THE EFFECT OF CAPITAL ADEQUACY RATIO, NON-PERFORMING FINANCING, BANK SIZE AND FINANCING TO DEPOSIT RATIO ON SHARIA BANKS PERFORMANCE IN INDONESIA

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Abstract
The purpose of this study is to examine the effect of the capital adequacy ratio, non-performing financing, bank size and financing to deposit ratio on financial performance of Islamic banks in Indonesia. The data used in this study are capital adequacy ratios, non-performing financing, bank size, financing to deposit ratio and financial performance of Islamic banks in Indonesia for 2013-2020. The data is accessed through the website www.ojk.go.id. Data analysis method in this study is panel data regression analysis method. The results of the study find that capital adequacy ratio has positive and significant effect on financial performance, while non-performing financing has negative and significant effect on financial performance. Bank size and financing to deposit ratio have no significant effect on financial performance.

Keywords: Capital Adequacy Ratio, Non-Performing Financing, Bank Size, Financing to Deposit Ratio and Financial Performance

Introduction
Financial performance is one element that needs to be considered. This is because financial performance is a measure of the company's success. When the company has good performance, the success rate in the industry is also high. In addition, companies that have good performance will certainly become companies that are targeted by investors. This is because investors want a high return on their invested funds. If the company has a good performance, then the company will be able to provide welfare for stakeholders.

Furthermore, the importance of analyzing performance has also been discussed by previous researchers. As revealed by Fernandez (2016) that high performance will have an impact on high returns and profits. In addition, company performance is also related to productivity, efficiency and effectiveness of company management in increasing company profitability (Tan & Wang, 2010). Companies with good performance are also targets for investors in the capital market (Botta, 2019). Firm financial performance proxy commonly used by previous researchers is Return on Assets which is a comparison of net income with total company assets (Muchtar et al., 2018; Perrini et al., 2008; Ramaswami et al., 2009; Zeitun & Tian, 2014). Theoretically, ROA is more often used because it is better able to reflect the company's accounting capabilities and is directly correlated with company profits (Rockmore & Jones, 1996), and is more flexible for both public and non-public companies (Kabajeh et al., 2012). The description shows that the company's performance is an important aspect to be studied.

One of the industrial sectors with slow performance growth in Indonesia is the Islamic banking sector. This can be seen from the still low market share of Islamic banks in Indonesia, not even reaching 10% compared to the market share of conventional banks (Hoesen, 2019). Furthermore, the market share of Islamic banks in Indonesia only reached 5.8% of all assets of the national banking industry in 2019, where this achievement is still far from Malaysia which managed to reach 23.8% (Astera, 2019). This shows that there is still a slowdown in the performance of Islamic banks in Indonesia, even though Indonesia is the largest Muslim country in the world, but the growth of the sharia sector is still not optimal. In addition, previous research also proved that there was a decline in ROA in the Islamic banking sector in Indonesia, where the average was 1.05% for the 2012-2016 period (Suharti & Salpiah, 2019) decreasing to 0.51% for the 2010-2018 period (Muchtar et al., 2021). This shows that the performance of Islamic Banking in Indonesia has decreased.

The summary of the performance of Islamic banking and some of its financial ratios over the last 4 years is presented in Table 1:
THE EFFECT OF CAPITAL ADEQUACY RATIO, NON-PERFORMING FINANCING, BANK SIZE AND FINANCING TO DEPOSIT RATIO ON SHARIA BANKS PERFORMANCE IN INDONESIA

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Table 1
Summary of ROA, CAR, NPF, SIZE and FDR of Sharia Banks in Indonesia 2018-2021

<table>
<thead>
<tr>
<th>Periode</th>
<th>ROA (%)</th>
<th>CAR (%)</th>
<th>NPF (%)</th>
<th>SIZE (Rp Miliar)</th>
<th>FDR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td>2018</td>
<td>1.28</td>
<td>20.39</td>
<td>1.95</td>
<td>316.691</td>
<td>78.53</td>
</tr>
<tr>
<td>2019</td>
<td>1.73</td>
<td>20.59</td>
<td>1.88</td>
<td>350.364</td>
<td>77.91</td>
</tr>
<tr>
<td>2020</td>
<td>1.40</td>
<td>21.64</td>
<td>1.57</td>
<td>397.073</td>
<td>76.36</td>
</tr>
<tr>
<td>2021</td>
<td>1.55</td>
<td>25.71</td>
<td>0.81</td>
<td>441.789</td>
<td>70.12</td>
</tr>
</tbody>
</table>

Source: OJK (2021)

Based on Table 1, it can be seen that the Return on Assets (ROA) of Islamic Banks in Indonesia fluctuate during the 2018-2021 period. This is different from the Capital Adequacy Ratio (CAR) and bank size (SIZE), which tend to experience an increasing trend during the 2018-2021 period. The Non-Performing Financing (NPF) and Financing to Deposit Ratio (FDR) tend to decline during the 2018-2021 period. This shows that the fluctuating performance of Islamic banks as measured by ROA followed by increasing CAR and SIZE values as well as decreasing NPF and FDR during the 2018-2021 period, thus encouraging the author to prove empirically whether there is an effect of CAR, NPF, SIZE and FDR on ROA in Islamic Banks in Indonesia.

Several previous studies have proven that CAR (Syamni et al., 2018; Yusuf & Surjaatmadja, 2018), NPF (Dodi et al., 2018; Nahar & Prawoto, 2017), SIZE (Astutiningisih & Baskara, 2019; Yatiningsih & Chabachib, 2015) and FDR (Almunawwaroh & Marliana, 2018; Pravasanti, 2018; Pritadyana et al., 2019) are factors that have a significant effect on financial performance. However, other studies have found different things, where CAR (Muchtar et al., 2021; Wibisono & Wahyuni, 2017), NPF (Muchtar et al., 2021; Widyaningrum & Septiariini, 2015), SIZE (Vemanda & Widyarti, 2016; Yusuf, 2017) and FDR (Agusto, 2021; Rohansyah, 2021) have no significant effect on financial performance. This shows that there are inconsistencies and differences among researchers regarding the effect of CAR, NPF and SIZE on financial performance, thus encouraging the authors to review them again.

LITERATURE REVIEW

Firm Performance

Firm performance is about a company's success in the form of companies being required to have good performance. Firm performance in general is a description of the achievements achieved by the company in its operations. Several previous experts and researchers have also defined financial performance from various perspectives, phenomena and empirical findings. According to Munawir (2016), company performance is a ratio that reflects the company's success on various activities that have been carried out by the company. Furthermore, Fahmi (2014) defines company performance as an indicator to find out which companies have carried out their operations in achieving organizational/company goals. Financial performance can also be interpreted as a factor that can reflect the effectiveness and efficiency of a company in order to achieve its goals (Pohan, 2017).

According to Candrayanthi & Saputra (2013), firm performance is the company's financial condition which is the result of company operations, including outgoing funds and profits. Meanwhile, Indarwati (2018) said that financial performance is a description of the prospects, growth, potential and development of the company in carrying out its operations. Dendawijaya (2009) added that firm performance generally is a description of the achievements achieved by the company in the operations.

Capital Adequacy Ratio

Capital adequacy ratio is a ratio that includes considerations regarding the bank's operational capital. In Indonesia, a bank can operate with a minimum CAR value of 8%. CAR is a way to measure bank capital, which is shown as the opening of a bank's risk-weighted (Kasmir, 2015). In a bank the source of bank capital acquisition can be obtained from several sources. At the beginning of the establishment of the bank, the bank obtained capital from the founders and shareholders, where investors invested their capital expecting a return in the future (Hendra, 2019). The minimum capital ratio is an element that takes into account credit risk factors, because the biggest risk in national banking is credit risk (Silaban, 2017). CAR as levels of bank capital adequacy is expressed by a certain ratio called the capital adequacy ratio (Dasih, 2014).
Capital adequacy ratio is a measuring tool used to see bank fund reserves (Almunawwaroh & Marliana, 2018). The Capital Adequacy Ratio (CAR) can be calculated by dividing the bank's capital and risk-weighted assets (Muchtar et al., 2021; Munir, 2018; Yusuf, 2017). A high capital adequacy ratio will make banks stronger in taking on the risk of any risky credit/productive assets and able to finance bank operations (Wahyuri, 2019). With the smooth operation of the bank, it will make a sizeable contribution to profitability (Yusuf & Surjaatmadja, 2018). Several previous studies have also proven that the capital adequacy ratio has a positive effect on financial performance, where the higher the capital adequacy ratio the higher the bank's financial performance (Syamni et al., 2018; Vernanda & Widyarti, 2016; Yusuf & Surjaatmadja, 2018).

Non-Performing Financing

In conventional banking, this ratio is commonly referred to as Non-Performing Loan (NPL) which is a description of bad loans (Kusumastuti & Alam, 2019). NPF is a ratio that can reflect the level of loan risk in Islamic banks (Damanhur et al., 2018). The low NPF of a bank indicates that the bank has the ability to channel funds to customers, thereby encouraging increased profits (Almunawwaroh & Marliana, 2018). Furthermore, the NPF shows the performance of Islamic banking in managing the financing risks carried out (Munir, 2018). NPF is also a ratio that shows the number of non-performing loans and the possibility that they cannot be collected (Yusuf, 2017). NPF can be interpreted as financing whose category is included in the type of financing that is not so smooth, doubtful or often referred to as non-performing financing (Dendawijaya, 2009).

NPF is an element that affects the financial performance of banks. A high NPF indicates that there is a credit failure in a bank (Mukhibad & Khafid, 2018). The smaller the NPF, the smaller the financing risk borne by the bank (Wibisono & Wahyuni, 2017). In addition, the high NPF in a bank shows that there is a failure in bank management in assessing the loan funds provided and has an impact on decreasing its performance (Hakim & Sugianto, 2018). Several previous studies have documented that the higher the NPF, the lower the financial performance, meaning that the NPF has a negative and significant effect on financial performance (Anwar, 2016; Dodi et al., 2018; Nahar & Prawoto, 2017).

Bank Size

Munawir (2016) argues that bank size is a ratio that reflects the size of the company in terms of equity, sales or total assets. According to Kurniasih & Sri (2012), bank size is a value that indicates the size of the bank. According to Fahmi (2014), bank size is a value that shows the size of the bank based on the bank's assets. Kasmir (2015) says that bank size is measured by using total assets. The rate of return on shares of large banks is greater than that of small-scale companies, because the growth rate of large banks is relatively larger than that of small companies.

Bank size can be a factor that affects financial performance (Astutiningsih & Baskara, 2019). Banks that have large total assets are able to generate large profits, due to strong assets that can overcome operational problems or risks (Vernanda & Widyarti, 2016). In addition, the greater the bank's assets, the better the bank due to the higher level of bank efficiency (Hendrayanti et al., 2019). Several previous studies have also proven that bank size has a positive and significant effect on financial performance (Astutiningsih & Baskara, 2019; Sugiarito & Lestari, 2018; Yatiningsih & Chabachib, 2015).

Financing to Deposit Ratio

In conventional banking, this ratio is usually called the Loan to Deposit Ratio (LDR), but in Islamic banks this ratio is called the Financing to Deposit Ratio (FDR). What is meant by FDR is the ratio used to find out how much financing is disbursed by banks to third party funds collected by banks (Munir, 2018). FDR can also be defined as a ratio that compares the financing provided by the bank with the level of third party funds deployed by the bank (Yusuf, 2017).

FDR can be a factor that can improve bank financial performance (Ubaidillah, 2016). Banks with increasing FDR indicate that banks have a high level of liquidity (Almunawwaroh & Marliana, 2018). In addition, high FDR also reflects the ability of banks to channel financing properly, so that bank profits increase (Yusuf, 2017). Several previous studies also support this argument which proves that FDR has a positive and significant effect on ROA (Almunawwaroh & Marliana, 2018; Ubaidillah, 2016; Yusuf, 2017).
Conceptual Framework

Conceptual framework is a model that explains how the relationship between a theory and important factors that have been known in a particular problem. Based on the research objectives, literature review, and previous research results, the conceptual framework can be seen in Figure 1.

![Conceptual Framework](https://jaruda.org)

Figure 1
Conceptual Framework

Research Hypothesis

Based on the conceptual framework above, the hypotheses in this study are as follows:

- **H₁**: CAR has positive and significant effect on financial performance of Sharia Banks in Indonesia
- **H₂**: NPV has negative and significant effect on financial performance of Sharia Banks in Indonesia
- **H₃**: Bank size has positive and significant effect on financial performance of Sharia Banks in Indonesia
- **H₄**: FDR has positive and significant effect on financial performance of Sharia Banks in Indonesia

RESEARCH METHODS

Object and Location of Research

In this study, the variables that became the object of the study are CAR, NPF, bank size, FDR and Financial Performance of Sharia Banks in Indonesia during 2013-2020. The research location is official site of OJK Indonesia.

Types of Research

This research uses quantitative research where this research is sourced from numbers and data which will then be processed using statistical tools for data processing.

Population and Sample

The population in this study are all Islamic banks registered with the OJK and in Indonesia, as many as 12 banks. The sampling method in this research is purposive sampling method. Sugiyono (2016) said that Purposive Sampling is a sampling that is carried out by taking subjects not based on strata, random or regional but based on certain criteria. The criteria determined for the selection of samples in this study are as follows:

1. Sharia Banks in Indonesia and registered with OJK (Population).
2. Islamic banks in Indonesia that have never experienced a change from conventional to sharia during the study period (2013-2020)
3. Islamic banks in Indonesia that did not change the name of the bank during the study period (2013-2020)

Based on the above criteria, the samples in this study are 7 banks that had completed data and accordanced with the above criteria. The list of sample banks is as follows:
Table 2
List of Samples

<table>
<thead>
<tr>
<th>No</th>
<th>Nama Bank</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank Muamalat Indonesia, Tbk</td>
<td>Sesuai Kriteria</td>
</tr>
<tr>
<td>2</td>
<td>Bank Victoria Syariah</td>
<td>Sesuai Kriteria</td>
</tr>
<tr>
<td>3</td>
<td>Bank Jabar Banten Syariah</td>
<td>Sesuai Kriteria</td>
</tr>
<tr>
<td>4</td>
<td>Bank Mega Syariah</td>
<td>Sesuai Kriteria</td>
</tr>
<tr>
<td>5</td>
<td>Bank Panin Dubai Syariah, Tbk</td>
<td>Sesuai Kriteria</td>
</tr>
<tr>
<td>6</td>
<td>Bank Syariah Bukopin</td>
<td>Sesuai Kriteria</td>
</tr>
<tr>
<td>7</td>
<td>BCA Syariah</td>
<td>Sesuai Kriteria</td>
</tr>
</tbody>
</table>

Source: OJK (2021)

Data Analysis Methods
The data of this study were analyzed and tested with statistical tests, namely descriptive statistics, classical assumption tests, and regression analysis for testing research hypotheses.

Test of Classical Assumptions
The classical assumption test consists of a normality test, a multicholinearity test, a heteroskedasticity test, and an autocorrelation test.

Multiple Linear Regression Analysis
This study used Multiple Linear Regression Analysis using the E-Views program. E-Views is a Windows-based computer program used for statistical analysis and econometrics of a time-type type.

Hypothesis Testing
Hypothesis testing in this study uses partial testing (t test) and determination coefficient testing.

RESULTS AND DISCUSSION
Descriptive Statistik
Based on the results of the data processed, the descriptive statistical values of the variables of CAR, NPF, bank size, FDR and ROA in Table 3 are as follows:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>Max</th>
<th>Min</th>
<th>Obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>0.3567</td>
<td>1.0177</td>
<td>2.6300</td>
<td>-2.7700</td>
<td>56</td>
</tr>
<tr>
<td>CAR</td>
<td>20.0975</td>
<td>7.0644</td>
<td>45.3000</td>
<td>11.1000</td>
<td>56</td>
</tr>
<tr>
<td>NPF</td>
<td>2.9730</td>
<td>1.6866</td>
<td>6.9000</td>
<td>0.0100</td>
<td>56</td>
</tr>
<tr>
<td>LN_SIZE</td>
<td>29.6385</td>
<td>1.0023</td>
<td>31.7652</td>
<td>27.9112</td>
<td>56</td>
</tr>
<tr>
<td>FDR</td>
<td>91.6844</td>
<td>16.5999</td>
<td>196.7300</td>
<td>63.9400</td>
<td>56</td>
</tr>
</tbody>
</table>

Source: research results, 2022

Based on Table 4.1, it can be seen that ROA has an average value of 0.3567% with a standard deviation of 1.0177%. The mean value which is smaller than the standard deviation indicates that the fluctuations in the ROA data in this study are high. The highest value of ROA in this study was 2.6300% and the lowest value is -2.7700% for 56 observations. Furthermore, the average value of CAR is 20.0975% with a standard deviation of 7.0644%. The average value which is greater than the standard deviation indicates that the fluctuations in the CAR data in this study are relatively low. The highest CAR value in this study was 45.3000% and the lowest value was 11.1000% for 56 observations. The average value of NPF in this study is 2.9730% with a standard deviation of 1.6866%. The mean value which is greater than the standard deviation indicates that the fluctuation of the NPF data in this study is relatively low. The highest value of NPF in this study was 6.9000% and the lowest value was 0.0100% for 56 observations. Furthermore, the average value of bank size (SIZE) in this study is 29.6385 with a
standard deviation of 1.0023. The average value which is higher than the standard deviation value indicates that the fluctuation of the SIZE data is relatively small. The highest value of SIZE in this study was 31.76 and the lowest value was 27.91 for 56 observations. FDR in this study has an average value of 91.6844% with a standard deviation of 16.5999%. The mean value which is smaller than the standard deviation value indicates that the fluctuations in the FDR data in this study are relatively small. The highest value of FDR is 196,730% and the lowest value is 63.9400% for 56 observations.

Test of Classical Assumptions

Normality Test

The results of the normality test can be seen in Figure 2 below.

Based on the picture above, it can be seen that the Probability value in the Jarque-Bera test is 0.097226 where the value is above the standard error value (5%). Therefore, it can be concluded that in this study it is normally distributed.

Heteroskedasticity Test

The results of the heteroskedasticity test can be seen in Table 4 below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>5.2123</td>
<td>1.4806</td>
<td>0.1449</td>
</tr>
<tr>
<td>CAR</td>
<td>-0.0073</td>
<td>-0.4625</td>
<td>0.6457</td>
</tr>
<tr>
<td>NPF</td>
<td>0.0657</td>
<td>0.9898</td>
<td>0.3269</td>
</tr>
<tr>
<td>LN_SIZE</td>
<td>-0.1633</td>
<td>-1.4404</td>
<td>0.1559</td>
</tr>
<tr>
<td>FDR</td>
<td>0.0023</td>
<td>0.4498</td>
<td>0.6547</td>
</tr>
</tbody>
</table>

Source: research results, 2022

Based on the table above, it can be seen that all free variables in the Glajser test are above 0.05. Therefore, it can be concluded that there were no symptoms of heteroskedasticity in this study

Multicollinearity Test

The following are the results of the multicollinearity test which can be seen in Table 5 below:

<table>
<thead>
<tr>
<th>ROA</th>
<th>CAR</th>
<th>NPF</th>
<th>LN_SIZE</th>
<th>FDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0000</td>
<td>0.4000</td>
<td>-0.4659</td>
<td>-0.5871</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

Source: research results, 2022
Based on the table above, it shows that all cells between the independent variables in this study had a correlation value below 0.8. It can be concluded that there is no multicollinearity symptom in this study, it means that all independent variables in this study do not have a high correlation.

**Autocorrelation Test**

The autocorrelation test can be seen in *Durbin Watson* values. *Durbin Watson*'s value in this study was 1.6225. The value is between the tolerance values in the auto correlation test, namely -2 and 2. Therefore, it can be concluded that this study is free from autocorrelation symptoms, meaning that in this research model there is no correlation disorder between the time periods used in each variable.

**Multiple Regression Analysis**

The results of the data processor can be seen in Table 6 and also in the following regression equation:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.3605</td>
<td>0.0499</td>
</tr>
<tr>
<td>CAR</td>
<td>0.0444</td>
<td>1.8812*</td>
</tr>
<tr>
<td>NPF</td>
<td>-0.2092</td>
<td>-2.1630**</td>
</tr>
<tr>
<td>LN_SIZE</td>
<td>0.0030</td>
<td>0.0126</td>
</tr>
<tr>
<td>FDR</td>
<td>-0.0039</td>
<td>-0.5533</td>
</tr>
</tbody>
</table>

R-squared: 0.1923
Adj R-squared: 0.1290
F-statistic: 3.0373**
Durbin-Watson: 1.6225

Based on the table above, the results of the multiple linear regression analysis equation can be written as follows:

\[
\text{ROA} = 0.3605 + 0.0444\text{CAR} - 0.2092\text{NPF} + 0.0030\text{LN_SIZE} - 0.0039\text{FDR}
\]

Based on the equation resulting from multiple line regression above, it is interpreted as follows:
1. Constant Value of 0.3605 means that if variable X1 or CAR, X2 or NPF, X3 or Bank Size and X4 or FDR is of constant or fixed value then variable Y (ROOA) has a fixed value of 0.3605%.
2. The coefficient of CAR is 0.0444, this shows that CAR variable has a positive effect on ROA, if CAR value increases 1%, so ROA will increases as 0.0444%
3. The coefficient of NPF is -0.2092, this shows that NPF variable has a negative effect on ROA, if NPF value increases 1%, so ROA will decreases as 0.2092%
4. The coefficient of SIZE is 0.0030, this shows that SIZE variable has a positive effect on ROA, if SIZE value increases 1%, so ROA will increases as 0.0030%
5. The coefficient of FDR is -0.0039, this shows that FDR variable has a negative effect on ROA, if FDR value increases 1%, so ROA will decreases as 0.0039%
Hypothesis testing
Partial test (T test)
Based on the Table 6 above, it can be seen that CAR has t-statistic whose probability in 10% significant level. It means that CAR has significant effect on ROA, so H1 is accepted. Then NPF has t-statistics whose probability in 5% significant level, so H2 in this study is accepted too. But SIZE and FDR have t-statistic whose probabilities are insignificant, so H3 and H4 in this study are ejected.

Coefficient of Determination ($R^2$)
Based on the Table 6 above, the coefficient of determination (Adj R-Square) in this study was 0.1290 or 12.9%. This value indicates that CAR, NPF, LN_SIZE and FDR are able to explain financial performance (ROA) of 12.9%, while the remaining (87.1%) is explained by other factors outside of this study.

Discussion

The Effect of CAR on ROA
Based on the test results on Table 6 shows that CAR has positive and significant effect on Financial Performance (ROA) in Sharia Bank, so H1 in this study is accepted. It means that greater CAR can improve ROA higher. This significant influence occurs because with a strong capital adequacy, it will have sufficient capital to run its operations. Operations that take place well will make banks earn higher profits (Dao, 2020). In addition, the high CAR indicates that the bank is more resistant to macroeconomic threats that are vulnerable to occur, so that it is stronger in competing in the industry (Ho & Hsu, 2010). These results are also in line with previous studies which documented that the capital adequacy ratio had a positive and significant effect on financial performance (Syamni et al., 2018; Vernanda & Widyarti, 2016; Yusuf & Surjaatmadja, 2018).

Effect of NPF on ROA
Based on the test results on Table 6 shows that NPF has negative and significant effect on Financial Performance (ROA) in Sharia Bank, so H2 in this study is accepted. It means that greater NPF can decrease ROA lower. This negative and significant effect occurs because a high NPF indicates that non-performing financing at the bank is high, so that the bank will experience a decrease in profits (Sudiyatmoko, 2018). In addition, high non-performing financing will affect bank operations, so that bank profits will decrease (Klein, 2013). This result is also in line with previous studies which found that NPF had a negative and significant effect on financial performance (Anwar, 2016; Dodi et al., 2018; Nahar & Prawoto, 2017).

Effect of Bank Size on ROA
Based on the test results on Table 6 shows that bank size has no significant effect on Financial Performance (ROA) in Sharia Bank, so H3 in this study is rejected. It means that increasing of bank size gives no effect on financial performance. The insignificant effect between bank size and ROA occurs because the size of the bank is not a guarantee that the bank can have good performance which is reflected in its profit (Nawaf, 2015). In addition, the assets that accumulate also cannot maximize the bank's search for profit, because it has to incur costs for asset maintenance (Saeed, 2014). Furthermore, an insignificant effect occurs because banks are companies that tend to get returns from interest, so banks do not need assets that are so high in obtaining returns or profits (Prasanjaya & Ramantha, 2013). Companies engaged in banking also do very little to expand their assets and prefer to rent, so that assets are not a determinant of bank profits (Dietrich & Wanzenried, 2009). The description shows that bank size has no significant effect on financial performance. This result is also in line with previous studies which found that bank size had no significant effect on financial performance (Vernanda & Widyarti, 2016; Yusuf, 2017).

Effect of FDR on ROA
Based on the test results on Table 6 shows that FDR has no significant effect on Financial Performance (ROA) in Sharia Bank, so H4 in this study is rejected. It means that increasing of FDR gives no effect on financial performance. This means that Islamic banks in the distribution of financing to prospective customers are carried out by taking into account the 5C principles which consist of Character (character), Capacity (returnability), Collateral (collateral), Capital (capital), and Condition (situation and conditions) (Rohansyah, 2021). The existence of these five principles makes banks not worry about the flow of funds distributed to customers will be in arrears, so that FDR does not have an impact on financial performance.
performance (Kartika et al., 2020). This result is also in line with previous studies which found that FDR had no significant effect on financial performance (Rohansyah, 2021; Wibisono & Wahyuni, 2017).

CLOSING

Conclusion

Based on the results of research conducted by this method of multiple linear regression analysis, the following conclusions can be drawn.

1. CAR has a positive and significant effect on the financial performance of Islamic banks in Indonesia.
2. NPF has a negative and significant effect on the financial performance of Islamic banks in Indonesia.
3. The size of the bank has no significant effect on the financial performance of Islamic banks in Indonesia.
4. FDR has no significant effect on the financial performance of Islamic banks in Indonesia.

Suggestion

Some suggestions that the author can give include:

1. Recommended to stakeholders in Islamic banks in Indonesia to continue to pay attention to the level of bank capital adequacy so that banks can continue to operate properly.
2. Suggested to the stakeholders in Islamic Banks in Indonesia to be more careful in assessing bad loans, because this has an impact on decreasing performance.
3.Recommended to the bankers not to pay too much attention to the size of the bank's assets and its FDR at Islamic banks in the investment decision process, because this has no impact on their financial performance.
4. Recommended for other researchers to examine other factors that affect the financial performance of banks with different research objects and a longer research period for the development of science in the field of financial management.

REFERENCE


THE EFFECT OF CAPITAL ADEQUACY RATIO, NON-PERFORMING FINANCING, BANK SIZE AND FINANCING TO DEPOSIT RATIO ON SHARIA BANKS PERFORMANCE IN INDONESIA

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