredit on Islamic banks in Indonesia

According Soedarto (2004) Capital Adequacy Ratio (CAR) and a significant positive effect on the NPL (non-performing loan) banks, as well as research conducted by Budiawan (2008), which means the capital adequacy of the bank's bad debts are very large influence that occurs, if capital adequacy has increased the bad loans will also increase and vice versa. It is different from the research Lestari (2007) CAR (Capital Adequacy Ratio) and a significant negative effect on the NPL (non-performing loan) conventional banks CAR artimya very influential but in the opposite direction where if CAR bad debts rise then it will decrease and vice versa . Thus proposed the following hypothesis:

H2: Capital Adequacy Ratio (CAR) influence on financing risk.

3.3 Effect of TPF (Third Party Fund) against Credit Risk in Islamic commercial bank in Indonesia.

Research has been done previously through research Anggrahini (2004) found that the Third Party Funds (TPF) and a significant positive effect on the NPL (non-performing loan). Similar results were also found by Soedarto (2004) and Budiawan (2008), where the funds collected from the public greatly affect lending to the public if the bank deposits increases, the non-performing loans will increase significantly, while the different results found by Setiyati (2007) deposits where significant negative effect on the NPL (non performing loan). which means that third-party funds collected if the non-performing loans decreased to increase so does sebaliknya.Dengan thus proposed the following hypothesis:

H3: Third Party Funds (TPF) influence on financing risk.

3.4 Influence capital to financing risk

In research Nor Hayati Ahmad and Ahmad ShahrulNizam CAPITAL (Capital Ratio) is negative and significant to the NPF ((Non-perfoming Financing) in Islamic banks, where internal and external capital in Islamic banks does not affect the amount of non-performing loans in Islamic banks. Hypothesis as follows

H4: capital influence on financing risk

3.5 Effect of financing risk on profitability

According OctaMasdjojoArtarina and Gregory N. (2011) NPL (non-performing loan) and a significant negative effect on) ROA (profitability) which means that if the bank NPL (Credit Risk) increases, ROA (profitability) will decrease, and vice versa. From these results, it proposed the following hypothesis:

H5: Effect of financing risk on profitability

3.6 Effect of financing risk on Capital Adequacy Ratio

According to Sam and Fatwal (2011) NPL (non-performing loan) and a significant positive effect on) Capital Adequacy Ratio (CAR) which means that if the NPL (Credit Risk) increases, the Capital Adequacy Ratio (CAR) will also increase, as well as if decline. From these results, it proposed the following hypothesis:

3.7 Effect of financing risk on third party fund

NindyFitria Sari (2011) found that the NPL (non-performing loan) and a significant positive effect on the Third Party Funds (TPF), which means that if the NPL (financing Risk) increases, the Third Party Funds (TPF) will also increase, so too in the event of decline. From these results, it proposed the following hypothesis:

H7: Effect Financing risk on third party fund

3.8 Effect of financing risk on capital

According to Erna wati (2009) NPL (non-performing loan) and a significant negative effect on capital which means that if the bank npl (credit risk) increases, capital will decrease, and vice versa. From these results, it proposed the following hypothesis:

H8: effect financing risk on capital

4. Data And Methodology

4.1 Population and Sample

The population in this study are all Islamic banks (BUS) in Indonesia totaling 11 BUS.Teknik sampling is purposive sampling the sample is based on the characteristics of the population in order to obtain 5 BUS, PT Muamalat Indonesia, PT Bank SyariahMandiri, PT Bank Rakyat Indonesia, PT Bank Syariah Mega Indonesia and Bank PaninSyariah.

4.2 Source of Data

Source of data used in the form of secondary data that is historical quarterly financial statements that have been reported to Bank Indonesia, BPS, BUS is the purpose in the sample period last year from the year 2010-2013. Other sources of support in the form of a journal is required, and other sources that can be used in this research.

4.3 Methods of Data Collection

Data collection methods were used, namely through the web site, as well as reviewing the literature books, research - scientific research to obtain a comprehensive theoretical foundation of Islamic banks, as well as explore the financial statements of a bank balance sheet, income statement and quality of productive assets .

4.4 Technical Analysis

Data analysis was performed multiple regression analysis that previously had performed classical assumption, which include: heteroscedasticity test, and test multikolonieritas.

4.5 Regression Test

Multiple regression analysis is used to determine the accuracy of the relationship between credit risk (the dependent variable) with ROA, CAR, CAPITAL, deposits as a variable that influences (independent variables) with the equation - the equation as follows:

Model 1

$Y_1 = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + e$ 1 2 3 4 .... (1)

Model 2

$Y_2 = b_5 + Y_1$ .... (2)

Model 3

$Y_3 = b_6 + Y_1$ .... (3)

Model 4

$Y_4 = b_7 + Y_1$ .... (4)

Model 5

$Y_5 = b_8 + Y_1$ .... (5)

Y_1 = Financing Risk
a= konstanta
b_1-b_4= coefficienregresion
X_1 = Profitability
X_2 = *Capital Adequacy Ratio*
X_3 = Third Party Fund
X_4 = Capital
e = residual
Y_2 = Profitability
Y_3 = *Capital Adequacy Ratio*
Y_4 =Third Party Fund
Y_5 = *Capital*

5. Finding And Discussion

5.1 Descriptive Analysis

Islamic banking profitability is still below 5%, this indicates that the rate of profit Islamic banks in Indonesia is still high, but the risk can be tolerated is still below 5%. This is because the basic principle of Islamic banks to give priority to benefit the people who rule out the existence of profit in the operations, and the greatest proportion of funding channeled on murabaha scheme. Capital Adequacy Ratio shows the results already meet Bank Indonesia Circular Letter No. 26/5 / BPPP stating Bank A CAR is healthy if more than 5%. While in this study CAR Islamic banks above 5% then the sound of Islamic banks in conducting operations to serve the community. Average Deposits - average above 80% which shows that the number of Islamic banks fund raising increased significantly as people are starting to believe in Islamic banks. Capital employed ratio was below 1% which is very small capital used for financing in Islamic banks, a small amount is what causes Islamic bank financing risk is low, under 5%.

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5.2 Regression Test Results

Having escaped the classical assumption, namely heteroscedasticity test, multicollinearity, the regression test. This study aimed to test the hypothesis - the hypothesis with multiple regression analysis (multiple regresion). In accordance with the formulation of the problem, objectives, hypotheses in this study, multiple regression analysis linking the dependent variable with multiple independent variables in a single predektif models.

$$NPFt = \beta 0 + \beta 1 + \beta 2 \text{ Roat Cart} + \beta 3 + \beta 4 \text{ DPKT CAPITALt} + \varepsilon$$
$$NPF = 2.053 \text{ to } 0.284 \text{ ROA - CAR } 0.036 + 0.008 + 0.022 \text{ DPK CAPITAL} + \boldsymbol{\varepsilon}.$$

From the equation above can be analyzed that the profitability and CAR have a significant negative effect on financing problems. According Dendawijaya (2009) low profitability in banking is one of the effects of the presence of large non-performing loans in a company. This is in line with research conducted by Christian (2003) and Siregar(2009). It is the same with Lestari (2007) CAR (Capital Adequacy Ratio) and a significant negative effect on the NPL (non-performing loan) but in contrast to conventional banks Fransisca research and Siregar (2008) where CAR positive and not significant and Soedarto research (2004) Capital Adequacy Ratio (CAR) and a significant positive effect on the NPL (non-performing loan) banks. While third-party funds and capital has no significant effect on the financing problems. It is seen from the statistics of Islamic banking at Bank Indonesia until the month of September 2013 shows the composition of the funds channeled to the financing of Islamic banking largely on murabahah is equal to 106.777 in September 2013 Contract Murabahah is a sale and purchase agreement which contains a very small risk of loss, so that third party funds disbursed by the bank to the public the risks of experiencing problems or NPF returns very small happening. This is different from previous research that states that deposits a positive effect on the NPL research that has been done previously through research Anggrahini (2004) found that the Third Party Funds (TPF) and a significant positive effect on the NPL (non-performing loan). Similar results were also found by Soedarto (2004) and Budiawan (2008), while different results found by Setiyati (2007) in which deposits and a significant negative effect on the NPL (non-performing loan). Based on Bank Indonesia statistics until the month of September 2013 showed that the capital received by either the bank's own capital or the set of public funds channeled into financing seen from the balance sheet assets and liabilities of Islamic banks in Indonesia in general. Of capital channeled into financing have different compositions, the most visible is the mudharabah at 13.364, Musharaka contract for 36,715 and murabahah at 106.779. Where the contract - the contract using the principle of profit sharing in the financing of fairness between the bank and the customer so that the risk of financing a small problem occurred and with the principle of sharing Islamic banks do not require a large capital base to protect against loss due to risks absorbed by investment depositors between investors or shareholders and the bank. This is similar to previous studies Berger and DeYoung (1997) but different from the study of Nor Hayati Ahmad and Ahmad ShahrulNizam CAPITAL (capital ratio) is negative and significant to the NPF ((Non-perfoming Financing) in Islamic banks.

Financing problems this year has no effect on profitability next year. because of existing problem loans not disturb ROA because the profits of Islamic banks operating largely derived from the proportion of the distribution of funding that is not at risk. But financing problems have a significant negative effect on adequasi capital ratio, capital and third party funds next year. NPF low due a refund can be interpreted from the high society so that the capital adequacy of Islamic banks will be better or higher.the deposits of Islamic banks in determining the next period is not very high concern will not be maximized in the operational. These results indicate that the financing problems will reduce the amount of CAR, third-party funds to be collected by Islamic banks and Islamic banks capital. significant negative or bad credit means higher NPF then used as a reference by the Islamic banking to capital next period is not too high or low.

5.3 Determination test

From the test of determination R2 value indicates that the first equation by 0,311 or 31.1% mean profitability, CAR, party funding and capital ketida able to explain the financing problems of 31.1%, while the remaining 69.9% is explained by other variables outside the model investigated. R2 value of the following equation has a value of 0.016% means that the financing problems in explaining the profitability of 1.6%, financing problems may explain the CAR of 26%, deposits by 4.3%, and a capital of 13.1% and the rest is explained by other variables in addition to financing problems.

6. Conclusion And Recomendation

6.1 Conclusion

Based on the hypothesis testing and discussion, it can be concluded that the significant negative effect on the profitability of financing risk. Capital Adequacy Ratio significant negative effect on financial risk. Deposits not affect the financing problems. Since it is possible that channeled funds to finance Islamic banking largely on murabahah is a sale and purchase agreement which contains a very small risk of loss, so that third party funds disbursed by the bank to the public the risks of experiencing problems or NPF returns very small happening. Capital ratios have no effect on non-performing loans. because of the large capital channeled into financing mudharabah, Musharaka and murabahah contract. Where the contract - the contract using the principle of profit sharing in the financing of fairness between the bank and the customer so that the risk of financing a small problem occurs. Nonperforming loans in that year does not affect the Capital Adequacy Ratio, Deposits and Capital next year.

6.2 Limitation And Recomendation

In this study there are some limitations and suggestions in this study include: a) this .Penelitian 5 Islamic banks using quarterly period of the year March 2010 until September 2013, therefore further research is expected credit risk using broader data not only Islamic banks (BUS) but also Islamic business units (UUS) and bank financing folk sharia (SRB) in Indonesia. b). From the results of the regression variable deposits (Deposits) showed positive results, but not significant, so for further credit risk research is expected to find a significant intervening variable that deposits to the NPF at sharia banks in Indonesia. c) .Koefisien determination of 31.1% showed the ability of independent variables ROA (profitability), CAPITAL (Capital Ratio), deposits (Deposits) and CAR (Capital Adequacy Ratio) in explaining variables and NPF or credit risk amounted to 69.9 % so expect to credit risk research can further examine the variables it is possible - vaiabel other variables that may explain more than 90% of NPF. d) Standardized deviation of profitability is higher than average - the average ROA of data means less evenly distributed so that the expected credit risk of further study of the data more evenly samples taken from more than BUS, UUS and SRB in Indonesia.

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