

Jurnal Pijar
Studi Manajemen dan Bisnis

<https://e-journal.naureendigiton.com/index.php/pmb>

Vol. 1 No. 4, 2023, Hal. 1042 - 1057

ISSN 2963-0606 (Online)

ISSN 2964-9749 (Print)

**FACTORS AFFECTING THE DECISION OF INDONESIAN ISLAMIC BANKS
IN INDONESIA IN APPROVING INDENT HOUSE OWNERSHIP FINANCING**

Zikaillah Cinta Diramia^{1,2}, Atika Irawan²
Manajemen, Institut Teknologi Bandung, Bandung

Abstrak

Pembiayaan Pemilikan Rumah (PPR) Indent merupakan sebuah produk pembiayaan pembangunan rumah belum jadi yang diberikan dari bank syariah kepada developer perumahan dan nasabah pembiayaan. Dengan kurangnya penelitian yang dapat membantu developer perumahan dalam membentuk portofolio dan proyek pembangunan rumah yang optimal agar pengajuan Pembiayaan Pemilikan Rumah (PPR) Indent nya lebih mudah diterima, penelitian ini bertujuan untuk mengetahui faktor yang mempengaruhi bank syariah di Indonesia dalam menyetujui pemberian pembiayaan dan bagaimana faktor tersebut memengaruhi pengambilan keputusan tersebut. Penelitian ini dilakukan dengan pendekatan Exploratory-Descriptive Qualitative (EDQ) menggunakan metode interview kepada 1 Bank Umum Syariah (BUS) dan 1 Unit Usaha Syariah (UUS) secara purposive sampling dan pengolahan data dilakukan dengan cara Interpretative Data Analysis. Penelitian ini menemukan bahwa bank syariah di Indonesia menyetujui pemberian pembiayaan KPR Indent dengan mempertimbangkan probabilitas risiko terciptanya Non-Performing Financing (NPF) sehingga diterapkannya prinsip kehati-hatian melalui analisis 5C (Karakter, Kemampuan, Kapital, Kolateral, and Kondisi Ekonomi) milik calon nasabah dan kemampuan, pengalaman, dan ketersediaan developer perumahan untuk menanggung moral hazard berupa buyback agreement dengan masing-masing dari bank syariah di Indonesia memiliki proses prioritas faktor dan proses pengambilan keputusan atas faktor tersebut.

Kata Kunci:

Pembiayaan Pemilikan Rumah (PPR) Indent, Bank syariah, Developer Perumahan, Calon Nasabah Pembiayaan, Non-Performing Financing (NPF), Prinsip Kehati-hatian, Proses Pengambilan Keputusan

Abstract

The Indent Home Ownership Financing (PPR Indent) is a financing product for the development of unfinished houses provided by Islamic banks to housing developers and financing customers. Due to the lack of research that can assist housing developers in creating optimal portfolios and housing development projects to facilitate the approval of Indent Home Ownership Financing (PPR Indent) financing, this study aims to identify the factors influencing Indonesian Islamic banks in approving such financing and how these factors affect the decision-making process. The study employed an Exploratory-Descriptive Qualitative (EDQ) approach, using interview methods with one Islamic Commercial Bank (BUS) and one Islamic Business Unit (UUS) through purposive sampling, with data analysis conducted using Interpretative Data Analysis. The research findings reveal that Islamic banks in Indonesia approve PPR Indent financing by considering the probability of Non-Performing Financing (NPF) risks, thus implementing Prudential Banking Principles. This is done through the analysis of the 5C (Character, Capacity, Capital, Collateral, and Condition of Economic) of financing customers and the ability, experience, and willingness of housing developers to bear moral hazard through buyback agreements. Each Islamic bank in Indonesia has different prioritization processes and decision-making processes for these factors.

Keywords:

Indent Home Ownership Financing (PPR Indent), Islamic Banks, Housing Developer, Financing Customers, Non-Performing Financing (NPF), Prudential Banking Principle, Decision-Making Process

Alamat Korespondensi

E-mail: zikaillah.cinta@sbm-itb.ac.id

Introduction

According to Undang-Undang Republik Indonesia Nomor 10 Tahun 1998 about the Changes of Undang-Undang Nomor 7 Tahun 1992 concerning Perbankan, Credit is the provision of money or bills that can equate with it Based on approval or loan agreements between banks and other parties which obliges the borrower to repay the debt after a certain period with the provision of interest. One of the credits available in Indonesia is consumer credit, a type of credit provided by the bank that customer uses it used directly to purchase goods, like a house or vehicle. In Indonesia, banks offer a credit product known as House Ownership Credit or Kredit Pemilikan Rumah (KPR), which enables individuals to finance house purchases, renovation purposes, or house construction. Conventionally, House Ownership Credit is a consensual-based agreement that produces a debt relationship with the debtor obliged to pay back loans granted by creditors based on terms and conditions agreed upon by the parties. There are two House Ownership Credit schemes in Indonesia, Rumah Siap Huni (RSH) or Ready Occupied House Ownership and Indent House Ownership schemes (Otoritas Jasa Keuangan, 2017).

In Islamic banking, the term 'credit' is commonly replaced with 'financing' due to the prohibition of interest rates, known as ' ziyadah', in credit transactions. Therefore, in the Indonesian Islamic banking sector, house ownership credit is known as Kredit Kepemilikan Rumah Syariah (KPRS) or Sharia House Ownership Credit, and it is referred to as Pembiayaan Kepemilikan Rumah (PPR) or House Ownership Financing. These financing schemes come in various types, such as sale-purchase schemes like Murabahah and Istishna', lease schemes like Ijarah, lease-purchase schemes like Ijarah Muntahia Bittamlik (IMBT), and the Staged Ownership scheme with Musyarakah Mutanaqisah (MMQ) (Otoritas Jasa Keuangan, 2017). Istishna' financing is commonly applied to construction project financing, especially the construction of housing projects (Ismail, 2011) as Istishna is a contractual agreement for the sale and purchase of goods, where two parties are involved based on an order placed by a third party, then the ordered goods are then manufactured or obtained according to agreed-upon specifications and sold at a prearranged price and payment terms. In Istishna' financing for house ownership arrangement, banks positioned as the buyer (al-Mustashni) commission the housing developer (as-Shani) to create or procure the specified goods based on the customer's request. The Istishna' contract allows for various payment options, such as upfront, installment-based, or deferred payments, which can be determined for future periods, therefore suitable for Indent House Ownership Financing (PPR Indent) (Ismail, 2011).

In accordance with the data provided by Otoritas Jasa Keuangan, the table illustrates the count of financings in Indonesian Sharia commercial banks and Sharia business units for the years 2018 to 2023.

Table 1. Number of Financing in Indonesian Sharia Commercial Banks and Sharia Business Units

Year	2018	2019	2020	2021	2022	(Apr) 2023
Istishna Financing	1,609	2,097	2,364	2,496	3,013	3,202
Murabahah Financing	164,088	173,323	188,536	205,300	249,497	254,586

Source: Otoritas Jasa Keuangan, 2023; 2019

Compared to Murabahah, which is commonly used for Ready-to-Occupancy Houses (RSH)'s House Ownership Financing contracts, Istishna specifically used as an Indent House Ownership Financing contract is relatively less utilized and rarely offered by Indonesian Islamic banks. One

of the causes is due to financing products that use Istishna' contract, especially House Ownership Financing with the Indent scheme, carry high risks that can result in a high Non-Performing Financing (NPF) rate as Istishna' financing has a positive and significant effect on Non-Performing Financing (Pratiwi, Irianto, and Setiyowati, 2022). A high Non-Performing Financing rate can harm the financial health of Islamic banks due to banks with high Non-Performing Financing rates are considered unhealthy by regulators and stakeholders. Indent House Ownership Financing involves higher risks compared to Ready-to-Occupancy Houses (RSH)'s House Ownership Financing because Islamic banks provide financing for the construction of houses that do not yet have collateral—the house itself. Consequently, Islamic banks must exercise caution when offering Indent House Ownership Financing (PPR Indent) to housing developers and house buyers brought in by the developers. The limited utilization and availability of Istishna in the context of Indent House Ownership Financing contracts by Indonesian Islamic banks are influenced by the high risks associated with these financing products, which can result in a higher Non-Performing Financing (NPF) rate.

Due to the high growth in credit or financing property ownership, Bank Indonesia (2013) require the Bank needs to increase prudence in lending or property ownership financing through Surat Edaran Bank Indonesia Nomor 15/40/DKMP. Therefore, Islamic banks cannot grant Indent House Ownership Financing (PPR Indent) to housing developers and house buyers without careful evaluation. Conducting thorough assessments becomes crucial to ensure the success and sustainability of the financing, especially considering that Indent House Ownership Financing (PPR Indent) can be a viable option for developers lacking substantial capital but with potential buyers interested in purchasing Houses. To apply for Indent House Ownership Financing (PPR Indent), housing developers need to understand the factors that influence the decision of Islamic banks in Indonesia to provide Indent House Ownership Financing (PPR Indent). By understanding these factors, housing developers can prepare and adjust their strategies to meet the requirements and obtain approval for Indent House Ownership Financing (PPR Indent) from Islamic banks.

To investigate the contract preferences and practices of Islamic banks in offering house ownership financing in Indent House Ownership Financing (PPR Indent), as well as the factors influencing their decision-making process regarding the selection of contract types, this research is conducted to answer the question of (1) What are the key factors that influence Islamic banks in Indonesia in approving Indent House Ownership Financing (PPR Indent), and (2) How do the key factors influence the decision-making of Indonesian Islamic banks when approving House Ownership Financing (PPR Indent)?. After establishing clear research objectives as mentioned previously, this study is to identify the key factors influencing Indonesian Islamic banks in approving indent house ownership financing products and investigate how the identified key factors impact the decision-making process of Indonesian Islamic banks when it comes to approving indent house ownership financing.

The scope of this research is focused on factors influencing Indonesian Islamic banks in approving Indent House Ownership Financing (PPR Indent), specifically examining two Islamic banks. The research methodology involves conducting interviews with the head of the business unit in each bank's branch unit and/or located in Bandung City, West Java, Indonesia. The research is limited to two Islamic banks, Bank Tabungan Negara Syariah and Bank Syariah Indonesia. Furthermore, the research focuses specifically on indent house ownership financing and does not encompass other aspects of Islamic banking operations or financial products.

Methods

The research methodology for this research will involve the following step-by-step process.

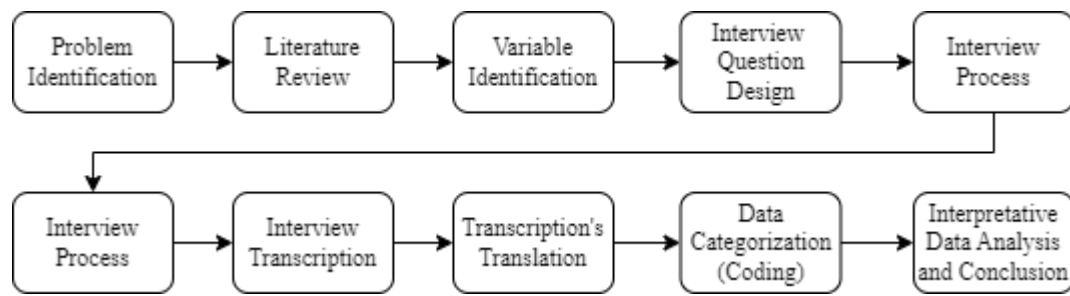


Figure 1. Research Design Flowchart

Source: Author's Analysis, 2023

The first step involves problem identification and defining the research objectives. The study aims to identify the key factors influencing the banks' decision-making process and explore how these factors shape their provision of indent house ownership financing products. Next, a thorough literature review is conducted to gain insights into the customer and developer aspects related to indent house ownership financing. This provides a theoretical foundation and helps in the formulation of open-ended interview questions.

This research follows an Exploratory-Descriptive Qualitative (EDQ) approach focusing on understanding the factors influencing Indonesian Islamic banks in providing indent house ownership financing with purposive sampling employed to select the participants for the interviews. This sampling technique ensures that the chosen banks have relevant experience and knowledge in providing indent house ownership financing. The interviews are conducted with branch managers of Bank Syariah Indonesia and Bank Tabungan Negara Syariah.

During the interview process, qualitative data is collected through open-ended questions, allowing the participants to provide detailed and in-depth responses. The interviews are audio-recorded and transcribed for analysis.

Data coding and analysis are carried out to identify themes and patterns within the responses. Coding labels or codes are assigned to segments of data to categorize and organize the information. These codes help in identifying common themes and extracting meaningful insights.

The findings from the coding analysis are interpreted and synthesized to draw conclusions about the factors influencing Indonesian Islamic banks in providing indent house ownership financing. The research contributes to a better understanding of the decision-making process and provides valuable insights for the development of effective financing products.

Result and Discussion

Indonesian Islamic Banks' Decision-Making in Indent House Ownership Financing Approval Process

Bank Tabungan Negara Syariah's Decision-Making Process

Bank Tabungan Negara Syariah ranks previously mentioned factors in order of priority, considering their impact on the bank's decision-making process for Indent House Ownership Financing. First ranks are Housing Location and Housing Developer's Experience and Track Record, second ranks are the Customer's Character and Housing Developer's Capability, third rank are Customer's Capability and Customer's Collateral, fourth ranks are Indonesian Economic

Conditions, fifth ranks are Housing Developer's Willingness to Bear Moral Hazard, and the last ranks are Customer's Capital.

Bank Tabungan Negara Syariah explains the reason behind the decision to put the housing location and the housing developer's experience as more prioritized factors due to the provision of Indent Home Ownership Financing. In indent financing, the purchased house is still under construction, making the property location crucial to ensure good marketability. A marketable location facilitates the auction process in case of customer payment defaults and problematic financing arise, making it easier to sell the collateral, resulting in bank can more effectively recover their financing. The marketability of the housing location mitigates the risk of investing in a property that might be difficult to sell or have a lower market value due to an unfavorable location. Additionally, customers tend to have emotional attachments to properties with attractive locations, which increases the demand and potential resale value of the property.

Meanwhile, the housing developer's experience in property development is an important consideration to ensure that the construction project does not encounter delays or issues. The bank wants to ensure that the disbursed funds are used appropriately by the housing developer. This link to the housing developer's ability needs to be assessed that ensure Bank Tabungan Negara Syariah that the housing developer will not construct a problematic construction that could cause delays and further result in inappropriately disbursed funds.

Next, the customer's character and the housing developer's ability becomes the second priority factor. The bank maintains a long-term relationship with the customers, and their character influences the sustainability of installment payments. The customer's financial capability, collateral or guarantees owned, and collateral conditions are also taken into consideration. If problems or payment defaults occur, these factors will affect the ease of selling the completed property. The customer's ability to make installment payments is also a significant consideration. For housing developer's ability, is assessed by evaluating the developer's experience and track record with the housing developer rating system and it is important to ensure that the construction project does not encounter delays or issues that could affect the successful completion of the housing construction.

The third rank, which includes the customer's capability and collateral, holds importance in the decision-making process of Bank Tabungan Negara Syariah for Indent House Ownership Financing. The customer's financial capability is evaluated to determine their ability to make installment payments and gauge the customer's capacity to meet their payment obligations without experiencing financial distress. Meanwhile, the customer's collateral is considered as an additional layer of security for the bank by providing assurance for the bank in case problems or payment defaults occur. If the customer defaults on their payments, the bank can utilize the collateral to recover the outstanding amount. The type and value of the collateral are evaluated to ensure it holds sufficient value and can be easily liquidated if needed. This assessment helps mitigate the bank's risk exposure and provides a safety net in the event of payment difficulties.

Bank Tabungan Negara Syariah also considers the economic conditions and the sector in which the customer works as important factors in their decision-making process. This analysis is conducted to identify potential economic risks that may impact the customer's ability to make installment payments. The bank recognizes that economic conditions can fluctuate and have a significant impact on individuals and businesses. By analyzing the economic conditions, the bank aims to assess the level of risk associated with the customer's financial situation. Moreover, the bank considers the specific sector in which the customer is employed as different industries may face varying levels of economic challenges and vulnerabilities. By considering the sector, the bank can gain insights into the potential risks and challenges that may affect the customer's income stability. The analysis of economic conditions and sector-specific risks enables the bank to

evaluate the customer's installment payment ability and assess whether the customer's income source is stable and whether they are likely to face financial difficulties due to external economic factors. This evaluation helps the bank make informed decisions regarding the approval of Indent House Ownership Financing.

The housing developer's willingness to bear moral hazard with a buyback agreement is the next factor, positioned below the previously mentioned factors, considered in the decision-making process of Bank Tabungan Negara Syariah when approving Indent House Ownership Financing. The buyback agreement entails that the housing developer is obligated to repurchase the property from the bank if certain issues or problems arise with the customer. This can include situations where the customer is unable to continue making installment payments or breaches the terms of the financing agreement. By including this provision, the bank aims to mitigate the potential risks associated with non-performing financing and protect the interests of both parties involved.

However, it is important to note that the bank prioritizes resolving any issues with the customer in a collaborative and amicable manner. If there is goodwill and the customer demonstrates the ability and willingness to make payments, which included in the customer's character and customer's capability as a previously mentioned factor, the bank will work towards finding suitable solutions to help the customer fulfill their obligations. In such cases, the responsibility for resolving the situation lies with the customer, and the bank will provide support and assistance to ensure the successful completion of the financing. On the other hand, if the customer proves to be uncooperative or lacks the financial capability or willingness to meet their payment obligations, the responsibility then shifts to the housing developer. In such cases, the bank will exercise its option to require the developer to repurchase the property as per the buyback agreement. This protects the bank from potential losses and ensures that the property is not left in an uncertain state. The inclusion of the buy-back agreement as a housing developer's willingness to bear moral hazard provides an additional layer of security and risk mitigation for Bank Tabungan Negara Syariah when approving Indent House Ownership Financing. It allows the bank to handle potential issues with customers effectively while safeguarding their financial interests and ensuring the continuity of the financing process.

Lastly, the capital factor is placed at a lower priority compared to other factors due to the biggest only aspect that Bank Tabungan Negara Syariah assesses for customer capital, Down Payment (DP) has regulations regarding the minimum amount of down payment that must be fulfilled by the customer, influenced Financing to Value (FTV)'s regulations from Bank Indonesia.

These factors were considered during the decision-making process of Bank Tabungan Negara Syariah, as illustrated in the diagram below.

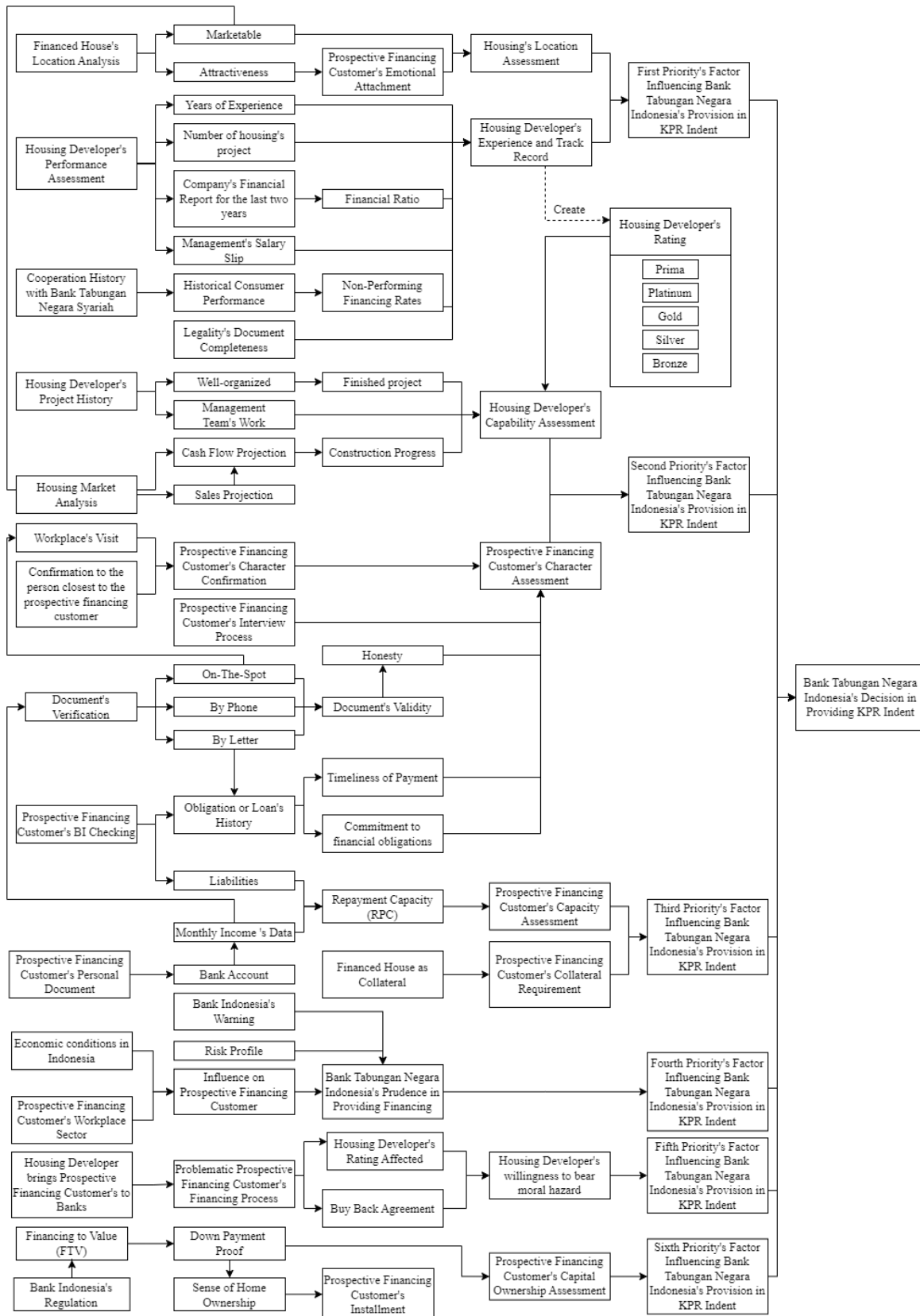


Figure 2. Bank Tabungan Negara Syariah's Decision-Making Framework
 Source: Author's Analysis, 2023

Bank Syariah Indonesia's Decision-Making Process

When assessing and evaluating to approving Indent House Ownership Financing, Bank Syariah Indonesia ranks these factors in order of priority, considering their impact on the bank's decision-making process for Indent House Ownership Financing. The first ranks are Customer's Character Customer's Capability, the second rank Customer's Capital, the third ranks are Housing Developer's Willingness to Bear Moral Hazard and Housing Developer's Capability, the fourth ranks are Customer's Collateral and Housing Developer's Experience and Track Record, and the fifth ranks are Indonesian Economic Conditions.

The first factor that Bank Syariah Indonesia places the highest priority on is the financing customer's character and capability. The bank considers these factors as inseparable because the credibility of customers plays a crucial role in granting financing. Bank Syariah Indonesia seeks customers who possess the ability to fulfill their financial obligations and demonstrate a strong willingness to repay the financing provided for Indent House Ownership. The assessment of customer character and capability helps the bank mitigate the risk of non-performing financing and default. A customer with a strong character and demonstrated financial capability is more likely to fulfill their obligations in a timely manner. This, in turn, reduces the risk of financing defaults and enhances the bank's confidence in granting the financing. By prioritizing customer character and capability, Bank Syariah Indonesia aims to build a long-term relationships with reliable and trustworthy customers. The bank recognizes that maintaining a portfolio of customers who possess good character and financial capacity contributes to the stability and sustainability of its financing operations. Moreover, customers who are committed to fulfilling their obligations enhance the overall performance of the bank's Indent House Ownership Financing portfolio.

Following customer character and capability, Bank Syariah Indonesia considers the capital or equity of financing customers. This factor is placed in a subsequent order of priority. By evaluating the customer's capital, the bank aims to ensure that customers have made a financial commitment to the house purchase through the Down Payment. Moreover, the availability of sufficient funds to cover other administrative expenses, such as notary fees, demonstrates the customer's readiness and financial capability to handle additional costs associated with the financing process. This consideration helps mitigate the risk of potential financial strain or inability to meet obligations beyond the Down Payment. Additionally, Bank Syariah Indonesia considers the appraised value of the house rather than solely relying on the house price after deducting the Down Payment. This appraisal-based approach ensures that the financing amount aligns with the actual value of the property. It provides a more accurate assessment of the customer's financial capacity and reduces the risk of overextended financing that could strain the customer's repayment ability. Overall, the evaluation of capital or equity in the decision-making process demonstrates Bank Syariah Indonesia's commitment to prudent financing practices. By considering the customer's financial commitment, ability to cover additional expenses, and aligning the financing amount with the appraised value, the bank aims to minimize the risk of financial strain for customers and enhance the overall sustainability of the Indent House Ownership Financing.

The next factor of importance is the housing developer's willingness to bear moral hazard and their capability to support the financing process. Bank Syariah Indonesia recognizes the importance of a strong partnership with housing developers in ensuring the successful completion of housing projects financed through Indent House Ownership. One of the partnerships is the housing developer's willingness to agreeing the buyback agreement as the bank considers the housing developer's willingness to repurchase houses in the event of delayed or stalled financing

as a crucial factor. This commitment demonstrates the developer's sense of responsibility and their dedication to fulfilling their obligations, even in challenging situations. It also helps mitigate the risk for the bank and provides assurance that the houses will be completed and available for the customers. Meanwhile, the capability of the housing developer to complete the construction of houses according to the agreed schedule is another important consideration for Bank Syariah Indonesia as this evaluation helps banks to determine the housing developer's competence and their ability to deliver high-quality housing projects on time and ensures the timely completion of housing projects financed through Indent House Ownership.

Moving on, Bank Syariah Indonesia considers the collateral provided by customers and the experience and track record of housing developers. The collateral provided by financing customers and the experience and track record of housing developers have a significant influence on Bank Syariah Indonesia's decision-making process in granting Indent House Ownership financing, although they are of a lesser priority compared to other factors. Bank Syariah Indonesia recognizes the importance of collateral in securing financing and mitigating potential risks. While the primary collateral is typically the house to be financed, the bank also allows customers to propose alternative collateral if it meets the bank's requirements. This flexibility ensures that suitable collateral is provided, which enhances the bank's confidence in the financing arrangement. Additionally, Bank Syariah Indonesia evaluates the experience and track record of housing developers to gain insights into their capabilities in completing the construction of houses. Factors such as the number and location of previous projects, compliance with regulations, and the sales progress of those projects are considered. This evaluation helps the bank assess the developer's competence, reliability, and adherence to quality standards. By considering collateral and the experience and track record of housing developers, Bank Syariah Indonesia aims to minimize the risks associated with the financing. Suitable collateral provides additional security for the bank, while an understanding of the developer's track record helps ensure that the housing project will be completed successfully. These factors contribute to the bank's decision-making process and enable them to make informed judgments regarding the approval of Indent House Ownership financing.

Lastly, the economic condition is the least prioritized factor in Bank Syariah Indonesia's decision-making process for granting Indent House Ownership financing due to Bank Syariah Indonesia's nature tends to have a positive outlook on the Indonesian economy, which, although measurable, remains uncertain and unpredictable in the future, they also acknowledge the potential impact of economic conditions. During uncertain economic times, Bank Syariah Indonesia exercises caution and conducts evaluations of the sectors in which financing customers work. The bank considers the potential risks and challenges that may arise from economic fluctuations, particularly in sectors that may experience significant disruptions or income reduction. This cautious approach helps the bank manage the risks associated with economic downturns and ensures the sustainability of the financing provided.

These factors were considered during the decision-making process of Bank Syariah Indonesia, as illustrated in the diagram below.

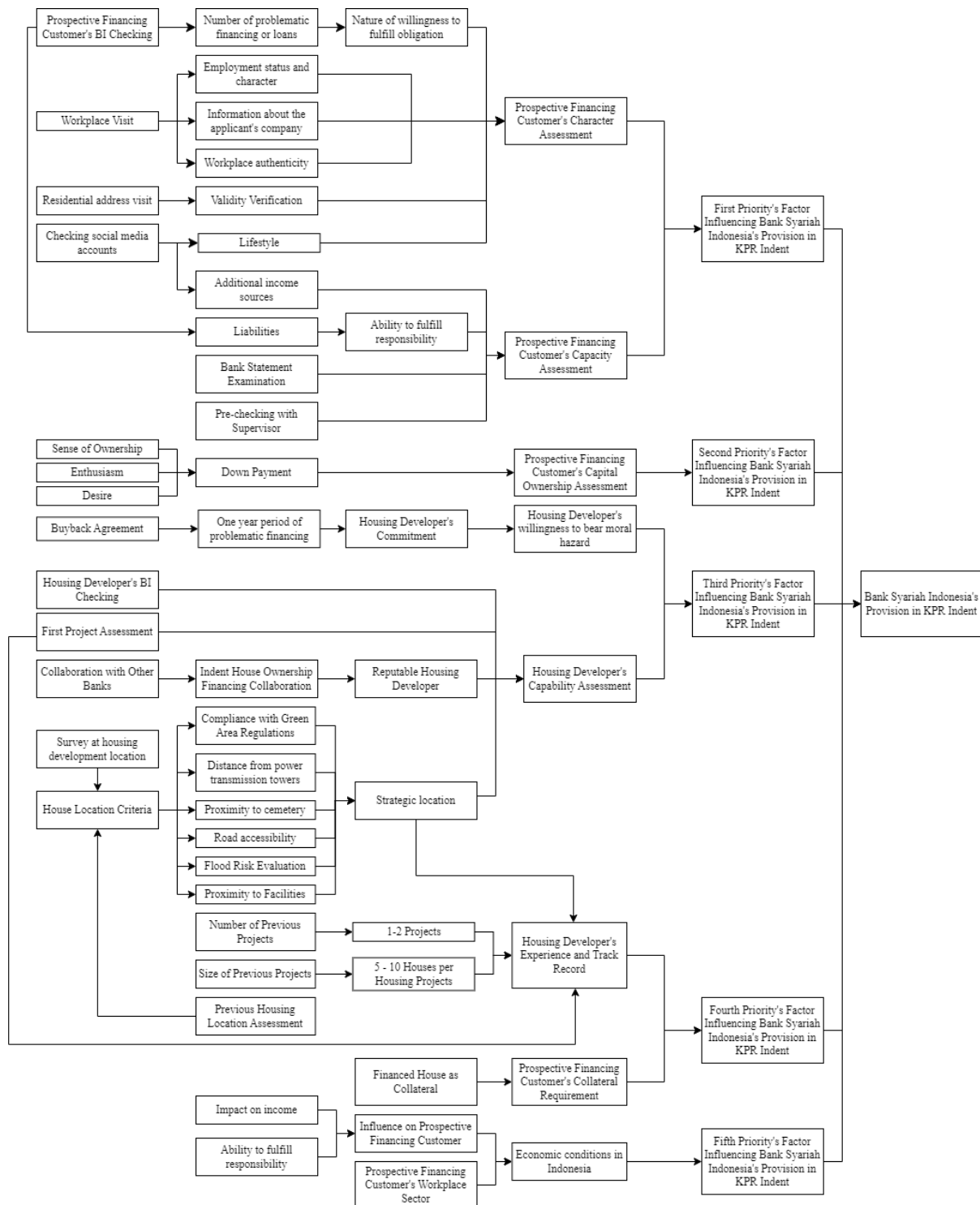


Figure 3. Bank Syariah Indonesia's Decision-Making Framework
 Source: Author's Analysis, 2023

Bank's Prudent in Financing House Ownership Financing (PPR Indent)

Bank Tabungan Negara Syariah and Bank Syariah Indonesia demonstrate prudence in financing House Ownership Financing (PPR Indent) to mitigate the risk of potential Non-Performing Financing (NPF). They employ several measures to ensure responsible financing practices and minimize the occurrence of non-performing financing. Firstly, these banks conduct

comprehensive assessments of financing customers, thoroughly evaluating their financial capacity, character, and creditworthiness. This includes analyzing repayment history, verifying income sources, and conducting background checks. By assessing these factors, banks can gauge the likelihood of customers fulfilling their financial obligations, reducing the risk of non-performing financing.

In addition, Bank Tabungan Negara Syariah and Bank Syariah Indonesia carefully evaluate the collateral provided by customers for House Ownership Financing. While the financed house can serve as collateral, banks have the flexibility to assess its suitability and consider alternative collateral options. This evaluation helps ensure that the collateral holds sufficient value to cover the financing in case of default, thereby minimizing the risk of non-performing financing.

Bank Syariah Indonesia establishes collaborations with preferred developers or "Developer Unggulan" who have a proven track record and financial stability while Bank Tabungan Negara Syariah has a housing developer rating that consists of assessment and history of collaboration. This partnership ensures that housing projects financed through House Ownership Financing have a higher likelihood of completion, minimizing the risk of non-performing financing due to project abandonment or delays.

Consideration of the prevailing economic conditions is another aspect of prudence in financing House Ownership Financing. Islamic banks exercise caution during uncertain economic periods and carefully evaluate customers' sectors of employment. This helps mitigate the risk of non-performing financing by avoiding financing to customers in sectors more susceptible to financial difficulties.

In their prudent measures, Bank Tabungan Negara Syariah and Bank Syariah Indonesia aim to maintain a healthy loan portfolio and sustainable financing practices by mitigating the risk of non-performing financing and ensuring the stability of their financing portfolios through prioritization of their decision-making process in Indent House Ownership Financing's approval.

Conclusion

Research Objective 1: Identify the key factors influencing Indonesian Islamic banks in approving indent house ownership financing products.

Customer's character, capacity, capital, and collateral, Indonesia's economic condition, housing developer's ability, housing developer's experience and track record, and housing developer's willingness to bear moral hazard influence Indonesian Islamic banks in approving Indent House Ownership Financing. The banks assess the customer's character, considering factors such as loan history and payment regularity. Customers with a good track record and consistent payment behavior are more likely to be approved for financing. Banks evaluate the customer's capability to meet financing obligations by analyzing their income statement, repayment capacity (RPC), total financial obligations, and monthly installments. This assessment helps determine the customer's financial capacity to apply for house ownership financing. Thirdly, the collateral provided by the customer, usually the house being financed, is assessed by the banks. The collateral value and the customer's ability to pay the down payment are considered by the banks. The down payment not only serves as a financial commitment but also enhances the customer's sense of ownership and responsibility toward making timely installment payments. The condition of the Indonesian economy is also taken into account. The banks pay attention to the economic conditions, particularly in the sector where the customer works, to identify potential risks that may impact the customer's ability to make installment payments. Economic factors and sector-specific risks are evaluated to inform the banks' financing decisions. Furthermore, the banks assess the housing developer's ability to deliver the house. Evaluation includes factors such as the housing

developer's experience, track record, previous projects, and the strategic location of the housing construction. The willingness of the housing developer to cooperate with potential moral hazards is also considered. The banks require a buyback guarantee during the construction period to ensure the completion of the housing project and mitigate risks. Additionally, the marketability of the housing location is a crucial factor in the banks' considerations. A marketable location ensures good market demand, simplifies the auction process in case of customer default, and fosters customer attachment to the property.

Research Objective 2: Investigate how the identified key factors impact the decision-making process of Indonesian Islamic banks when it comes to approving Indent House Ownership Financing.

Bank Tabungan Negara Syariah and Bank Syariah Indonesia exhibit distinct approaches in their decision-making processes for Indent House Ownership financing. Bank Tabungan Negara Syariah emphasizes factors such as housing location, housing developer's experience, customer's character and capability, customer's collateral, economic conditions, and housing developer's willingness to bear moral hazard. This prioritization reflects the bank's focus on mitigating risks associated with customer payment defaults and ensuring the marketability of the properties. Their objective is to facilitate the financing process for housing developers while safeguarding their own interests.

On the other hand, Bank Syariah Indonesia places utmost importance on the credibility of financing customers when granting Indent House Ownership financing. They prioritize factors such as the customer's character and capability, customer's capital, housing developer's willingness to bear moral hazard, housing developer's capability, customer's collateral, experience and track record of the housing developer, and Indonesian economic conditions. By prioritizing customer credibility, Bank Syariah Indonesia aims to ensure that customers possess the financial capacity and willingness to fulfill their obligations, reducing the risk of non-performing financing and enhancing the overall stability of their financing portfolio.

Bank Tabungan Negara Syariah's focus lies in facilitating housing developers through Indent House Ownership financing, while Bank Syariah Indonesia places significant emphasis on the credibility of financing customers. Both banks exhibit prudence in their financing practices by conducting comprehensive assessments. These measures contribute to the banks' ability to make informed decisions, minimize risks, and maintain a sustainable approach to Indent House Ownership Financing.

The aim of the assessment is to gauge the likelihood of customers fulfilling their financial obligations and reducing the risk of Non-Performing Financing (NPF). By incorporating these factors into their decision-making processes, Islamic banks aim to maintain a healthy financing portfolio, sustainable financing practices, and the stability of their House Ownership Financing (PPR Indent) portfolios by conducting Prudential Banking Principle and Know Your Customer (KYC). This process is carried out to create and instill Bank Tabungan Negara Syariah's and Bank Syariah Indonesia's confidence in housing developers that finance customers and mitigate the risk of Non-Performing Financing (NPF) by ensuring responsible financing practices aligned with industry standards.

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