PROFITABILITY, COLLATERAL VALUE, FINANCING APPLICATION VALUE, LEVERAGE, NET WORKING CAPITAL AND CHARACTER ON DETERMINING THE CUSTOMERS FOR FINANCING IN ISLAMIC BANKS CATEGORIZED BY ETHNIC CHINESE, INDIGENOUS PEOPLE, MUSLIM AND NON-MUSLIM

Rabita Asri Jayendati, Erman Denny Arfianto[1]
rabitachi@gmail.com

Departemen Manajemen Fakultas Ekonomika dan Bisnis Universitas Diponegoro
Jl. Prof. Soedharto SH Tembalang, Semarang 50275, Phone: +622476486851

ABSTRACT

This study was involved by the NPF of islamic banks almost close to the threshold, 5%. One of aspects of the indication of increasing the NPF is the account officer of islamic banks innacuary to lending the financing to the customers that effected to bad credit. The aim of this study was to see the influence of profitability, collateral value, credit submission value, leverage, net working capital and character on determining the financing customers in islamic banks catogorized by ethnic chinese, indigenous people, muslim and non-muslim.

The object of research used in this study is the account officer of Sharia Commercial Banks and Sharia Financing Banks in the City of Semarang as many as 52 account officers divided into 10 banks. The analytical method used is conjoint analysis to determine the influence and value of interest preferences from each account of a Sharia Commercial Banks and Sharia Financing Banks officer in the City of Semarang.

Based on the results of the study for conjoint analysis shows that the value of interest preferences according to the overall respondents, the characters are in the first place wit\h importance values of 36.877%, leverage is second at 14.813%, the value of collateral in the third place at 12.461%, net working capital in the fourth place at 12.443%, the value of credit submission was fifth at 12.337% and the last was profitability which amounted to 11.069%.

Keywords: Profitability, Collateral Value, Credit Submission Value, Leverage, Net Working Capital, Islamic Banks, Sharia

---

[1] *Corresponding author*

INTRODUCTION

The existence of banks (conventional and sharia) generally has a strategic function as intermediary institution and provides services in payment traffic, but the characteristics of both types of banks (conventional and sharia) have different character that can influence the behavior of perspective customers in determining their preferences against the selection between the two types of banks. Ramlan and Adnan (2016) state that the world's banking system around had the two types banks. The conventional banking use by interest-based banking system and the other system is an interest-free banking system called as the Islamic banking system.

Ahmad Alharbi (2015) defined Islamic bank as a financial institution that (a) implements sharia principles in all of its activities through its role as a financial intermediary between savers and investors; (b) provides banking services within the framework of legitimate contracts; and (c) achieves a balance between economic and social return. Islamic banks especially in financing is one of the alternative for to have the capital for develop the business. In conventional banks use the interest as an income but in Islamic banks the interest bearing is prohibited for any transactions since in the Quran prohibits it. However, to ensure the sustainability of Islamic financial in income, they use profit/loss sharing (PLS) method. The risk of damage for customer is less in Islamic financial than conventional financial because PLS method divide the profit or loss together with the banker than conventional financial decide the interest rate unilaterally listed from the existing rules.

In banking, there are some problems that would be faced. One of the problem is the problem of loans that can not be avoided. The loan can be the problem when the customers can not pay in time. Unsuitabel financing distribution in other words does not pay attention to the rules for risk mitigation will only be a problem in the future, which called bad financing. In the event of bad financing will have an impact on the banking condition where In the event of bad financing will have an impact on the banking condition where NPF will increase. In conventional bank it will be measure by Non-Performing Loan (NPL) and in sharia bank called Non-Performing Financing (NPF).

The principle of prudence is very important. If not on careful, the banks should get ready to lose the earnings as a backup for each of the financings in trouble. It will be trigger to increase the NPF, where NPF describes the performance of lending financing on sharia bank. This bad financing could be happen when the account officer of financing inaccuracy. The character and ability of account officer in analyzing the prospective customer is not good or less careful because of closeness with the customers or the inability of account officer analyze well the character of business and character of customer so that analysis presented not accurate. Error in financing analysis will resulted in the bank placing the funds to high risk borrowers. Financing analysis error can cause harm to the bank or the debtor is of good quality.

Research on problem assement of loan in sharia has often been done by previous research, but there is still few researches that elaborate directly and empirical. This study measures the dividend payout ratio policy. Based on the previous researches about determine the customers for financing in sharia banks that the factors should to consider in determining such as profitability, collateral, value of financing application, leverage, net working capital and character. In this case determine the customers for financing in sharia

banks is used as the dependent variable, while the independent variable consists of profitability, collateral, value of financing application, leverage, net working capital and character.

Based on the above problem formulation, it can be formulated research questions as follows: (1) How is the influence of profitability on determining the customers for financing in Islamic Bank ? (2) How is the influence of collaterals value on determining the customers for financing in Islamic Bank ? (3) How is the influence of financing applications value on determining the customers for financing in Islamic Bank ? (4) How is the influence of leverage on determining the customers for financing in Islamic Bank ? (5) How is the influence of net working capital on determining the customers for financing in Islamic Bank ? (6) How is the influence of character on determining the customers for financing in Islamic Bank ?

THEORETICAL THINKING FRAMEWORK AND HYPOTHESES FORMULATION

Influence of Independent Variable on Dependent Variables

Profitability to Determining The Customers for Financing in Islamic Bank
A business activity can run with the funds and the purpose of the business is to gain profit. Some businesses that established to get the capital by applying for loan. From that activity, the businessman thinking about the profitability for one of the reasons is to pay the debt loan. Juliani Esther (2009) state rasio profitability (NPM, ROA, ROE), liquidity ratio, leverage ratio had a significantly influence in predicting the lending proposed by the debtor.
Hypothesis 1: The greater the value of profitability then increase the rank priority on determine the customers for financing in sharia banks.

Collateral to Determining The Customers for Financing in Islamic Bank
The existence of collateral aims to reduce the level of financing risk of the bank channeled to the debtors. The value of the collateral greatly affects the amount of financing to be given to the customers by the bank by calculate the change in the value of the collateral during the loan period. Supriyadi and Kartikasari (2015) state that the value of collateral is one aspect that is the reason for customers to keep their installment payments every month.
Hypothesis 2: The greater the value of collateral then increase the rank priority on determine the customers for financing in sharia banks.

The Value of Financing Application to Determining The Customers for Financing in Islamic Bank

From *Kamus Besar Bahasa Indonesia* (KBBI), Applications are processes, means, actions, filings, proposals, forwarding. Lasmarohana (2015) stated that the higher the value of loan to value, the greater the potential of banks in distributing housing loans.
Hypothesis 3: The greater the value of financing application then increase the rank priority on determine the customers for financing in sharia banks.

Leverage to Determining The Customers for Financing in Islamic Bank

According to Kasmir (2010:112), leverage ratio is the ratio used to measure the assets of companies financed by debt, which mean how much debt burden borne by the company compared with its assets. Leverage is one of the valuation in approving the financing

proposed by the customer. This is because by looking at the debt held by the customers. The greater the debt of the customers, the possibility for financing approved is getting smaller.

Hypothesis 4: The greater the value of leverage then increase the rank priority on determine the customers for financing in sharia banks.

Net Working Capital to Determining The Customers for Financing in Islamic Bank

Working capital is one of the important elements in the business of financing distribution. Rahman and Maulana (2009) state that nett working capital and the amount of financing disbursed affect the profitability of the company.
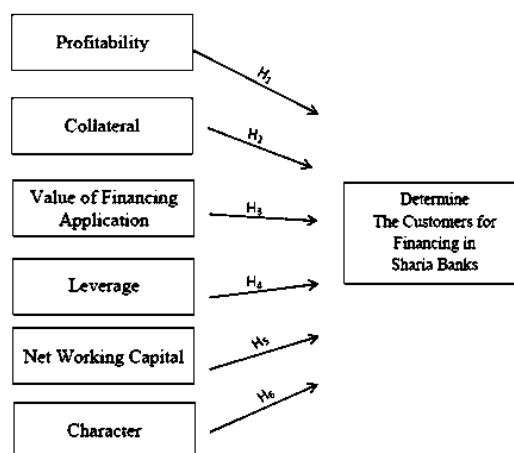
Hypothesis 5: The greater the value of net working capital then increase the rank priority on determine the customers for financing in sharia banks.

Character to Determining The Customers for Financing in Islamic Bank

The prospect theory have explained that as an one of persistent biases motivated by psychological factors that influence the people choices under conditions of uncertainty. Character is is an inner nature that affects all thoughts, attitudes, manners, and character possessed by humans or other living beings. Characters can affect a person in make a decision if there is uncertainty on the consequences the choice based on prospect theory. According to Mahdi and Abbes (2017) that the cumulative prospect theory provides an alternative framework in the analysis of risk-taking, particularly for excessive risk-taking in banks that remains the main cause of their failur.

Hypothesis 6: The greater the value of character then increase the rank priority on determine the customers for financing in sharia banks.

Picture 1
Theoretical Framework

CUSTOMERS CATAGORIZED FOR CHARACTER		
I	Ethnic Chinese	Indigenous People
II	Muslim	Non-Muslim

Source: Juliani Esther (2009), Supriyadi and Kartikasari (2015), Lasmarohana (2015), Kasmir (2010), Rahman and Maulana (2009), Mahdi and Abbes (2017)

RESEARCH METHODS

Variables used in this research is seven variables consisting of one dependent variable that is Determine The Customers for Financing in Sharia Banks and six independent variables are Profitability, Collateral Value, Financing Application Value, Leverage, Net Working Capital and Character. The population will be used in the research based on data financing of 5 (five) Sharia Commercial Banks and 5 (five) Shariah Financing Banks (BPRS) in Semarang from BTN Syariah, BRI Syariah, BPD Jateng Syariah, Bank Mega Syariah, Bank OCBC NISP Syariah, BPRS Mitra Harmoni, BPRS PNM Binama, BPRS Artha Surya Barokah, BPRS Artha Amanah Ummat and BPRS Suriyah. The determination of the sample in the conjoint analysis are determine the customers in the assessment of funding service selection on Islamic banks in Semarang as much as 52 respondents. In this study the data used are primary data derived from questionnaire from account officer of Islamic banks in Semarang. The tests for the research was conducted using by SPSS software. Hypothesis testing using the conjoint analysist.

RESEARCH RESULT AND DISCUSSION

Description of Research Objects

The object of this research is the sharia banks in the city of Semarang, Indonesia. The sharia banks consist of commercial sharia banks and local banks / *Bank Perkreditan Rakyat* Syariah (BPRS) which is used in this research as many as 10 banks namely BTN Syariah, BRI Syariah, BPD Jateng Syariah, Bank Mega Syariah, Bank OCBC NISP Syariah, BPRS Mitra Harmoni, BPRS PNM Binama, BPRS Artha Surya Barokah, BPRS Artha Amanah Ummat and BPRS Suriyah. In this research use 52 sample from 10 sharia banks that have employees who do in financing activity as an account officer. Each account officer of each sharia banks have own different perspective in determining the financing that proposed by the customers.

Research Result

Importance Value

Table 1
ImportanceVa

Rank	Atribute	Importance Value
1	Character	36.877
2	Leverage	14.813
3	Value of Collateral	12.461
4	Net Working Capital	12.443
5	Value of Financing Application	12.337
6	Profitability	11.069

Source : Output SPSS, statistics data has been processed.

Based on the important value data above, the character is the biggest part in the financing assessment according to all respondents that is equal to 36,877%. The second preference is leverage is equal to 14.813%. The third order is the value of collateral with percentage of 12.461%. The fourth preference is net working capital is equal to 12.443% followed by value of financing application of 12.337%. And the last order is profitability with percentage 11.069%.

Discussion

The account officer considers that the profitability of the customer is not a primary preference because there are many possibilities that the financial statements of a business can be manipulated. In this study in addition to showing the effect of profitability variables on the behavior of sharia banks in the valuation of financing also shows preference of importance the profitabilit according to respondents in this case is the account officer of sharia bank. So the result of conjoint analysis shows that utility estimate value given by all respondents in high profit is equal to 0.024 and importance preferences level is 11.069% which means profitability has influence and significant toward sharia bank behavior in Semarang city in appraising financing with preference of order importance the fifth of the six factors. This is in accordance with research conducted by Putranto and Arfianto (2010) who said that profit had positive affect to behavior of rural banks in the city of Semarang in the assessment of working capital loans.

Banks in lending the financing should be careful to minimize the risks. The greater the financing disbursed by the bank the greater the risks it faces. Most of the risks that banks face in lending are the presence of bad loans. To reduce these risks banks must be thorough in conducting financing assessments. One of them in assessing is the collateral provided by the customer, the amount of financing proposed by the customer must be worth with the collateral provided. In this study the collateral becomes one of the valuations in lending. The result of conjoint analysis shows that utility estimate value is 0.067 in high of value of collateral and imporatance preferences level is 12.461% which means that the collateral had third ranking priority to behavior of sharia banks in Semarang City in the distribution of funding of the six factors. This negative utility value does not mean it has no influence however influential but has no significant trait. This is in accordance with research conducted by Suyatno (1989) that the value of collateral is defined as the delivery wealth or a statement of one's ability to bear the repayment of a debt.

The account officer will consider amount of borrowing funds to customers with one aspect is value of financing application by considering another aspects. From the results of data show that the debt with utility estimate value of -0.096 on and importance preferences level of 12.337%, which means that the value of financing application has lower priority on the behavior of sharia banks in Semarang City in the funding assessment with interest preferences because the value of credist application rank on the fifth of the six factors. The negative utility value does not mean it has no influence however influential but has no significant trait.

As an account officer must be careful in assessing the financing proposed by customers, one of them in looking at debt. Account officer must know the debt owned by customers outside the financing to be submitted. If customer has many debts then most likely the customer is applying for financing to cover other debts. So that debt becomes one of the important factors in financing assessment. From the results of data show that the debt with utility estimate value of 0.591 on the high leverage preference and importance preferences level of 14.813%, which means that the debt has second priority on the behavior of Islamic banks in the city of Semarang in the channeling of funds because the preferences

on second order of the six factors. This is in accordance with research conducted by Kasmir (2010:112) where leverage ratio is the ratio used to measure the assets of companies financed by debt, which mean how much debt burden borne by the company compared with its assets.

In addition to looking at the risks to be faced, banks also see the background character owned by the customer. Character shows the debtor's commitment in borrowing money. To know the character of the borrower's prospective customers, the bank does things such as conducting interviews, reviewing customer's bank data and seeking information related to the customer's financial profile. In this case character assessment is divided into two catagorized which each has their own choices. Catagory I is ethnic Chinese and indigenous people while catagory II is muslim and non-muslim. The results of conjoint analysis showing the utility estimate value of ethnic chinese at -0.399 and indegenous people at -0.437. And the value of utility estimate of muslims at -0.361 and non-Muslim at 0.476. At the importance preference level at 36.877% which means that the character had a priority rank on the behavior of sharia banks in Semarang City in the funding assessment with interest preferences on the first of the six factors. Some negative utility value does not mean it has no influence however influential but has no significant trait.

CONCLUSION

Based on test result and discussion about the affect of independent variable in the form of profitability, valule of collateral, value of financing application, leverage, net working capital, and character to sharia bank behavior in Semarang city in the appraisal of financing, hence can draw some conclusion about research. The results of conjoint analysis shows that profitability on the last priority to assess financing by behavioral of sharia banks in Semarang city in the assessment of financing preferences of importance of the fifth order indicated by the importance values of 11.069%.Then the value of collateral on third priority to assess financing by behavioral of sharia banks in Semarang city in the assessment of financing with preferences of importance of the fifth order indicated by the importance values of 12.461%.The value of financing application on fifth priority to assess financing by behavioral of sharia banks in Semarang city in the assessment of financing with preferences of importance of the fifth order indicated by the importance values of 12.337%. The results of conjoint analysis shows that leverage on second priority to assess financing by behavioral of sharia banks in Semarang city in the assessment of financing with preferences of importance of the fifth order indicated by the importance values of 14.813%. The net working capital on fourth priority to assess financing by behavioral of sharia banks in Semarang city in the assessment of financing with preferences of importance of the fifth order indicated by the importance values of 12.443%. And the character on first priority to assess financing by behavioral of sharia banks in Semarang city in the assessment of financing with preferences of importance of the fifth order indicated by the importance values of 36.877%. The character assessment is divided into two catagories which each has their own choices. Catagory I is ethnic chinese and indigenous people while catagory II is muslim and non-muslim.

REFERENCE

Alharbi, A. 2015. Development of the Islamic Banking System. *Journal of Islamic Banking and Finance*, Vol. 3, No. 1, pp. 12-25. https://doi.org/10.15640/jibf.v3n1a2

Ben Salah Mahdi, I. and Boujelbène Abbes, M. 2017. Behavioral Explanation for Risk Taking in Islamic and Conventional Banks. *Research in International Business and Finance*, pp. 1–11. https://doi.org/10.1016/j.ribaf.2017.07.111

Esther, Juliani. 2009. "Analisis Pengaruh Kinerja Keuangan Debitur Terhadap Keputusan Pemberian Kredit Pada PT. BPR Duta Adiarta Medan". Skripsi Program S1 Ekonomi Universitas Sumatera Utara.

Ghozali, Imam. 2011. Aplikasi Analisis Multivariate dengan Program SPSS. Semarang: Badan Penerbit Universitas Diponegoro.

Kasmir. 2008. Bank dan Lembaga Keuangan Lainnya. Edisi Revisi 2008. Jakarta: PT. RAJAGRAFINDO PERSADA

Lasmarohana, D. N. 2015. Analisis Pengaruh Loan To Value, Jangka Waktu Kredit, Tingkat Pendapatan dan Jumlah Tanggungan Keluarga dalam Keputusan Pemberian Kredit Pemilikan Rumah (Studi Kasus PT. Bank Pembangunan Daerah Jawa Timur Cabang Malang, Malang.

Rahman, R and A. Maulana. (2009). Pengaruh Modal Kerja terhadap kredit yang Disalurkan serta Dampaknya terhadap Rentabilitas Perusahaan. Akuntansi, 4.

Ramlan, H. and M. S. Adnan. 2016. The Profitability of Islamic and Conventional Bank : Case study in Malaysia. *Procedia Economics and Finance*, Vol. 35, pp. 359–367. https://doi.org/10.1016/S2212-5671(16)00044-7

Sugiyono. 2007. Metode Penelitian Bisnis. Bandung: Alfabeta.

Supriadi, A and D. Kartikasari. 2015. Hubungan Analisis Kredit Terhadap Kualitas Pembiayaan Kpr Pada Pt Xyz Cabang Batam. *Jurnal Akuntansi, Ekonomi dan Manajemen Bisnis*, Vol. 3, No. 2, pp. 128-134.