Determinant Financing Risk
Study on Sharia Cooperative incorporated in Inkopsyah

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Abstract: Financing plays an important role for cooperatives in channelling funds to the public or companies, conducted through a process of financing feasibility analysis to the realization of funds disbursement. This study aims to analyse the effect of the cooperative measure, net profit margin, leverage, and a number of members simultaneously to financing risk, and to analyse the effect of cooperative measure, net profit margin, leverage and partial member amount to financing risk. This research is included in the type of explanatory research. The number of samples in this study is 74 Sharia Cooperatives. The analysis technique used multiple regression analysis. The results showed that the size of cooperatives, net profit margin, leverage and the number of members simultaneously to financing risk. The size of cooperatives, net profit margin, leverage and the number of members partially to financing risk. In order to save Sharia cooperatives from financing risk and help customers to complete their obligations, sharia cooperatives can restructure through rescheduling, reconditioning restructuring. If the three restructuring efforts are unsuccessful, the sharia cooperative can settle the financing risk through confiscation of goods and settlement through litigation.

1 INTRODUCTION

Sharia cooperative which is a financial institution that serves as an intermediary between the excess funds with the party who lack funds in practice every year also experienced problem loans. Financing plays an important role for cooperatives in channeling funds to the public or companies, conducted through a process of financing feasibility analysis to the realization of funds disbursement. Financing is one of the main sources of revenue for Islamic Cooperatives (Lisa, 2016). Realization of financing is not the last stage of the financing process. After the realization of financing, Sharia cooperative officials need to monitor and supervise the financing. The involvement of Sharia co-operatives in monitoring and supervision of financing is a necessity, in order to save the public funds that have been mandated to Sharia cooperatives.

Problem financing is a financing channeled to customers but customers cannot make payments or installments in accordance with agreements that have been signed in other words the customer has defaulted. The more customers classified as wanprestasi causing losses in sharia cooperatives is the loss due to non-receipt of funds already provided to customers and the profit sharing that should be received.

One of the predicted factors affecting financing risk is the size of the cooperative. In cooperatives, the size is more likely to be seen from total assets considering the main products are financing and investment. Cooperatives with large assets have the potential to generate greater profits when followed by the results of their activities. In addition, net profit margin (NPM) can also affect financing risk, the higher the value of NPM indicates that the cooperative sharia more efficient operational. Sharia cooperatives can suppress unnecessary costs, so sharia cooperatives are able to maximize net profit earned and cooperatives will grow faster into cooperatives with greater equity. The number of members is one of the factors causing the Company's Operating Income to increase. In a cooperative, membership has characteristics that distinguish it from other business entities. Members can participate by performing other financial activities of getting a loan.

This study aims to analyze the effect of cooperative size, net profit margin, leverage and number of members simultaneously to financing risk, and to analyze the effect of cooperative measure, net profit margin, leverage and partial amount of members to financing risk.

2 LITERATURE REVIEW

2.1 Cooperative Size

The greater the assets or assets owned to increase the volume of financing that can be channeled by the sharia cooperative, which means the total financing provided. The greater the total financing will cause the smaller the ratio of NPF generated, so the relationship Size ratio with NPF ratio is the greater Size Ratio will cause the smaller NPF ratio (Taswan, 2010).

Dendawijaya (2009) argues, the greater the volume of financing provides an opportunity for the cooperative to suppress the spread rate, which in turn will reduce the lending rate of customers who need financing. Low-interest rates can spur investment and boost economic sectors. Low-interest rates also facilitate payment of financing, thus reducing the number of financial congestion. The ratio of the size of the cooperative is derived from the total assets owned by the cooperative concerned when compared to the total assets of other cooperatives.

According to Sawir (2004: 101-102) firm size is expressed as the determinant of the financial structure in almost every study for different reasons: 1) firm size can determine the level of ease of the company obtaining funds from the capital market. Small firms generally lack access to organized capital markets, both for bonds and stocks. Although they have access, the cost of launching from the sale of a few securities may be an obstacle. If securities issuance can be done, the securities of a small company may be less marketable and thus require pricing in such a way that the investor gets a result that gives a significantly higher return. 2) Firm size determines the bargaining power of the financial contract. Large corporations can usually choose to fund from various forms of debt, including special offers that are more profitable than those offered by small companies. The greater the amount of money used, the more likely it is to make contracts designed according to the preferences of both parties instead of using standard debt contracts. 3) There is the possibility of a scale effect in cost and return making

larger firms earn more profit. Ultimately, company size is followed by other characteristics that affect the financial structure. Other characteristics such as companies often do not have special staff, do not use financial plans, and do not develop their accounting system into a management system.

The main factors affecting the size of the cooperative: (1) The number of total assets, (2) The number of sales, (3) The amount of market capitalization. Larger cooperatives have greater access to sources of funding from multiple sources so as to obtain loans from creditors will be easier because large-size cooperatives have greater profitability to win the competition or survive. The larger the size of a cooperative, the tendency to use foreign capital is also greater. This is because large cooperatives require substantial funds to support their operations, and one alternative fulfillment is with foreign capital if the capital itself is not sufficient (Halim, 2007: 42). The definite criteria on the size of a cooperative in the theory of critical resources used the formula:

$$\text{Cooperative Size} = \text{Ln (Total Asset)} \qquad (1)$$

2.2 Net Profit Margin (NPM)

According to Bastian and Suhardjono (2006: 299), Net Profit Margin is the ratio of net income and sales. The greater the NPM, the company's performance will be more productive, so that will increase investor confidence to invest in the company. This ratio shows how much percentage of net profit earned from each sale. The greater this ratio, the better the company's ability to earn a high profit. The relationship between tax net income and net sales shows the ability of management to drive a company successful enough to leave a certain margin as reasonable compensation for owners who have provided capital for a risk. The results of the calculations reflect net profit per rupiah of sales. The capital market investors need to know the company's ability to generate profits. By knowing this the investor can assess whether the company is profitable or not. According to Sulistyono in Rinati (2008: 5), NPM figures can be said well if more than 5%. Sawir (2004: 18) net profit margin (Net Profit Margin or Profit Margin on Sales) is formulated with net income divided by sales, this ratio measures net income after tax on sales. Syamsudin (2007: 62) suggests Net Profit Margin (NPM) is the ratio between net profit net profits is reduced sales with all expenses including taxes compared to sales. Net

Profit Margin (NPM) is a ratio that shows how well the company has operated during the year. NPM is used to describe the level of profit earned by sharia cooperatives compared to income received from its operational activities.

From some sense above can be concluded that Net Profit Margin (NPM) is a comparison between net incomes with sales to generate profit net profit after tax. The greater the NPM, the company's performance will be more productive so that it will increase investor confidence to invest in the company. The capital market investors need to know the company's ability to generate profits. By knowing this the investor can assess whether the company is profitable or not. The formula for calculating Net Profit Margin (NPM) according to Fahmi (2013: 82) i.e.

$$Net\ Profit\ Margin = \frac{Earning\ after\ tax}{Sales} \qquad (2)$$

NPM is a measure of profitability related to the generated sales, net income of sales dollars (Horne and Wachowicz, 2005). Net profit margin is a measure of profit by comparing earnings after interest and taxes compared to sales. This ratio shows the company's net income on sales (Cashmere 2012: 200). Net profit margin or net profit margin is a sales gain after calculating all costs and income taxes. This margin shows the ratio of net income after tax to sales (Harjito and Martono 2011: 60).

2.3 Leverage

The leverage ratio gives the size of the funds provided by the owner of the company compared to the funds obtained from the company's creditors. This ratio shows the company's ability to meet its long-term obligations. Leverage ratio can also be interpreted as the number of assets of companies that get capital by using funds from outside parties. With the use of external funds, this will increase the risk of return (risk of return) for shareholders, due to a fixed burden of interest payments on the loan.

The leverage ratio is a ratio that measures how much a company is financed with debt. According to Harahap (2013: 106), leverage is a ratio that describes the relationship between corporate debt to capital, this ratio can see how far the company financed by debt or outsiders with the capability of the company described by capital. The leverage ratio is to measure how much the company financed by debt (Fahmi, 2013: 127). The leverage of this research is measured by Debt to Equity Ratio

(DER). This ratio is used to compare sources of capital derived from debt (long-term debt and short-term debt) with own capital. This is usually used to measure the financial leverage of a company. According to Sartono (2010: 121), the mathematical calculation of Debt to Equity Ratio (DER) is:

$$DER = \frac{Total\ Debt}{Total\ Equity} \qquad (3)$$

According to Kasmir (2010: 153-154) the purpose of the company by using the ratio of debt (leverage) namely: to know the position of the company against liabilities to other parties (creditors); to assess the company's ability to meet fixed obligations (such as loan installments including interest); to assess the balance between the value of assets, especially fixed assets with capital; to assess how much the company's assets are financed by debt; to assess how big the effect of corporate debt on asset management; to assess or measure how much of each of the rupiah own capital is used as a guarantee of long-term debt; to assess how much loan funds are immediately to be billed, there are so many times own capital owned.

2.4 Number of Members

Cooperative members are persons who register and pay principal savings, mandatory savings, as well as other provisions in a cooperative and, have the right to obtain the rest of the business proceeds from activities undertaken by a cooperative. The progress of a cooperative is strongly influenced by many members of the cooperative. In accordance with the Law No.17 of 2012 on cooperative article 26 paragraph 1, that: members of the cooperative are the owner and simultaneous users of cooperative services. So the cooperative is not owned by individuals, but owned by all members of the cooperative and the market of the cooperative is its own members who do not serve outside members. So the cooperative is a business entity formed to meet the needs of its members, for the sake of prosperity and prosperity together, unlike other business entities that serve the public in general.

2.5 Financing Risk

Silvanita (2009) defines financing risk as the risk of possible non-repayment of loans in accordance with contracts, such as delays, reduction of interest payments and/or loan principal, or not paying the loan at all. Furthermore, according to Muhammad

(2005), the risk of financing arises if the Sharia cooperative cannot recover the principal installment or interest from the loan it provides or the investment it is doing. The main cause of the risk of financing is that it is too easy for sharia cooperatives to lend or invest because it is too demanding to take advantage of excess liquidity so that the financing scheme is less accurate in anticipating the various possible business risks it finances. This risk can be suppressed by giving the authority of cost decision for each financing officer, by authorizing limit and financing of credit line limit, and diversification (Muhammad, 2005). As an indicator showing the loss due to financing risk is reflected in the amount of Non Performing Financing (NPF). Non Performing Financing (NPF) is a bad financing of uncollectible financing. The magnitude of the NPF reflects the level of cost control and financing policies undertaken by sharia cooperatives.

According to Veithzal (2010), non-performing financing means that financing in its implementation has not reached or fulfilled the desired target of sharia co-operatives such as return of principal or profit sharing; financing that has the possibility of future risks for sharia cooperatives, including doubtful financing and traffic jams and the current class that could potentially occur in arrears in return. To minimize the NPF level it is necessary to perform financing analysis. Based on the existing financing analysis, it is expected that sharia cooperatives can reduce the risk of problem financing and be more careful in channeling the financing.

$$NPF = \frac{Problem\ Financing}{Total\ Financing} \times 100\% \qquad (4)$$

2.6 Hypothesis

H_1 : Cooperative size, NPM, leverage, and number of members simultaneously affect the financing risk
H_2 : Cooperative size affects financing risk
H_3 : NPM has an effect on financing risk
H_4 : Leverage affects financing risk
H_5 : The number of members affected the financing risk

3 RESEARCH METHODS

3.1 Types of Research

This research is an explanatory research. According to Ghozali (2012) explanatory research or explanatory research that explains the causal relationship with the intent to test the hypothesis about the influence of one variable or multiple variables (independent variables against other variables / dependent variables).

3.2 Operational Definition of Variables

Operationalization and measurement of all variables in this study are as follows:
1) Cooperative Size
   The size of the cooperative is the cooperative scale seen from the total assets of the cooperative at the end of the year, which is measured using the following formula:

   $$Cooperative\ size = Ln\ (Total\ Asset) \qquad (5)$$

2) Net Profit Margin
   Net profit margin is the ratio used to show the ability of the cooperative in generating net profit, as measured by using the formula as follows:

   $$Net\ Profit\ Margin = \frac{Earning\ after\ tax}{Sales} \qquad (6)$$

3) Leverage
   Leverage is the use of assets and sources of co-operative funds that have a fixed cost with the intention to increase profits, as measured by using the following formula:

   $$DER = \frac{Total\ Debt}{Total\ Equity} \qquad (7)$$

4) Number of Members
   The number of members represents the number of members of each sharia cooperative in Indonesia within the period 2014 - 2016 as measured by the units of people.
5) Financing risk
   Financing risk is a condition in which the customer fails to make the payment according to the agreement, which are proxies with the ratio of NPF used to measure the bank's management capability in managing the non-performing loans provided by the bank to total credit owned.

3.3 Population and Sample

The population used in this study is all Sharia Cooperatives incorporated in Inkopsyah that is as many as 421 cooperatives. The sampling method used is purposive sampling method, where the population that will be used as research sample is the population that meets the criteria of a particular sample. The criteria are as follows:
1. Sharia Cooperatives incorporated in Inkopsyah in a row for the period 2014 - 2016.
2. The Sharia Cooperative has issued its annual report for the period 2014 - 2016 respectively

Based on the criteria, the number of samples in this study is 74 Sharia Cooperatives, for 3 years from 2014 until 2016, with combined model data obtained as much as 222.

3.4 Data Analysis Method

The analysis used in this research is descriptive analysis and multiple linear regression analysis. The regression equation used is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e \qquad (8)$$

Information:
Y   =   Financing risk
a   =   constant number
$b_1..b_4$ =   regression coefficient
X_1 =   Cooperative Size
X_2 =   NPM
X_3 =   leverage
X_4 =   number of members
e   =   error term

The use of regression analysis as an analytical model must satisfy classical assumptions consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation. The classical assumption (the basic assumption) in the regression model is needed to produce an unbiased estimator, fulfill the basic assumption then the coefficient appraisal obtained is not biased, on the other hand, if the unmet basic assumption leads to the coefficient estimate being biased which can lead to misinterpretation and conclusion

4 RESULTS AND DISCUSSION

4.1 Statistics Description

Descriptive statistical results explain the minimum value, maximum value, mean value and deviation value of all variables used in the study.

Table 1. Statistics Description

	N	Minimum	Maximum	Mean	Std. Deviation
Size	222	18,49	26,59	22,5984	1,27324
NPM	222	0,07	11,39	2,8868	2,39060
Leverage	222	0,04	33,32	8,6610	5,78887
Number of Member	222	8,00	93346,00	7709,9324	1267,26451
Financing Risk	222	0,01	4,89	1,2888	1,16001

Source: Data processed, 2017.

Based on the data presented in Table 1 shows that the size of the cooperative ranges from 18.49 to 26.59 this shows the variation of cooperative Sharia cooperatives varied. The average size of the cooperative is 22.5984 with the standard deviation of 1.27324 which is smaller than the average value, thus it can be said that the data deviation on the size of the cooperative is good. NPM ranges from 0.07 to 11.39 This shows varied NPM Sharia co-operatives. The average NPM of 2.8868 with a standard deviation of 2.39060 is smaller when compared to the average value, thus can be said that the data in the NPM has been good data. This shows that Sharia Cooperative is categorized as able to generate profit.

Leverage ranges from 0.04 to 33.32 this indicates variations in the leverage of varied Sharia Cooperatives. The average leverage of 8.6610 with the standard deviation of 5.78887 is smaller when compared to the average value, thus it can be said that the data deviation on the leverage is good. The number of members ranging from 8 to 93346 indicates variations in the number of members of Sharia cooperatives are varied. The average number of members of 7709 with a standard deviation of 1267 is smaller when compared to the average value, thus it can be said that the data deviation on the

number of members is good. The financing risk ranges from 0.01 to 4.89, indicating variations in the financing of various sharia cooperative ratios. The average financing risk of 1.2888 with a standard deviation of 1.16001 is smaller than the average value, thus it can be said that the data in the financing risk is good.

4.2 Classic Assumption

4.2.1 Normality Test

One of the important assumptions in regression testing is that the data is normally distributed. Testing of data normality by a graphical method in which data spreads around the diagonal line and its direction follows the direction of the diagonal line, meaning the assumption of data normality is met. Normality test results are presented in Figure 1.
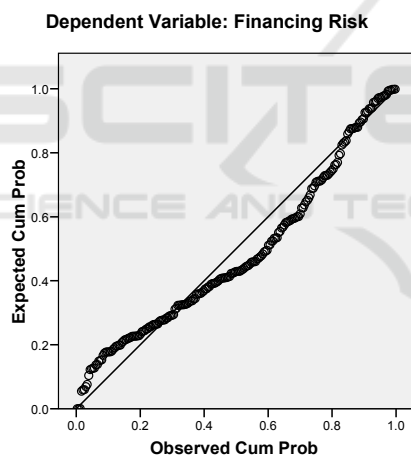

Figure 1. Normality Test

Based on Figure 1 shows that the data spread around the diagonal line and its distribution follows the direction of the diagonal line, so it can be said that the data is normally distributed.

4.2.2 Multicollinearity Test

A regression model is free from multicollinearity if the VIF (Variance Inflation Factors) value of each independent variable is less than 5 and the tolerance value is close to 1. The VIF results are presented in the following table:

Table 2: Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Size	,536	1,865
	NPM	,810	1,235
	Leverage	,813	1,230
	Number of Member	,604	1,656

a. Dependent Variable: Financing Risk

Source: Data processed, 2017.

Based on the results of the VIF calculation shows that all variables have a VIF value <5, so it can be concluded that the regression model there is no multicollinearity problem.

4.2.3 Heteroscedasticity Test

Heteroscedasticity means the presence of unequal residual variation for all observations, or the presence of increasing residual variation in larger numbers of observations. Tests of heteroscedasticity symptoms using scatterplot, heteroscedasticity test results are presented in the following figure.
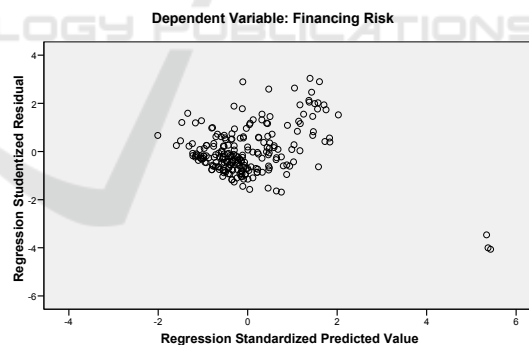

Figure 2. Heteroscedasticity Test

Based on the picture above, the spots appear to be randomly distributed, not forming a certain pattern that is clear, and scattered, either above or below the number 0 on the Y-axis. This means there is no heteroscedasticity in the regression model.

4.2.4 Autocorrelation Test

To determine whether there are autocorrelation symptoms in the regression analysis model used is

by testing the serial correlation model with Durbin-Watson (DW) method. Conventionally it can be said that a regression equation is said to have satisfied the assumption of no autocorrelation if the value of the Durbin-Watson test is between the dU and (4-dU) values obtained from the Durbin Watson table. Based on the calculation it can be seen that the value of Durbin-Watson test is 1.916, so it is bigger 1.76 (dU) and smaller than 2.24 (4-dU). It can be concluded that there is no autocorrelation in the regression model.

4.3 Multiple Regression Analysis

Analysis of this data using multiple regression analysis to find out how big the effect of cooperative size variables, NPM, leverages and the number of members to financing risk. Based on the output of SPSS (Statistical Product and Service Solutions) version 15 for windows, where summary data analysis results are presented in table 3 below.

Table 3. Summary of Results of Multiple Regression Analysis

Variable	Regression Coefficient	t	P value
Size	0,196	3,563	0,000
NPM	-0,061	-2,536	0,012
Leverage	0,027	2,769	0,006
Number of Member	0,00004	8,564	0,000
Constanta	= -3,551		
R	= 0,758		
Adjusted R square	= 0,567		
F	= 73,394		
Prob.	= 0,000		
$F_{table\ (\alpha=0,05)}$	= 2,41		
$T_{table\ (\alpha=0,05)}$	= 1,960		
Dependent variable = Financing risk (Y)			

Source: Data processed 2017.

The results of multiple regression analysis as presented in the table above can be arranged in the regression equation as follows:

$Y = -3,551 + 0,196X_1 - 0,061X_2 + 0,027X_3 + 0,00004X_4$

Based on the results of the equation, it can be explained as follows:

1) Constants (a) = -3.551, indicating the amount of financing risk if there is no cooperative measure variable, NPM, leverage, and a number of members, then the financing risk is -3.551.

2) The coefficient of regression of cooperative size equal to 0,196, indicating the size of cooperative size effect to financing risk, positive regression coefficient indicate cooperative size influence toward financing risk, which mean every increase of 1 unit of cooperative size causes increase of financing risk equal to 0,196%; and vice versa assuming the NPM variable, leverage and number of members of magnitude are constant.

3) The NPM regression coefficient of -0.061 indicates the magnitude of NPM's influence on financing risk, negative regression coefficient indicates that NPM has an adverse effect on financing risk, which means that every 1% increase in NPM causes a decrease in financing risk by 0.061%; and vice versa assuming cooperative size, leverage and number of member variable are constant.

4) Leverage regression coefficient of 0.027, indicating the influence of leverage to financing risk, positive regression coefficient indicates leverage influence on the financing risk, which means that every 1% increase leverage causes an increase of financing risk by 0,027%; and vice versa assuming cooperative measure variable, NPM and number of member of magnitude constant.

5) The regression coefficient of the number of members is 0.00004, indicating the influence of the number of members to the financing risk, the positive regression coefficient indicates the number of members influential in the direction of the financing risk, which means that each 1% increase in the number leads to an increase in financing risk by 0.0004%; and vice versa assuming cooperative size, NPM and leverage variables are constant.

The correlation coefficient (R) of 0.758; shows that there is a strong relationship between the size of the cooperative, NPM, leverage and the number of members with a financing risk of 75.8%. Results of multiple linear regression analysis above can be seen the value of a coefficient of determination (adjusted R square) of 0.567. This figure indicates that cooperative measure variable, NPM, leverage and number of member can explain variation or able to contribute to financing risk

variable equal to 56,7%, while the rest equal to 43,3% caused by other variable not included in research.

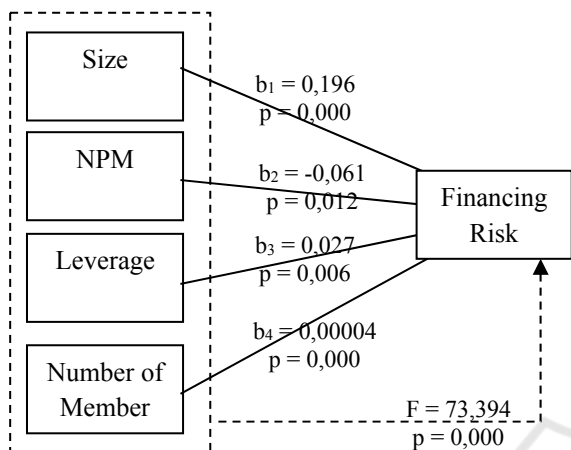Based on table 3, it can be described as follows:

Figure 3: Effect of Cooperative Size, NPM, Leverage and Number of Members against Financing Risk

4.4 Hypothesis Testing

4.4.1 Hypothesis Testing 1

To test the first hypothesis which states that the size of the cooperative, NPM, leverage and number of members simultaneously affect the financing risk, using the F test. Based on F test results obtained F_{count} = 73.394 while F_{table} 2.41, so F_{count} > F_{table}, while the probability value of 0.000 is smaller than α = 0.05 (0.000 <0.05), so the size of cooperative, NPM, leverage and number of members simultaneously have a significant effect on financing risk. Thus the first hypothesis is statistically tested or accepted.

4.4.2 Hypothesis Testing 2

To test the second hypothesis that the size of the cooperative to financing risk, using t test. The result of analysis obtained t_{count} = 3.563 while at 95% confidence level (α = 0.05) obtained t_{table} value = 1.960 so t_{count} > t_{table} (3.563 > 1.960) or probability 0.000 smaller than α = 0.05 (0.000 <0.05), so H0 is rejected or Ha accepted which means that the size of the cooperative has a significant effect on financing risk. Thus the second hypothesis is statistically tested.

4.4.3 Hypothesis Testing 3

To test the third hypothesis which states that NPM to financing risk, using t test. The result of analysis obtained t_{count} = -2.536 whereas at 95% confidence level (α = 0.05) obtained t_{table} value = -1.960 so t_{count} < -t_{table} (-2.536 < -1.960) or probability value 0.012 smaller than α = 0.05 (0.012 <0.05), so H0 is rejected or Ha accepted which means that NPM has a significant effect on financing risk. Thus the third hypothesis is statistically tested.

4.4.4 Hypothesis Testing 4

To test the fourth hypothesis which states that leverage to financing risk, using t test. The result of analysis obtained t_{count} = 2.769 while at 95% confidence level (α = 0.05) obtained t_{table} value = 1.960 so t_{count} > t_{table} (2.769 > 1.960) or probability value 0.006 less than α = 0.05 (0.006 <0.05), so H0 is rejected or Ha accepted which means that leverage has significant effect to financing risk. Thus the fourth hypothesis is statistically tested.

4.4.5 Hypothesis Testing 5

To test the fifth hypothesis which states that the number of members to financing risk, using t test. The result of analysis obtained t_{count} = 8.564 while at 95% confidence level (α = 0.05) obtained t_{table} value = 1.960 so t_{count} > t_{table} (8.564 > 1.960) or probability 0.000 smaller than α = 0.05 (0,000 <0.05), so H0 is rejected or Ha accepted which means that the number of member significantly influences to financing risk. Thus the fifth hypothesis is statistically tested.

4.5 Discussion

4.5.1 Effect of Cooperative Size on Financing Risk

Cooperative measures affect financing risk; it shows that cooperatives with large assets can generate greater profits when followed by the results of operational activities. One of the operational activities of the cooperative is financing. If the assets or assets owned by sharia cooperatives increase, then the financing disbursed will increase and financing risk will increase. These results reinforce the results of research Purnasiwi and Sudarno (2011) which also states the size has a positive effect on the NPL. As the opinion of Sastradiputra (2004), the side of the asset of sharia cooperatives shows management strategies and activities related to fund-

raising which include cash, accounts in Sharia cooperatives, short-term and long-term loans, and fixed assets. The greater the assets or assets owned by Sharia cooperatives indicates the greater the wealth of sharia cooperatives. The greater the wealth of sharia cooperatives, the sharia cooperative is able to cover the losses due to troubled financing (NPF). Furthermore, Siamat (2005) states that one of the causes of the NPF increase is the irregularities in the implementation of financing procedures. In addition, the possibility of increased non-performing financing is due to a debtor or other macroeconomic factors other than the ratio of assets owned by the cooperative concerned. The results of this study support Diyanti (2012) that size has a negative effect on Non-performing Loan (NPL), this is in line with Astrini et al. (2014) which states that size affects NPLs in banking financial institutions that go listed on the Indonesia Stock Exchange.

4.5.2 The Effect of Net Profit Margin on Financing Risk

Net profit margin has a significant effect on financing risk, it shows that if the ratio of NPM of sharia cooperative is big, it shows that sharia cooperative is performing well, because it can generate big net profit through its income activity, so it can decrease financing risk. The bigger ratio net profit margin is better because it is considered the ability of cooperatives in getting a high enough profit (Kasmir, 2012). Sharia cooperatives function as an intermediary institution, which is functioned to collect funds from the community and channel the funds back to the community who need it in the form of financing. On the assets side of sharia cooperative balance of the largest operating fund of each sharia cooperative is channeled in the form of financing. This fact illustrates that financing is the largest source of Syariah cooperative revenue, but at the same time it is the biggest source of risk of business operations. Non-performing financing becomes a problem for the sharia cooperative, because with the problem financing not only decreases the income for sharia cooperatives but also undermines the operational funds and financial liquidity of sharia cooperatives, which will eventually destabilize the sharia cooperative's health and will ultimately, hurt the customers. This is because most of the funds used by sharia cooperatives in channeling funds in the form of funds are the depositors 'funds so that the depositors' funds are required to get legal protection. Therefore, risk management is required to identify, measure,

monitor, and control risk in accordance with Sharia cooperative business activities. The steps taken by the sharia cooperative in order to mitigate the risk should consider conformity with the Sharia Principles. The results of this study support Permanasari and Suhardjanto (2014) which states that net profit margin effect on credit risk.

4.5.3 Effect of Leverage on Financing Risk

Leverage affects the financing risk, which means that the greater the Sharia cooperative debt, the greater the risk faced by sharia cooperatives. This study is in line with Hanafi and Halim (2007) which revealed that companies that have high leverage credit risk will be greater and vice versa if leverage in the company is low then credit risk will also be smaller. Horne (2005) states that the higher the leverage, the greater the financial risk. Financing is one function of sharia cooperatives, by channeling funds to meet the lack of funds (deficit units) which one of the goals is to support planned investments. Of course, in channeling the financing funds need an appropriate procedure, so that all the risks experienced will be reduced or no. The importance of the procedural distribution of financing is intended to reduce any risks faced in the distribution of financing to the debtor. The results of this study support Permanasari and Suhardjanto (2014) which states that leverage affects credit risk.

4.5.4 The Effect of Number of Members on Financing Risk

The number of members affected the financing risk; it shows that the number of members is one factor that causes the rest of the business results to increase, but not always increase the number of members can cause the rest of the business results is always increasing. Increasing the number of members can increase the rest of the business results, if the new member has an active role in Sharia cooperative, in the sense that the new member can access all the programs that have been established by the cooperative, such as diligent saving so as to increase cooperative capital, actively borrow or cooperative, and orderly installments, and vice versa if unmanaged members pay it impact on increasing financing risk. The more the number of cooperative members reflects the more increasing public trust towards cooperatives as economic institutions. Members of cooperatives have an important role in advancing cooperatives, in the absence of members of cooperatives cannot walk. Members are voters and users of cooperative

services. Each cooperative is established in order to increase the number of its members, by providing an opportunity for the community to register as a member. The more developed a cooperative, usually the more the number of members. As Baswir (2000) argued that Cooperatives would not be possible without members as the backbone of their business.

5. CONCLUSION

Based on the results of the analysis shows that the size of cooperatives, NPM, leverage, and a number of members simultaneously affect the financing risk. The size of cooperatives, NPM, leverage, and a number of members partially affect the financing risk. This shows that cooperatives with large assets can generate greater profits when followed by the results of its operational activities. One of the bank's operational activities is channeling the financing. If the assets or assets owned by the cooperative is greater than the financing disbursed will increase and the condition of financing risk will increase. The greater the NPM, it shows that the Sharia cooperative is performing well, because it can generate a large net income through its income activity, thereby reducing the financing risk, accompanied by members active in sharia cooperatives, such as diligent saving, active borrowing and orderly installment, and on the other hand, if the members are not orderly paying the impact of increasing the financing risk. In order to save Sharia cooperatives from financing risk and assist customers in order to settle their obligations, sharia banks can restructure through rescheduling; reconditioning (return requirements); restructuring. However, if the three restructuring efforts are unsuccessful, then sharia cooperatives can settle the financing risk through confiscation of collateral goods, national Sharia arbitration body, and settlement through litigation

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