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Analysis of Non-Performing Financing at Indonesian Islamic Banks

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Non-Performing Financing (NPF) is a key indicator used to measure the level of non-performing financing in Islamic banking. A high NPF ratio indicates an increasing level of financing risk that can affect a bank's financial performance and stability. This study aims to analyze the level of Non-Performing Financing (NPF), identify constraints, and analyze the strategies implemented by Bank Syariah Indonesia in managing problematic financing. This study employs a quantitative descriptive approach using secondary data obtained from Bank Syariah Indonesia's annual reports and financial statements for the period 2021–2025. Data collection was conducted through documentation and literature review. Data analysis involved calculating the Gross NPF and Net NPF ratios and describing their trends over the study period. The results indicate that Bank Syariah Indonesia has been able to maintain its non-performing financing at a healthy level. The Gross NPF ratio decreased from 2.93% in 2021 to 1.81% in 2025, while the Net NPF ratio decreased from 0.87% to 0.47% over the same period.. All NPF ratios during the study period were below the 5% maximum limit set by the Financial Services Authority and were therefore classified as healthy. The decline in the NPF ratio indicates that Bank Syariah Indonesia has effectively implemented financing risk management and has been able to maintain good financing quality during the 2021–2025 period.
Keywords: Non-Performing Financing, Financing Risk, Indonesian Islamic Banks

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1. Introduction

Banks play a vital role in the economic system as financial intermediaries that mobilize funds from the public and channel them to parties in need of financing. In Islamic banking, financing activities are conducted based on Sharia principles, avoiding practices involving *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling). Financing represents one of the primary sources of income for Islamic banks while also serving as an instrument to support economic growth. The ability of Islamic banks to manage financing effectively determines both their financial soundness and operational sustainability. Consequently, Islamic banks are required not only to generate profits but also to maintain high-quality financing portfolios to ensure financial stability (Hana et al., 2021; Rahmah et al., 2021b).

Financing activities in Islamic banking are inherently exposed to considerable risks because not all financing arrangements perform as expected. A decline in customers' repayment capacity, delays in installment payments, or deteriorating business performance may result in non-performing financing (NPF) (Ilyas Yusriansah et al., 2025). If not managed appropriately, such conditions may lead to significant financial losses for the bank. In Islamic banking, financing quality is commonly measured using the Non-Performing Financing (NPF) ratio, which represents the proportion of financing classified as substandard, doubtful, and loss (Ikhsan, 2023). The NPF ratio is a key indicator used to assess the quality of productive assets and the effectiveness of financing risk management in Islamic banks (Rahmah et al., 2021a).

A high NPF ratio reflects an increasing level of financing risk faced by Islamic banks. It indicates a greater likelihood of customer default, which may adversely affect both profitability and financial stability. Furthermore, a high NPF ratio suggests that the bank has not yet optimized its financing feasibility assessment or customer monitoring processes. Rahmah et al. (2021) reported that the NPF ratio reflects the risk of financing default in Islamic banking, where higher NPF ratios indicate a greater level of problematic financing. Similarly, Hana et al. (2021) argued that inadequate financing analysis increases the likelihood of non-performing financing, emphasizing the importance of implementing more comprehensive financing assessment procedures to minimize NPF.

Bank Syariah Indonesia (BSI) is the largest Islamic bank in Indonesia and plays a strategic role in supporting the development of the national Islamic financial industry (Siregar & Fuad, 2025). The substantial volume of financing provided by BSI requires effective financing risk management to maintain financing quality. Based on BSI's annual reports, the Gross NPF ratio showed a declining trend during the 2021–2025 period, decreasing from 2.93% in 2021 to 1.81% in 2025 (Bank Syariah Indonesia, 2022, 2023, 2024; PT Bank Syariah Indonesia Tbk, 2021; Siregar & Fuad, 2025). This improvement indicates that BSI has been successful in maintaining financing quality, with its NPF ratio remaining within the healthy threshold established by the Indonesian Financial Services Authority, which classifies an NPF ratio below 5% as healthy (Otoritas Jasa Keuangan, 2021).

This achievement is closely associated with the various strategies implemented by BSI to manage non-performing financing effectively. The bank's success in reducing the NPF ratio is influenced by several factors, including the accuracy of financing assessments, the effectiveness of customer monitoring, and the mechanisms employed to resolve problematic financing. Previous studies have demonstrated that financing committees play a significant role in preventing non-performing financing through rigorous evaluation, financing analysis, and sound financing decision-making processes. Likewise, Fauziah, Nurnasrina, and Huda (2025) found that inadequately managed financing risk contributes to a higher level of non-performing financing in Islamic banks.

Although numerous studies have examined Non-Performing Financing, most previous research has focused on its impact on financial performance or on the factors influencing NPF. For example, Ikhsan (2023) investigated the effects of net operating margin, inflation, and the BI Rate on NPF in Islamic banks in Indonesia. However, studies specifically addressing the challenges encountered by Bank Syariah Indonesia and the strategies it employs to reduce NPF remain relatively limited. This research gap highlights the need for a more comprehensive understanding of non-performing financing management practices within Bank Syariah Indonesia.

Therefore, this study aims to identify the challenges faced by Bank Syariah Indonesia in reducing its Non-Performing Financing (NPF) ratio and to analyze the strategies implemented to manage problematic financing. The findings are expected to contribute to the development of knowledge in the field of Islamic banking, particularly in financing risk management, while also providing practical recommendations for Bank Syariah Indonesia to maintain financing quality and ensure that its NPF ratio remains within a healthy range.

2. Methods

This study was conducted at PT Bank Syariah Indonesia Tbk using a quantitative descriptive approach. Bank Syariah Indonesia is the result of the merger of Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, and officially commenced operations on February 1, 2021, as the largest Islamic bank in Indonesia. The research was carried out as desk research using secondary data obtained from the annual reports and financial statements of Bank Syariah Indonesia, which were officially published through the company's Investor Relations website and the official website and publications of the Indonesian Financial Services Authority. The study was conducted from January 2026 until its completion.

The study utilized quantitative data in the form of numerical information related to the Non-Performing Financing (NPF) ratio of Bank Syariah Indonesia. The data source consisted of secondary data obtained from the Bank Syariah Indonesia annual reports covering the 2021–2025 period, which were accessed through the Investor Relations section of the bank's official website. Data were collected using documentation techniques by compiling annual financial reports and other relevant supporting documents. In addition, a literature review was conducted to examine books, scholarly journals, and other scientific publications related to non-performing financing in Islamic banking.

The data were analyzed using quantitative descriptive analysis, a method intended to describe existing conditions based on the collected data without hypothesis testing. The analysis began by collecting data on total financing and non-performing financing from the financial statements of Bank Syariah Indonesia. The Non-Performing Financing (NPF) ratio was then calculated by dividing the amount of non-performing financing by the total financing disbursed and multiplying the result by 100%. The calculated NPF ratios were subsequently analyzed to describe annual trends and developments, enabling an assessment of financing quality and the direction of changes in the level of non-performing financing at Bank Syariah Indonesia (Hana et al., 2021).

3. Results and Discussion

Descriptive Statistical Analysis

Table 1. Development of Non-Performing Financing and Total Financing of Bank Syariah Indonesia During the 2021–2025 Period

Year	Substandard	Doubtful	Loss	Total Non-Performing Financing	Total Financing
2021	1,831,332	1,183,693	2,006,572	5,021,597	171,291,157
2022	1,729,582	696,495	2,598,818	5,024,895	207,704,856
2023	1,483,459	866,731	2,636,615	4,986,805	240,316,044
2024	1,319,945	684,435	3,274,985	5,279,365	278,481,243
2025	1,370,612	793,094	3,589,929	5,753,635	318,843,761

Source: Bank Syariah Indonesia Annual Reports (processed data, 2026)

Based on Table 1, the total financing disbursed by Bank Syariah Indonesia increased consistently throughout the 2021–2025 period. Total financing amounted to IDR 171,291,157 million in 2021 and subsequently increased to IDR 207,704,856 million in 2022, IDR 240,316,044 million in 2023, IDR 278,481,243 million in 2024, and reached IDR 318,843,761 million in 2025.

In contrast, total non-performing financing, comprising substandard, doubtful, and loss financing, fluctuated during the study period. Total non-performing financing amounted to IDR 5,021,597 million in 2021 and increased slightly to IDR 5,024,895 million in 2022. In 2023, it declined marginally to IDR 4,986,805 million before rising again to IDR 5,279,365 million in 2024 and IDR 5,753,635 million in 2025.

The data on substandard, doubtful, and loss financing were obtained from the official annual reports of Bank Syariah Indonesia for the 2021–2025 period. These data are presented according to financing quality, or financing collectability classification, and serve as the basis for determining the total amount of non-performing financing analyzed in this study.

Although the amount of non-performing financing fluctuated during the observation period, the increase in total financing disbursed by Bank Syariah Indonesia was substantially greater than the increase in non-performing financing. This finding indicates that, overall, Bank Syariah Indonesia has been able to maintain the quality of its financing portfolio while continuing to expand its financing activities. The data were

ISSN 2985-3559

subsequently used to calculate the Gross and Net Non-Performing Financing (NPF) ratios as indicators of the bank's financing quality and overall financial soundness.

Gross Non-Performing Financing (NPF) Calculation

The Gross Non-Performing Financing (NPF) ratio was calculated to determine the level of problematic financing by comparing the total financing classified as substandard, doubtful, and loss with the total financing disbursed by Bank Syariah Indonesia. According to Bank Indonesia Circular Letter No. 13/30/DPNP of 2011, a Gross NPF ratio ranging from 1.90% to 2.88% is categorized as healthy. The Gross NPF ratio is calculated using the following formula:

$$NPF\ Gross\ = \frac{\text{Substandard Financing+Doubtful Financing+Loss Financing}}{\text{Total financing}} \text{X100\%}$$

$$Npf\ Gross\ 2021\ = \frac{1.831.332\ + 1.183.693\ + 2.006.572}{171.291.157} X\ 100\%$$
$$= 2{,}93\%$$

$$Npf\ Gross\ 2022\ = \frac{1.729.582\ + 696.495\ + 2.598.818}{207.704.856} X\ 100\%$$
$$= 2{,}42\%$$

$$Npf\ Gross\ 2023\ = \frac{1.483.459\ + 866.731\ + 2.636.615}{240.316.044} X\ 100\%$$
$$= 2{,}08\%$$

$$Npf\ Gross\ 2024\ = \frac{1.319.945\ + 684.435\ + 3.274.985}{278.481.243} X\ 100\%$$
$$= 1{,}90\%$$

$$Npf\ Gross\ 2025\ = \frac{1.370.612\ + 793.094\ + 3.589.929}{318.843.761} X\ 100\%$$
$$= 1{,}81\%$$

Table 2. Gross Non-Performing Financing (NPF) Ratio of Bank Syariah Indonesia, 2021–2025

Year	Gross NPF (%)	Category
2021	2.93	Healthy
2022	2.42	Healthy
2023	2.08	Healthy
2024	1.90	Healthy
2025	1.81	Healthy

Source: Bank Syariah Indonesia Annual Reports (processed data, 2026)

Based on Table 2, the Gross Non-Performing Financing (NPF) ratio of Bank Syariah Indonesia remained below the 5% threshold throughout the 2021–2025 period. In accordance with Bank Indonesia Circular Letter No. 13/30/DPNP of 2011, this level is classified as healthy. In 2021, the Gross NPF ratio was recorded at 2.93%. It subsequently declined to 2.42% in 2022, representing a decrease of 0.51 percentage points. In 2023, the Gross NPF ratio further decreased to 2.08%, a reduction of 0.34 percentage points compared with the previous year. The downward trend continued in 2024, reaching 1.90% (a decrease of 0.18 percentage points), and declined again to 1.81% in 2025 (a further decrease of 0.09 percentage points).
Overall, the Gross NPF ratio of Bank Syariah Indonesia declined by 1.12 percentage points, from 2.93% in 2021 to 1.81% in 2025. This consistent downward trend over the five-year period indicates that the bank has successfully reduced its level of non-performing financing risk in a gradual and sustainable manner. Consequently, the quality of its financing portfolio has continued to improve, while its capability to manage financing risk has become increasingly effective. Furthermore, based on these calculations, the Gross NPF ratio of Bank Syariah Indonesia remained within the healthy category throughout the 2021–2025 period.

 ISSN 2985-3559

Net Non-Performing Financing (NPF) Calculation

Net Non-Performing Financing (NPF) is a ratio used to measure the level of non-performing financing after deducting the Allowance for Impairment Losses (CKPN). This ratio provides a more accurate representation of financing risk by taking into account the provisions established by the bank to cover potential losses arising from non-performing financing.

Table 3. Components Used in the Calculation of the Net Non-Performing Financing (NPF) Ratio of Bank Syariah Indonesia, 2021–2025

Year	Total Non-Performing Financing	Allowance for Impairment Losses (CKPN)	Non-Performing Financing After Deducting CKPN	Total Financing
2021	5,021,597	3,535,844	1,485,753	171,291,157
2022	5,024,895	3,836,123	1,188,772	207,704,856
2023	4,986,805	3,672,980	1,313,825	240,316,044
2024	5,279,365	3,908,478	1,370,887	278,481,243
2025	5,753,635	4,262,731	1,490,904	318,843,761

Source: Bank Syariah Indonesia Annual Reports (processed data, 2026)

Based on Table 3, the components used to calculate the Net Non-Performing Financing (NPF) ratio of Bank Syariah Indonesia include total non-performing financing, the Allowance for Impairment Losses (CKPN), non-performing financing after deducting CKPN, and total financing for the 2021–2025 period. Total non-performing financing fluctuated during the study period, increasing from IDR 5,021,597 million in 2021 to IDR 5,753,635 million in 2025. Meanwhile, the Allowance for Impairment Losses established by Bank Syariah Indonesia increased from IDR 3,535,844 million in 2021 to IDR 4,262,731 million in 2025.

After deducting CKPN, the remaining non-performing financing that continued to represent the bank's financing risk amounted to IDR 1,485,753 million in 2021 and declined to IDR 1,188,772 million in 2022. This amount subsequently increased to IDR 1,313,825 million in 2023, rose further to IDR 1,370,887 million in 2024, and reached IDR 1,490,904 million in 2025.

On the other hand, the total financing disbursed by Bank Syariah Indonesia increased steadily from IDR 171,291,157 million in 2021 to IDR 318,843,761 million in 2025. Because total financing grew at a faster rate than non-performing financing after deducting CKPN, the bank's Net NPF ratio remained at a relatively low level throughout the study period. This condition indicates that Bank Syariah Indonesia maintained adequate impairment loss provisions to absorb potential losses arising from non-performing financing, thereby enabling the bank to manage its financing risk effectively. According to Bank Indonesia Circular Letter No. 13/30/DPNP of 2011, the Net Non-Performing Financing (NPF) ratio is calculated using the following formula:

$$NPF\ NET\ = \frac{\text{Non−Performing Financing −CKPN}}{\text{Total fianncing}} \text{X100\%}$$

$$NPF\ NET\ 2021\ = \frac{1.485.753}{171.291.157} \text{X100\%}$$

$$= 0{,}87\%$$

$$NPF\ NET\ 2022\ = \frac{1.188.772}{207.704.856} \text{X100\%}$$

$$= 0{,}57\%$$

$$NPF\ NET\ 2023\ = \frac{1.313.825}{240.316.044} \text{X100\%}$$

$$= 0{,}55\%$$

$$NPF\ NET\ 2024\ = \frac{1.370.887}{278.481.243} \text{X100\%}$$

$$= 0{,}50\%$$

ISSN 2985-3559

$$NPF\ NET\ 2025 = \frac{1.490.904}{318.843.761} X100\%$$
$$= 0,47\%$$

Table 4. Net Non-Performing Financing (NPF) Ratio of Bank Syariah Indonesia, 2021–2025

Year	Net NPF (%)	Category
2021	0.87	Healthy
2022	0.57	Healthy
2023	0.55	Healthy
2024	0.50	Healthy
2025	0.47	Healthy

Source: Bank Syariah Indonesia Annual Reports (processed data, 2026)

Based on Table 4, the Net Non-Performing Financing (NPF) ratio of Bank Syariah Indonesia remained below the maximum threshold of 5% throughout the 2021–2025 period. In accordance with Bank Indonesia Circular Letter No. 13/30/DPNP of 2011, the bank's Net NPF ratio falls within the healthy category. In 2021, the Net NPF ratio was recorded at 0.87%. It subsequently declined to 0.57% in 2022, representing a decrease of 0.30 percentage points. In 2023, the Net NPF ratio declined further to 0.55%, a reduction of 0.02 percentage points compared with the previous year. The downward trend continued in 2024, reaching 0.50% (a decrease of 0.05 percentage points), and declined again to 0.47% in 2025 (a further decrease of 0.03 percentage points).

Overall, the Net NPF ratio of Bank Syariah Indonesia decreased by 0.40 percentage points, from 0.87% in 2021 to 0.47% in 2025. This consistent decline over the five-year period indicates that the bank has successfully reduced the level of non-performing financing after accounting for the Allowance for Impairment Losses (CKPN). Consequently, the quality of its productive assets has improved, and the bank's ability to manage financing risk has become increasingly effective. Furthermore, based on these calculations, the Net NPF ratio of Bank Syariah Indonesia remained within the healthy category throughout the 2021–2025 period.

Discussion

The findings indicate that the Gross Non-Performing Financing (NPF) ratio of Bank Syariah Indonesia declined from 2.93% in 2021 to 1.81% in 2025. Similarly, the Net NPF ratio decreased from 0.87% to 0.47% during the same period. The decline in both indicators demonstrates an improvement in the quality of the bank's financing portfolio and a reduction in the level of non-performing financing.

These findings are consistent with the theoretical perspective that lower NPF ratios reflect better financing quality in Islamic banks. According to the Indonesian Financial Services Authority (OJK), an NPF ratio below 5% indicates a healthy financing condition, as it reflects the bank's ability to effectively control financing risk. Throughout the 2021–2025 period, both the Gross and Net NPF ratios of Bank Syariah Indonesia remained below this regulatory threshold, indicating that the bank maintained a healthy financing portfolio.

Although the amount of non-performing financing fluctuated during the study period, the total financing disbursed by the bank increased substantially, from IDR 171,291,157 million in 2021 to IDR 318,843,761 million in 2025. As financing growth significantly outpaced the growth of non-performing financing, the NPF ratios continued to decline. This finding suggests that Bank Syariah Indonesia was able to maintain financing quality despite the continuous expansion of its financing activities.

The findings also support the study conducted by Hana and Raunaqa (2022), which concluded that effective financing management and the role of the financing committee are essential in minimizing the risk

ISSN 2985-3559

of non-performing financing. The declining NPF ratios observed in Bank Syariah Indonesia indicate that the bank has implemented effective financing management practices, thereby reducing the incidence of problematic financing.

Furthermore, this study is consistent with the findings of Hana, Ridwan, and Chodlir (2021), who argued that comprehensive financing analysis plays a crucial role in minimizing NPF risk. The continuous decline in the NPF ratios throughout the study period indicates that the prudent financing principles adopted by Bank Syariah Indonesia have been implemented effectively, enabling the bank to maintain high financing quality. The results also support the findings of Rahmah (2022), who reported that Non-Performing Financing significantly affects the financial performance of Islamic banks. The consistently low NPF ratios achieved by Bank Syariah Indonesia indicate that the potential financial losses arising from problematic financing have been effectively controlled, thereby contributing to the bank's financial stability.

Based on the findings of this study, the regulatory standards established by the Indonesian Financial Services Authority, and evidence from previous studies, it can be concluded that Bank Syariah Indonesia successfully maintained healthy financing quality throughout the 2021–2025 period. This is demonstrated by the continuous decline in both the Gross and Net NPF ratios, which consistently remained below the regulatory threshold of 5%. These findings suggest that the financing risk management practices implemented by Bank Syariah Indonesia have been effective in maintaining financing quality and mitigating financing risk.

4. Conclusion

Based on the findings of this study on the analysis of Non-Performing Financing (NPF) at Bank Syariah Indonesia during the 2021–2025 period, it can be concluded that the bank successfully maintained its non-performing financing at a healthy level. This is evidenced by the decline in the Gross NPF ratio from 2.93% in 2021 to 1.81% in 2025, as well as the decrease in the Net NPF ratio from 0.87% to 0.47% over the same period. The continuous decline in these ratios indicates an improvement in financing quality and demonstrates that the bank's financing risk management practices have been implemented effectively. Furthermore, based on the regulatory standards established by the Indonesian Financial Services Authority (OJK), the NPF ratios of Bank Syariah Indonesia remained within the healthy category throughout the study period, as they consistently stayed below the maximum threshold of 5%.

Bank Syariah Indonesia is expected to maintain the quality of its financing portfolio by consistently implementing prudent financing principles, strengthening the monitoring of financing that has already been disbursed, and enhancing its financing risk management practices to ensure that the NPF ratio remains stable within the healthy category. Future research is recommended to expand this study by incorporating additional financial indicators, such as the Financing-to-Deposit Ratio (FDR) and Return on Assets (ROA), as well as macroeconomic variables, to provide a more comprehensive analysis of non-performing financing in Islamic banking.

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