Econosains 17 (2)(2019) E-ISSN: 2252-8490
ECONOSAINS
http://journal.unj.ac.id/unj/index.php/econosains/

RISK-BASED BANK RATIO ON PROFITABILITY OF SHARIA BANKING

Mira Rahmi, Retna Sari

Economic Syariah Department
Universitas Pembangunan Nasional Veteran Jakarta

Email:
mirarahmi@upnvj.ac.id

ABSTRACT

The sustainability of Sharia banking in its business activities will be greatly influenced by its profits. Many factors influencing sharia banking in generating profitability, can be influenced by external factors as well as internal banking factors. This research was conducted to test the influence of external factors such as macroeconomics as measured by the growth of inflation and GDP, as well as internal factors that constitute the risk-based bank ratio measured by capital adequate ratio (CAR), financing debt ratio (FDR), and non-financing risk (NPF) to Return On Asset (ROA) as an indicator Profitability of Sharia banking. The method in this research is a quantitative method with inferential statistical analysis. The data analysis tool used is multiple linear regression. Sampling technique in this study using simple random sampling. The affordable population in this study were all Bank Umum Syariah (BUS) in Indonesia from 2015 until June 2019. The results show GDP macroeconomic variables have a significant positive influence on profitability. The risk-based bank ratio variable NPF, explains that there is a significant negative influence on profitability. While the regression coefficient of INF, CAR, and FDR does not have a significant effect on the profitability gained. To compete and expand the market share, the external factors are GDP growth and internal factors the risk-based bank ratio variable NPF can affect the profitability therefore should be noticed by BUS management.

Keywords:
Macroeconomics, Risk base bank ratio, Profitability

Received: 2 Desember 2019
Accepted: 2 Desember 2019
Publish: Februari 2020

How to Cite:
Rahmi, Mira. (2020). Risk-Based Bank Ratio On Profitability Of Sharia Banking*. Econosains*, 17(2), P 88-98

INTRODUCTION

Recently, the government issued a sharia economics Indonesia masterplan 2019-2024. This shows the economic potential of sharia globally and nationally. The masterplan vision is to create an independent and prosperous Indonesia by becoming the leading center of Sharia economics in the world. Based on the vision, four main achievement targets will be further developed, i.e: (1) The scale of sharia financial and economic business; (2) Global Islamic Economy Index rating; (3) Increased economic independently; and (4) improving the welfare index of Indonesian people.

To realize this vision, four main strategies become a reference for the Sharia economic stakeholders. This strategy is: (1) strengthening the halal value chain consisting of food and beverage industry, tourism, Muslim fashion, media, recreation, pharmaceutical and cosmetic industry, and renewable energy industry; (2) Sharia financial strengthening; (3) Strengthening Micro, Small and medium enterprises (UMKM); and (4) strengthening the digital economy.

Banks in operational activities are not separated from the influence of economic conditions, as an important institution in the economy, it is necessary to control Sharia banking performance by banking regulators. One indicator to assess the Bank's financial performance is by looking at the profitability level.

In macroeconomic theories, inflation is always linked to the amount of money in turnover and monetary policy taken by the government through central banks. Governments can control the amount of money turnover by affecting the process of providing money. One way that can be done is by monetary policy through interest rate so that the amount of money in circulation can be controlled. Through this interest rate, governments can influence investment expenditure, aggregate demand, price levels, and real GDP. Also, governments can regulate the interest rates of Bank Indonesia or BI Rate.

In Indonesia, Sharia banking is divided into several types, namely Sharia General Bank (BUS), Sharia business unit (UUS) and Sharia Community financing Bank (BPRS). Sharia Bank Sustainability In its business activities will be heavily influenced by profitability. The greater the profitability, the greater the ability of Sharia banks to expand its business. In this case, the achievement of bank profitability can be influenced by several factors. In this case, according to Ramlall (2009), the bank's profitability level can be influenced by internal factors and external factors. External factors exist such as the macroeconomic conditions, while the internal factor is the Bank-based risk ratio. These internal factors include the various indicators of the Bank's financial performance, such as; Capital, financing, and financing of bank

* *https://doi.org/10.21009/econosains.0172.09*

which shows how far the financing provided by the Bank to get profit compared to the total third party funds. The problematic credit (NPL) is also a ratio indicating the level of funds given. The higher the NPL level, in the sharia i.e. Non-Performing Financing (NPF), the Bank's performance deteriorates and the profitability is low. Developing and expanding the Bank's financial institution in the economy, determined by the profits gained in its operational activities.

As the largest Muslim country in the world, making Indonesia has great economic potential for Syariah. This condition opens up opportunities for Sharia financing to thrive, including sharia banking. The development of Sharia Bank in Indonesia is seen from the number of units starting from 2010 until June 2019 continues to increase. Based on data from SPS OJK in 2009, the number of buses in

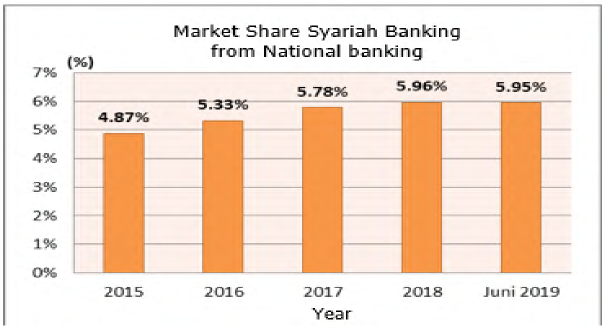
BUS di Indonesia	Tahun				
	2009	2010-2013	2015	2016-2017	Juni 2019
1. PT Bank Syariah Muamalat Indonesia	√	√	√	√	√
2. PT Bank Syariah Mandiri	√	√	√	√	√
3. PT Bank Syariah Mega Indonesia	√	√	√	√	√
4. PT Bank Syariah BRI	√	√	√	√	√
5. PT Bank Syariah Bukopin	√	√	√	√	√
6. PT Bank Panin Syariah	√	√	√	√	√
7. PT Bank Victoria Syariah		√	√	√	√
8. PT BCA Syariah		√	√	√	√
9. PT Bank Jabar dan Banten		√	√	√	√
10. PT Bank Syariah BNI		√	√	√	√
11. PT Maybank Indonesia Syariah		√	√	√	√
12. PT. Bank Tabungan Pensiunan Nasional Syariah			√	√	√
13. PT. Bank Aceh Syariah				√	√
14. PT BPD Nusa Tenggara Barat Syariah					√

Indonesia is only 6 units and continues to increase until now 2019 June has reached 14 units.

Table 1. Number of Sharia Bank
Source: https://www.ojk.go.id

The increasing number of BUS units should be directly proportional to the increase of sharia financial assets. In 2015 the government through OJK has issued the Indonesian sharia banking Roadmap, the Sharia capital market Roadmap, and the Islamic Non-Bank Sharia industry Roadmap of 2015-2019, which aims to provide adequate mobility space for Development of Sharia finance industry. The development of assets or institutions, however, needs to be balanced with market share development. This is important because the development of market share demonstrates the existence of a company in the industry.

Judging from the Sharia banking market share of the national financial total is still not big enough, therefore sharia banking should be able to improve its performance to compete with other financial sec-



tors. In June 2019 Sharia financial market share was only 8.29% of the total national finance. Sharia finance in Indonesia consists of the Sharia capital market, Sharia Non-Bank Financial industry (IKNB Syariah), and sharia banking. While the Sharia banking market share on national banking is 5.95%. Following the sharia banking market share data on national banking from 2015

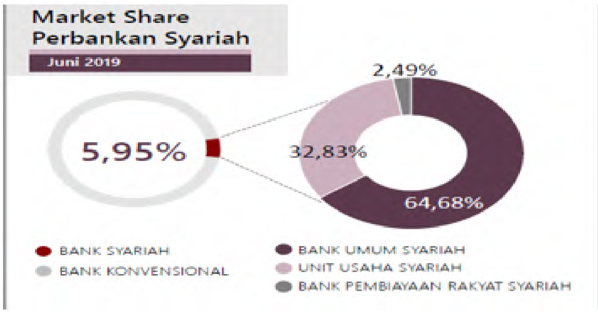


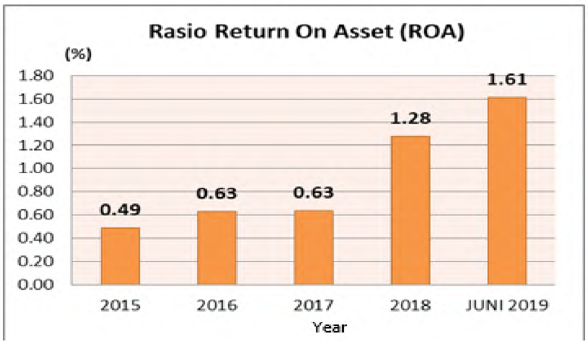
Figure 2. Market Share Bank Umum Syariah (BUS)
To Syariah Banking in Indonesia
Source: OJK. (2019). *SNAPSHOT*.

To compete for sharia banking should have a good performance, the indicators of Sharia banking performance assessment can be seen from the risk-based bank ratio measured by CAR, FDR, and NPF, in generating ROA. Macroeconomic conditions of GDP growth, inflation growth, and risk base bank ratio measured by CAR, FDR, NPF from Return On Asset (ROA) Sharia banking from 2015 to June 2019 are shown in the following table:

VARIABEL			2015	2016	2017	2018	JUNI 2019
Gross Domestic Product (GDP)	X1	Rp (milyar)	8,982,517	9,434,613	9,912,704	10,425,316	5,360,242
		%	4.88	5.03	5.07	5.17	5.05
Inflasi (INF)	X2	%	3.35	3.02	3.61	3.13	3.28
Capital Adaque Ratio (CAR)	X3	%	15.02	16.63	17.91	20.39	19.56
Financing to Deposit Ratio (FDR)	X4	%	88.03	85.99	79.61	78.53	79.74
Non Performing Financing (NPF)	X5	%	4.84	4.42	4.76	3.26	3.36
Return On Asset (ROA)	Y	%	0.49	0.63	0.63	1.28	1.61

Table 2. Variable GDP, INF, CAR, FDR, NPF, and ROA 2015 – Juni 2019
Source: Processed Data

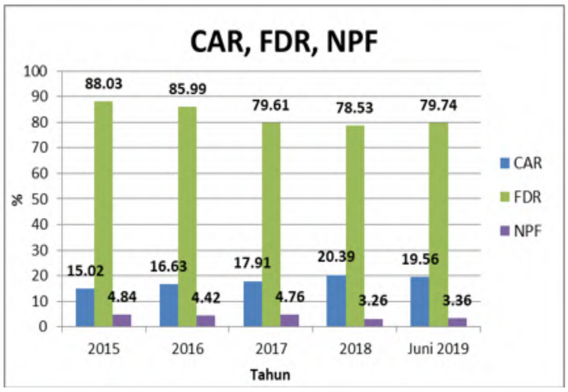
Various factors that can affect the profitability of the bank give a message to the Sharia Bank management to be able to maintain in-



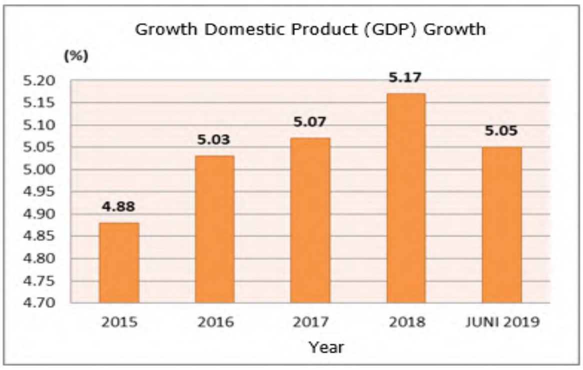
ternal banking conditions especially those indicators related to risk-based bank ratio. Various indicators in the bank's financial performance essentially reflect the bank's financial performance in carrying out its activities.

Figure 3. Return On Asset (ROA) Ratio
Source: https://www.ojk.go.id

According to Bank Indonesia, the Bank which belongs to the risk-



based bank ratio category is allowed to have a CAR of at least 8%. Up to June 2019 visible CAR owned by BUS above 8%, meaning BUS in Indonesia is included in the category of good risk-based bank ratio because it has capital ratio has been effective in channeling its performance. NPF required by the bank as a reflection of the risk of payment from the line, NPF Products risk-based bank ratio is 5 percent. The higher the NPF ratio, the higher the risk of bank financing. NPF BUS Products value is below 5%, which means



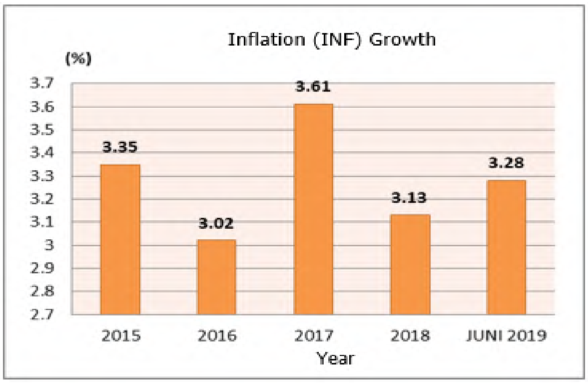
that the risk ratio of the BUS included in not an at-risk category.

Figure 5. Gross Domestic Product (GDP) Growth
Source: https://www.kemendag.go.id

The economic growth reflected by GDP is one of the indicators of macroeconomics describing the economic performance of an area. A good economic activity encourages the growth of financial assets, which is not an exception to sharia banking as one of the financial market shares in Indonesia. The GDP growth of Indonesia in 2018 amounted to 5.17% in the year 2019 slowed in the first quarter to 5.07% and in the second quarter to 5.05%. Governor of Bank Indonesia (BI), Perry Warjiyo revealed, the growth of Indonesia's economy is far better than other countries in the world economic conditions are uncertain. ("Indonesia's economic growth is better than other countries," n.d.)

Low inflation growth is a pre-requisite for sustainable economic growth, unstable inflation creates uncertainty for economic actors in taking consumption, investment and production decisions. Therefore the government has targets or targets of inflation to be achieved to maintain the stability of macroeconomics (https://katadata.co.id, n.d.).

Based on PMK No. 93/PMK. 011/2014 Regarding the inflation target of 2016, 2017, and 2018 of May 21, 2014, the inflation target set by the Government between 2016 and 2018, respectively, 4%, 4%, and 3.5%, with the respective deviation ± 1%. Meanwhile, the in-



flation target of 2019-2021 is stipulated by the Minister of Finance regulation No. 124/PMK. 010/2017 respectively, 3.5%, 3.0% and 3.0% each, with a deviation of ± 1% respectively.

It can be seen that the growth of inflation in June 2019 and previous years are still under the targets set by the government, meaning that inflation in Indonesia is still in analyze macroeconomic stability and risk base bank ratios on the risk of Sharia banking profitability in Indonesia from 2015 to 2019 June.

LITERATURE REVIEW

(Stiawan, 2009) showed inflation and GDP had no significant effect on ROA. The FDR variable, market share, CAR had a significant positive impact on ROA, while NPF, BOPO, and SIZE variables had a significant negative effect on ROA.

(M, Ali, & Habbe, 2012) in his research stated that Bank Syariah CAR, NPF has no significant effect on ROA. BOPO has a negative and significant effect on ROA. NOM and FDR have positive and significant effects on ROA. While in Conventional Bank, there is no effect between BOPO and ROA, CAR and NIM have been positively and significantly impacted by ROA, while the NPL and LDR are negatively and significantly influenced by ROA.

Also, (Mukhlis, 2012) argues that CAR has negative and significant influences on ROA, economic growth has a positive and significant influence on ROA.

Furthermore (Sahara, 2013) indicated that the gross domestic product (GDB), the inflation variable had a positive impact on ROA. BI rate variables have a negative impact on ROA, and there is a simultaneous influence between inflation, BI rates, and GDP on ROA.

According to (Yulianto & Agung, 2014) that funding has a negative influence on profitability, buy and sell financing (murabahah) and NPF does not affect profitability, while FDR has a positive influence on profitability.

In other indicators according to (Effendi, 2014) variable financing and BOPO has a negative significant influence on profitability. While NPF variables and BI rates have no impact on profitability.

(Musharianto, 2018) explains that the FDR has a significant positive influence on ROA, while the BI Rate has a significant negative influence on ROA.

The research of (Setyawati, Suroso, Rambe, & Susanti, 2017) shows that cars, FDR, and BOPO had a significant negative impact on ROA, GDP significantly positively impacted ROA, while the inflation rate has a negative impact on ROA.

Whereas according to (Sandhyapranita, 2018), macroeconomic conditions such as GDP, inflation, and BI Rate proved to have a significant impact on profitability, GDP and BI Rate significantly affect profitability, while inflation has no impact On profitability.

METHODOLOGY

This study uses quantitative research types. The data sources used in this study are secondary data sources while research samples were taken based on a sampling method aimed at sampling techniques based on certain criteria, the population used in this study was 14 Bank Umum Syariah (BUS) in Indonesia.

The data used in this re-

* *https://doi.org/10.21009/econosains.0172.09*

The variables used in this study consist of two, i.e. the independent variables expressed by the X symbol, and the dependent variables expressed by the Y symbol. Some of the defined linear regression equations are as follows:

Y= a + x1GDP + x2INF + x3CAR + x4FDR + x5NPF + ε

Description:
Y = Return On Asset (ROA)
a = Koefisien Konstanta
X1 = Gross Domestic Product (GDP)
x2 = Inflasi (INF)
x3 = Capital Adaque Ratio (CAR)
x4 = Financing to Deposit Ratio FDR)
x5 = Non Performing Financing (NPF)
ε = Error

Return on Asset (ROA) is the ratio of profitability that shows the comparison between profit (before tax) with the total bank assets, this ratio indicates the level of asset management efficiency performed by the bank in question (Riyadi 2006:156).

Sukirno (2003) states that the gross domestic product or GDP is the value of goods and services produced in this country using the production factors owned by the population/companies of other countries. Keynes ' theory states that savings in a country are heavily influenced by the amount of revenue people receive than those affected by interest rates.

Boediono (1990) stated that inflation generally and steadily increased in price trends. High inflation will result in the purchasing power of communities declining and rising interest rates. The small rate of inflation affects the interest rate and the financial performance of the company, especially from profitability.

The capital adequacy ratio (CAR) is the minimum capital compliance ratio to the Bank. FDR will demonstrate the level of Sharia Bank's ability to distribute third party funds (DPK) collected by Sharia. NPF is the inability of the customer to return the financing that has been obtained from the Bank (Riyadi, 2006:160).

FINDINGS AND DISCUSSION

H	Dependent Variable	Independent Variable	Koefisien	T	Sig	Conclusion
H1	ROA	GDP	0,178	2,447	0,018	Significance
H2	ROA	INF	0,090	0,877	0,385	Not Significance
H3	ROA	CAR	0,333	1,758	0,085	Not Significan
H4	ROA	FDR	-0,219	-1,368	0,178	Not Significan
H5	ROA	NPF	-0,417	-3,084	0,003	Significan

Table 3. Regression Results

Source: Processed Data

The figures listed in the equation are taken from the output table which is written with the following equation:

ROA= 2.296 + 0,178GDP + 0,09INF + 0,333CAR – 0,219FDR – 0,417NPF + ε

* https://doi.org/10.21009/econosains.0172.09

the NPF ratio, the higher the risk of financing that a bank has to cover because the bank should provide a greater reserve of funds to mask the risk, therefore Return On Asset (ROA) percentage will decline.

The regression coefficient of INF, CAR, and FDR does not have a significant influence on profitability. Capital (CAR) owned by the bank does not necessarily bring influence on its profit at a certain period, meaning the bank can accumulate the capital well so that even if the capital is not large enough the bank can still obtain profit. As well as the FDR regression coefficient that has no significant effect on profitability, the bank's ability to provide funds and disburse funds to customers does not affect the return gained by sharia banks to improve ROA.

A regression coefficient of INF also has no significant effect on profitability, increasing inflation growth does not change the condition of bank profit. High inflation will result in the purchasing power of communities declining and rising interest rates. However, the small rate of inflation does not affect interest rates and financial performance of the company in particular from the profitability, because sharia banks are essentially not using BI rates so that even if the benchmark interest rate rises which cause interest rates conventional banks are also increasing, the profit gained by sharia banks does not decline.

Based on the results of the analysis, macroeconomic variables GDP has a significant positive influence on sharia banking profitability in Indonesia. GDP growth from 2015 to June 2019 increases with the growth of ROA. This research is following the results of research that has been done previously by (Mukhlis, 2012), (Sahara, 2013), 2013), and (Sandhyapranita, 2018) stating that GDP has a positive and significant influence on Profitability.

Furthermore, in the risk-based bank ratio variable, NPF explains that there is a negative significant influence on profitability. The results of this research following the previous research conducted by (Stiawan, 2009), which states that the variables NPF, BOPO, and SIZE affect Negative significant to the profitability. This shows that the higher the NPF level then the profit gained by the bank is smaller, the high NPF will result in declining revenues and will affect the decline of ROA gained by sharia banks.

Macroeconomic variables INF indicates no influence on profitability, meaning that the growth in inflation in Indonesia does not affect ROA's produced by BUSES in Indonesia. The occurrence of inflation is not a problem because the situation is accompanied by the availability of commodities and balanced with an increasing level of income that is greater than the inflation rate, so it does not affect the bank's ability to produce Profitability. The results of this study following the previous research conducted by (Stiawan, 2009) which states that the INF growth variable and GDP growth showed no significant influence on profitability. However, it differs from

* *https://doi.org/10.21009/econosains.0172.09*

The risk-based bank ratio variable FDR is showing no influence on profitability. This means that the bank's ability to provide funds and disburse funds to customers does not affect profitability. These results are different from previous research results (Stiawan, 2009), (M et al., 2012), (Yulianto & Agung, 2014), and (Musharianto, 2018) which states there is an influence between the FDR to profitability.

CONCLUSIONS AND RECOMMENDATION

Based on the data that has been described in the previous chapters, it can be concluded from this study:

1. Various factors affecting the profitability of the bank can be interpreted that the BUS should be able to maintain external factors of Bank, GDP growth and internal Bank factors, the risk-based bank ratio NPF
2. Macroeconomic variables INF growth has no significant effect on profitability. High inflation will result in the purchasing power of communities declining and rising interest rates. However, a small rate of inflation does not affect interest rates and the company's financial performance, especially from the profitability.
3. Macroeconomic variables GDP growth has a significant positive influence on Profitability. GDP increases, will increase the revenue of the country and can promote the willingness of the community in saving to the bank and the increase in saving this affects the profitability of sharia Bank.
4. The risk-based bank ratio variable of CAR shows the absence of an influence on profitability. This means that banks can cover the decline in their assets as a result of bank losses caused by risky assets so that it will not affect the bank's ability to generate profitability.
5. The risk-based bank ratio variable NPF, explains that there is a significant negative influence on profitability. The higher the risk of financing by the bank, the Bank must provide a larger reserve of funds to cover the risk, resulting in the percentage of ROA will decline.
6. The FDR risk-based bank ratio variable showing no influence on profitability. This means that the bank's ability to provide funds and disburse funds to customers does not affect the return gained by sharia banks to improve ROA.

To compete and expand the market share, the external factors are GDP growth and internal factors the risk-based bank ratio variable NPF can affect the profitability therefore should be noticed by BUS management.

* https://doi.org/10.21009/econosains.0172.09

Faiz, Ihda. "Ketahanan Kredit Perbankan Syariah Terhadap Krisis Keuangan Global." La_Riba 4, no. 2 (December 31, 2010): 217–37. https://doi.org/10.20885/lariba.vol4.iss2.art5.

Firmansari, Daisy, and Noven Suprayogi. "Pengaruh Variabel Makroekonomi dan Variabel Spesifik Bank Terhadap Non Performing Financing Pada Bank Umum Syariah Dan Unit Usaha Syariah di Indonesia periode 2003-2014 1)" 2, no. 6 (2015): 9.

Ismail, (2016). Perbankan Syariah. Perpustakaan Nasional: Katalog Dalam Terbitan. Jakarta.

Kementerian Perencanaan Pembangunan Nasional. (2018). *Masterplan Ekonomi Syariah Indonesia 2019-2024*.

M, M. S., Ali, M., & Habbe, A. H. (2012). Pengaruh rasio kesehatan bank terhadap kinerja keuangan bank umum syariah dan bank konvensional di indonesia. *Jurnal Analisis*, *1* (1), 79–86.

Musharianto, A. (2018). Suku Bunga Bank Indonesia, Financing To Deposit Ratio Dan Kinerja Perbankan Syariah Di Indonesia. *Liquidity*, *3*(2), 108–114. https://doi.org/10.32546/lq.v3i2.85

Mukhlis, Imam. "Kinerja Keuangan Bank dan Stabilitas Makroekonomi Terhadap Profitabilitas Bank Syariah di Indonesia" 16 (n.d.): 11.

Novianto, Abdullah Syakur, and Djumilah Hadiwidjojo. "Analisis Faktor-faktor yang Mempengaruhi Penghimpunan Deposito Mudharabah Perbankan Syariah di Indonesia," no. 66 (n.d.): 10.

Pramuka, Bambang Agus. "Faktor-Faktor Yang Berpengaruh Terhadap Tingkat Profitabilitas Bank Umum Syariah" 7, no. 1 (n.d.): 17.

Riyadi, Slamet, and Agung Yulianto. "Pengaruh Pembiayaan Bagi Hasil, Pembiayaan Jual Beli, Financing To Deposit Ratio (FDR) dan Non Performing Financing (NPF) Terhadap Profitabilitas Bank Umum Syariah di Indonesia," 2014, 9.

Rahardja, Prathama & Manurung, Mandala. (2008).Teori Ekonomi Makro; Suatu Pengantar. Jakarta: Fakultas Ekonomi Universitas Indonesia.

Riyadi, Selamet. 2006. Banking Assets and Liability Management. 3rded. Lembaga Penerbit Fakultas Ekonomi Universitas Indonesia.

Sahara, Ayu Yanita. "Analisis Pengaruh Inflasi, Suku Bunga BI, dan Produk Domestik Bruto Terhadap Return On Asset (ROA)

Setyawati, I., Suroso, S., Rambe, D., & Susanti, Y. (2017). Peningkatan Kinerja Keuangan Melalui Manajemen Kesehatan Pada Bank Syariah Di Indonesia. *Jurnal Ecodemica*, *1* (2), 149–161.

Stiawan, A. (2009). Profitabilitas Bank Syariah. *Thesis*.

Sukirno, Sadono. 2003. Teori Pengantar Ekonomi Makro. Jakarta: PT. Raja Grafindo Persada.

Yulianto, S., & Agung, R. (2014). Pengaruh Pembiayaan Bagi Hasil, Pembiayaan Jual Beli, Financing To Deposit Ratio (Fdr) Dan Non Performing Financing (Npf) Terhadap Profitabilitas Bank Umum Syariah Di Indonesia. *Accounting Analysis Journal*, *3* (4), 466–474. https://doi.org/10.15294/aaj.v3i4.4208

Zare, Roohollah. "Bank Lending Behaviour over the Business Cycle in Iran" 11, no. 2 (2016): 18.

OJK. (2019). *SNAPSHOT*.

"OJK Indonesia Islamic Banking Snapshot 2017 (V3).Pdf," n.d.

"OJK Snapshot Juni 2018 (Final).Pdf," n.d.

https://katadata.co.id/berita/2019/09/02/inflasi-dan-upaya-penting-stabilitas-ekonomi

https://bisnis.tempo.co/read/1265331/aset-industri-perbankan-syariah-tumbuh-melambat-karena-ini/full&view=ok

https://ekonomi.bisnis.com/read/20191010/9/1157640/bank-dunia-pertumbuhan-ekonomi-indonesia-2019-terjaga-pada-level-5-persen

https://ekonomi.bisnis.com/read/20190514/9/922404/pemerintah-luncurkan-peta-jalan-ekonomi-syariah-2019-2024

https://www.bps.go.id

https://www.kemendag.go.id

https://www.bi.go.id. (n.d.). Data Inflasi - Bank Sentral Republik Indonesia. Retrieved November 16, 2019, from https://www.bi.go.id/id/moneter/inflasi/data/Default.aspx