

The Effect of Inflation, Exchange Rate, Implementation of Good Corporate Governance (GCG), and Financing to Deposit Ratio (FDR) on Sharia Commercial Bank Financing Risks In Indonesia 2019-2022

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Article information

ABSTRAK

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Kata kunci: Inflasi, Nilai Tukar (Kurs), Good Corporate Governance (GCG), Financing to Deposit Ratio (FDR), Risiko Pembiayaan

Banyaknya produk yang ditawarkan bank khususnya pembiayaan menyebabkan semakin besar potensi risiko yang dapat dipengaruhi oleh berbagai faktor. Oleh karena itu, tujuan dari penelitian ini untuk mengetahui pengaruh Inflasi, Nilai Tukar (Kurs), Penerapan *Good Corporate Governance* (GCG), dan *Financing to Deposit Ratio* (FDR) dalam mempengaruhi Risiko Pembiayaan yang diprosikan *Non Performing Financing* (NPF) pada Bank Umum Syariah di Indonesia tahun 2019-2022. Data yang digunakan dalam penelitian berupa data sekunder yaitu laporan keuangan tahunan serta laporan *Good Corporate Governance* (GCG) tahun 2019-2022. Populasi penelitian ini adalah Bank Umum Syariah di Indonesia dengan teknik pengambilan sampel yaitu *purposive sampling*. Metode analisis regresi yang digunakan adalah data panel menggunakan Eviews 10. Hasil penelitian menunjukkan secara simultan bahwa Inflasi, Nilai Tukar (Kurs), *Good Corporate Governance* (GCG) berpengaruh signifikan terhadap *Non Performing Financing* (NPF). Namun, secara parsial menunjukkan bahwa (1) Inflasi, Nilai Tukar (Kurs), dan *Financing to Deposit Ratio* (FDR) tidak berpengaruh terhadap *Non Performing Financing* (NPF), (2) *Good Corporate Governance* (GCG) berpengaruh positif signifikan terhadap *Non Performing Financing* (NPF).

ABSTRACT

Keywords: Inflation, Exchange Rate, Good Corporate Governance, Financing to Deposit Ratio (FDR), Financing Risk

The large number of products offered by banks, especially financing, causes greater potential risks that will occur which can be influenced by various factors. Therefore, the aim of this research is to determine the influence of Inflation, Exchange Rates, Implementation of Good Corporate Governance (GCG), and Financing to Deposit Ratio (FDR) in influencing Financing Risk as proxied by Non-Performing Financing (NPF) in Commercial Banks Sharia in Indonesia 2019-2022. The data used in the research is secondary data, namely annual financial reports and Good Corporate Governance (GCG) reports for 2019-2022. The population of this research is Islamic commercial banks in Indonesia with a sampling technique, namely purposive sampling. The regression analysis method used is panel data using Eviews 10. The research results show simultaneously that Inflation, Exchange Rates, Good Corporate Governance (GCG) have a significant effect on Non-Performing Financing (NPF). However, partially it shows that (1) Inflation, Exchange Rates, and Financing to Deposit Ratio (FDR) have no effect on Non-Performing Financing (NPF), (2) Good Corporate Governance (GCG) has a significant positive effect on Non-Performing Financing (NPF).

Introduction

The rapid growth of sharia economics and finance in Indonesia is the cause of the world of sharia banking becoming increasingly sophisticated (Puspita Sari et al., 2023). In 1990, the

Indonesian Ulema Council decided to establish a sharia bank in Indonesia. Then the first sharia bank was established called Bank Muamalat Indonesia in 1991 (Shandy Utama, 2020). Based on data from the Financial Services Authority, the number of sharia commercial banks operating in Indonesia is 14 banks.

Sharia bank business activities include collecting funds, distributing funds, and providing services (Yumanita, 2005). The more products offered by Islamic banks, the greater the potential risks that will arise (Afrianandra & Mutia, 2014). In distributing funds, Islamic banks have various financing products. When the contract has been signed and the financing has been disbursed, from then on there will be risks that will begin to be borne by the bank, one of which is financing (Akbar, 2016). Financing risk is the risk that arises when the bank provides financing to customers, but the customer cannot fulfill their obligations or experiences default.

The financing risk ratio is reflected in Non-Performing Financing (NPF). Non-Performing Financing (NPF) is a ratio used to measure the financing ratio distributed by sharia banks, thus the smaller the NPF ratio, the greater the financing risk borne by sharia banks, and vice versa (Setiawan et al., 2022). Non-Performing Financing (NPF) shows how much bank collectibility is in collecting back the financing that has been distributed (Akbar, 2016). When the NPF is high, it means that many customers fail to pay, which will cause the bank to suffer losses because they expect to receive the payment (Masturo & Hendrianto, 2019). Problematic financing that causes banks to lose opportunities to generate income, so that income will decrease will have a negative impact on bank profitability (Widayati, 2020).

Non-Performing Financing (NPF) can be influenced by several factors, both external and internal factors. One external factor that can influence Non-Performing Financing is inflation. Inflation is a country's economic condition that causes the prices of goods and services to rise continuously over a long period of time (Silalahi et al., 2021). This can cause problems such as price increases that are too high, making it difficult for people to buy the goods they need (Mulyani, 2020). When inflation increases, people's purchasing power decreases (Qulub et al., 2023). People's declining purchasing power causes producers' income to decrease, which will then impact their ability to repay bank financing.

The exchange rate is another external factor that has an impact on Non-Performing Financing (NPF). The way to see the relationship between exchange rates and financing is by looking at how much the rupiah exchange rate is against foreign currencies, namely the US Dollar (Purnamasari & Musdholifah, 2018). According to Martiningsih in (Fitiani et al., 2023), if the value of the rupiah rises against the foreign currency US Dollar, it will have a negative impact on the debtor's operations because they use imported materials, making it relatively difficult for them to pay back the financing provided and collected by the bank.

Meanwhile, internal factors that can influence Non-Performing Financing (NPF) include the implementation of Good Corporate Governance (GCG). Good Corporate Governance (GCG) is like a set of rules and guidelines that help companies control a performance system (Rahayu & Kartika, 2022). Implementation of GCG ensures that the bank follows sharia principles in everything it does, which can help banks become better at what they do and become more successful, which will certainly make people trust sharia banks (Raharjanti & Muharrami, 2020). This trust is important because it helps the sharia banking industry to grow and develop (Gholy, P.A., & Nadya, 2020)

In Bank Indonesia Circular Letter No.12/13/DPb of 2010 concerning the implementation of Good Corporate Governance for sharia commercial banks and sharia business units, it contains 11 GCG assessment factors. Each factor has a weight that has been determined by Bank Indonesia and produces a composite value. The composite value is obtained from adding up the values of all factors. After the composite score is obtained, the Bank will determine the quality of GCG implementation. The lower the predicate for GCG implementation, the better the quality of management in carrying out bank operational activities.

In financial reports, NPF can be analyzed by looking at the ratios contained in the financial ratio report (Auliani & Syaichu, 2016). This research uses a ratio to measure the level

of liquidity, namely the Financing to Deposit Ratio (FDR). FDR describes the level of a bank's ability to return withdrawals made by depositors by relying on the financing provided as a source of liquidity (Suryadi et al., 2022). The larger this ratio indicates that the bank has more aggressive liquidity, while the smaller this ratio indicates that more third party funds are not used to place them on credit (Budi Sukardi, 2016). When a bank distributes large amounts of financing, the level of liquidity at the bank will also increase and the bank is likely to earn greater profits. However, on the other hand, distributing large amounts of financing creates the potential for higher financing risks to be faced (Akbar, 2016).

Table 1. Inflation Conditions, Exchange Rates, FDR, and NPF on BUS (In Percent)

Year	Inflation	Exchange Rate	FDR	NPF
2019	3%	14.15%	77.91%	3.23%
2020	1.68%	14.57%	76.36%	3.13%
2021	1,87%	14.31%	70.12%	2.59%
2022	5.51%	14.87%	75.19%	3.25%

(Source: Bank Indonesia official website, Sharia Banking Statistics, processed, 2023)

From the table above, it can be seen that there are changes in the ratios from year to year. There are deviations from the theory which states the relationship between inflation and exchange rates. In 2020, the exchange rate increased to 14.57% but the NPF actually decreased to 3.13%. Apart from that, in 2021 inflation will increase to 1.87% but NPF will decrease to 2.59%. Meanwhile, the FDR value from 2019-2022 is in line with existing theory, when the FDR increases, the NPF value will increase. Therefore, this research aims to determine the effect of inflation, exchange rates (exchange rates), implementation of good corporate governance (GCG), and financing to deposit ratio (FDR) on non-performing financing (NPF) in Islamic commercial banks for the 2019-2022 period.

This research is new to research (Sholehah et al., 2021), but there are several things that differentiate this research from previous research. This research adds an independent variable, namely Good Corporate Governance (GCG) and eliminates the CAR variable used in previous research. Apart from that, this research uses the research object of Sharia Commercial Banks in Indonesia. Finally, the period used in this research is 2019-2022.

Inflation

Inflation is a continuous increase in the prices of goods and services consumed in general in an economy (Suseno & Astiyah, 2009). If there is an increase in only one or a few goods that is temporary, it cannot be said to be inflation and does not require special policies to overcome it (Dinar & Hasan, 2018). The inflation formula is as follows:

$$Inflation = \frac{(IHK_t - IHK_{(t-1)})}{IHK_{(t-1)}} \times 100\% \quad 1.1$$

People's purchasing power will decrease due to rising prices, so that the income of producers of goods and services will also decrease (Purnamasari & Musdholifah, 2018). This can make it difficult for Islamic banks to manage financing. The reason is, the amount of money they get back from debtors is not current (Windasari & Diatmika, 2021).

From this statement, the financing risks faced will increase if inflation rises. This is in line with research conducted by (Damanhur et al., 2018), (Hamzah, 2018), (Harahap et al., 2019), dan (Windasari & Diatmika, 2021) which states that inflation has a positive and significant effect on Non-Performing Financing (NPF). So the hypothesis in this research is: H1: Inflation has a positive effect on Non-Performing Financing (NPF)

Exchange Rate

The exchange rate or exchange rate is a comparison of the value of domestic currency to foreign currency. If the value of the rupiah weakens, this could be risky for banks. This can also have an impact on bank customers' businesses, especially if they rely on imported materials for their business (Hamzah, 2018). The weakening of the rupiah can increase financing risks. This statement is in line with research (Hernawati & Puspasari, 2018) and (Fahlevi, 2022) which states that the exchange rate has a positive and significant effect on Non-Performing Financing (NPF). So the hypothesis in this research is:

H2: The exchange rate has a positive effect on Non-Performing Financing (NPF)

Good Corporate Governance (GCG)

Good Corporate Governance is a set of rules and ways to ensure that the company and the people involved can work together well. Everyone involved in the company tries as hard as possible to do their job well and follow the rules (Manossoh, 2016) Good Corporate Governance (GCG) was created to reduce risks that occur.

In Bank Indonesia Circular Letter No.12/13/DPb of 2010 concerning the implementation of Good Corporate Governance for sharia commercial banks and sharia business units, it contains 11 GCG assessment factors. Each factor has a weight that has been determined by Bank Indonesia and produces a composite value. The composite value is obtained from adding up the values of all factors. After the composite score is obtained, the Bank will determine the quality of GCG implementation as follows:

Table 2. GCG Ranking

Composite Value Ranking	Composite Predicate
Composite Value < 1.5	Very good
1.5 ≤ Composite value < 2.5	Good
2.5 ≤ Composite Value < 3.5	Pretty good
3.5 ≤ Composite Value < 4.5	Not good
4.5 ≤ Composite Score ≤ 5	Not good

(Source: Bank Indonesia Circular Letter No.12/13/DPbS of 2010)

When GCG implementation gets better, risk management gets better. So financing risks can decrease if GCG is implemented well. This is in line with research (Budiman, 2016), (Fadhillah, 2018), and (Tryana, 2019) which states that Good Corporate Governance has a negative influence on Non-Performing Financing (NPF). So the hypothesis in this research is:

H3: Good Corporate Governance (GCG) has a negative effect on Non-Performing Financing (NPF).

Financing to Deposit Ratio (FDR)

Financing to Deposit Ratio (FDR) merupakan rasio likuiditas yang menggambarkan kemampuan bank dalam mengembalikan uang pada deposan. Sumber likuiditas berasal dari pembiayaan yaitu dengan cara membagi jumlah pembiayaan yang harus diberikan bank kepada dana pihak ketiga (DPK). Rumus *Financing to Deposit Ratio* (FDR) berikut:

$$FDR = \frac{\text{Total Financing}}{\text{Third party funds}} \times 100\% \quad 1.2$$

The greater the Financing to Deposit Ratio (FDR), it shows that the bank is less liquid, meaning that all funds are channeled to financing (Tsanía et al., 2022). When a bank disburses large amounts of financing, it certainly does not involve large risks. This is reinforced by research results (Haifa & Wibowo, 2015) and (Fatoni & Utami, 2019), stating that the Financing to Deposit Ratio (FDR) has a positive and significant effect on Non-Performing Financing (NPF). So the hypothesis in this research is:

H4: Financing to Deposit Ratio (FDR) has a positive effect on Non-Performing Financing (NPF)

Method

This research collects data in the form of secondary data, namely annual financial reports and Good Corporate Governance (GCG) reports of sharia commercial banks. The data source for this research is from the official websites of Sharia Bank and Bank Indonesia and data collection techniques using documentation. The population in this research is Sharia Commercial Banks in Indonesia. Sampling uses a purposive sampling method, where sampling is based on predetermined criteria. From these criteria, a sample of 8 Islamic commercial banks was obtained, consisting of Bank Muamalat, BCA Syariah, BTPN Syariah, Bank Syariah Bukopin, Bank Jabar Banten Syariah, Bank Mega Syariah, Bank Panin Dubai Syariah, and Bank Aceh Syariah.

This research uses four dependent variables and one independent variable. The independent variables are Inflation (X1), Exchange Rate (X2), Good Corporate Governance (X3), and Financing to Deposit Ratio (X4). Meanwhile, the dependent variable is Non-Performing Financing (Y). The analytical method used to process the data in this research is panel data regression using the Eviews 10 application.

Results and Discussion

Panel Data Regression Selection Test

Panel data regression is a regression technique that combines time series and cross section data. According to (Basuki & Nano, 2019) the regression model estimation method using panel data can be done using three approaches, including:

- Common Effect Model (CEM) is a model that combines time series and cross section data, CEM is the simplest panel data model approach. This model does not take into account individual or time dimensions, so it is assumed that the behavior of company data is the same over different time periods.
- Fixed Effect Model (FEM) is a model assuming that differences between individuals can be compensated for by differences in intercepts.
- Random Effect Model (REM) is a model for calculating panel data where disturbance variables can be interconnected over time and between individuals. Pemilihan model harus dilakukan untuk menentukan model terbaik yang paling cocok digunakan dalam penelitian. Langkah pertama yang dilakukan adalah uji chow. Uji chow merupakan uji untuk menentukan apakah *Common Effect Model* (CEM) atau *Fixed Effect Model* (FEM) yang akan digunakan. Hasil uji chow sebagai berikut:

Table 3. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.580926	(7,20)	0.0004
Cross-section Chi-square	38.237737	7	0.0000

(Source: Secondary Data, processed, 2023)

If the value of prob. > 0.05 then the selected model is the Common Effect Model (CEM), but if the prob value is < 0.05 then the selected model is the Fixed Effect Model (FEM). Based on the table above, the prob value. 0.0000 < 0.05, then the model chosen is the Fixed Effect Model (FEM). When the selected model is the Fixed Effect Model (FEM), the next test must be carried out, namely the Hausman test, to determine the best model between the Random Effect Model (REM) and the Fixed Effect Model (FEM). The results of the Hausman test are as follows:

Table 4. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	4	1.0000

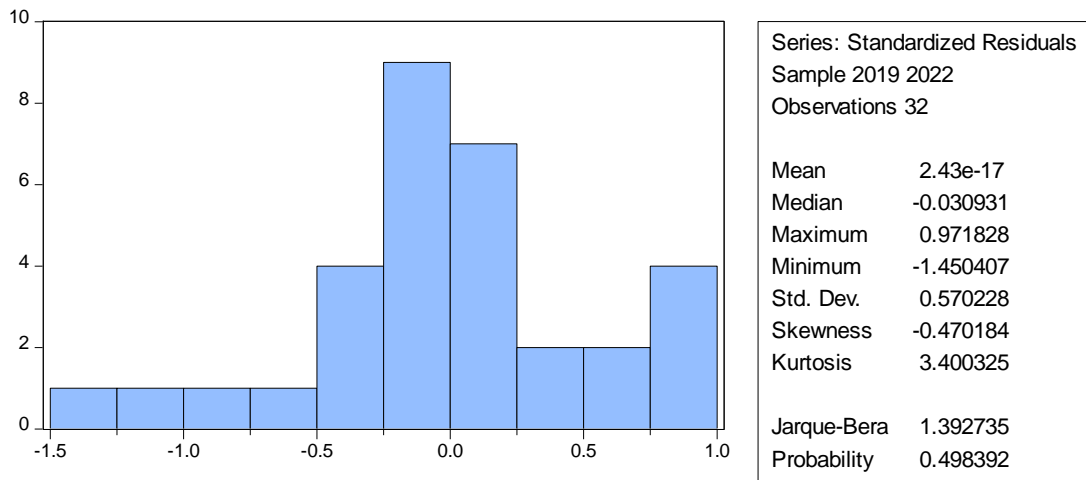
* Cross-section test variance is invalid. Hausman statistic set to zero.
(Source: Secondary Data, processed, 2023)

If the value of prob. < 0.05 then the selected model is the Fixed Effect Model (FEM), but if the prob value is > 0.05 then the selected model is the Random Effect Model (REM). Based on the table above, the value of prob. 1.0000 > 0.05 then the model chosen is the Random Effect Model (REM). However, because there is "Cross-section test variance is invalid", the regression model chosen in this research is the Fixed Effect Model (FEM).

Classic Assumption Test
Normality Test

The Normality Test aims to show that the data is normally distributed (Sugiyanto et al., 2022).

Table 5. Normality Test Results



(Source: Secondary Data, processed, 2023)

It can be seen in table 5, the Jarque Bera Prop value is 1.392735 > 0.05, so the data is normally distributed, which means the data passes the normality test.

Multicollinearity Test

The multicollinearity test is a test that aims to determine whether there is a correlation between independent variables (Sugiyanto et al., 2022).

Table 6. Multicollinearity Test Results

	X1	X2	X3	X4
X1	1	0.6317043217992	-0.006489133105210	-0.1801103613493
X2	0.6317043217992	1	0.04966428445443	-0.06883778663985
X3	-0.006489133105210	0.04966428445443	1	0.22189750034096
X4	-0.1801103613493	-0.06883778663985	0.22189750034096	1

(Source: Secondary Data, processed, 2023)

In table 6, it can be concluded that the correlation coefficient between each variable is <0.85, so it can be concluded that it is free from multicollinearity or the data passes the multicollinearity test.

Heteroscedasticity Test

The heteroscedasticity test is used to determine the difference between the residuals of one observation and the variance of other observations (Sugiyanto et al., 2022).

Table 7. Heteroscedasticity Test Results

Dependent Variable: ABS(RESID)
 Method: Panel Least Squares
 Date: 11/26/23 Time: 00:24
 Sample: 2019 2022
 Periods included: 4
 Cross-sections included: 8
 Total panel (balanced) observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.619034	3.297403	1.400809	0.1766
X1	-0.000963	0.043125	-0.022335	0.9824
X2	-0.262254	0.235754	-1.112404	0.2792
X3	-0.216347	0.193299	-1.119236	0.2763
X4	0.000605	0.003079	0.196361	0.8463

(Source: Secondary Data, processed, 2023)

From the table above, it can be concluded that all variables have a prob value > 0.05, so there are no symptoms of heteroscedasticity.

Analysis of Panel Data Regression Test Results

Panel data regression equation model:

$$Y = \alpha + b_1(X_1)_{it} + b_2(X_2)_{it} + \alpha + b_3(X_3)_{it} + \alpha + b_4(X_4)_{it} + e$$

Information :

- Y = Financing Risk (NPF)
- α = Constant
- b_{1,2,...} = Regression Coefficients
- X₁ = Inflation

- X_2 = Exchange Rate
- X_3 = Good Corporate Governance (GCG)
- X_4 = Financing to Deposit Ratio (FDR)
- e = Error tern
- t = t period
- i = entity

Then the results of the regression test in this analysis obtained the equation:

$$Y = 4.498 - 0.026 * X_1 - 0.464 * X_2 + 1.468 * X_3 + 0.008 * X_4$$

The explanation of the regression results above is as follows:

1. The constant value is 4,498, if there are no variables X_1 , X_2 and X_3 then the NPF (Y) variable is 4,498.
2. The beta coefficient value of variable X_1 (inflation) is -0.026, if variable X_1 experiences an increase of one unit it will reduce variable Y (NPF) by -0.026.
3. The beta coefficient value of variable X_2 (exchange rate) is -0.464, if the values of other variables are constant and variable
4. The beta coefficient value of variable X_3 (GCG) is 1,468, if variable
5. The beta coefficient value of variable X_4 (FDR) is 0.008, if variable X_4 increases by one unit then variable Y (NPF) will increase by 0.008.

Hypothesis Testing

Coefficient of Determination Test (Adjusted R-Square)

The coefficient of determination test is a test carried out to measure how far the model's ability is to explain variations in the dependent variable (Ghozali, 2018).

Table 8. Panel Data Regression Test Results

R-squared	0.872826	Mean dependent var	1.508125
Adjusted R-squared	0.802880	S.D. dependent var	1.599001
S.E. of regression	0.709928	Akaike info criterion	2.432691
Sum squared resid	10.07996	Schwarz criterion	2.982342
Log likelihood	-26.92305	Hannan-Quinn criter.	2.614885
F-statistic	12.47857	Durbin-Watson stat	2.409628
Prob(F-statistic)	0.000001		

(Source: Secondary Data, processed, 2023)

Based on table 8, it can be seen that the Adjusted R-squared value is 0.802880 (80.28%). The coefficient of determination value shows that the inflation, exchange rate, GCG, and FDR variables influence the NPF variable of Islamic Commercial Banks in Indonesia by 80.28%, while the remaining 19.72% (100 - Adjusted R-squared value) is explained by variables that are not included in this research model.

F Test

The F test is a simultaneous test used to find out whether the independent variables jointly influence the dependent variable and to measure the accuracy of the sample regression function in estimating the actual value (Ghozali, 2018). The f table formula is as follows:

$$Df(n_1) = k - 1 \quad 3.1$$

$$Df(n_2) = n - k \quad 3.2$$

Information:

Df = degree of freedom

n = number of data, respondents

k = number of research variables

From the formula above, the f table value is 2.727765. Based on the results of the F test in table 8, the calculated F value is 12.47857 > f table 2.727765 and the sig value is 0.000001 < 0.05, then H0 is rejected and Ha is accepted, meaning that the variables inflation, exchange rate, GCG and FDR simultaneously influence the NPF of Islamic Commercial Banks in Indonesia.

Individual Parameter Significance Test (T Test)

The T test is a test carried out to test whether the independent variable has a significant effect on the dependent variable. A variable will have a significant influence if the calculated T value of the variable is greater than the t table (Suliyanto, 2011).

Table 9. T Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.498031	8.394803	0.535811	0.5980
X1	-0.026296	0.109792	-0.239505	0.8132
X2	-0.464338	0.600203	-0.773634	0.4482
X3	1.468130	0.492117	2.983294	0.0073
X4	0.008103	0.007840	1.033579	0.3137

(Source: Secondary Data, processed, 2023)

The t table formula is as follows:

$$Df = n - k \quad 3.3$$

Information:

Df = degree of freedom

n = number of data, respondents

k = number of research variables

From the formula above, the t table is 2.04227. Then, based on the t test results in table 9, it can be seen that the results of this research hypothesis test are as follows:

1. The Effect of Inflation on Non-Performing Financing (NPF)

From table 9, the results of the t test can be seen in X₁ that t count is -0.239505 < t table 2.04227 and sig 0.8132 > 0.05. This means that inflation has no effect on Non-Performing Financing (NPF). If the inflation value changes, the financing risk will remain stable. When inflation rises, central banks increase interest rates to control inflation. If interest rates are managed well, these adjustments can help protect the real value of financing from the effects of inflation so that financing risks remain under control.

Inflation can affect the debtor's ability to pay loans. However, it depends on the extent of the debtor's responsibility to fulfill the obligation to repay the bank loan. So even though inflation is increasing, bank financing problems are not increasing. This research is in

accordance with research conducted by (Akbar, 2016) and (Febrianti & Ashar, 2016) which states that inflation has no influence on Non-Performing Financing (NPF).

2. The Effect of the Exchange Rate on Non-Performing Financing (NPF)

From table 9, the t test results can be seen in X_2 that t count is $-0.773634 < t$ table 2.04227 and sig $0.4482 > 0.05$. This means that the exchange rate has no effect on Non-Performing Financing (NPF). These two variables are not related because economic conditions do not directly affect NPF. The exchange rate does not have a direct impact on financing risk, especially if transactions are carried out in domestic currency and do not involve foreign currency.

Non-Performing Financing (NPF) is more related to the ability to repay loans rather than exchange rate fluctuations. However, changes in exchange rates can have an indirect impact on financing risk and overall credit risk. If the exchange rate fluctuates significantly, it will affect the healthy development of the economy. This situation worsens economic conditions, which can lead to increased financing risks. This research is in accordance with research conducted by (Febrianti & Ashar, 2016) and (Fitiani et al., 2023) which states that the exchange rate has no effect on Financing Risk (NPF).

3. The Effect of Implementing Good Corporate Governance (GCG) on Non-Performing Financing (NPF)

From table 9, the results of the t test can be seen in X_3 that t count is $2.983294 > t$ table 2.04227 and sig $0.0073 < 0.05$. This means that Good Corporate Governance (GCG) has a positive and significant effect on NPF. The higher the GCG, the greater the financing risk. However, judging from the increasingly high GCG assessment ranking value, it means that GCG principles are not implemented well and are not carried out effectively. This has the effect of increasing financing risk (NPF) because the quality of risk management is not good. In implementing good corporate governance (GCG), resistance from stakeholders such as shareholders or employees can cause instability and thus impact financing risks. This research is in line with research conducted by (Pratiwi, 2016) which states that the implementation of Good Corporate Governance (GCG) has a positive and significant effect on Non-Performing Financing (NPF).

4. The Effect of Financing to Deposit Ratio (FDR) on Non-Performing Financing (NPF)

From table 9, the t test results can be seen in X_4 that t count is $1.033579 < t$ table 2.04227 and sig $0.3137 > 0.05$. This means that the Financing to Deposit Ratio (FDR) has no effect on Non-Performing Financing (NPF). Financing to Deposit Ratio (FDR) can show how actively a bank provides financing, and its impact on financing risk is contextual and depends on other factors. Although the Financing to Deposit Ratio (FDR) reflects the extent to which banks use deposit funds to provide financing, the actual risk depends on the quality of the financing mix. If the bank has good risk management practices and high-quality financing, the Financing to Deposit Ratio (FDR) may not be a dominant factor in determining risk.

It is important to see the extent to which the bank uses funds efficiently. Banks can provide financing efficiently and with good results. A high Financing to Deposit Ratio (FDR) may not always mean an increase in financing risk. This research is in accordance with research conducted by (Isnaini et al., 2021) and (Sholehah et al., 2021) which states that the Financing to Deposit Ratio (FDR) has no effect on Non-Performing Financing (NPF).

Conclusion

The results of testing on Sharia Commercial Banks in Indonesia for the 2019-2022 period can be concluded that the variables inflation, exchange rate, and Financing to Deposit Ratio (FDR) have no effect on Non-Performing Financing (NPF), while Good Corporate Governance (GCG) has a positive effect on Non-Performing Financing (NPF). Meanwhile,

simultaneously inflation, exchange rate, Good Corporate Governance (GCG) and Financing to Deposit Ratio (FDR) have a positive effect on Non-Performing Financing (NPF).

Then, for future research to develop the research to get better results, it is recommended to extend the research period. Apart from that, we can add independent variables from both external and internal factors other than inflation, exchange rate, good corporate governance, and financing to deposit ratio which are thought to have an influence on financing risk in Islamic commercial banks.

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