

THE EFFECT OF *RETURN ON ASSETS* (ROA), *FINANCING TO DEPOSIT RATIO* (FDR), *CAPITAL ADEQUACY RATIO* (CAR) AND *NON-PERFORMING FINANCING* (NPF) ON MUDHARABAH FINANCING IN SHARIA COMMERCIAL BANKS IN INDONESIA FOR THE PERIOD 2017-2022

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ABSTRACT

The aim of this research is to find out to knowing the influence of profit profitability (ROA), third party funds (FDR), capital adequacy (CAR) and non-performing financing (NPF) Mudharabah financing in Indonesian Sharia commercial banks throughout the period 2017-2022. Secondary data are used as a data source. The researchers used a targeted sampling technique and received a sample from 11 banks that were registered with the OJK and published annual financial reports. The data analysis approach employs a multiple regression analysis using SPSS Version 26. This study demonstrates that all independent variables, namely ROA, FDR, CAR, and NPF, have a significant impact on Mudharabah financing.

Keywords: *Return On Assets, Financing to Deposit Ratio, Capital Adequacy Ratio, Non Performing financing, Mudharabah Financing*

ABSTRACT

The purpose of this study is to determine the influence of *Return On Assets, Financing to Deposit Ratio, Capital Adequacy Ratio, Non Performing Financing*, on mudharabah financing in Sharia Banks in Indonesia for the 2017-2022 period. The data source used is secondary data. The researcher used *the purposive sampling* technique and obtained a sample of 11 banks registered with the OJK and issued an annual financial report. The data analysis method uses multiple regression analysis using *SPSS Version 26*. This study shows that all independent variables, namely ROA, FDR, CAR, and NPF, have a significant influence on Mudharabah financing.

Keywords: *Return On Assets, Financing to Deposit Ratio, Capital Adequacy Ratio, Non Performing Financing, Mudharabah Financing*

A. INTRODUCTION

In the development of the current era of globalization, the existence of a company in the economic competition map is experiencing very high competition. Both facing competitors from domestic companies and foreign companies that have abundant capital. So that the higher the competition that will be faced by a company in developing and expanding their market, thus an appropriate policy is needed to maintain the survival of the company so that it continues to exist and develop in the future. Because one of the indicators of a country can be categorized whether it is in a developing period, whether it is in a developed condition, or even in times of crisis, it can be seen from their economic condition (Sulistiono and Anggra, 2017: 69).

Indonesia runs a dual system in banking practices based on Law No. 72 of 1992. The system allows banks to conduct business activities conventionally with an interest system or based on sharia principles with a profit-sharing system. The awareness of Indonesian Muslims towards bank interest which is considered *riba* is the main cause of the emergence of Islamic banking (Sumiyati, 2017: 1).

Islamic banks have several types of financing, which in general there are three financing principles, namely the principle of buying and selling such as the *murabahah* *salam* contract, *istishna*, then the principle of lease or service, and *mudharabah* financing. Financing itself has a definition of provision from banks and third-party bills that have been approved in their

obligation to pay off debts or other bills within the agreed period of time in the form of rewards or profit sharing (Sabtatianto and Yusuf, 2018).

Mudharabah financing itself has a special meaning, namely profit-sharing financing. The provisions made for *mudharabah* financing in the amount of customer profit sharing are determined When *mudhrabah* transactions are profits and losses, the increase in profit ratio depends on business profits, the more the business provides profits, the customer also gains profits and if there is a loss, both parties equally receive the loss (Antonio, 2001).

Table 1
Annual Report of Sharia Commercial
Banks 2011-2022
(in Billion Rupiah)

It	Year	Mudharabah Financing
1	2011	10.229
2	2012	10.023
3	2013	13.625
4	2014	14.354
5	2015	14.820
6	2016	15.292
7	2017	17.090
8	2018	15.866
9	2019	13.779
10	2020	11.854
11	2021	11.124
12	2022	10,684

Source: *Sharia Banking Statistics*

It is hoped that the financing of the profit-sharing system will be used in the real sector because the possibility of distributing funds is not for consumptive interests but for productive businesses. If viewed from the profit-sharing system, there must be a result to be shared, this happens when the

money is for a productive business venture. In fact, if you look at the observance of sharia there are many deviations of sharia in financing the sale and purchase of rent (Nugraha, 2014:4).

The impact of high value on profit-sharing financing raises the consideration of risky business decisions for entrepreneurs or investors. This will lead to new developments in business, which will lead to an increase in the country's competitiveness. Revenue sharing financing is believed to be able to overcome the problem of economic crisis. Because Islamic banking itself is an asset-based bank that conducts transactions not solely relying on paperwork but based on real assets.

Companies: Islamic bank companies generally use buying and selling financing rather than profit sharing or mudharabah. This is because customers want profitable profit sharing, not loss sharing. This means that the Islamic bank sees the risk of profit-sharing financing as quite high. While an income has a value that greatly affects the increase in profit, automatically the increase in profit will further increase assets that can be used as a distribution of funds through financing by banks. Therefore, when the ROA value increases, it will affect the increase in financing at banks.

In the distribution of financing, there are several important things that must be considered, one of which is the FDR provision. FDR is a ratio that measures the size of the Company's ability to manage funds from the community to be paid or to be channeled into financing. The ideal value

of FDR for Islamic banks ranges from 80% - 90%, this is based on the provisions of the Indonesian Sharia Banking Association (ASBSINDO). In order for the liquidity of Islamic banks to always be maintained, Islamic banks set an FDR tolerance limit of around 100%, so that if the FDR value exceeds 100%, it can be a threat to bank liquidity.

CAR is the ratio of measuring capital supply or to the effectiveness of banks in providing capital for the adequacy of needs and the ability of the bank's internal parties to find, assess, and control risks that can affect the level of risk of bank adequacy. When a bank has a good capital adequacy value, it shows that the bank is in a safe state. The higher the CAR, the better the bank is in overcoming its risk risks both from financing risks and productive assets. The high value of CAR shows that there are unused or idle bank capital funds.

Non-Performing Financing (NPF) is a ratio to measure the existence of problems in financing due to difficulties in repayment intentionally or external factors. The existence of this risk occurs when a bank is unable or difficult in recovering its bills from borrowing or investing. Bank Indonesia has determined that a good NPF value is below 5%. This concludes that banks with high FDR values show that banks are having difficulty in processing the funds that have been loaned, so it is expected that banks maintain the NPF value at a reasonable level that has been determined by Bank Indonesia.

Based on the background described above, the researcher is interested in conducting a study entitled **"The Effect of Return On Assets (ROA), Financing To Deposit Ratio (FDR), Capital Adequacy Ratio (CAR) and Non-Performing Financing (NPF) on Mudharabah Financing in Sharia Commercial Banks for the 2017-2022 Period"**.

Research Objectives

This research has several objectives as follows:

1. To find out the effect of Return On Assets (ROA) on mudharabah financing at Sharia Commercial Banks in Indonesia for the period 2017 – 2022.
2. To find out the effect of Financing To Deposit Ratio (FDR) on mudharabah financing in Sharia Commercial Banks in Indonesia for the period 2017 – 2022.
3. To determine the effect of Capital Adequacy Ratio (CAR) on mudharabah financing in Sharia Commercial Banks in Indonesia for the period 2017 – 2022.
4. To find out the influence of Non-Performing Financing (NPF) on mudharabah financing in Sharia Commercial Banks in Indonesia for the period 2017 – 2022.

B. LITERATURE REVIEW

Sharia Bank

Based on Law No. 21 of 2008 Article 1 Paragraph 1 of Sharia Banking explains matters related to Sharia Banks and Sharia Business, including institutions, business practices, and terms and conditions in running a business. According to

philosophy, Islamic banks are institutions that in practice prohibit usury. So that the interest system referred to as *riba* is a challenge that must be faced in the Islamic world today (Rukmana and Machmud, 2010: 4). Sharia Banking is an institution that carries out its business functions by collecting and distributing funds to the community on the basis of sharia principles in accordance with the provisions of the Qur'an and hadith with a profit-sharing system, so that the community feels safe to use its services and get optimal profits. People can channel their funds to Islamic banks if they are reluctant to distribute funds to conventional banks (Akbar, 2021). Islamic banks are prohibited from violating sharia principles in creating profits, and are required to increase their contribution to the welfare of the community's economy (Sumiyati, 2017: 3).

Profit Profitability (ROA)

ROA shows the ability of a bank or company to earn profits for a number of assets it owns (Pandia, 2017: 71). This ratio indicates how efficiently the use of assets managed by management is being used. A large ROA value shows that the greater the profit achieved by the company, so that the profit generated is also large and of course can attract investors due to the large rate of return on assets, this is based on the provisions of SE BI No.9/24/DPbS. According to Bank Indonesia, if the ROA value reaches at least 1.2%, it can be classified into a healthy category (Mokoagow and Fuady, 2015:36). In calculating ROA you can use this formula:

$$ROA = \frac{\text{Laba Setelah Pajak}}{\text{Total Aktiva}} \times 100\%$$

Financing from Deposit Funds (FDR)

That is a measurement that can provide evidence of the company's ability to provide funds for its customers using bank capital or funds collected from the community (Sebtatianto and Yusuf, 2018). FDR serves to assess the liquidity of a bank. The formula used in calculating the FDR value is:

$$FDR = \frac{\text{Pembiayaan}}{\text{Dana Pihak Ketiga}} \times 100\%$$

Capital Adequacy (CAR)

CAR is a ratio of capital to Risk-Weighted Assets (ATMR). ATMR is the amount of risk scales of bank balance sheets and administrative accounts. The calculation of Capital and Risk-Weighted Assets (ATMR) is completed by taking into account the Minimum Capital Provision Obligation according to the standard. Capital calculation includes core capital and other capital. The classification of core capital and other capital can be seen from the table below:

$$CAR = \frac{\text{Modal}}{\text{ATMR}} \times 100\%$$

Non-Performing Financing (NPF)

Non-performing financing is a form of distributing funds collected from people who have surplus funds and then distributed to people who need these funds. (Popita, 2013: 405). Financing is also called credit. Interest rewards are used in conventional

bank activities, unlike Islamic banks that use profit-sharing rewards for their business activities. Non-Performing Financing (NPF) can measure the performance of the company's internal parties to operate financing problems owned by the company. If the NPF value is high, it indicates that the bank's credit quality is in the poor category. Bank Indonesia has determined that a good NPL value is below 5%. To calculate the NPF value, you can use the formula, namely:

$$NPF = \frac{\text{Pembiayaan Bermasalah}}{\text{Total Pembiayaan}} \times 100\%$$

Mudorobah Financing

Financing itself means the activity of distributing funding from party A to party B for a purpose such as a business business, whether carried out independently or by business entities. This means that financing is the distribution of funds to other parties for their business purposes (Muhammad, 2005:17). In other words, mudharabah itself is interpreted as a form of affiliation in the profit-sharing dispute from those who have capital (shahibul maal) giving part of their capital to people to manage it (mudharib) accompanied by a sovereignty agreement that has been agreed later (Karim, 2004: 103).

So, mudharabah financing is the submission of funds with a profit-sharing system between capital providers such as Islamic banks, of course (shahibul maal), while this customer (mudharib) will manage and then later the savings will be

leveled according to the provisions at the beginning of the agreement. Meanwhile, when a loss occurs, if the loss is not caused by the worker, the loss will be charged by the owner of the capital. But when the loss is caused by fraud or problems on the part of the worker, the person who will be responsible for the loss is the manager (Siddiq, 2009).

Previous Research

Several studies have been conducted related to the financial ratio and mudharabah financing issued by the company. Novia Rifdah Rahmani & Wirman (2021) "*The Effect of Return On Asets (ROA) and Fiinancing to Deposit Ratio (FDR) on Mudhorobah Financing at Bank Negara Indonesia Syariah for the 2015-2019 Period*". Yuyun Hanifatunisa & M Cholid Mawardi (2019) "*The Influence of Funds of the Third Party, Non-Performing Fiinancing and Retturn On Assets in the Face of Mudorobah Financing at Sariah Commercial Bank in 2014-2017*". The results of this study show that partially Third Party Funds, ROA and NPF have a positive and significant effect on Mudorobah Financing at Sariah Commercial Bank in 2014-2017. Retno Wulandari and Rokhmah Agus (2022) "*Analysis of the Effect of Retturn On Assetts (ROA), Fiinancing to Deposit Ratio (FDR), and Capiytal Adequacy Ratiio (CAR) on Mudharabah Profit Sharing (At Sariah Commercial Bank in Indonesia Registered with OJK in 2015-2018)*". The result of this research is that ROA and CAR have an effect on mudharabah financing.

Meanwhile, FDR has no effect on mudharabah financing at Sharia Commercial Banks in 2015-2018.

C. RESEARCH METHODS

Type of Research

Researchers use quantitative methods, namely methods to investigate and obtain information with certain advantages and objectives as well as to test predetermined hypotheses. In quantitative research, it is based that a symptom can be classified, and the relationship between symptoms is causal (cause-and-effect), so researchers can research by focusing on only a few variables (Sugiyono, 2019: 8).

Population and Sample

The population used is that there are 11 Sharia Commercial Bank companies registered with the Financial Services Authority for the 2017-2022 period which will be used as a research sample. The observation period is for 6 years, so there are a total of 66 research data.

Tabel 2

Your Election		
No.	Sample Criteria	Friday
1.	Sariah Bank registered with the Financial Services Authority (OJK)	13
2.	Publish the annual financial report in lengkap from 2017-2022	12
3.	Have an annual financial report that contains information about the number of times for the results of mudharabah	11
Friday of Exploration		11

Observation Year Period 2017-2022	6
Observation Friday (x 6 Years)	66

From several criteria that have been made, 11 companies will be used as research samples, including:

Table 3
Companies sampled

It	Sharia Commercial Banks	Year of Establishment
1.	BAS	2017
2.	BPD NTBS	2018
3.	BMI	1991
4.	BVS	2010
5.	BJBS	2010
6.	BMS	2004
7.	BPDS	2009
8.	BSB	2008
9.	BCAS	2010
10.	BTPNS	2014
11.	BALS	2010

Data Collection Techniques

The data collection method is the method used by the researcher to cite references in the research, namely with data on the internet (internet research).

Variable Operations

There are two variables used, which include independent variables and dependent variables, namely:

1. Dependent variable
 - a. Profit profitability (ROA)

To calculate the ratio of the bank's ability to perform in obtaining profits for a number of its assets.
 - b. Financing from deposit funds (FDR)

To calculate the ratio that can be used as proof of the bank's ability to provide funds.

- c. Capital adequacy (CAR)

To measure the total assets at risk of the bank that will be financed using the bank's capital or resource funds.

- d. Non-performing financing (NPF)

To calculate the performance ratio of the ability of the bank's internal parties to overcome financing problems owned by the bank.

2. Dependent Variables

The dependent variable used is musharabah financing from Islamic banking which refers to the 2017-2022 financial statements.

Data Analysis Mettode

Hypothesis testing uses various statistical methods, including descriptive statistics, multiple regression analysis, hypothesis testing using simultaneous and partial tests, and determination coefficients. assisted by using *the SPSS Version 26 application*.

D. RESULTS AND DISCUSSION

In testing the hypothesis proposed, the following are the results of regression analysis using *SPSS Version 26*.

Table 3
Test Results t

	T	Sig
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<i>Constant</i>	628,655	0,000
X1 (ROA)	5,947	0,000
X2 (FDR)	2,081	0,042
X3 (CAR)	-13,293	0,000
X4 (NPF)	-7,755	0,000

Source: Data processed (2023)

Research on the influence of financial ratios, namely ROA, FDR, CAR, and NPF on mudharabah financing is described below:

The Effect of *Return On Assets (ROA)* on Mudharabah Financing

The results of the hypothesis test conducted in testing the influence of the Return on Asset (ROA) variable on mudharabah through the t-test showed a statistical t-value of 5.947 with a probability value of 0.000. The value criteria in hypothesis testing are the probability value is less than 0.05. This shows that Retun On Assets has a positive effect on mudharabah financing at Islamic commercial banks. This means that the greater the ROA value, the profit generated will also increase and also have an impact on the amount of mduharabah financing disbursed, on the other hand, if the ROA value is small, the company's profit will also decrease and the distribution of mudharabah financing issued will be smaller.

The Effect of *Fiinancing to Depositt Ratio (FDR)* on Mudarabah Financing

The results of the hypothesis test conducted in testing the influence of the Financing to Deposit Ratio (FDR) variable on mudharabah through the t-test showed a statistical t-value of 2.081 with a probability value of 0.042. The value criteria in hypothesis testing are the probability value

is less than 0.05. This shows that the Financing to Deposit Ratio has a significant positive effect on mudharabah financing in Islamic commercial banks. This means that the greater the value of FDR, the greater the distribution of mudharabah financing to Islamic banks, and the smaller the value of FDR, the smaller the distribution of mudharabah financing by Islamic banks.

The Effect of *Capital Adequacy Ratio (CAR)* on Mudharabah Financing

The results of the hypothesis test conducted in testing the influence of the Capital Adequacy Ratio (CAR) variable on mudharabah through the t-test showed a statistical t-value of -13,293 with a probability value of 0.000. The value criteria in hypothesis testing are the probability value is less than 0.05. This shows that the Capital Adequacy Ratio has a negative effect on mudharabah financing in Islamic commercial banks. This means that the greater the value of CAR, the smaller the mudharabah financing, conversely, the smaller the value of CAR, the greater the mudharabah financing by Islamic banks.

The Effect of *Non-Performing Financing (NPF)* on Mudharabah Financing in Islamic Banks in Indonesia 2017-2022

The results of the hypothesis test conducted in testing the influence of Non-Performoing Financing (NPF) variables on mudharabah through the t-test showed a statistical t-value of -7.755 with a probability value of 0.000. The value

criteria in hypothesis testing are the probability value is less than 0.05. This shows that Non-Performing Financing has a significant negative effect on mudharabah financing in Islamic commercial banks. This means that the greater the NPF value, the smaller the distribution of mudharabah financing carried out by Islamic banks, on the contrary, the smaller the NPF value, the greater the distribution of mudharabah financing by Islamic banks.

E. CONCLUSIONS AND SUGGESTIONS

Conclusion

The conclusion from the discussion above is that all independent variables are:

1. From the results of the tests that have been carried out, Return *On Assets* has a positive influence on mudharabah financing in Sharia banks which has a sig value of $0.000 < 0.05$ with a calculated t value of 5.947.
2. From the results of the tests that have been carried out, the *Financing to Deposit Ratio* has a positive effect on mudharabah financing in Sharia banks which has a sig value of $0.042 < 0.05$ with a calculated t value of 2.081.
3. From the results of the tests that have been carried out, the *Capital Adequacy Ratio* has a negative influence on mudharabah financing at Sharia bank which has a sig value of $0.000 < 0.05$ with a calculated t value of -13.293.
4. From the results of the tests that have been carried out, *Non-Performing Financing* has a negative influence on mudharabah financing in Sharia banks

which has a sig value of $0.000 < 0.05$ with a calculated t value of -7.755.

Suggestion

From the results of the research that has been tested with the conclusions obtained, the researcher would like to provide suggestions, namely:

1. It is recommended that future researchers who want to raise similar topics can add variables that are not yet present in this study.
2. The researcher is then expected to be able to add moderation variables to strengthen the results of the research.

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