

**Comparison Analysis on the Success Rate of NPF
and NPL in Microfinancing: Study Case of Bank Rakyat Indonesia
(BRI) and BRI syariah**

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Abstract

This study aims to investigate and demonstrate empirically on the success rate ratio of non-performing loan (NPL) or non-performing financing (NPF) micro financing between PT. BRISyariah Bank and PT. Bank Rakyat Indonesia (Persero) Tbk., During the period December 2009 to 2012. This study is a comparative descriptive study. The data are secondary data in the form of financial statements of earning assets by Bank Indonesia. Data analysis was performed using analysis of the ratio of Non Performing Financing (NPF) and NPL. Techniques analysis which used to compare the level of success NPF of microfinance BRI Syariah and BRI is Mann-Whitney Test Method. The result shows that there are significant differences in the success rates of NPF micro financing between BRI Syariah and BRI. The study also concludes that the level of NPF/NPL of BRI Syariah is more eminent compare to BRI. However, refers to the provisions of Bank Indonesia that healthy or good NPF/NPL is $\leq 5\%$, BRI is still in ideal condition.

Keywords: *Non Performing Financing, Non Performing Loan, Microfinance*

Introduction

Economic activity is an activity of creating the opportunity and benefits. These activities include the production, distribution and consumption, which have impacted to micro and macro economics. Economic activity is carried out by a group of people

who have a good business activity of business either in small or in large scale, and contribute to build economic of the country.

According to Indonesia Law No. 20 year 2008 Article 1, business is divided into four sectors; micro, small, medium, and large businesses. These four

sectors has evolved over the year, but refers to the data of small micro enterprises (SMEs) in 2012, micro business were most dominate

business in Indonesia. The data could be seen on the table of SMEs in 2012 as follows

Table 1.1
The Growth of of Small, Micro and Medium Enterprises (SMEs) and Large Enterprises (LE) in 2012

NO	INDICATOR	UNIT	Year 2012	
			Amount	Market (%)
1	Unit Business (A+B)	<i>(Unit)</i>	56.539.560	
	<i>A. Micro, Small, and Medium Enterprises (SMEs)</i>	<i>(Unit)</i>	56.534.592	99,99
	INDICATOR	UNIT	Year 2012	
			Amount	Market (%)
	<i>Micro Business (MiB)</i>	<i>(Unit)</i>	55.856.176	98,79
	<i>Small Business (SB)</i>	<i>(Unit)</i>	629.418	1,11
	<i>Medium Business (MB)</i>	<i>(Unit)</i>	48.997	0,09
	<i>B. Large Business (LB)</i>	<i>(Unit)</i>	4.968	0,01
2	Employee (A+B)	<i>(Person)</i>	110.808.154	
	<i>A. Micro, Small, and Medium Enterprises (SMEs)</i>	<i>(Person)</i>	107.657.509	97,16
	<i>Micro Business (MiB)</i>	<i>(Person)</i>	99.859.517	90,12
	<i>Small Business (SB)</i>	<i>(Person)</i>	4.535.970	4,09
	<i>Medium Business (MB)</i>	<i>(Person)</i>	3.262.023	2,94
	<i>B. Large Business (LB)</i>	<i>(Person)</i>	3.150.645	2,84

Source: Data of SMEs 2013, Ministry of Cooperative and SMEs of Indonesia

Based on table 1.1, microbusiness stands at 98% and dominated compared to other business sectors. In addition, the SMEs sector contribute 97% of employment in Indonesia. It indicates the high contribution of micro-enterprises to the economic condition of the country. The

existence of micro-enterprises in the economic structure of Indonesia is a huge potential either for increasing the number of employment or contributing the economic growth. Therefore, to support the development of SMEs, they need a partner especially the rural bank as a facilitator for

distributing the funding or credit. Financing is a very important tool for the development and the existence of micro-enterprises. Where financing can increase the productivity of micro-enterprises such create new business or expand the current business.

As one of the state-owned bank, Bank Rakyat Indonesia (BRI) focuses on the micro segmentation. Distributing the microfinancing is done by BRI Units, which focuses on rural business credit. Until September 2004, BRI operates 4,049 units and 325 branches. At the end of September 2004, the bank has 87% financing to SMEs, while for funding to corporations represented 13 %. Approximately 31% of the total funding or Rp 58.119 trillion (USD 6.2 milyar) held by micro-enterprise sector or around Rp 18,14 trillion (USD 1.9 billion).

The development of microfinance institutions (MFIs) by BRI in 2012 grew by 18.4% with a total outstanding Rp. 106.8 trillion. The growth was also accompanied by the increase of micro borrowers number which achieves more than 200,000 new debtors, or around 5.5 million debtors in end of 2012. During

2012, BRI has developed its network by opening 150 business units and 500 Terrace BRI (Infobank News, 2013). Recently, BRI is a pioneer bank which success on cultivating the micro segmentation. It stimulates other banks in entering the micro segment too

Financing the micro segment is a financing with high-risk business. Determined by Bank of Indonesia (BI/CentrelBank), Distribution of fund by banks said to be good if the value of the Non Performing Financing/ Loan (NPF/NPL) below 5%. NPF/NPL ratio is a non-performing financing which consists of classification of substandard, doubtful, or loss. The low and high ratio of NPF might be effect to bank profits. Financing is the core business of the bank, and consider as an indication of the success or fail of the bank activities. Therefore, the study aims to investigate and demonstrate empirically on the success rate ratio of non-performing loan (NPL) or non-performing financing (NPF) micro financing between PT. BRI Syariah Bank and PT. Bank Rakyat Indonesia (Persero) Tbk., During the period December 2009 to 2012.

Literature Review

Between Credit And Financing

In the Basic Law of Banking No. 14, 1967 Chapter I General Provisions, stated that credit is the provision of money or bills that can be equated based on the approval of the borrowing and lending between banks to other parties in the case where the borrower is obliged to repay their debts after a certain period of time with the amount of interest which has been determined. Moreover, due to the born of Islamic bank in Indonesia (Bank Muamalat Indonesia in 1991), then Central bank issued the Basic Law Banking No. 7 of 1992 with a broader definition of credit. Credit is defined as the provision of cash or the equivalent, requires the borrower to pay off debts after a certain period with the amount of interest, remuneration or profit sharing. In more specific terms, credit in Islamic banking was changed to "financing" (financing).

Meanwhile, according to the Islamic Banking Act No. 21, 2008 Chapter 1 Clause I No. 25, explained that the provision of funds or financing is equivalent to the bill, such: profit sharing transaction (*mudharabah and Musharaka*), lease transactions (*Ijarah and Ijarah muntahiya bittamlik*), buy and sell transaction

(*murabaha, salam and istishna'*), lending and borrowing transactions (receivables and *qardh*) and lease transactions services.

The purpose of Financing

As a contribution to develop productivity of business activities in micro, small, medium, and large business, the existing of financing or credit in an institution in the form of bank or non-bank must have strategic direction to achieve the purpose of financing, such: (Antonio, 2001)

1. Economic improvement of the people,
2. Availability of funds for business improvement.
3. Increase productivity.
4. Create new jobs.
5. Income distribution occurs.

Microfinance and Assessing The MFIs

According to the definition used in the microcredit summit (1997), micro-credit or financing is a program by providing funding for small amounts to the poor to financing the productive activities in order to produce income that allows them to care for themselves and their families. Meanwhile Bank Indonesia (BI) defines microfinance as a loan for productive business, either individual or groups where the

sales revenue below Rp 100 million per year. While the Bank Rakyat Indonesia (BRI) defines microfinance as loan financing services below Rp 50 million

Ratio	Indicator
NPL/NPF ≤ 5%	Healthy
NPL/NPF > 5%	Not Healthy

Bank Indonesia, 2011

(Ashari, 2006).

According to the People's Business Credit Assessment (2011), the assessment for credit or financing could be seen from several quantitative indicators such; distribution indicators, indicators by assessing the performance of the debtor, and the loan repayment rate indicators. Based on People's Business Credit Assessment, in terms of financing microenterprises, it can be seen from the rate of return of bank financing. The return of financing contains in the report by looking at the ratio of non-performing loans (NPL) and non-performing financing (NPF)(the term for Islamic banks). NPL / NPF is the percentage of non-performing loans (with criteria substandard, doubtful, and loss) to total loans issued by banks. This percentage can be described in the following formula:

$$NPL = \frac{\text{Total NPL}}{\text{Total Credit Disbursements}} \times 100\%$$

Total Credit
Disbursements

or

$$NPF = \frac{\text{Total NPF}}{\text{Total Credit Disbursements}} \times 100\%$$

Disbursements

Table 2.1

Assessment Criteria for The Level of Healthy Bank

According to Bank Indonesia regulation that the definition of substandard, doubtful and loss credits are:

1. Substandard Credits

Credit repayment of loan principal and interest payments have been delayed for 3 (three) months from the time of the agreement.

2. Doubtful Credits

Credit repayment of loan principal and interest payments have been delayed for 6 (six) months or two times of the agreed schedule.

3. Bad/Loss Credit

Credit repayment of loan principal and interest payments have been delayed more than a year since the maturity according to the agreed schedule.

Banking Operations

Conventional commercial banks as financial intermediaries

who carry out the collection and distribution mechanisms in a balanced fund, which shall be applicable with banking regulations, the Act No. 10 1998. For that there must be clarity of banking operations system. In general, based on the law, the concept of a commercial bank operating system is: First, conventional commercial banks as a collector of funds from the surplus funds. Second, conventional commercial banks as a conduit of funds for those who need in the form of loans or financing. Third, other activities as operational support of conventional commercial banks should provide financial transaction services.

Meanwhile, operational Principles in Islamic Bank is as financial intermediaries also have to carry out the collection and distribution mechanisms in a balanced fund, which shall be with the applicable provisions of the Banking Law 10 1998. For this reason there should be a clear system of banking operations. In general, based on the law, the concept of Islamic banks operating system is:

First, Islamic banks as a collector of funds from the surplus

funds, namely those who entrust their money to the bank to be stored and managed in accordance to sharia law. Second, Islamic banks as channeling funds for those in need of financing. General financing which provided by Islamic banks include three frame (*aqad*), *aqad Ijara* financing (buying and selling), *aqad syarikah* (partnership or joint venture) and *aqad qordhul hasan* (virtue).

Research Methodology

The object of this study is Bank BRI Syariah and Bank Rakyat Indonesia (conventional) which is located on Jl. Sudirman Kav. 44-46, Jakarta 10210 Indonesia. The research design uses in this study is a descriptive study. It is a study of phenomena that are processed or specific populations of subjects in the form of individual researchers, industrial organizational or other perspective. Moreover, the type of Data is using secondary data. The data uses in this study include the Bank's Financial Statements published in December 2009-2012 were obtained from the website of Bank Indonesia (Central Bank). The report is the report of earning assets from BRI Syariah Bank and BRI Bank.

Furthermore, this study analyzes the quality of productive assets in order to obtain the results of micro financing in NPL ratio at BRI Syariah Bank and BRI (Conventional) bank. They are two variables are used; The dependent variable and the independent variables. The dependent variable is a variable whose value is affected by the independent variables. In this study, the dependent variable used is non-performing loan (conventional banks) and non-performing financing (Islamic banks). It is used to look at the quality of financing.

Meanwhile, independent variables (free) is a variable that is thought to affect or being the cause of the change and the emergence of the dependent variable. In this study, the independent variables are BRI Syariah Bank and BRI (conventional) Bank.

Hypothesis

Ho: Based on the ratio of NPL / NPF, presumably there is no difference between the success rate of NPL / NPF on micro-finance banks in BRI Syariah with BRI.

Ha: Based on the ratio of NPL / NPF, presumably there is difference between the success

rate of NPL / NPF on micro-finance banks BRISyariah with BRI.

Data Analysis Techniques

Hypothesis Testing

If the probability < 0.05 then H_0 is rejected, there is a significant difference in the success rate of NPL / NPF microfinance banks BRISyariah with BRI.

If the probability of > 0.05 then H_0 is accepted, there was no significant difference in the success rate of NPL / NPF microfinance banks BRISyariah with BRI.

Results And Discussion

a. Hypothesis Testing and Descriptive

This test is done to get the results of the analysis, as the evidentiary basis for hypotheses that have been created and assisted in comparing the ratio between banks. This test uses a different test analysis of Mann-Whitney. The table below shows the differences of NPL/NPF ratio between BRISyariah and BRI during the period of December 2009-2012

Table 4.1

The Comparison of NPL / NPF Ratio Between BRISyariah

Bank and BRI Bank During the period of December 2009-2012

No	Year	BRI Syariah Bank	BRI Bank
		NPF (%)	NPL (%)
1	2009	1,15	1,13

2	2010	0,96	3,25
3	2011	0,46	2,3
4	2012	0,7	1,6

Source: Secondary Data processed, 2014

Table 4.2
Descriptive Statistic NPL/NPF BRISyariah Bank and BRI Bank

			Statistic	Std. Error	
Ratio NPL/NPF	BRISyariah Bank	Mean	,8175	,15069	
		95% Confidence Interval for Mean	Lower Bound	,3380	
			Upper Bound	1,2970	
		Std. Deviation	,30137		
		Minimum	,46		
	Maximum	1,15			
	BRI Bank	Mean	2,0700	,46096	
		95% Confidence Interval for Mean	Lower Bound	,6030	
			Upper Bound	3,5370	
		Std. Deviation	,92192		
Minimum		1,13			
Maximum	3,25				

Source: Secondary Data, 2014

From Table 4.3, the ratio of NPL / NPF has Z count -2.2021 with a significance level of <0.05, hence Ho is rejected, or in other words Ha received or there are any differences in the level of success of NPL / NPF microfinance between BRISyariah and BRI. Based on the results of the calculation of the ratio of NPL / NPF, NPF ratio tends by BRISyariah is stable during December of 2009-2012. Where 2009 shows 1.15%; in 2010 reaches 0.96%; in 2011 indicates 0.46%; and in 2012 reaches 0.7%. For BRI bank NPL ratio tends to fluctuations in each period during December 2009-2012, but still above the standard Bank of

in 2009 (1.13%), 3.25% (in 2010); 2.3% (in 2011); and 1.6% (2012).

BRISyariah has the lowest NPF with 0.46% for the year 2011 and the highest value of NPF (maximum) with 1.15% in 2009, while the average value (mean) of 0.81% with a standard deviation of 0.30%. While, the lowest NPL for BRI (minimum) was 1.13% for the year 2009 and the highest value (maximum) with 3.25% for the year of 2010, while the average value (mean) by 2.07% with a standard deviation amounted to 0.92%.

Furthermore, when the ratio of NPL / NPF of two banks are compared, both of NPL / NPF ratio per year and the average of NPL / NPF ratio, the NPF ratio of

BRISyariah bank is better rather than NPL ratio of BRI. This is because the average NPF ratio of BRISyariah bank achieves 0.81% while BRI bank reaches 2.07%. Nevertheless, these results do not mean that the BRI has bad result, because

Tabel 4.3 Mann-Whitney Test	
Test Statistics^a	
	Ratio NPL/NPF
Mann-Whitney U	1,000
Wilcoxon W	11,000
Z	-2,021
Asymp. Sig. (2-tailed)	,043
Exact Sig. [2*(1-tailed Sig.)]	,057 ^b
a. Grouping Variable:bank	
b. Not corrected for ties.	

Indonesia requirements with $\leq 5\%$

the average NPL of BRI is still under Bank of Indonesia (BI) indicator. BI considers bank as not healthy if they achieve NPL/NPF more than 5 %.

Conclusions

Mirofinance sector has proved to economic development. As shown by the BRISyariah and BRI conventional bank, microfinance sector contribute the profitability and also sustainability for the economic activities of the bank. Either BRISyariah or BRI Bank, both of them have attempted to maximize the microfinance program. However, based on the analysis on this study, during 2009-2012, BRISyariah could pressed the number of NPF better compared to BRI conventional. The mean value of the NPL / NPF BRISyariah Bank is smaller than the mean value of Bank BRI. It indicates that in case of the success rate of NPL/NPF, BRISyariah Bank shows better compared to BRI. On the other word, BRISyariah banks has better quality in bank's assets, hence they can achieved profit and develop micro-finance better. However, based on the provisions of Bank

Indonesia (BI) that the maximum standard of healthy / good bank is $\leq 5\%$ for NPL / NPF. Therefore, BRI (Conventional) Bank is still considered as ideal conditions. Moreover, from hyphotesis test, the study found that the success rate of non-performing loans or non-performing financing micro finance between BRI (Conventional) bank and BRISyariah Bank have a significant difference. These results also proved by accepting the alternative hypothesis (H_a) where there is a difference between the success rate of non-performing loans or non-performing financing micro finance at BRISyariah Bank with BRI (conventional) bank. Overall, the study concludes that either BRISyariah bank or BRI (conventional) bank have contributed for developing the micro business sector. Their contribution have successfully inspire other banks to disburse more loan for this unique market. In the future, the study expects, there will be more research on microfinance case to enrich the information of microfinancing contribution in developing the SMEs market.

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