ABSTRACT

This study aims to analyze the influence of gross domestic product, inflation, and the types of financing policy to non performing financing ratio (NPF). The types of financing policy were represented by the ratio of profit loss sharing financing return to total financing return (RR), and the ratio of murabaha financing allocation to profit loss sharing financing allocation (RF).

Using multiple regression analysis this study examined the influence of gross domestic product variable (GDP), inflation variable (INF), the ratio of profit loss sharing financing return to total financing return variable (RR), and the ratio of murabaha financing allocation to profit loss sharing financing allocation variable (RF), against the ratio of non performing financing (NPF) Islamic banks in Indonesia period 2005 to 2010-III. The resulted regression equation model was $\boldsymbol{NPF_{t*} = 2.134 + 0.104GGDP_{t*} - 0.107INF_{t*} + 0.293RR_{t*} - 0.145RF_{t*} + \varepsilon}$

The research results showed that the independent variables simultaneously influenced to the ratio of non performing financing. While GDP, Inflation, and RR partly was not significant impact on NPF ratio. Only the ratio of murabaha financing allocation to profit loss sharing financing allocation (RF) had impacts on NPF. The coefficient of determination (Adjusted R2) was 13.7 percent, meaning 13.7 percent of NPF variation was explained by independent variables, while the remaining 86.3 percent was explained by other variables which not included in this study.

Keywords: Non performing financing, gross domestic product, inflation, the types of financing policy, profit loss sharing, murabahah, islamic bank