FINANCING DETERMINANT OF NATURAL CERTAINTY CONTRACTS (NCC) AND NATURAL UNCERTAINTY CONTRACTS (NUC) ON PROFITABILITY OF ISLAMIC COMMERCIAL BANKS

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Abstract

Commercial banks have a significant role for the society to fill its financial needs through financing facilities. Islamic bank financing has two forms of contracts, namely financing for Natural Certainty Contracts (NCC) and financing for Natural Uncertainty Contracts (NUC). Those are able to improve the profitability of Islamic commercial banks. The purpose of this study is to analyze the impact of NCC financing and NUC financing contracts toward the improvement of the Islamic commercial banks' profitabilities represented by Return On Asset (ROA). This study uses a quantitative approach. The data analysis uses panel regression analysis with software Eviews 9.0 tools. Sampling method uses purposive sampling of Islamic Commercial Banks of 2013-2017. Result of the study showed that NCC and NUC variables improved the profibility of commercial banks simultaneously. Meanwhile, the test results partially showed that the NCC variable has a significant positive effect on the profitability of Islamic commercial banks. NCC financing has a fixed and definite return characteristic, was used for short-term investment financing, and the mark-up of profits could be adjusted, and the bank did not interfere with the customer's business. NUC financing variable showed a significant negative effect on the profitability of Islamic commercial banks in a conventional manner. The high risk of banks in financing with NUC will be the negative impact factor. The risks borne by the banks include three factors, namely: there is bad financing due to side streaming, changes in management of customer management, and the existence of asymmetric information in customer financial reporting.

Keywords : Financing for Natural Certainty Contracts (NCC), Financing for Natural Uncertainty Contracts (NUC), financing, profitability.

INTRODUCTION

The development of Islamic banking in Indonesia is very rapid. The development is dominated by Bank Umum Syariah (BUS) or Islamic Commercial Bankat 68.08%. Furthermore, Unit Usaha Syariah (UUS) or Islamic Business Unit at 29.40 per cent and Bank Pembiayaan Rakyat Syariah (BPRS) or Islamic Community Financing Bank at 2.52% (SPS OJK, 2017). It means that Islamic commercial banks as the intermediary financial institutions based on Islamic principles are present with new nuances in the socio-economic life of the Indonesian people. Islamic commercial banks actively participate in developing business and give assistance in complying capital requirement, both individually and in groups through financing facilities. It is the real role of Islamic commercial banks to the community needed. As Kasmir (2001, 71) stated that as intermediary financial institution, financing assistance is its major activity.

Financing in Islamic commercial banks is experiencing positive developments that indicate financing has an important role for community in meeting their financial needs. Based on Islamic Banking Statistics (SPS) of Financial Service Authority (OJK) on March 2018, total financing distributed was IDR 190,064,000,000. The total financing distribution increased compared to the previous year, where total financing distribution only ranged at IDR 146,944,000,000 in which the value increased at 4.07 per cent or IDR 153,968,000,000 in 2015, then increased in 2016 at 15.27% or IDR 177,482,000,000 and in 2017 consistent in distributing the financing for IDR 189,880,000,000 (SPS OJK, 2018).

In this continuous growth, it is expected to increase the Islamic commercial banks' income or profitability. In 2014, the income received from financing IDR 17,212,000,000 then in 2015 increased for 10.10 per cent or IDR 18,952,000,000 and constantly increased until 2017 for 14.25% or IDR 22,511,000,000 (SPS OJK, 2018). A further income received from the financing distribution will increase the bank profitability figured on profit. As the statement of Ismail (2011, 110) that one of benefits of financing for intermediary financial institutions is to be able to increase bank profitability which can be seen in the existing profit. Based on the Islamic Banking Statistics on Financial Service Authority (OJK) that in 2014 the profit of Islamic commercial banks reached IDR 822 billion and an increase of 18.86% or IDR 977 billion in 2015 until the profit growth in 2017 reached IDR 1,691 billion. This growth is certainly inseparable from the contribution of packaged and offered financing products, including financing products, including financing products such as Natural Certainty Contracts (NCC) and financing for Natural Uncertainty Contracts (NUC) so that they can contribute to profitability growth at Islamic commercial banks.

Some previous studies showed contractual results. The effect of NUC and NCC financing on profitability shows inconsistent results. Here are some of the results of previous studies that show the contradiction. Oktriani (2012) stated that the costs, including the types of NUC financing, do not affect profitability. Whereas according to Sofa (2010) in her research NUC financing contract affected profitability. Then on the NCC financing contract according to Hidayah (2013) affects profitability while according to Ernawati (2014) in her research said the NCC financing contract does not affect profitability. Contradiction reason underlies the urgency of this research. Research contradictions are the primary basis for research. Besides that, the phenomenon of the development of financing in Islamic banking is an essential basis for the urgency of this research.

It can be concluded from the results of previous studies and the phenomenon that there are still inconsistencies in the variables studied and urgency of the research. Therefore, researchers are interested in re-examining related variables. Based on the explanation of the researchers' reasons above, this study aims to analyze the effect of NCC and NUC financing contracts in increasing profitability in Islamic commercial banks, both partially and simultaneously.

REVIEW OF THE LITERATURE

Financing

According to the root words, credit comes from the word credere which means trust in which a person receives a credit means that he/she gets trust and for the lender credit means giving trust to someone that the money loaned is going to be returned (Kasmir, 2014:84). The term financing came from the meaning of I believe, I trust. The word financing means trust, banks give trust to someone to carry out the mandate given by the bank. And the fund must be used correctly, fairly and accompanied by draws and clear conditions that are beneficial for both parties (Rivai & Arifin, 2010, 698).

Contract based on profit and non-profit in Fiqh Muamalah is devided into two parts, namely tabarru' and tijarah contracts. Karim (2014, 70) describes tabbaru' and tijarah contracts. Tabarru' contract is all kinds of agreements involving not for profit transaction. This transaction is essentially not a business transaction for those seeking commercial profits. Tabarru' contract is applied with the aim of helping in order to do good that only expects a reply from Allah the Almighty, not human beings. In Islamic financial institutions, this may ask for fees to those who are given help just to cover the costs incurred by those who help to be able to carry out the tabarru' contract. Examples of tabarru' contract are qard, rahn, hiwalah, wakalah, kafalah, wadi'ah, etc.

Islamic financial institutions that aim to earn profits cannot rely on tabarru' contract, but if the goal is to make profit, Karim (2014, 70) said that they can use commercial contracts, namely tijarah contract. Tijarah contract is a contract relating to profit transaction. It is a contract that is carried out with the aim of seeking an advantage because it is commercial. Examples of tijarah contract are contracts of investment, buying and selling, and renting.

Afterward, based on the certain result obtained, contract or tijarah contract can be devided into two groups as Karim (2014, 51) explained about Natural Certainty Contract (NCC) and Natural Uncertainty Contract (NUC). NCC is a contract or business contract that gives certainty of payment, both in amount and timing. This kind of contract offers a fixed and predetermined return. The objects of exchange, goods or services, should be determined in the beginning of contract, including quantity, quality, price, and time of delivery. Examples of this contract are murabahah financing contract, istisna' financing contract, and ijarah financing contract (Karim, 2014, 51 & 75).

The group of financing contract of Natural Uncertainty Contracts (NUC) are business contracts that do not provide return uncertainty, both in amount and also timing. In NUC, parties who make transactions mix each other's assets (both real assets and financial assets) into one unit and taking risks together to make profit. In a sense, profits and losses are shared, therefore this contract does not provide return certainty or time. It includes investment contracts in which sunnatullah does not offer a fixed and definite return, therefore it is not fixed. The contracts included in this type are musyarakah and financing contract of mudharabah (Karim, 2014, 51 & 75).

Profitability

To measure the company's ability to generate profits with resources owned by the company, such as assets, capital or company sales have several ways to count the amount of the profits generated by the company with profitability ratios. Profitability ratio or rentability is a tool to measure or analyze the level of business efficiency and also measure the health level of the company (Dendawijaya, 2005, 118). According to Oktaviana and Fitriyah (2012: 144) profitability is also a popular set of numbers as a measure of the performance of a business entity. Each entity has its interest in its profitability. Profitability ratio is how much the company's ability to generate profits. According to Oktaviana and Fitriyah (2012) profitability is a factor that should get important attention because to be able to live a company must be in a favorable condition without any profit, it will be difficult for companies to attract capital from external. According to Kasmir (2010, 196), the use of this ratio can show profits generated from sales and investment income and show the efficiency of the company. Dendawijaya (2005, 120) also states that Bank Indonesia also places more importance on evaluating the amount of ROA than other types of ratios, because Bank Indonesia prioritizes the value of a bank's profitability as measured by assets whose funds come mostly from third party funds or funds from the public. This ratio can be formulated as follows:

$$\text{ROA} = \frac{\text{Net profit}}{\text{Total assets}} \times 100\%$$

Net profit can be viewed from the income statement in the financial report, whereas total assets can be viewed in the position of balance sheet in the financial report. According to Brigham (2001) in Oktaviana and Fitriyah (2012, 150), higher ROA value will show that a company becomes efficient in utilizing its assets to obtain profit, so that the company’s value will be increased.

Financing Contract of Natural Certainty Contracts (NCC) On Increased Profitability

Financing that has been distributed from the type of NCC financing group will affect the level of profitability, as Ismail (2011, 110) reveals that the benefits of the distributed financing will affect the increase in bank profitability reflected in profitability and certainly increase the bank's profitability. The NCC contract basically has a level of certainty in payments, both in terms of the amount of time that has been set at the beginning of the contract. And from several previous studies such as Rahman & Rochmanika (2012), Oktriani (2012) and Hidayah (2013) stated that financing including the type of NCC can have a significant effect on increasing bank profitability. But there are still inconsistencies in research conducted by Riyadi & Yulianto and

Ernawati (2014) that NCC type financing does not have a significant effect on profitability. Based on the description above, the hypothesis can be proposed as follows:

H.1a : Financing for the type of Natural Certainty Contracts (NCC) influences in increasing the profitability of Islamic commercial banks.

Financing Contract of Natural Uncertainty Contracts (NUC) On Increased Profitability

Basically, every distributed financing both NCC and NUC financing will affect profitability which can be reflected in profitability in the company, so that the increase in operating profit will cause an incease in the bank's profitability, as Ismail (2011, 110) revealed. Another statement was also expressed by Kasmir (2001, 71) that the activities of banks and financial institutions such as banks, which carry out intermediary functions, the provision of financing facilities are the main activities for banks in seeking profits. Likewise in the research of Rahman & Rochmanika (2012), Hidayah (2013), Riyadi & Yulianto (2014) and Ernawati (2014) who said that the financing contract of the NUC type had a significant effect on profitability. However, in the study of Oktriani (2012) and Cut Faradila et al (2017) who say that NUC type financing contracts do not have an effect on profitability. Based on the description above, the hypothesis can be proposed as follows:

H.1b : Financing for the type of Natural Uncertainty Contracts (NUC) influences in increasing the profitability of Islamic commercial banks.

Financing Contracts of Natural Certainty Contracts (NCC) and Natural Uncertainty Contracts (NUC) Simultaneously On Increased Profitability

Profitability is a measure in assessing the ability of a business entity to generate profits. So that profitability becomes very important because of the profitability of the first objective of the bank entity in conducting its business. Therefore, it is necessary to do research together from NCC and NUC types of financing contracts to see whether these variable factors influence in increasing profitability at Islamic commercial banks. Furthermore, from the researches of Oktriani (2012), Hidayah (2013), Riyadi & Yulianto (2014) and Ernawati (2014), it can be seen that financing types of NCC and NUC simultaneously can significantly influence to the profitability enchancement.

H.2 : Financing types of Natural Certainty Contracts (NCC) and Natural Uncertainty Contracts (NUC) simultaneously influence in enhancing the profitability of Islamic commercial bank.

METHODOLOGY OF THE STUDY

This type of study is quantitative with a descriptive approach. The sampling technique used purposive sampling technique, i.e. the sample was chosen according to several characteristics based on the research objectives (Wijaya, 2013, 28). The samples in this study are determined based on the characteristics specified as follows. First, Islamic sharia banks in Indonesia registered with the Financial Services Authority (OJK). Second, Islamic public banks in Indonesia that have issue quarterly financial statements (one) up to 4 (four) quarters in a row during the period 2013-2017. Third, Islamic sharia banks in Indonesia that have income from the distribution of funds with NCC type financing products (Murabahah, ijarah and istishna') and NUC (mudharabah and musyarakah) during the period 2013-2017. There are 13 Islamic banks based on the first characteristics. Meanwhile, only 4 Islamic banks have the characteristics of issuing successive financial statements for the period 2013-2017 and channeling NCC and NUC financing. The four Islamic banks include Mu'amalat Indonesia Bank, Bank Syariah Mandiri, Bank Rakyat Indonesia Syariah, and Bank Jabar Banten Syariah. And the data analysis technique used panel regression with the help of Eviews 9.0 software.

RESULT AND DISCUSSION OF THE STUDY

Result of the Study

This study has a purpose to analyse the effect of NCC and NUC financing to the profitabilities of Islamic Commercial Banks in periods 2013-2017. This analysis method uses panel data regression. Data of the study is a combination of time series data and cross section. Therefore, to achieve the research objectives used panel data regression analysis. As for panel data analysis steps as follows. The first step is testing the model to obtain the relevant model, both the Common Effect model, Fixed Effect and Random Effect to answer this study. Furthermore, it is necessary to test the selection of panel data regression estimation models that are appropriate for the common effect, fixed effect or random effect by carrying out three tests, namely the chow test, the hausman test and the lagrange multiplier test. From the results as a whole it can be concluded that the selection of the panel regression estimation model after the three tests above, the right model used to test in this study is to use the Random Effect Model (REM) panel regression. The results of panel data regression analysis with random effect models are explained in the following table.

Table 1. Selected Panel Data Regression Test (Random Effect Model)

Variable	Coeffisient	Std. Eror	t-statistic	Prob
Constant	1,1031	0,7754	1,4226	0,1589
X^1NCC	0,4451	0,0569	7,8142	0,0000
X^2NUC	-0,4909	0,0391	-12,5656	0,0000
BMI	0,2595			
BSM	0,0501			
BRIS	-0,0417			
BJBS	-0.2679			
F-statistic	= 85,1844		R-squared	= 0,6887
Prob(F-statistic)	= 0,0000		Ajd. R-squared	= 0,6806

Source: Edited by the Researcher, 2018

On the table above, it shows the equation model of panel data regression as follows:

Profitability (ROA) = 1.1031 + 0.4451$_{NCC}$ – 0.4909$_{NUC}$ + 0.7754$_{e}$

Simultaneous test results of hypothesis testing produce F_{count} values shown in table 1 above at 85.1844 with a probability value of 0,0000, which means the probability value <level of significance (0,05). Therefore, it can be concluded that simultaneously the financing variables of Natural Certainty Contracts (NCC) and Natural Uncertainty Contracs (NUC) financing have a significant influence on the increase in profitability of Islamic commercial banks represented through Return On Assets (ROA).

From the results of the partial test (t test) in table 1 above it can explain the effect of each independent variable on the dependent variable, namely financing of Natural Certainty Contracts (NCC) and financing of Natural Uncertainty Contracts (NUC) to increase the profitability of Islamic commercial banks represented through Return On Assets (ROA). The test results show that NCC has a significant positive effect on the profitability of Islamic commercial banks. Partial testing of the hypothesis the financing variable of Natural Certainty Contracts (NCC) on increasing profitability produces a coefficient of 0.4451 and t_{count} value of 7.8142 with a probability value of 0.0000. In the test the coefficient value shows a positive number and probability <level of significance (0.05). Then it can be concluded that there is a partially significant positive effect of financing of Natural Certainty Contracts (NCC) on increasing profitability represented by Return On Assets (ROA).

The partial test results on the financing variable of Natural Uncertainty Contracts (NUC) on increasing profitability resulted in a coefficient of -0.4909 and t_{count} value of -12.5656 with a probability value of 0.0000. The coefficient value in testing the variable shows a negative number but with a probability value <level of significance (0.05). So that it can be concluded that there is partially significant negative effect on the financing of Natural Uncertainty Contracts (NUC) on increasing profitability represented by Return On Assets (ROA).

Based on table 1 above, it can be seen that the coefficient results of determination (adjusted R^2) between the independent variables of Natural Certainty Contracts (NCC) and Natural Uncertainty Contracts (NUC) on the dependent variable of Return on Assets (ROA) which is equal to 0.6806 or 68 , 06%. It means that the dependent variable ROA can be explained by the independent variables NCC and NUC which have a contribution of 68.06%, while the remainder which affects the dependent variable ROA of 31.94% is owned by other variables not discussed in this study.

Discussion

Effect of Financing Contracts of Natural Certainty Contracts (NCC) On Increased Profitability

Based on the results of data analysis done, it can be explained that the NCC financing contract variable as an independent variable shows a positive coefficient and t_{count} with a probability of 0.0000, which means that NCC financing contract variables have a significant positive effect on increasing the profitability of Islamic commercial banks which is proxied through Return On Assets (ROA). As stated by Ismail (2011, 110) that, the benefits obtained by the bank from financing, the bank gets remuneration in the form of profit margins from murabahah and istishna'contracts and the benefits of leasing using ijarah contracts, so that it can increase bank profitability that can be listed on existing earnings. Basically, profits in the form of margins and rental income are characteristics of NCC financing contracts.

NCC contract is a financing contract or business contract commonly practiced by Islamic banks, where in this type of contract there is a level of payment certainty, both in terms of amount and timing. This contract offers a fixed and definite return. The object of exchange for either goods or services must be determined at the beginning of the contract with certainty, both quantity, quality, price, and time of delivery.

According to Karim (2014, 51) the contract groups included in this type are sale and purchase contracts (murabahah, salam, istisna') and rent (ijarah).

In the NCC financing contract, some Islamic commercial banks have implemented financing using the murabahah, ijarah and istishna' contracts, but the most dominating of this type of contract is the murabahah contract. As Karim (2014, 113) said that one of the most popular fiqh schemes used by Islamic banking is the buying and selling scheme using the murabahah contract. Besides Karim (2014), Muhammad (2005, 120) also said that Islamic banks in general have used murabahah as the main method of financing Islamic banks. This can also be proven by data from the Financial Services Authority (OJK) that from 2014 to 2017 revenues from the NCC financing contract groups, murabahah dominated Rp. 41.7 billion rupiah or 97.3% and the remainder is by ijarah and istishna financing contracts. This indicates that themurabahah financing contract is the largest contributor in the NCC financing contract group.

The dominant practice of murabahah financing contracts from the grouping type of NCC financing contracts is based on the fact that Islamic commercial banks avoid forms of risk in their activities. This was also revealed by Muhammad (2005, 121 & 130) that murabahah is truly a risk-free investment method. Furthermore, another reason to explain the popularity of murabahah in the group of NCC financing contracts is the most dominant caused by; first, murabahah is a short-term investment mechanism that is quite easy compared to using a profit sharing system. Secondly, mark up in murabahah can be set in such a way as agreed between the customer and the bank, so that the bank can get a comparable profit. Third, murabahah is certain in revenue received. Fourth, in the murabahah contract, the bank does not interfere with the customer's business management, because in the murabahah contract the bank is not the customer's partner, but the relationship is limited to creditors and debtors. The definition of murabahah financing contract itself is the contract of sale and purchase of goods at the original price with additional agreed benefits.

According to the writer's opinion what Muhammad has said (2005, 121 & 130) as the writer has outlined above that the dominance of murabahah financing contracts in practice is institutionalized by Islamic finance with these reasons also applies to the ijarah and istishna financing contracts. As practiced by some Islamic commercial banks that practice ijarah and istishna financing contracts where both of these financing contracts are also included in NCC financing type, where ijarah and istishna' are also short-term investments, mark-up benefits can also be adjusted to customers, ijarah and istishna 'are far from income uncertainty as in terms of the NCC financing contract itself, and banks also do not interfere with customer business management, because basically NCC financing contracts are seen in terms of their objectives as consumptive financing contracts not productive financing and as in terms of its use is a multi-use type of financing. In addition, related to the financing of the ijarah contract Muhammad (2005, 147) said that ijarah financing has the same treatment with murabahah financing, but today majority of financing products in Islamic banks are still focused on murabahah products. He further explained that the difference between murabahah and ijarah lies only with the object of the transaction being traded, for example in the murabahah contract the object is goods, then the ijarah contract the object is service. In murabahah financing, Islamic banks only serve the needs of customers to own goods, and customers who need services cannot be served. Whereas the existence of istishna' financing contract, according to Antonio (2001, 114), is based on the needs of many people who often need goods that are not available in the market. So that those in need tend to contract to get the items they need with payments that may be at the beginning, installments or deferred in accordance with the agreement at the beginning of the contract which of course is different from financing using a salam contract, where the customer must prioritize payments at the contract time.

The definition of ijarah and istishna' contracts themselves is a leasing contract or transfer of usufructuary rights over goods or services through rent payment either with the transfer of ownership or not for the goods themselves in accordance with the agreement made commonly called ijarah. While the istishna' contract is a sales contract between the buyer and producers, in this contract the producers receives orders from buyers with certain specifications. In the case of payments in the istishna' contract, it can be made in advance, installments and/or deferred until the future period in accordance with the initial agreement. The results obtained in this study support a number of studies that have been conducted, such as in Khopsoh's research (2011), Rochmanika (2012), Oktriani (2012), Susanti (2016) and Hidayah (2013) who stated that NCC type financing with sale contracts buying and renting can affect positively significant on profitability.

Effect of Financing Contract of Natural Uncertainty Contracts (NUC) on Increased Profitability

The early Islamic bank was known as profit sharing bank. It was for distinguishing between Islamic banks and conventional banks operating with the interest system at that time. Profit sharing according to Murinde, Nasir and Wallace (1995) in Muhammad (2005, 101) is a special form of financial contract that has been developed to replace the interest mechanism in financial transactions. Karim (2014, 203) justifies this, but it is not entirely true, because actually the profit sharing is only part of the operational system of Islamic banks. And profit sharing is also a form of return on investment contracts, which are included in the financing contract of Natural Uncertainty Contracts (NUC).

In the sense that NUC financing contract is a contract or business contract that does not provide certainty of income (return), both in terms of amount and time. Included in this contract is investment contract that does not offer a fixed and definite return. The contracts included in this type are musyarakah, mudharabah, muzara'ah, musaqah, and mukhabarah (Karim, 2014, 51). But from the four contracts included in the NUC financing type, according to Antonio (2001, 90), the principle of the most widely used profit sharing is mudharabah and musyarakah.

Mudharabah contract is a contract of business partnership between two parties in which the first party as shohibul maal who provides all capital, while the other party becomes the manager. The profits of Mudharabah business are divided as the agreement stated in the contract, and the loss is borne by the capital owner as long as the loss is not due to the manager's negligence. While the musyarakah contract is a contract of partnership between two or more parties for a particular business in which each party contributes funds with an agreement on the benefits and risks that will be borne together in accordance with the agreement.

Based on the results of data analysis that has been done, it can be explained that the type of NUC financing contract variable as an independent variable shows a negative coefficient value of -0.4909 and a t_{count} of -12.5656 with a probability of 0.0000, which means that the NUC financing contract variable has significant negative effect on the increase in profitability of Islamic commercial banks proxied through Return On Assets (ROA).

Basically, every financing distributed, both NCC and NUC types of financing will affect profitability, which can be reflected in earnings in the company. So that with an increase in operating profit, it will certainly cause an increase in the level of bank profitability, as stated by Ismail (2011, 110). But based on the results of the data analysis above, the NUC financing contract has a significant effect on the negative coefficient value. This means that any financing distributed or increased will reduce bank profitability. Theoretically, financing should have increased with this profit sharing system, which is because fundamentally this is considered the most appropriate to the spirit that exists in the Islamic economy, namely by implementing the principle of justice and mutual benefit. Besides this financing with profit sharing has the potential to get high returns for all parties, between banks and customers. And based on existing statistical data from the Financial Services Authority (OJK) that NUC type of financing contribution in increasing the profitability of Islamic commercial banks from 2014 to 2017 amounted to 33.6%, this indeed shows inequality compared to the type of NCC financing, whereNCC financing contributed IDR 42.8 billion or 66.4% throughout 2014 to 2017.

The low type of NUC financing is caused by several factors, among which are because this type of financing contract has a relatively higher level of risk compared to the type of NCC financing, this was also revealed by Antonio (2001, 94). Then Indrianawati et al (2015, 58) also revealed the causal factors why the amount of NUC financing was low, this was due to the high level of risk which is borne by the Islamic bank itself. Indrianawati et al (2015, 58) explained that the high risk of NUC financing was due to, first, the emergence of high non-performing loans caused by, namely irregularities in using funds by customers where their use was not as agreed at the beginning of the contract. Second, there is a change of management in the management of the customer, and third, there is customer dishonesty (asymmetric information) in reporting the customer's financial condition. This means that the customer has two books, where the bookkeeping given to the bank is a small level of profit, so the portion of the profits to be given to the bank is also small. Whereas the actual bookkeeping of customers has a large profit bookkeeping. In this case it certainly is not what is justified in Qs.Al Baqarah (2: 283) which means:

"... if some of you trust some of the others, then let those who believe fulfill their mandate (debt) and let them fear Allah; and do not hide the testimony. And who so conceals it, he is a sinner; and Allah knows what you do "(Al-Baqarah /2: 283).

In that verse, we know that what is believed can maintain the trust that has been given as well as possible and full of devotion to Allah *Subhanahu Wata'ala*, because Allah really knows what we are doing and whatever we do will have accountability before God. In the case of the provision of real financing based on the trust given by the financing provider (here a bank) to those who obtain financing (here the customer). As Rivai and Arifin (2010, 698) say that the term financing came from the understanding I believe, I trust, which means I believe or I put trust, where the bank places trust in someone to carry out the mandate given by the bank. Therefore these funds should be used correctly, fairly and honestly. In addition, it is accompanied by ties and clear and beneficial conditions for both parties in accordance with the agreement at the beginning of the contract, not to the detriment of the parties with fraud committed on dishonesty. And for those who perfect their promises, those who fulfill the mandate if they are trusted and those who are honest, then heaven for him is guaranteed by the Prophet *Shallallahu'alaihi wasallam*. As in the two hadiths of the Prophet *Shallallaahu'alaihi wasallam* below:

"From 'Ubadah bin Shamit Radhiyallahu'anhu, actually the Prophet SAW; Let you guarantee me six things from you, surely I guarantee heaven for you; 1) be honest when you speak, 2)perfect (your promise) if you promise, 3)give it up when you are given a message, 4) Take care of your stuff, 5) subserve your eyes (from ma'shiyat) and 6. Hold your hands (from the bad things) (Narrated by Ahmad, Ibn Abid-Dunya, Ibn Hibban in his saheeh, Hakim and Baihaqi).

"From Abdullah Ibn Mas'ud Radhiyallahu'anhu from the Prophet SAW said; in fact honesty leads to virtue and virtue brings to heaven and indeed someone who is truly honest so that it is written by Allah as an honest person. Indeed, lies lead to evil and evil will bring to hell and indeed a person is truly a lie so that it is recorded by Allah as a liar "(Narrated by Bukhori and Muslim).

So is the case for those who betray the trust that has been given to him and those who are not honest with him, said the Prophet *Sallallaahu'alaihi wasallam* that is a sign of those who are hypocrites. As in the hadith below:

"From Abu Hurairah, that the Prophet SAW said, the signs of the hypocrites are threefold: if he speaks he is lying, if he promises he denies, and if he is given the mandate he betrays" (Narrated by Bukhari).

"From Abdullah bin 'Amr bin Al-'Ash Radhiyallahu'anhu, he said; Indeed the Prophet SAW said; There are four cases of whoever has four cases, so he is a true hypocrite. And whoever has one part of the four things means that there is a part of hypocrisy so that he leaves it, namely: 1)when he is given the message he is betrayed, 2)when speaking he is lying, 3)when promising to sneak and 4. When fighting he is cheating "(Narrated by Bukhari, Muslim, Abu Dawud, Tirmidzi and Nasai).

Being and behaving in a safe and honest manner is highly recommended by Islam. And for those who are not trustworthy they are called traitors, while those who are dishonest are called liars. The Prophet also categorized that the two acts as hadith above are one of the characteristics of hypocrites. The word hypocrite itself can be understood as a person who expresses goodness but hides his ugliness. Or the hypocrite is different between what is in his words and what he does and his mind is contrary to the outward.

The concept of ethics in business based on Islamic teachings certainly was taught by the Prophet sallallaahu'alaihi wasallam through the instructions, as described above. Business ethics, according to Idri (2015, 326), can be stated as a set of moral relating to good and bad, right and wrong, false or honest. In this ethic, which is intended only to control human behavior in carrying out business activities carried out for mutual benefit and obtain benefits not harm to acts of dishonesty in a given trust. So that it becomes an act that is unfair and immoral.

In business, you will definitely be faced with a variety of risks, so that there is no business without risk. To minimize the risk factors outlined above, it certainly has a solution to the problem of losses that will be borne by the bank due to these risks. In accordance with the opinion conveyed by Laksmana (2009, 256) where in an effort that can be done by banks to save against financing problems is to do 3R, namely rescheduling, recondittioning and restructuring. However, all three of the above efforts can be carried out by banks only to customers who still have good faith in completing existing obligations, where mudarib has lost the ability to pay due to undesirable things. Then for mudharib who do not have good faith, the last alternative that can be done by the bank is to execute the existing building or guarantee. Of course in carrying out this matter it is adjusted to the agreement set forth in the contract at the time of the contract.The results of this study also support from several studies that have been conducted by Rochmanika (2012), Hidayah (2013), Ernawati (2014), Riyadi and Yulianto (2014) who say that NUC type financing has a significant adverse effect on profitability. Whereas according to Wilandri (2014) and Faradilla et al. (2017) that NUC type financing namely musyarakah also has a significant adverse effect on increasing the profitability of sharia commercial banks.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the simultaneously F test panel data regression analysis it can be seen that the financing contract of Natural Certainty Contracts (NCC) and financing of Natural Uncertainty Contracts (NUC) have a significant influence on increasing profitability in Indonesian Islamic commercial banks. It means that the two types of contracts may encourage an increase in profitability which is characterized by profitability in the company. In addition, financing activities are indeed the major thing done by intermediary institutions such as Islamic commercial banks in increasing profitability with profits from financing NCC and NUC.

The results of the t test or partial test of the two variables, it is known that financing contracts of Natural Certainty Contracts (NCC) have a significant positive effect on increasing profitability represented by Return On Assets (ROA). This is because, remuneration in the form of profit margins and income from leases in NCC financing contracts is a business contract commonly practiced by Islamic banks. Besides, this type of contract also has a level of certainty in payments both in terms of quantity and time, so that this contract offers a fixed and definite return. In addition, in this type of NCC contract is a short-term investment, the mark-up of profits can be adjusted to customers and banks and does not interfere with customer business management, because basically NCC contracts are consumptive financing contracts not productive if viewed from the point of view, and if in terms of its use, the NCC type contract is a multipurpose financing contract.

Meanwhile, the results of the t test or partial test on the financing contract of the type of Natural Uncertainty Contracts (NUC) show a significant negative effect due to this type of financing does not offer a fixed and definite return, both in terms of quantity and time. In addition, this type of contract has a relatively high risk caused by three factors. First, there is a high amount of bad financing due to side streaming. Second, there is a change in management of customer management. Third, there is asymmetric information on customers' financial reporting problems.

Suggestion

Islamic commercial banks are expected to be able to further increase financing by NUC contract and manage it well so that the existing risks can be properly mitigated. So that the risks that occur in NUC type financing can increase the profitability of Islamic commercial banks instead of lowering the bank's profitability. And in NCC financing Islamic commercial banks are expected to continue to maximize it well and safeguard all risks. Because basically no business has no risk.

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